

The State of Working West Virginia



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About the West Virginia Center on Budget and Policy

The West Virginia Center on Budget and Policy is a policy research organization that is nonpartisan, nonprofit, and statewide. It focuses on how policy decisions affect all West Virginians, including low- and moderate-income families, other vulnerable populations, and the important community programs that serve them.

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Introduction

What about the people who do the work?

In discussions about West Virginia's economy and its future, we often hear about its business and legal climate. Urgent claims are sometimes made that businesses will flee the state unless this or that reform is undertaken.

Seldom do we hear any discussion about the state's climate for working people. In times like these, we would do well to remember the words of President Abraham Lincoln in his first annual address to Congress: "Labor is prior to and independent of capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed. Labor is the superior of capital, and deserves much the higher consideration."

This is the first of what we hope to be many reports on the state of working West Virginia. Our aim is to provide a fairly comprehensive view not only of current conditions but also of changes over the past 30 years as well as possible directions for the future.

We are inspired in this effort by the work of the Economic Policy Institute, which since 1988 has biennially published *The State of Working America*, which has been described by the Financial Times as "the most comprehensive independent analysis of the U.S. labor market." We have also learned from the efforts of groups in several states that have followed this example in preparing studies of their own.

Why does it matter?

The climate for working people should be no less worthy a topic for reflection than the state's business climate. After all, working families vote with their feet, pursuing—however reluctantly—opportunities where wages, benefits and working conditions are better, as a brief look at population trends reveals. In the 2000 Census, the state had an estimated population of 1,808,344—nearly a 200,000 drop from its peak population of 2,005,053 in 1950. Although the state population has again begun to increase, the downward trend over the last several decades is stark.

According to the West Virginia Health Statistics Center, if nobody had either moved into or out of West Virginia from 1950 to 2000, the normal rate of increase in population would have resulted in a state with 2,605,345. This has

resulted in the loss of 797,001 potentially productive West Virginians over the last 50 years:

"In other words, West Virginia has lost an average of 15,940 residents per year, 1,328 citizens per month, 307 per week, and 44 per day. Imagine two people packing up and leaving the state almost every hour of every day, and that would best describe West Virginia's migration over the years."¹

The report notes, "Much of the state's out-migration has been younger people who have been forced to move away to find work in other regions because of fewer economic opportunities in the Mountain State."²

One result of this trend has been the graying of West Virginia. In the 2000 Census, the state ranked third in the percent of state population over age 65, behind Florida and Pennsylvania. By 2010, it is expected to rank in second place.³ If only for demographic reasons, boosting the state's working-age population—which means improving its economic well-being—is vital for the future of the state.

This report will examine the characteristics of West Virginia's labor force as well as issues such as job quality, economic security, unemployment and underemployment and will make recommendations aimed at improving economic conditions for all West Virginians. In general, the report will use data from 1979 to 2007 in order to present a long-term view of West Virginia's economic and workforce conditions.

By an accident of history, this report is published at a time when our state's recent economic progress may be threatened by a recession in the United States and global economy. Even though West Virginia is not the epicenter of the collapse of the housing bubble, the state's residents will eventually feel its effects as falling consumption and investment reduce demand for the goods and services produced by West Virginians. The economic uncertainty of our times only highlights the need for a sustainable economy based on a broadly shared prosperity.

Labor Force Glossary & Diagram

Labor Force Participation Rate – The labor force participation rate is the number of people aged 16 or older who are either employed or considered to be unemployed divided by the entire population aged 16 or older. Individuals in institutions (for instance, prisoners or nursing home residents) are excluded from this calculation, as are members of the military. Thus, a labor force participation rate of 50 percent for women means that approximately half of all women aged 16 or older either have a job or are looking for one, while 50 out of every 100 women are not in the labor force—that is, they are not actively seeking employment, either because they do not believe jobs are available or for any other reason.

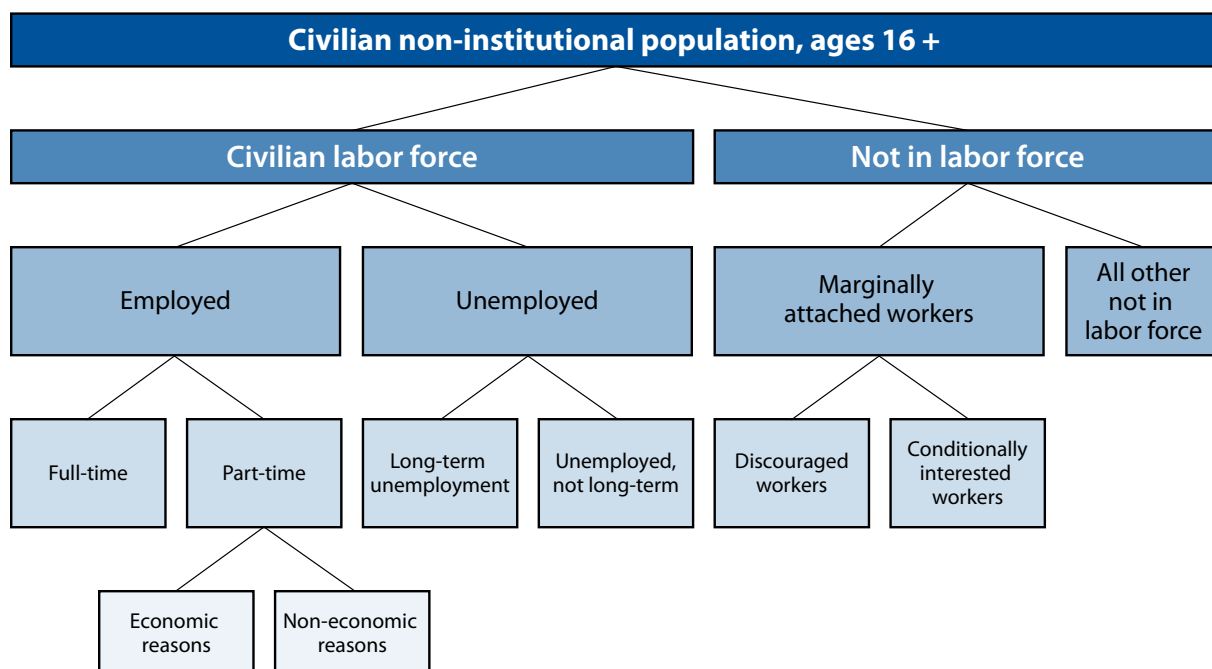
Unemployment Rate – The unemployment rate is the share of the labor force aged 16 or over that is not currently working but that has actively sought employment during the last four weeks. It does not include those who may be out of work but who have become discouraged and stopped looking for a job. As a result, the unemployment rate does not capture the true depth of unemployment.

Employment to Population Ratio – The employment-to-population ratio or employment rate is defined as the proportion of the economy’s working-age (aged 16 and older) that is employed. Moreover, this measure does not include institutionalized individuals and members of the military.

Underemployment Rate – The underemployment rate includes the unemployed, discouraged workers (those who’ve given up looking for work in the last year), part-time workers who are seeking full-time employment, and those who face a substantial barrier to work—such as lack of transportation or child care.

Long-term Unemployment Share – The percentage of people who are considered unemployed who have been out of work for more than 26 weeks.

Part-time for Economic Reasons Share – The percentage of people who would like to work full-time (and are available to do so) but cannot because full-time employment is unavailable or they cannot find a full-time job.



The Face of Working West Virginia

This chapter looks at the composition and participation of West Virginia's workers. It provides data on demographics, such as gender, age, education, and ethnicity, and describes how these workers make up working West Virginia.

West Virginia's Workforce is Behind in Education, But Showing Improvement

West Virginia's workforce consists of over 800,000 workers. This includes employed workers and unemployed workers who are actively seeking employment. Table 1.1 displays the composition of West Virginia's workforce, in terms of gender, age, race, and educational attainment, from 1979 to 2007 and how these figures compare to the nation as a whole. The most significant difference between West Virginia's workforce and the national workforce is in racial composition. Ninety-five percent of West Virginia's workforce is white, while the nation's labor force is 68.5 percent white. African-Americans make up only 2.8 percent of the Mountain State's workforce while nationally they make up 11 percent.

Another difference in West Virginia's workforce is that it contains less educated workers than the overall U.S. labor force. In 2007, the share of West Virginians holding an undergraduate degree was 20.9 percent, compared to 30.3 percent for the entire United States. West Virginia's workforce also contained the 3rd lowest amount of workers who had a college degree. In a rapidly globalizing economy education is key to sustaining growing incomes and employment.

Since 1979, the composition of West Virginia's workforce has changed in many respects. With respect to gender, Table 1.1 shows that West Virginia's female workers now comprise 45.9 percent of the workforce compared to 36.9 percent in 1979—a difference of 9 percentage points. Shifts in West Virginia's workforce can also be seen in age. The working population between ages 16-24 has shrunk by 11.5 percentage points while the shares of the workforce aged 25-54 and 55 years and older have gained 6.9 and 4.6 percentage points respectively. Nationally, the percentage of those aged 16-24 in the workforce declined by almost 10 percentage points from 24.2 to 14.5 percent. Both West

Virginia and the U.S. have experienced a graying of the workforce, as those 55 and older now make up around 17 percent of the workforce.

The educational attainment of West Virginia's workforce has also changed dramatically since 1979. In that year, 26.6 percent of workers did not have a high school diploma while in 2007 this number declined to 8.6 percent. Over the same period, the rest of the country's workforce also improved on this measure—declining from 21.6 to 11.7 percent. However, the percent of workers without a high school degree in the

TABLE 1.1

Labor Force Demographics, West Virginia and U.S., 1997 and 2007

	West Virginia		United States	
	1979	2007	1979	2007
Gender				
Male	63.1%	54.1%	57.8%	53.6%
Female	36.9	45.9	42.2	46.4
Age				
16-24 yrs	24.3%	12.8%	24.2%	14.5%
25-54 yrs	62.6	69.5	61.5	68.1
55 yrs and older	13.1	17.7	14.1	17.3
Race/Ethnicity				
White	97%	94.8%	83.3%	68.5%
African-American	2.4	2.8	10.1	11
Other	0.6	2.4	4.9	19.6
Education				
Less than high school	26.6%	8.6%	21.6%	11.7%
High school	46.1	43.7	39.6	29.5
Some College	16.3	26.8	20.0	28.5
Bachelor's or higher	11.0	20.9	18.8	30.3

Source: Economic Policy Institute Analysis of Current Population Survey Data

Note: The labor force includes all persons 16 or older who are classified as employed or unemployed.

Mountain State is now 3.1 percentage points lower than in the U.S. Similar to 1979, almost half of the states workforce has just a high school degree in 2007.

In terms of higher education, the Mountain State lagged behind the rest of the country despite some gains. From 1979 to 2007, the share of West Virginia's workforce with some college experience increased 10.5 percentage points from 16.3 to 26.8 percent. Nationally, the workforce with some college experience increased by 8.5 percentage points over this same period and was 1.7 percent higher than West Virginia's in 2007. Since 1979, West Virginia has made advancements in the share of college graduates in the workforce. Indeed, from 1979 to 2007, the share of West Virginia's workforce with four-year college degrees grew from 11 to 20.9 percent, while the corresponding national figure rose from 18.8 to 30.3 percent.

Labor Force Participation Rate Lowest in the Nation

The labor force participation rate is the share of workers aged 16 and over who are working or actively seeking employment. It does not include West Virginians who are in the military or in an institution such as a prison or nursing home. The labor force participation rate is a good barometer for how well the state's economy provides employment for those who are able to work. As Table 1.2 shows, West Virginia's labor force participation rate in 2007 was 56.3 percent, up only 1.8 percentage points since 1979.

While the overall labor force participation rate has increased, it hasn't improved for younger workers or those without a higher education. For example, 62.2 percent of 16 to 24 year old West Virginians were participating in the job market in 1979 but only 53.5 percent are participating now. This significant drop reflects the fact that younger workers are having trouble finding jobs or that they are dropping out of the workforce to pursue other goals, such as education and child-rearing.

Table 1.2 also shows that workers without a higher level of education are having a harder time finding jobs today than they were in 1979. While the labor force participation rate for each of the education groups is lower today than in 1979, those without or with only a high school degree are having the most difficult time finding employment. Both of these groups have seen 9.3 percentage point drops in their labor force participation rates.

African-American workers have shown the largest increase in labor participation of this period and have out performed white workers in West Virginia. While white workers have only experienced 1.6 percentage point change in their labor participation rate, African American workers have seen a 9.5 percentage point increase. In 1979, 54.4 percent of white adults and 53.5 percent of African-American adults were working or looking for a job. By 2007 63 percent of African-American adults were in the labor force, as opposed to 56.0 percent for their white counterparts.

TABLE 1.2

Change in West Virginia Labor Force Participation Rate, 1979-2007

	1979	2007	Difference
All	54.5%	56.3%	1.8%
Age			
16-24 yrs	62.2%	53.5%	-8.7%
25-54 yrs	68.1%	75.5%	7.4%
55 yrs and older	24.8%	28.8%	4.0%
Race / ethnicity			
White	54.4%	56.0%	1.6%
African-American	53.5%	63.0%	9.5%
Education			
Less than high school	34.4%	25.1%	-9.3%
High school	65.6%	56.3%	-9.3%
Some college	73.8%	68.7%	-5.1%
Bachelor's or higher	79.6%	79.2%	-0.4%

Source: Economic Policy Institute Analysis of Current Population Survey Data

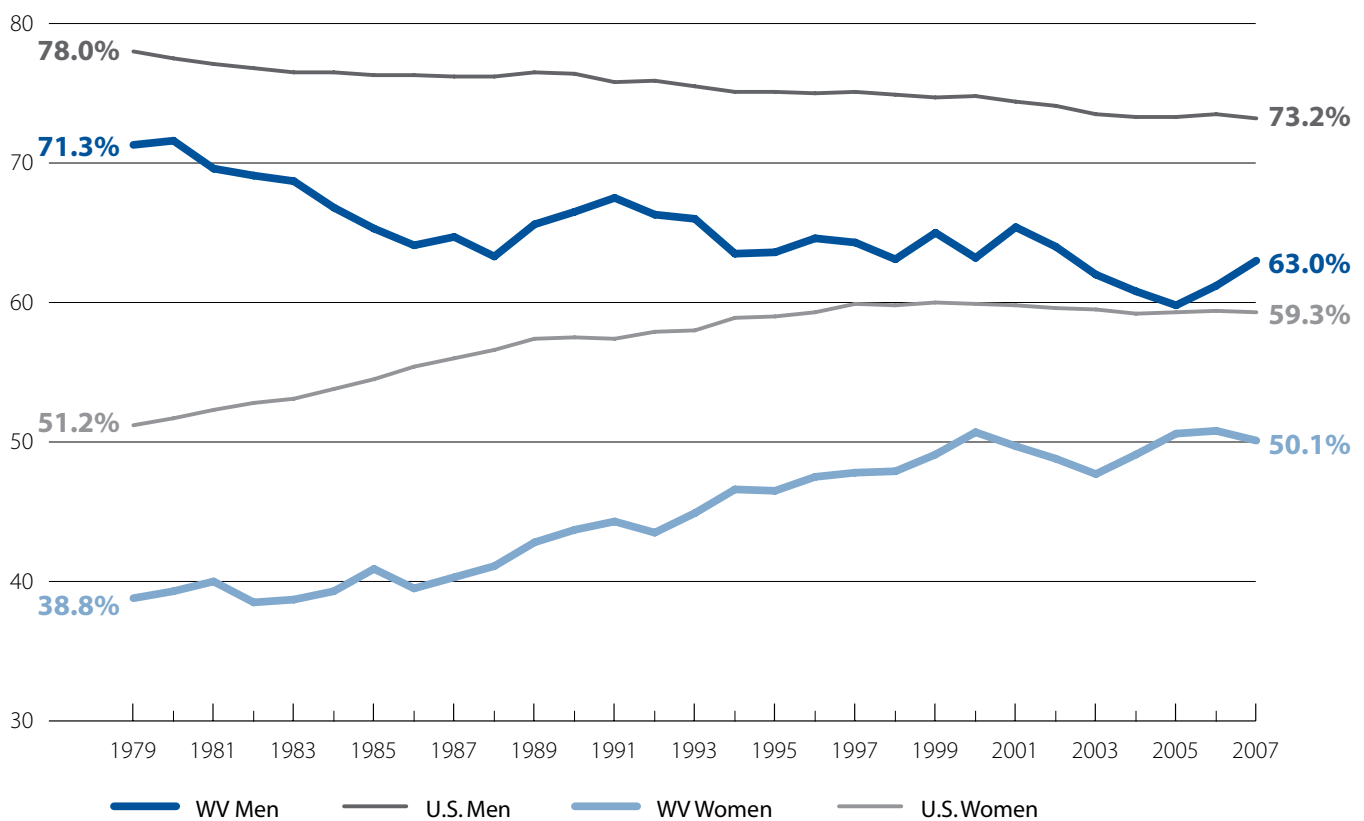
Figure 1.1 shows the evolution of labor participation rates by gender over time and makes clear that West Virginia's women have shown remarkable progress. In 1979, 38.8 percent of women were in the labor force. By 2007, women increased their labor force participation rate by 11.3 percentage points.

Men, by contrast, have reduced their labor force participation by 8.3 percentage points over the same period. While men and women in West Virginia both rank well below the national average, men have moved farther away from the national average than women. In 2007, 63 percent of men were in the labor force, as compared to 73.2 percent of men nationally. During this same time, 50.1 percent of West Virginia women were in the labor force compared to 59.3 percent nationally.

In 2007, West Virginia had the lowest labor force participation rate in the country at 56.3 percent (Figure 1.2). This was 9.7 percentage points below the national average and almost 20 percentage points below North Dakota, the state with the highest rate. A low labor force participation rate means that many workers are not participating in the local economy and thus not earning an income which contributes to the low per capita personal income in the state (see Chapter 2). It also means many households depend on participation in the informal sector, both legal and illegal, for their survival.

While West Virginia's low ranking could be due to several factors, the most important cause is probably the Mountain State's unusually high disability rates. In 2007, West Virginia had the highest disability rate for people between the ages of 21 and 64 at 22.5 percent.⁴ Overall, a strong correlation exists between states that exhibit high rates of disabilities and states that have low labor participation rates.⁵

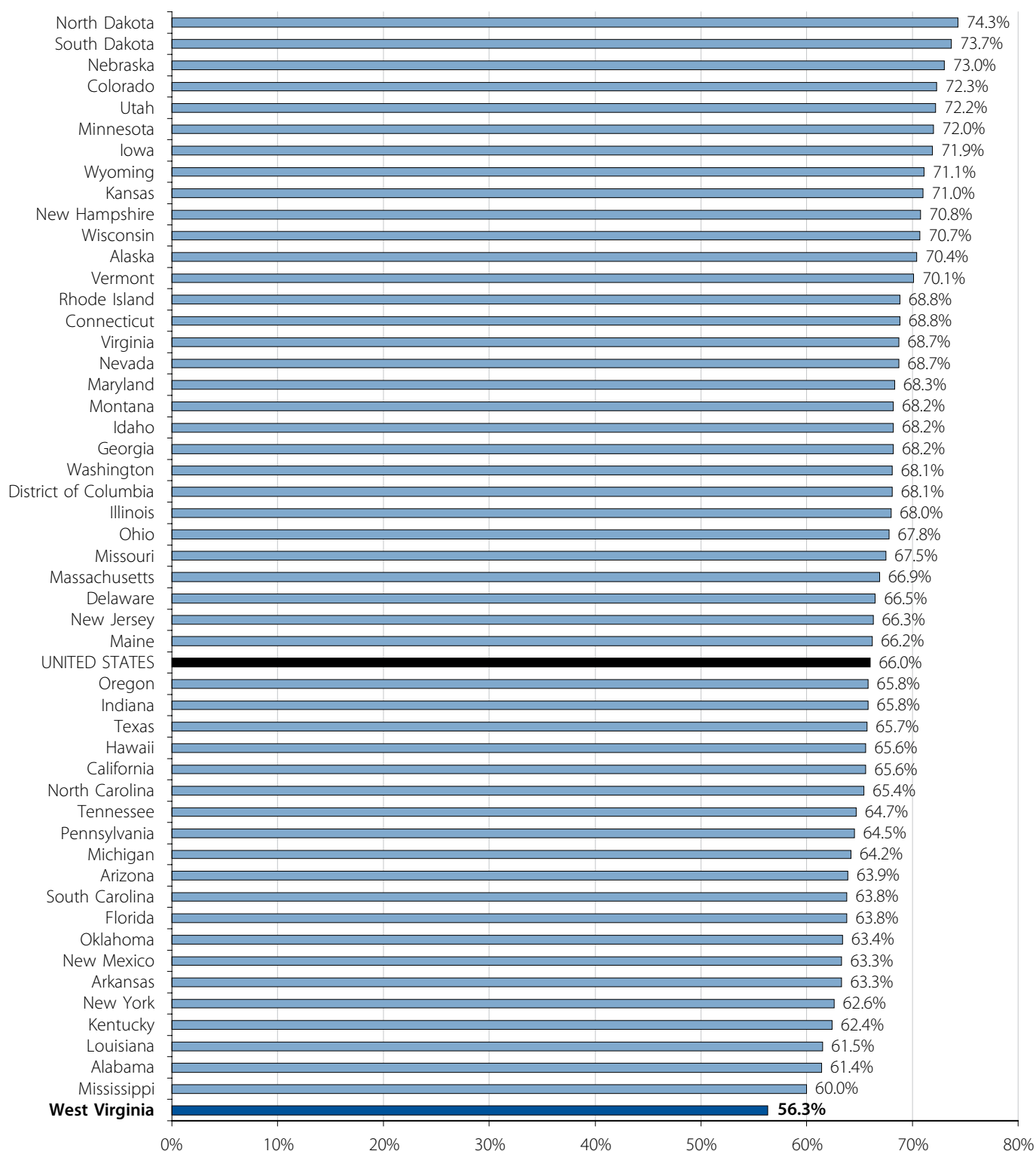
FIGURE 1.1
Labor force participation rate by Demographic
by Year in West Virginia



Source: Economic Policy Institute Analysis of Current Population Survey Data

FIGURE 1.2

Labor force participation rate, West Virginia and U.S., 2007



Source: Economic Policy Institute Analysis of Current Population Survey Data

Output, Employment and Job Growth

The last chapter looked at the makeup of West Virginia's workforce. The purpose of this chapter is to examine how our workforce is contributing to the state's economic output, where our state's workforce is currently working, and how the growth and decline of certain industry sectors have changed our economy and workforce.

Per Capita Income Growth Outpaces U.S. Since 2000

One way to gauge a state's economic performance over time is by looking at per capita personal income growth. Per capita income is measured by taking the total income of a state or nation and dividing it by the number of people within a boundary. While it does not illustrate the economic well-being or distribution of income within a state or country, it provides key insight into the health and growth of our economy. Figure 2.1 shows inflation-adjusted per capita income for West Virginia and the U.S. since 1979.

West Virginia's per capita income in 2007 was \$29,293, the second lowest in the nation. In 2007, the national per capita income was \$38,564, more than \$9,000 above West Virginia's. Overall, the economies of West Virginia and the United States have grown significantly since 1979. West Virginia's per capita income grew 49.3 percent from 1979 to 2007 while the nation grew more rapidly at 58.4 percent (after adjusting for inflation.)

West Virginia has ranked 49th in per capita income in all but nine years since 1979. The wide gap separating West Virginia's per capita income and the national average has been present since 1979, but grew considerably in the 1980s. As Table 2.1 makes clear, between 1979 and 1990 the nation's average annual per capita income growth rate was 1.85 percent while West Virginia's rate was 1.14 percent per year. From 2000-07, however, West Virginia's income growth outpaced the national average by growing 1.57 percent per year while the U.S. grew at an annual rate of 1.28 percent. Despite this progress, per capita income growth in West Virginia was .21 percentage points behind the rest of the nation since 1979.

TABLE 2.1

Per Capita Income and Per Capita Income Growth, West Virginia and U.S., 1979-2007 (2007 dollars)

	1979	1990	2000	2007	Total Growth
West Virginia	\$21,722	\$26,373	\$26,373	\$29,293	49.3%
United States	\$29,901	\$35,934	\$35,934	\$38,564	58.4%

Average Annual Growth Rate

	1979-90	1990-00	2000-07	1979-07
West Virginia	1.14%	1.74%	1.57%	1.41%
United States	1.85%	1.64%	1.28%	1.62%

Source: U.S. Bureau of Economic Analysis

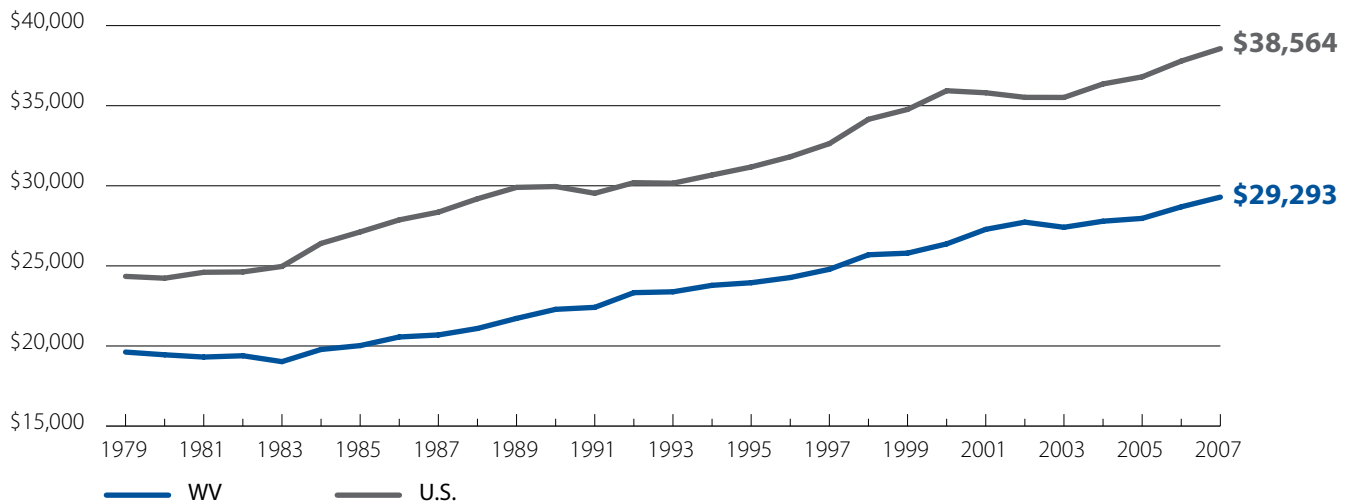
Manufacturing and Health Care Key Sectors of State Economy

Another way to look at the size of West Virginia's economy is by examining the key industries that contribute to West Virginia's Gross State Product (GSP). Similar to the Gross Domestic Product (GDP) used at the national level, GSP is a broad measure of economic output. In 2007, West Virginia's GSP was \$57.7 billion. Table 2.2 illustrates the contribution to GSP for each industry and the total employment by industry.

Government contributed the largest amount to West Virginia's GSP, accounting for over \$10 billion and 152,533 jobs. In terms of the private sector, manufacturing is the leading contributor to West Virginia's economy, generating 11.1 percent of GSP (\$6.4 billion) and employing 6.7 percent of the workforce. Health care and social assistance make up 9.5 percent of GSP and employ the largest percent of the state's workforce at 12.5 percent. Mining also significantly contributes to our GSP, contributing \$4.3 billion to the state's economy while employing 34,407 people.

FIGURE 2.1

Income Growth, West Virginia and U.S., 1979-2007



Source: U.S. Bureau of Economic Analysis

TABLE 2.2

West Virginia Gross State Product and Employment by Industry, 2007

	WV GSP (Millions)	Percent of Total GSP	Employment	Percent of Total Employment	Productivity (State GSP per Worker)
Total	\$57,711		922,127		\$62,585
Private industries	\$47,579	82.4%	746,485	81.0%	\$63,737
Agriculture, forestry, fishing, and hunting	\$286	0.5%	1,306	0.1%	\$218,989
Mining	\$4,281	7.4%	34,407	3.7%	\$124,422
Utilities	\$2,845	4.9%	6,440	0.7%	\$441,770
Construction	\$2,194	3.8%	56,366	6.1%	\$38,924
Manufacturing	\$6,430	11.1%	61,925	6.7%	\$103,835
Wholesale trade	\$2,738	4.7%	27,704	3.0%	\$98,830
Retail trade	\$4,505	7.8%	113,255	12.3%	\$39,777
Transportation and warehousing	\$2,073	3.6%	26,384	2.9%	\$78,570
Information	\$1,587	2.7%	13,057	1.4%	\$121,544
Finance and insurance	\$2,285	4.0%	27,264	3.0%	\$83,810
Real estate and rental and leasing	\$5,220	9.0%	26,749	2.9%	\$195,147
Professional and technical services	\$2,253	3.9%	38,775	4.2%	\$58,104
Management of companies	\$571	1.0%	4,970	0.5%	\$114,889
Administrative and waste services	\$1,172	2.0%	41,695	4.5%	\$28,109
Educational services	\$260	0.5%	11,589	1.3%	\$22,435
Health care and social assistance	\$5,458	9.5%	115,086	12.5%	\$47,425
Arts, entertainment, and recreation	\$500	0.9%	17,803	1.9%	\$28,085
Accommodation and food services	\$1,570	2.7%	64,123	7.0%	\$24,484
Other services, except government	\$1,349	2.3%	55,096	6.0%	\$24,485
Government	\$10,132	17.6%	152,533	16.5%	\$66,425

Notes: Employment figures include the self-employed and part-time workers. This data is different than BLS data contained in the following sections.

Source: U.S. Bureau of Economic Analysis

Productivity Highest in Utilities Sector

Table 2.2 also reveals the productivity of the various industry sectors in West Virginia. Productivity is measured by the dollar amount of industry output per worker, with the highest amount being the most productive. The most productive industrial sector in West Virginia in 2007 was utilities at \$441,770, followed by agriculture with \$218,989, real estate with \$195,147, and mining at \$124,422 output per worker. The private sector, on average, was slightly less productive than the public sector with an output of \$63,737 per worker.

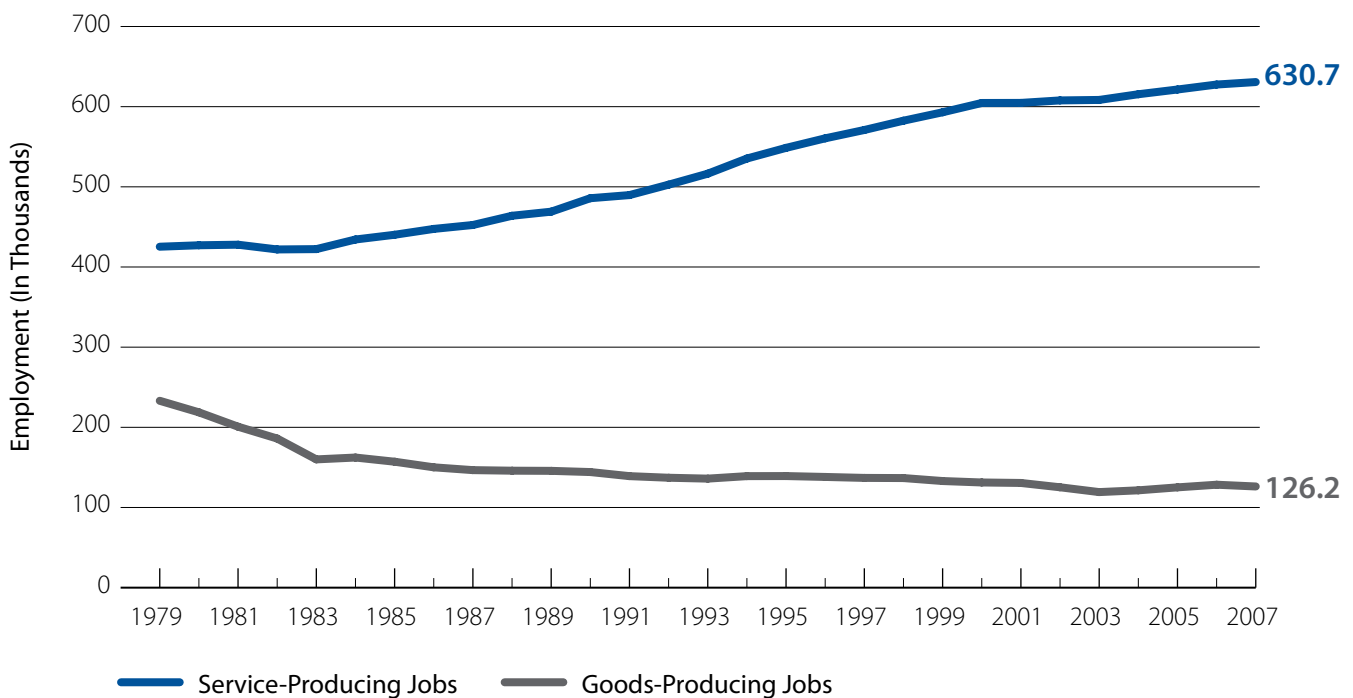
Like per capita income, GSP does not offer any insights into how well workers are doing within industries or how the fruits of economic growth are being shared among the workforce. The remainder of this report will work toward addressing these concerns by providing other sources of data that complete the picture of working West Virginia.

Economy Moves From Producing Goods to Delivering Services

Like the rest of the nation, West Virginia's economy has changed significantly over the last three decades. Industries that were once pillars of the economy and sources of mass employment have declined in a decades-long process of deindustrialization. This has shifted our economy from one that produces goods (e.g. manufacturing, construction, mining, etc.) to an economy that is more reliant on the service sector (retail, health care services, business services, etc.) for employment. Those that remain in the good-producing sector can face an uncertain future due to global competition, technological change, and/or concerns about the environment.

As Figure 2.2 makes clear, the growth in service-providing jobs corresponds with the decline in goods-producing jobs. This means many goods-producing workers are being displaced and may be moving into the service sector that pays substantially less.

FIGURE 2.2
West Virginia Economy Shifting to Service Producing



Source: WV Bureau of Employment Programs

Note: This data is non-farm employment. There is discontinuity in the employment data from 1989 to 1990 where the data change from SIC industry definitions to NAICS industry definitions.

In 1979, goods-producing jobs accounted for 35.4 percent of employment (233,100 jobs) in West Virginia. By 2007 this declined by more than half to 16.7 percent (126,200 jobs). Service-providing jobs, on the other hand, have increased considerably as a share of employment in West Virginia. In 1979, service-producing jobs accounted for 64.6 percent of all jobs in West Virginia; now they comprise 83.3 percent (2007). The loss of goods-producing jobs, especially manufacturing, can be attributed to several factors that include product market shifts, globalization, and new technologies that increase productivity.⁶

The change from goods-producing jobs, especially those in manufacturing and mining, to an economy based more on service-providing jobs is troubling for working families because it entails a shift from higher paying jobs to low-paying, poor quality jobs. The average goods-producing sector job (construction, mining and manufacturing) paid a weekly wage of \$813.15 in 2007. Private sector service-providing jobs, on the other hand, only paid an average weekly wage of \$413.64 or 50.8 percent less than good-producing jobs. In other words, on average, goods-producing jobs paid twice as much as service-providing jobs in 2007.

Employment Highest in Retail, Education and Health Care Services

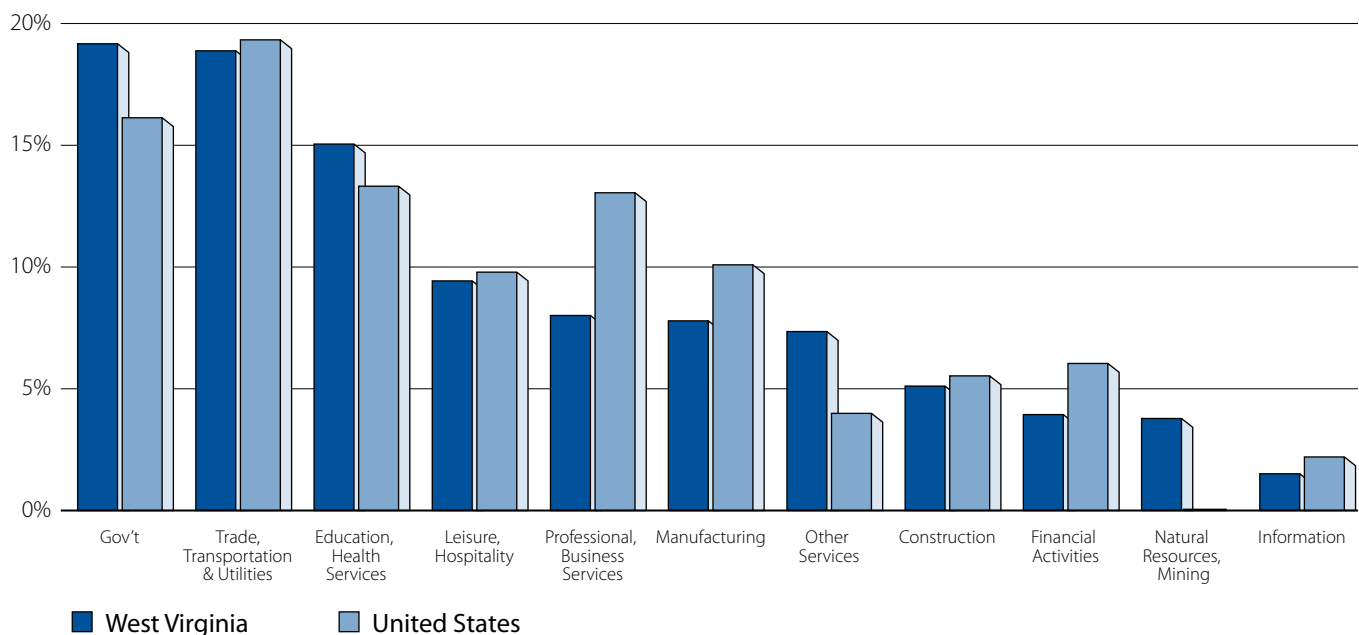
In 2007, West Virginia's non-farm employment totaled 756,900 jobs. The state's largest sector in terms of employment was federal, state and local government, with 145,000 employees or 19.2 percent of total jobs. More than half (53%) of government jobs were at the local level, while 33 percent were jobs with the state, and 16 percent were with the federal government.

The next largest sector was trade, transportation, and utilities, with 142,900 employees. Employment in retail trade, such as Wal-Mart, the state's largest employer, accounted for 64 percent of this sector. The education and health services sector followed with 113,900 employees and a 15 percent share of employment. West Virginia placed above the national average in employment share in that sector.

Professional and business services accounted for 8 percent of employment (60,600 jobs) in West Virginia and 13 percent nationally. There were 28,600 jobs in natural resources and mining in West Virginia (3.8 percent of employment) and less than one percent nationally in 2007. Outside of this sector, the single largest compositional difference between West Virginia and the nation was professional and business services.

FIGURE 2.3

Composition of Non-Farm Employment, West Virginia and U.S., 2007



Source: Economic Policy Institute Analysis of Current Employment Statistics (CES) Data and WV Bureau of Employment Programs

Note: The employment figures in this chart differ from Table 2.2, which was collected by the U.S. BEA through employer information. The U.S. BEA data overestimates the numbers of workers because it includes workers who work more than one job and get counted twice.

Job Growth Lags Behind the Nation

West Virginia's job base finally recovered in 1994 from the economic recession that plagued the state throughout the 1980s (see Figure 2.4). From 1979 to 1983, West Virginia lost over 77,000 jobs. During this time, 20,000 jobs in the coal mining industry and 36,000 manufacturing jobs disappeared. Only in 1994 did West Virginia return to pre-recession employment levels. From 1990 to 2000, West Virginia's employment grew at a steady rate until the recession in 2001. Between 2001 and 2003, the state began to lose jobs again but not as drastically as the recession in the early 1980s. During the 2001 recession, West Virginia lost 8,200 jobs. West Virginia's job base would not return to pre-recession levels until 2004. Since 2006, West Virginia's employment has grown, but slower than at anytime since 1990 (see Figure 2.5).

Table 2.3 compares West Virginia's job growth with the national average over the last three decades. Overall, the nation outperformed the Mountain State with an average annual employment growth rate of 1.5 percent from 1979

to 2007. West Virginia's job growth during this time was one-third of the national average. West Virginia's poor performance is mostly due to the deep economic recession in the early 1980s. As Table 2.3 shows, during the 1980s West Virginia experienced negative job growth—losing 43,000 jobs for an average annual growth rate of -0.7 percent. The rest of the nation, however, saw modest job growth during this period and an average annual growth rate of 1.9 percent in employment.

In the 1990s, West Virginia improved upon the negative job growth experienced during the previous decade as it added 121,000 new jobs by 2000. Despite these gains, the state's employment growth still lagged behind the rest of the country during this period. From 2000-2007, West Virginia, like much of the nation, experienced slow job growth. The average annual growth in total employment from 2000 to 2007 was 0.5 percent while the national rate was 0.8 percent. West Virginia added 21,000 new jobs during this period.

FIGURE 2.4
West Virginia Non-Farm Employment, 1979-2007
(Annual Averages, Not Seasonally Adjusted)

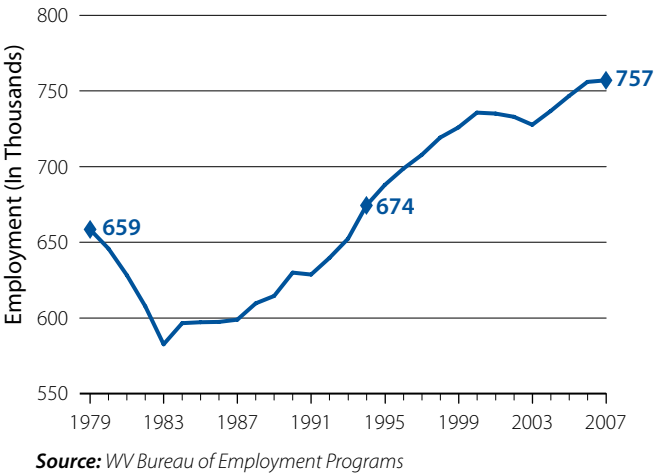


FIGURE 2.5
West Virginia Non-Farm Employment, 1990-2008
(Seasonally Adjusted)

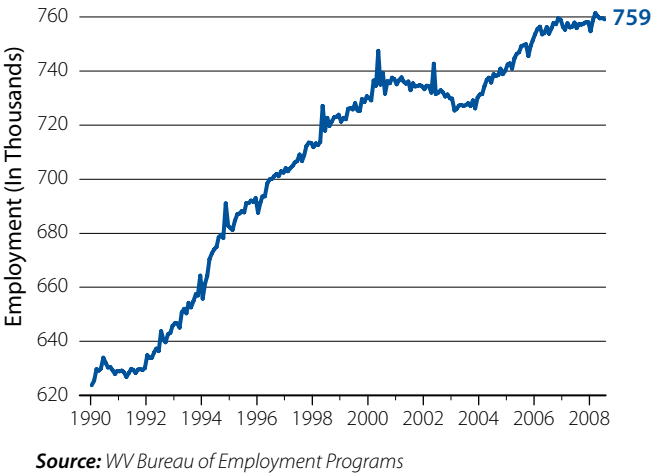


TABLE 2.3
Employment and Employment Growth,
West Virginia and U.S., 1979-2007 (in Thousands)

	1979	1989	1995	2000	2007	Average Annual Growth Rate			
						1979-1989	1989-2000	2000-2007	1979-2007
West Virginia	658	615	688	736	757	-0.7%	1.6%	0.5%	0.51%
United States	89,932	108,014	117,298	131,785	137,623	1.9%	1.9%	0.8%	1.54%

Source: Bureau of Labor Statistics

Jobs in Natural Resources and Mining Growing Most Rapidly Since 2000

Of the eleven industry sectors presented in Table 2.4, four sectors lost jobs between 2000 and 2007. The hardest hit sector was manufacturing, which lost 16,900 jobs and suffered a 2.5 percentage point drop in its share of employment (more on this below). Jobs in the information industry also declined by 2,700 since 2000. Jobs losses were also present in financial activities and trade, transportation, and utilities. These two sectors lost a total of 3,200 jobs.

Jobs in natural resources and mining saw the largest employment gains, increasing by 33.6 percent between 2000 and 2007. With 14,100 new jobs, the education and health services sector experienced an increase in employment share of 1.4 percentage points. Construction and professional and business services both gained 4,700 jobs, while public sector jobs increased by 2,000 jobs.

Manufacturing Base in Deep Decline Since 1979

Between 1979 and 2007, West Virginia lost 67,100 manufacturing jobs. The largest drops in manufacturing employment happened during the economic recession in the early 1980s and during the recession that began in early 2001. Between 1979 and 1983, manufacturing employment dropped 28.7 percent, shedding 36,300 jobs. From 1984 to 1999, manufacturing continued its decline dropping 19 percent. In addition, the national recession that began in late 2000 started another deep decline in manufacturing employment. As a share of state employment, the number of manufacturing jobs has fallen by nearly 60 percent since 1979: from 19.2% in 1979 to 7.8% in 2007. Despite this downward trend in employment, the manufacturing industry still comprised 13.5 percent of private-sector GSP in 2007 and remains a vital part of West Virginia's economy.⁷

TABLE 2.4

Employment by Major Industry Sectors, West Virginia 2000-2007

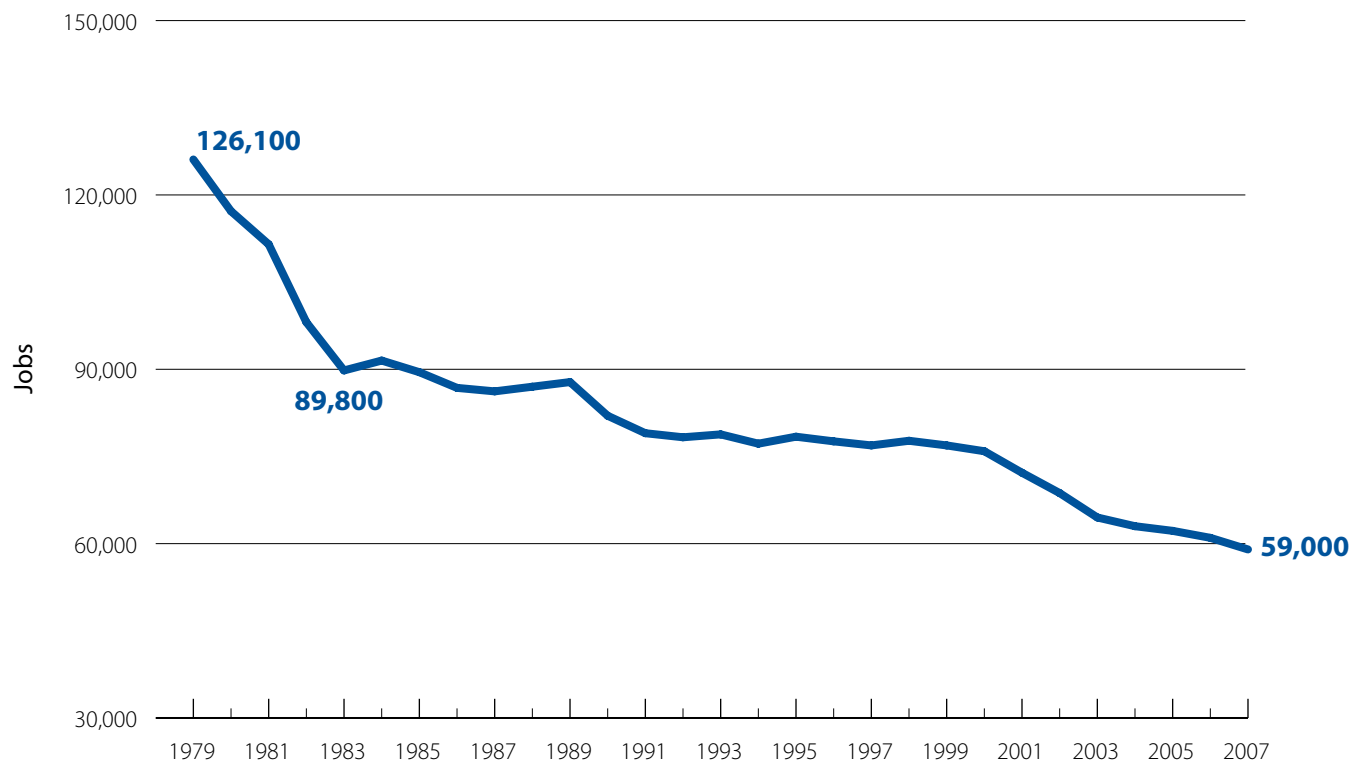
	2000	2007	Job Change	Percent Change	Percent of Employment 2000	Percent of Employment 2007
Employment Winners						
Natural Resources & Mining	21,400	28,600	7,200	33.6%	2.9%	3.8%
Leisure & Hospitality	62,000	71,400	9,400	15.2%	8.4%	9.4%
Education & Health Services	99,800	113,900	14,100	14.1%	13.6%	15.0%
Construction	34,000	38,700	4,700	13.8%	4.6%	5.1%
Professional & Business Services	55,900	60,600	4,700	8.4%	7.6%	8.0%
Other Services	53,700	55,600	1,900	3.5%	7.3%	7.3%
Government	143,100	145,100	2,000	1.4%	19.4%	19.2%
Employment Losers						
Manufacturing	75,900	59,000	-16,900	-22.2%	10.3%	7.8%
Information	14,100	11,400	-2,700	-19.1%	1.9%	1.5%
Financial Activities	31,200	29,800	-1,400	-4.5%	4.2%	3.9%
Trade, Transportation, & Utilities	144,700	142,900	-1,800	-1.2%	19.7%	18.9%

Source: Bureau of Labor Statistics

The deep decline in manufacturing jobs is a troubling sign for West Virginia's economy, especially given the sector's strong contribution to providing high wages. Many of these jobs had union representation, which allowed workers to bargain for better pay, benefits and working conditions. As manufacturing jobs disappear, many displaced workers may be moving into lower-paying service industries without union benefits. In turn, labor standards are lowered for all workers in the state and the standard of living for many West Virginia families becomes depressed, causing economic insecurity.

In 2007, manufacturing workers in West Virginia earned an average weekly wage of \$772.72, while the average weekly wage in the private sector was \$505.34. This means the average worker in the private sector made 34.6 percent less than an average worker in the manufacturing industry. The deep decline in manufacturing jobs can make it difficult for workers without a college degree to maintain a living wage. This is especially important in West Virginia where 79.1% of the state's labor force did not have a college degree in 2007.⁸

FIGURE 2.5
West Virginia Manufacturing Employment, 1979-2007
(Annual Averages, Not Seasonally Adjusted)



Source: WV Bureau of Employment Programs

Job Quality: Wages, Benefits and Unionization

In the previous chapter, we examined what jobs are currently available to West Virginians and how our economy has restructured over time. This chapter will focus on the quality of jobs in the state by looking at wages, access to health care and pension benefits, and the impact of unionization.

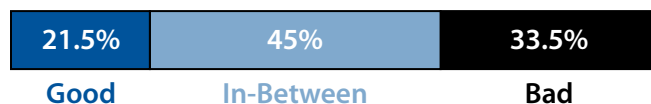
Fewer than 1 in 4 Jobs are Good Ones

What are the ingredients in a good job? Obviously, some things—like personal satisfaction, workplace stress, and enjoying one's co-workers—are subjective. Other indicators are easier to measure. The Center for Economic and Policy Research (CEPR) suggests the following criteria:

To define a “good” job, we use a simple definition based on three characteristics: pay, health insurance and retirement benefits. According to this definition, a good job is one that meets all of the following three criteria: it pays at least \$17 per hour (about \$34,000 on an annual basis), it offers employer-sponsored health insurance (where the employer pays at least part of the monthly premium), it offers an employer-sponsored retirement plan (either a “defined contribution plan” like a 401(k) or a “defined benefit” like a traditional pension).⁹

In a recent study, 21.5 percent of West Virginia jobs met the “good” criteria. A much larger group—45 percent—ranked as “In-Between” or meeting only some of the standards. However, 33.5 percent of jobs in West Virginia met none of these requirements, offering no health insurance or pensions and paying less than \$17 per hour. In 2006, 38.5 percent of jobs in West Virginia were in an occupation paying wages that fell below the federal poverty threshold.¹⁰ This was the highest rate in the nation.

FIGURE 3.1



Source: Center for Economic and Policy Research

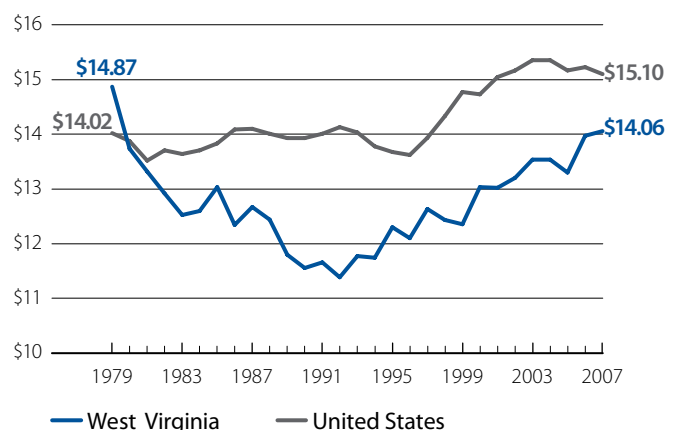
Real Wages Improve, But Not Back to Historical Levels

Wages are affected by many factors, such as the strength of the labor market and union representation. A strong labor market, where opportunities abound and unemployment is low, can result in higher wages for workers. Union representation can also help increase wages by increasing a workers' bargaining power.

Figure 3.2 displays median hourly wage trends (adjusted for inflation) for West Virginia and the United States from 1979 to 2007. The median wage is the wage earned by the worker in the middle of the wage distribution (50th percentile). In 1979, the typical or median wage worker in West Virginia earned a wage slightly above the national median. In 2007, however, that same worker now earns almost a dollar less per hour than the national median or 0.81¢ less. Figure 3.2 also reveals that the typical worker in West Virginia earns approximately 0.81¢ less today than in 1979.

FIGURE 3.2

Median Wages, West Virginia and U.S., 1979-2007 (2007 Dollars)



Source: Economic Policy Institute Analysis of Current Population Survey Data

In order to understand how a broader category of income earners is faring, it is important to look at the distribution of wages across different “quintiles” or fifths of the population. While Figure 3.2 looked at the middle quintile (the median), Figure 3.3 illustrates the growth in real (inflation-adjusted) wages across four percentiles, including low-wage workers (20th percentile), typical workers (50th percentile), and high-wage workers (80th and 90th percentiles).

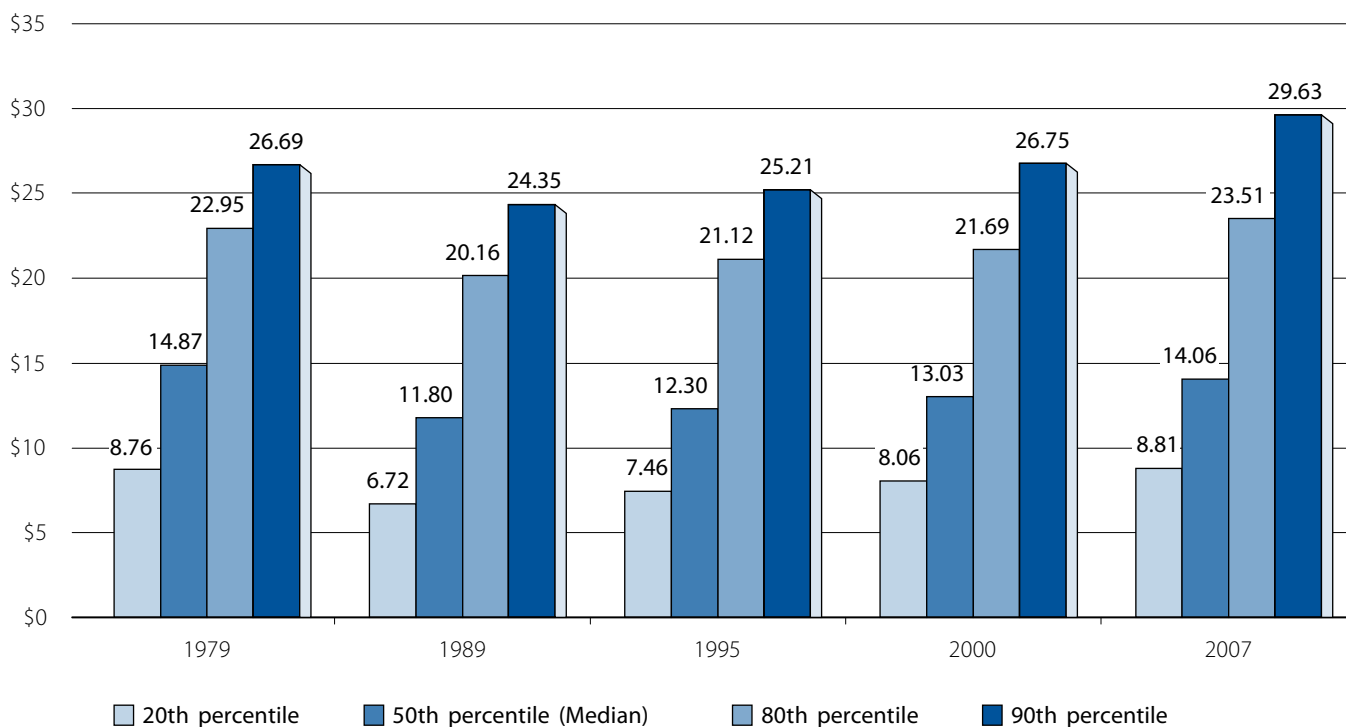
As Figure 3.3 shows, there has been across the board wage stagnation, with only high-income workers seeing any real wage growth. Median paid workers in West Virginia saw a 5.4 percent decline in wages, while high paid workers only saw an increase of 2.4 percent and 11 percent respectively. While real wages were lower in 2007 than in 1979, they have risen across the distribution for each wage group since 1989, 1995, and 2000.

The Gender Gap in Wages

West Virginia and the United States suffer from a “gender gap” in wages—the difference between what women and men earn. In 2007, the median male hourly wage in West Virginia was \$16.35 while females earned just \$12.05 per hour. This was 26 percent below the male wage. Nationally, women earned 19 percent below what men made per hour. This means the gender gap in wages is more profound in West Virginia than in the United States.

While this gap remains high, Table 3.1 and Figure 3.4 show that it has shrunk since 1979 when men earned nearly twice as much per hour as women. The ratio in West Virginia of the median hourly wage of women to men in 1979 was higher than the national average, with men earning almost twice as much per hour than women. In 2007, women have closed a portion of the wage gap, but men still make \$1 for every 75 cents a woman earns.

FIGURE 3.3
West Virginia Real Wage Levels, 1979-2007
(2007 Dollars)



Source: Economic Policy Institute Analysis of Current Population Survey Data

Despite the wage advantage men have over women in West Virginia, men made \$2.50 less in 2007 than they did in 1979 (after adjusting for inflation). In 1979, they made more than a dollar above the national average at \$18.91 per hour (U.S. average was \$17.63). Since the mid-90s, both men and women have seen their wages increase. However, these gains have not been enough to bring their wages in line with the national average. In 2007, the median woman in West Virginia was paid \$12.05 an hour while the national average was \$13.71—a difference of \$1.66. In comparison, the median man was paid \$16.35 an hour while the national average was \$16.84—a difference of .49¢.

(Note: Because of an insufficient sample size, data on wages for African-Americans and those without high school educations cannot be presented)

TABLE 3.1

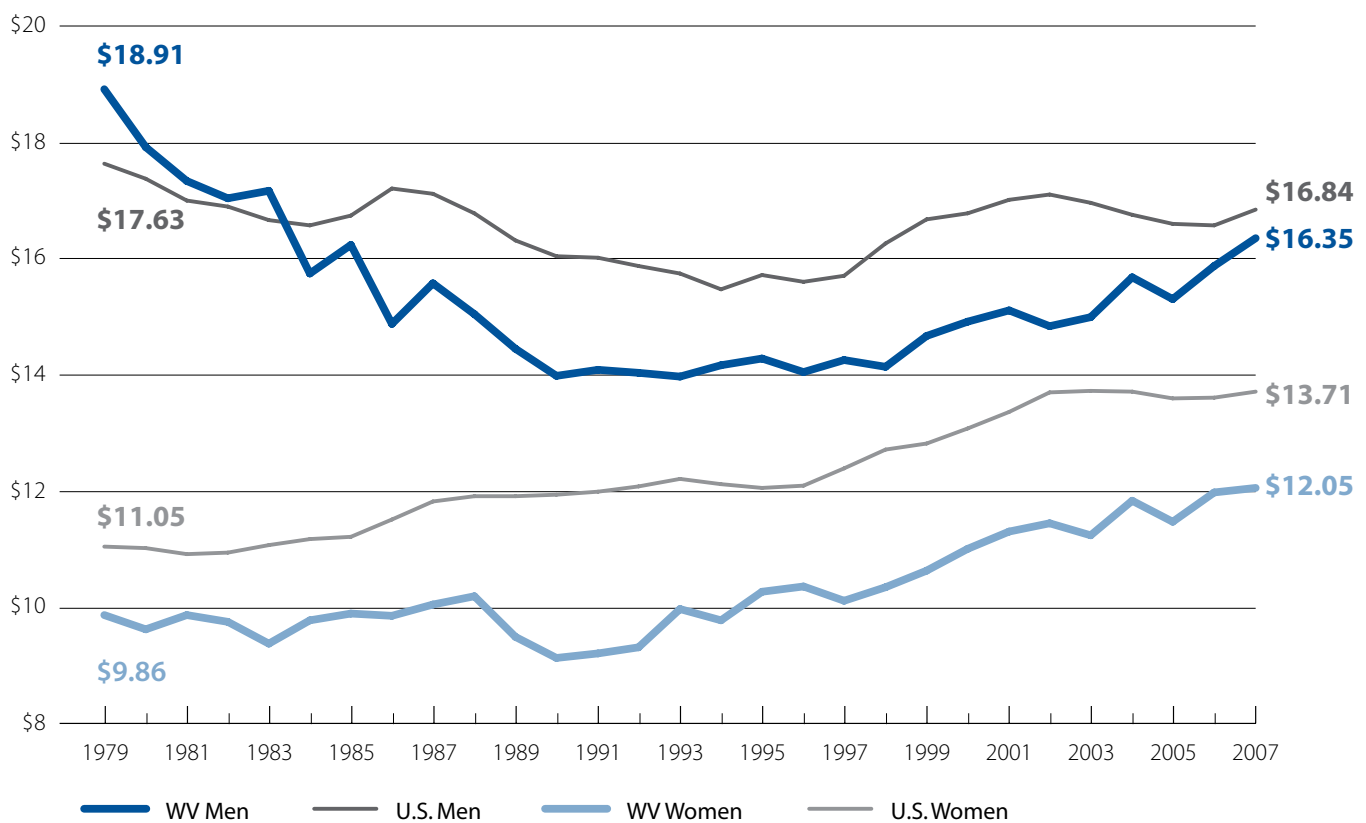
Ratio of Women's Median Wage to Men's, West Virginia and U.S., 1979-2007

	1979	1989	2000	2007
West Virginia	0.52	0.66	0.71	0.74
United States	0.63	0.73	0.78	0.81

Source: Economic Policy Institute Analysis of Current Population Survey Data

FIGURE 3.4

Median Hourly Wages by Gender, West Virginia and U.S., 1979-2007
(2007 Dollars)



Source: Economic Policy Institute Analysis of Current Population Survey Data

The Education Gap in Wages

As with gender, a worker's education also plays an important role in determining hourly wages. As Table 3.2 outlines, college graduates have seen increases in wages, while those with less education are falling behind. High school graduates and those workers with some college education have yet to be paid more (after adjusting for inflation) per hour than they were in 1980. Since 1995, however, workers with some college experience have seen wages increase by 14 percent. College graduates made approximately \$3.84 more per hour in 2007 than in 1980 after adjusting for inflation. This chart makes clear that a workers education is a key factor in determining hourly wages.

Almost Half of all Workers Lack Employer-Provided Health Insurance

In addition to wages, employer-provided health insurance coverage plays an important role in the economic well being of workers. As the cost of health care continues to rise, health coverage substantially increases job quality and economic security. In the 2005-2007 period, 53.1 percent of West Virginia's private-sector workforce had employer-provided health care coverage. The national average was 55.1 percent.

In 1979-1981, 72.7 percent of West Virginia's private sector workforce had employer-provided health insurance, which was 2.8 percentage points above the national average and

TABLE 3.2

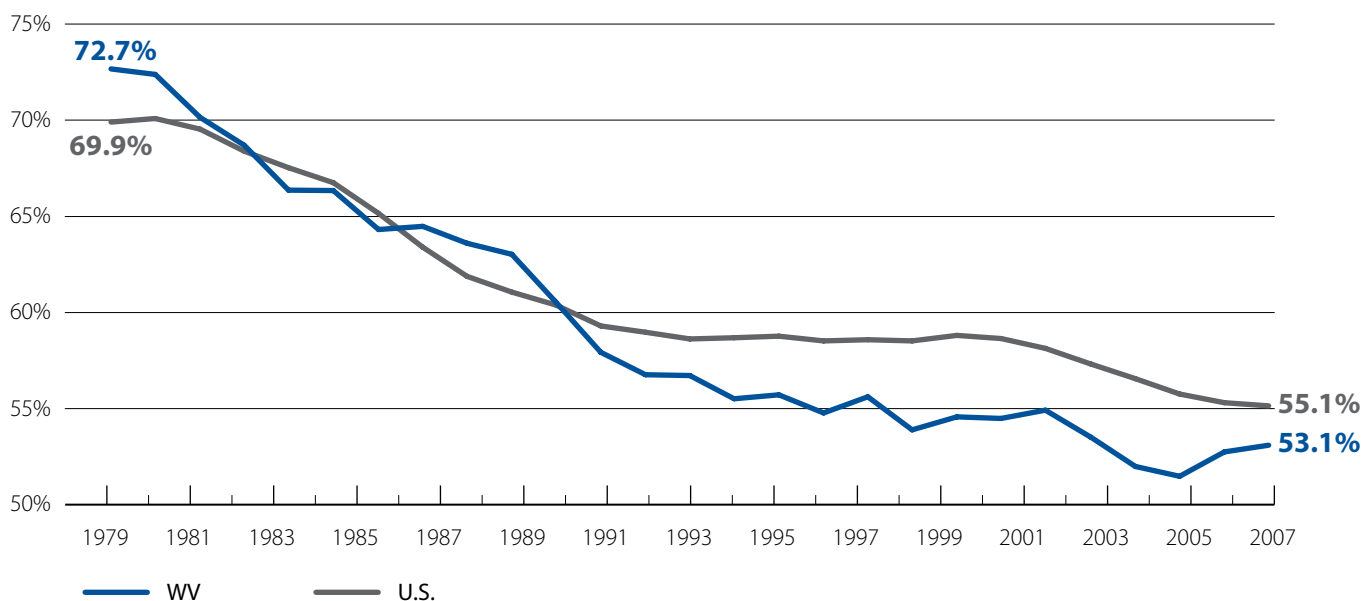
West Virginia Median Wages by Education, 1980-2007
(2007 Dollars)

	1980	1985	1990	1995	2000	2007
High School Graduates	\$12.62	\$11.48	\$10.22	\$11.51	\$11.83	\$12.24
Some College	\$13.25	\$12.84	\$11.94	\$11.37	\$13.19	\$13.24
College Graduates	\$18.03	\$18.02	\$18.23	\$19.96	\$21.03	\$21.87

Source: Economic Policy Institute Analysis of Current Population Survey Data

FIGURE 3.5

Private Sector Employer-Provided Health Insurance,
West Virginia and U.S., 1979-2007
(Three-Year Moving Averages)



Source: Economic Policy Institute Analysis of Current Population Survey Data

Note: The universe for this data is private-sector wage and salary workers age 18-64, who worked at least 20 hours per week and 26 weeks per year.

19.8 percentage points above the 2005-2007 period. However, since the 1990-1992 period, health insurance coverage has remained below the U.S. average. The diminishing share of employer-provided health care coverage means that many workers in West Virginia will have to devote more of their income to insurance or become uninsured. It should also be noted that work-based health insurance varies widely in quality, coverage, and the affordability of premiums and co-pays.

More than Half of Workers Lack Employer-Provided Pensions

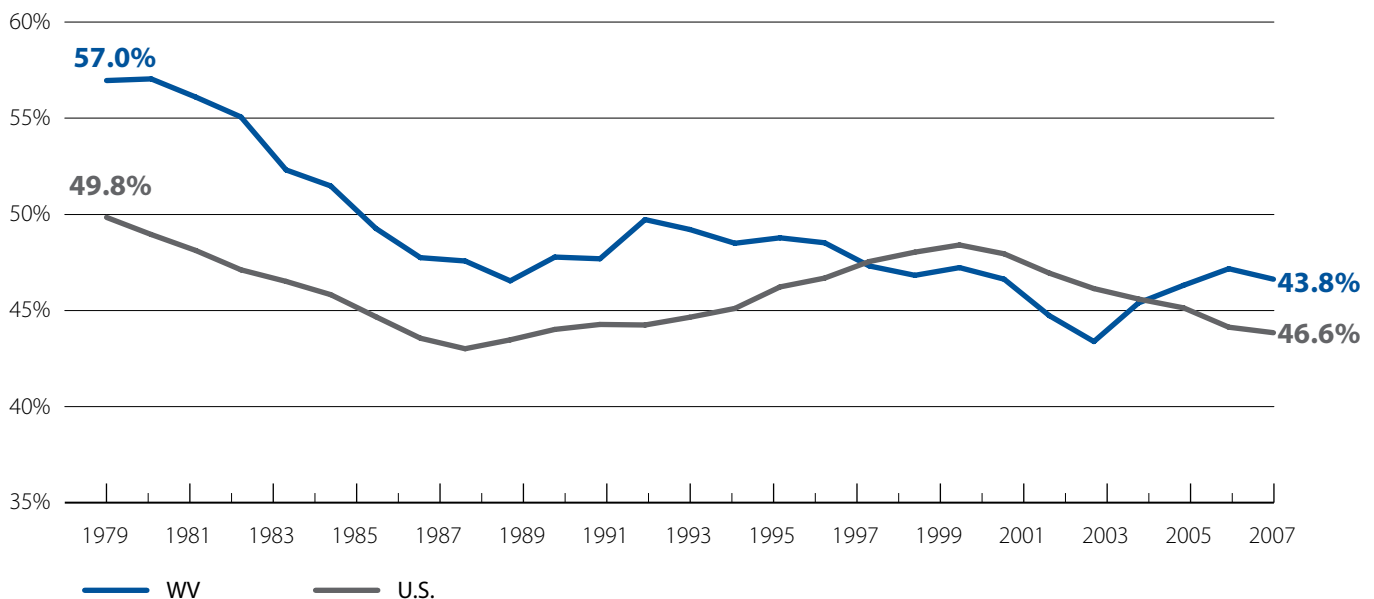
Another disturbing trend is the drop in pensions. In 2005-2007, less than half of all private sector workers in West Virginia—46.6 percent—had employer-provided pensions. This was slightly higher than the national average of 43.8 percent. By contrast, in 1979-1981, 57 percent of West Virginia private sector workers had pension coverage, a significantly higher rate than the then national average of 49.8 percent. This was probably due to West Virginia's historically high levels of union membership.

No Paid Sick Leave for Private Sector Workers

The presence or absence of paid sick days can make a huge difference in the quality of life for working families. It may mean losing earnings or even a job when a worker or close family member is ill, coming to work or sending a child to school while sick—thus potentially spreading illnesses, or leaving family members without care.

According to the U.S. Bureau of Labor Statistics, in 2006, 57 percent of private sector workers nationwide had paid sick days and 42 percent did not.¹¹ Average West Virginia private sector employment in 2007 was 569,818.¹² By simply extrapolating from the federal and state totals—a conservative measure given the prevalence of low wage jobs with little or no benefits—over 245,000 West Virginia workers lack this basic benefit.

FIGURE 3.6
Private Sector Employer-Provided Pension Coverage,
West Virginia and U.S., 1979-2007
(Three-Year Moving Averages)



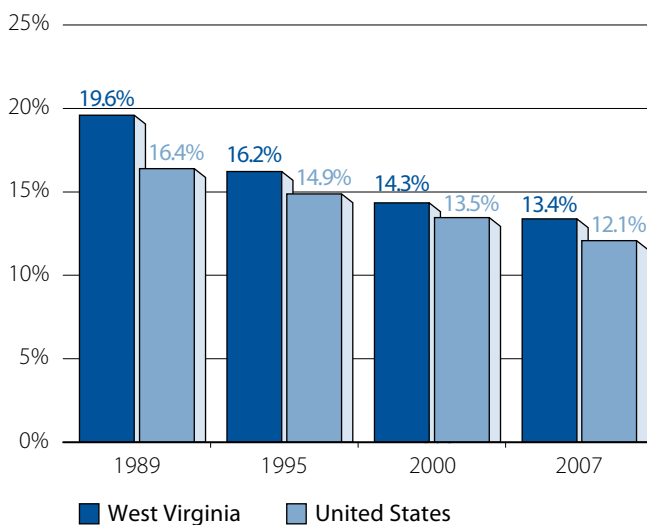
Source: Economic Policy Institute Analysis of Current Population Survey Data
Note: The universe for this data is private-sector wage and salary workers age 18-64, who worked at least 20 hours per week and 26 weeks per year

Union Coverage Down, But Above U.S. Average

Higher wages and more and better benefits are strongly associated with union membership. Unfortunately, these benefits tend to decline when union jobs are eliminated due to plant closings or automation. In 2007, 13.4 percent of the state's workforce was either a member of union or covered by a union contract. This is down from 19.6 percent in 1989. Over the same period, U.S. union membership declined from 16.4 to 12.1 percent.

FIGURE 3.7

Union Coverage, West Virginia and U.S., 1989-2007



Source: U.S. Bureau of Labor Statistics

Workers Benefit from Union Advantage

A 2008 survey by the Center for Economic and Policy Research found that unions nationally boosted the wages of members by an average of 11.9 percent. In West Virginia, the union advantage was 11.1 percent for all workers and 15.8 percent for workers in the lowest earning 10 percent.¹³

Union membership raises the wages of West Virginia young workers by almost \$4 an hour. After adjusting for inflation, the wage of the typical unionized 18-to-29 year-old worker in West Virginia was \$14.12 while a nonunion young worker earned just \$10.21 in 2007.¹⁴

The median hourly wage of a union member in West Virginia in 2007 was \$18.92, while the non-union workers made \$13.13. According to the U.S. Bureau of Labor Statistics:

In 2007, among full-time wage and salary workers, union members had median weekly earnings of \$863 while those who were not represented by unions had median weekly earnings of \$663.¹⁵

When all forms of benefits and compensation are included, the union premium or benefits of membership are much higher. The Economic Policy Institute reported that union workers are 28.2% more likely to be covered by employer-provided health insurance, with higher levels of family coverage, lower deductibles and more retiree health coverage. Further, 71.9% of union workers have employer-provided pensions, compared to only 43.8% of non-union workers and are more likely to have defined benefit-pensions. Finally, union workers also enjoy 14.3% more paid time off.¹⁶

No Disclosure or Accountability of Economic Development Subsidies

Increasingly, state and local governments have decided not to leave job quality to chance. Instead, they are linking job quality standards to economic development policies and incentives in order to promote "smart growth" that benefits working families and communities. Unfortunately, a 2007 report by Good Jobs First gave West Virginia an F grade (and a ranking of 50th among states and the District of Columbia) for its lack of transparency and accountability of economic development subsidies.¹⁷ Without clear disclosures of public subsidies, job quality standards for firms receiving public assistance, and provisions to recapture state revenue from those that fail to deliver, West Virginia is likely to miss the mark with its economic development policies.

Workers Without Work

In this chapter, we turn our attention to the segment of the labor force that's currently not working. This section will go as far back as 1979 to see whether West Virginia has made progress in increasing the amount of workers in the labor force. As we shall see, the Mountain State has made significant progress over this period in reducing the unemployment rate. However, the number of people in West Virginia that are employed remains lowest in the nation.

Unemployment Rate Hits Record Low

West Virginia's unemployment rate has improved dramatically since its high of 17.3 percent in 1983, when over 135,000 workers were unemployed or actively seeking work. Figure 4.1 shows that the state's average annual unemployment rate grew considerably higher than the national average from 1979 to 1983, as West Virginia suffered dramatic losses of employment in the manufacturing and coal industries.¹⁸ It took nearly 20 years for the state's unemployment rate to return to 1979 levels.

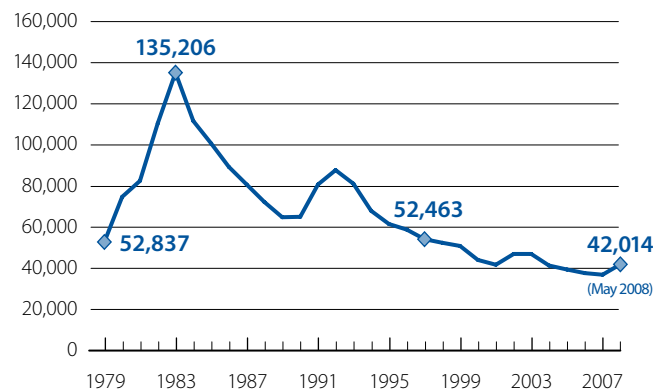
As a result of the national recession in 2001, the unemployment rate increased in the Mountain State as well as nationally. The national unemployment rate grew from 4 percent in 2000 to 6 percent in 2003, while West Virginia's unemployment rate increased in 2002 from 4.8 percent in 2002 to 6.1 percent in 2003.

As of September 2008, the state unemployment was at a record low of 3.7 percent (non-seasonally adjusted) with about 30,000 West Virginians classified as "unemployed" and actively seeking work. This was 2,300 less unemployed workers than there were in September 2007.¹⁹

Low unemployment is desirable for several reasons. Aside from reducing family hardships, low unemployment is a key factor in increasing real wage growth for low and moderate income workers and promoting a shared prosperity.²⁰ West Virginia's declining unemployment rates since 1995 could help explain, in part, why the state has experienced moderate gains in real wage growth over this same period.

FIGURE 4.1

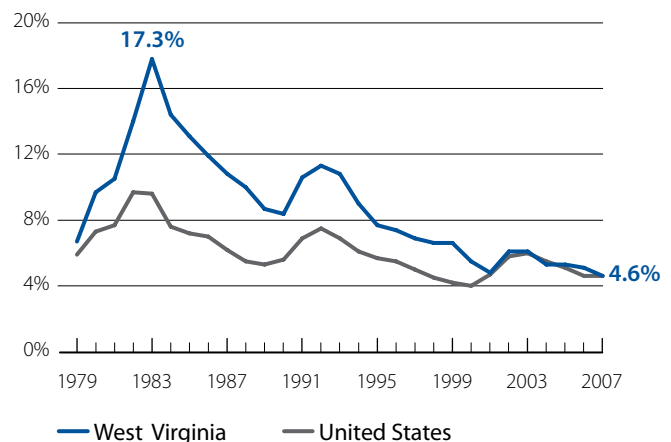
West Virginia Unemployed Workers, 1979-2007



Source: US Bureau of Labor Statistics

FIGURE 4.2

Unemployment Rates for West Virginia and United States, 1979-2007



Source: Economic Policy Institute Analysis of Current Populations Survey Data

Half of the State's Population is Employed

The employment rate (sometimes called the employment to population ratio) is another way to evaluate the strength of the West Virginia labor market. Simply put the employment rate measures the share of the population with a job. In 2007, 53.7 percent of West Virginians were employed. This was the lowest employment rate in the nation. As noted previously in the discussion of labor participation rates, a likely reason why West Virginia's employment rate is low is because the state has the highest percent of working age people (18-64) with a disability. The graying of the state's population also contributes to this tendency.

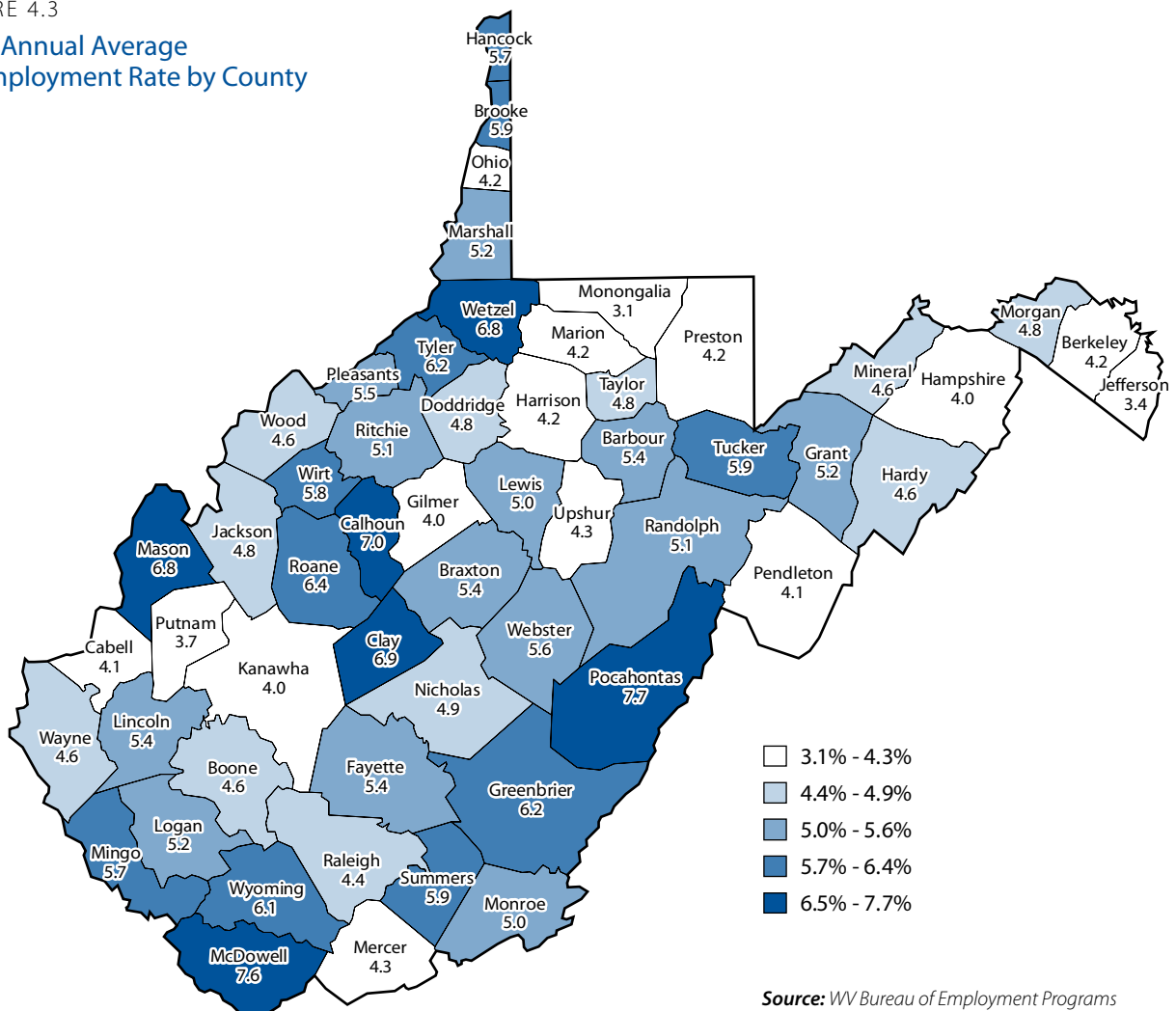
Lower Unemployment Rates in Urban Counties

Despite the downward trend in the state unemployment rate since the late 1990s, many of West Virginia's rural counties are struggling with higher rates of unemployment.

According to the U.S. Census, the state contains 44 rural counties and only 11 urban counties.²¹ The highest unemployment rates tend to be found in rural counties, such as Clay, Wetzel, McDowell and Pocahontas, while urban counties, like Kanawha, Monongalia, and Jefferson, have much lower unemployment rates. The map below of unemployment rates by county further illustrates the point that urban counties fare better than rural ones.

FIGURE 4.3

2007 Annual Average Unemployment Rate by County



Source: WV Bureau of Employment Programs

The Unemployment Rate Doesn't Tell the Whole Story

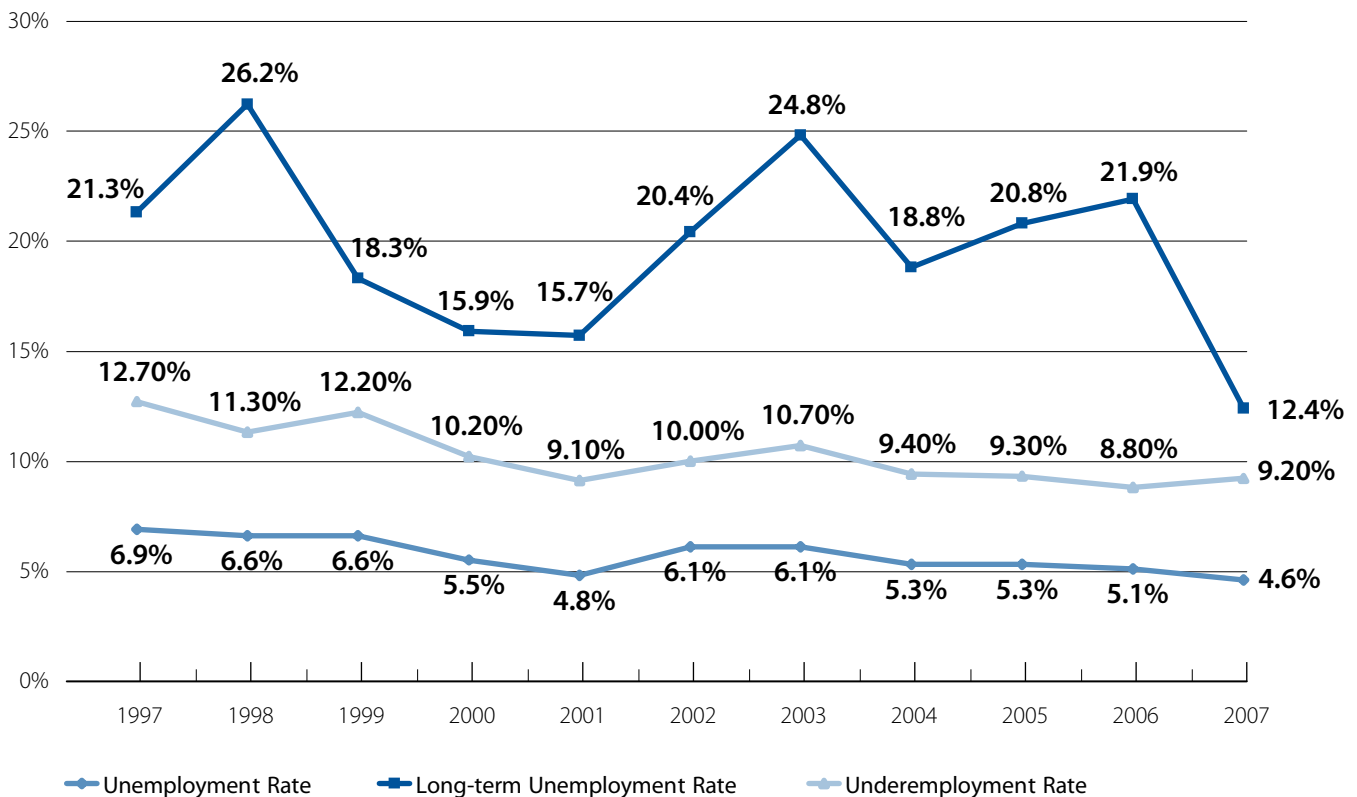
While the unemployment rate serves as a good barometer of the overall health of the state labor market, it falls short of providing a complete picture. The unemployment rate only includes workers that have actively sought work within the last four weeks and thus fails to take into account individuals that have stopped looking for work. Since discouraged workers are not included, many scholars argue that the unemployment rate undercounts the number of people without work. For example, it's actually possible for the official unemployment rate to go down while the number of unemployed workers is actually increasing. Therefore, it is helpful to complete the labor market picture by looking at other measures of unemployment, including long-term unemployment share, underemployment and involuntary part-time workers.

Long-term Unemployment Share Down Significantly

The long-term unemployment share—those who have been unemployed for more than six months—is considered one of the most severe forms of joblessness. This is because of the dire financial consequences of going without a paycheck, unemployment benefits or health care coverage for over six months.

The state's long-term unemployment share declined sharply from 2006, dropping from 21.9 to 12.4 percent in 2007. This sharp drop gave West Virginia the fifth lowest long-term unemployment share in the nation. The state rate of 12.4 percent means about one in eight unemployed workers in West Virginia has been out of work for more than six months. While the state rates of unemployment and long-term unemployment were below the national average in 2007, the number of underemployed and involuntary part-time workers remained above national trends.

FIGURE 4.4
West Virginia Measures of Unemployment, 1997-2007



Source: Economic Policy Institute Analysis of Current Population Survey Data

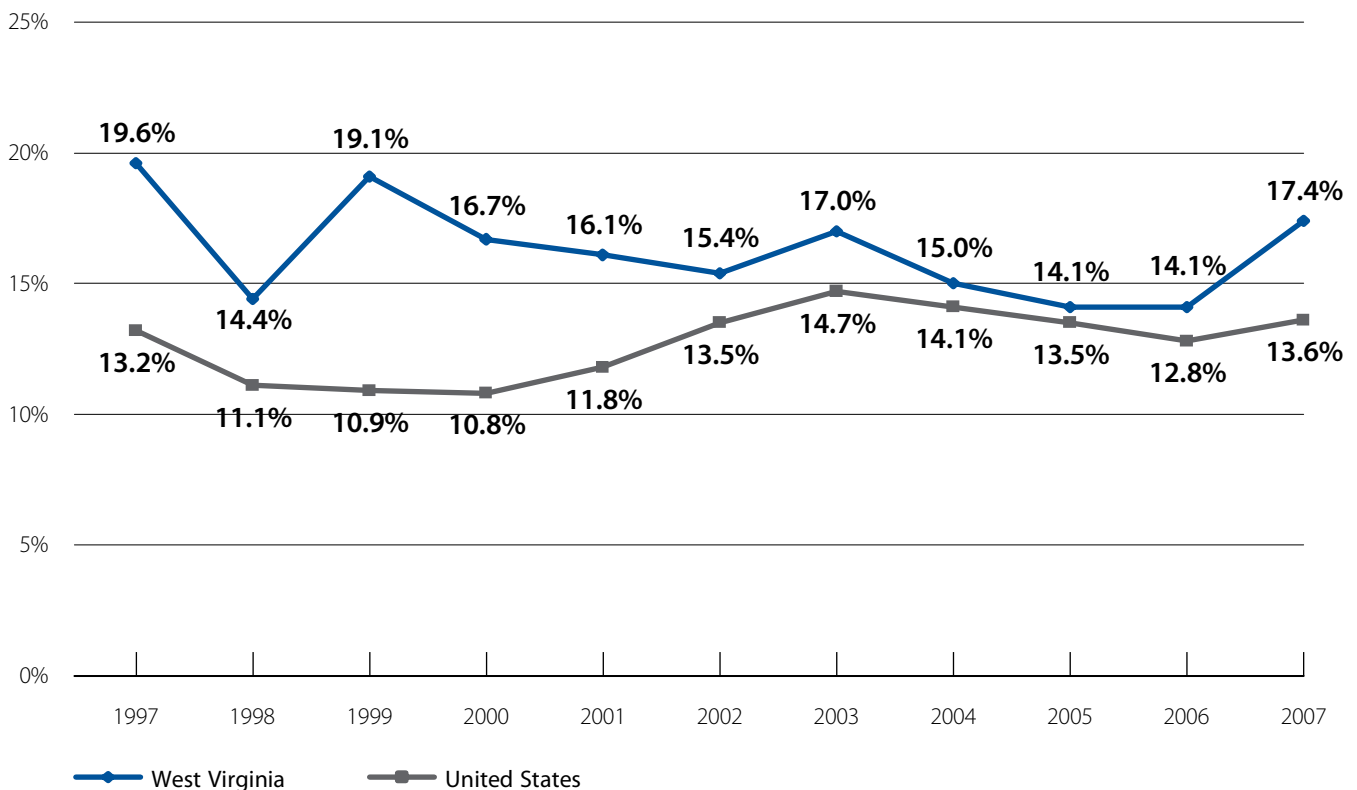
Underemployment Below National Average

As discussed previously, unemployment rates only count those workers actively seeking employment. A more comprehensive measure that takes into account discouraged workers, those individuals who are out of work but who have not looked for a job in the past four weeks, is underemployment. Underemployment also includes involuntary part-timers, individuals that are working part-time but would prefer and are available for full-time work, and a relatively small group of those who face a substantial barrier to work, such as a lack of transportation or child care.

While the unemployment rate in 2007 was 4.6 percent, the underemployment rate was over 9 percent. Since 1997, the state underemployment rate has fallen 3 percentage points. However, it has remained consistently above the national average since 1997.

Although the state has experienced positive gains in reducing the amount of unemployed and underemployed since 2006, the number and share of involuntary part-time workers rose over 3 percentage points last year—from 14.1 percent in 2006 to 17.4 percent in 2007. This was the fourth highest rate of involuntary part-time workers in the nation.

FIGURE 4.5
Involuntary Part-time Workers in WV and US, 1997-2007



Source: Economic Policy Institute Analysis of Current Population Survey Data

Education Makes a Difference

The unemployment and underemployment rate reveals dramatic disparities among different education levels. Those workers without a high school degree are having the hardest time in the current economy (see Table 4.1). They are twice as likely to be unemployed and have underemployment rates of more than twice the state rate. Over 21 percent of workers without a high school diploma are underemployed, while only 3.4 percent of workers with a bachelor's degree or higher were underemployed in 2007. The state unemployment rate for those without a high school diploma was almost eight percentage points higher than the state average for all workers.

For those with a high school diploma, the indicators are somewhat better. The state underemployment rate for high

school graduates was only one percent higher than the national average in 2007. This is important because almost half of West Virginia's labor force is comprised of workers who have only high school degrees.

Workers that have at least some post-secondary experience are less likely to be underemployed and unemployed. About half of the state's labor force is made up of those with some college education. The state underemployment rate for individuals with some college education was 7.3 percent, while that for those with a bachelor's degree or higher was 3.4 percent.

The numbers clearly indicate that one of the best paths to job security in the state is attaining a higher level of education.

TABLE 4.1

Unemployment and Underemployment by Demographic, 2007

	WV Unemployment Rate	US Unemployment Rate	WV Underemployment Rate	US Underemployment Rate
ALL	4.6%	4.6%	9.2%	8.3%
Gender				
Male	5.0%	4.7%	8.8%	8.4%
Female	4.1%	4.5%	9.6%	8.3%
Age				
16-24 yrs	12.8%	10.5%	22.6%	17.3%
25-54 yrs	3.7%	3.7%	7.5%	7.0%
55 yrs and older	(a)	6.0%	5.8%	6.1%
Education				
Less than High School	12.4%	10.3%	21.4%	17.7%
High School	5.6%	5.4%	10.5%	10.0%
Some College	3.1%	4.0%	7.3%	7.3%
Bachelor or higher	(a)	2.0%	3.4%	4.0%

Source: Economic Policy Institute analysis of Current Population Survey Data

(a) Does not meet standards for sample size.

Note: Unemployment and Underemployment rates for West Virginia based on race and ethnicity did not meet standards for sample size and were not included.

Income and Economic Security

In this chapter, we turn our attention to how middle and lower-income West Virginians are faring in the new economy. Earlier in this report, we showed that West Virginia is experiencing modest job and economic growth. This section will examine whether that economic progress has been broadly shared and is reaching those who need it the most.

Median Income Rising, But Still Ranks Low

Median household income measures the income of the typical household—or the household in the middle of the income distribution.²² As such, it serves as a good barometer for how the middle-class is faring in the economy. Both Figure 5.1 and Table 5.1 present West Virginia and U.S. two-year inflation adjusted averages for median household income from 1990-2007.

In the 1990-1991 period, West Virginia ranked only above Mississippi with a household median income of \$34,206. This means that half of the households in the Mountain State earned less than \$34,206. West Virginia's median income increased by 19.3 percent from 1990 to 2007, surpassing the nation's growth over this period by almost 10 percentage points. In the 2006-2007 period, the state moved up three notches to have the sixth lowest household median income in the nation at \$40,800 (see Figure 5.2).

While West Virginia's household incomes have not caught up with the national average over the last 17 years, there has been progress. In the 1990-1991 period, the difference between the national average and West Virginia's median household income was \$11,185. In the 2006-2007 period this shrunk by \$2,084, to a difference of \$9,101. This happened, in part, because of West Virginia's above average income growth during the 2000-2007 period.

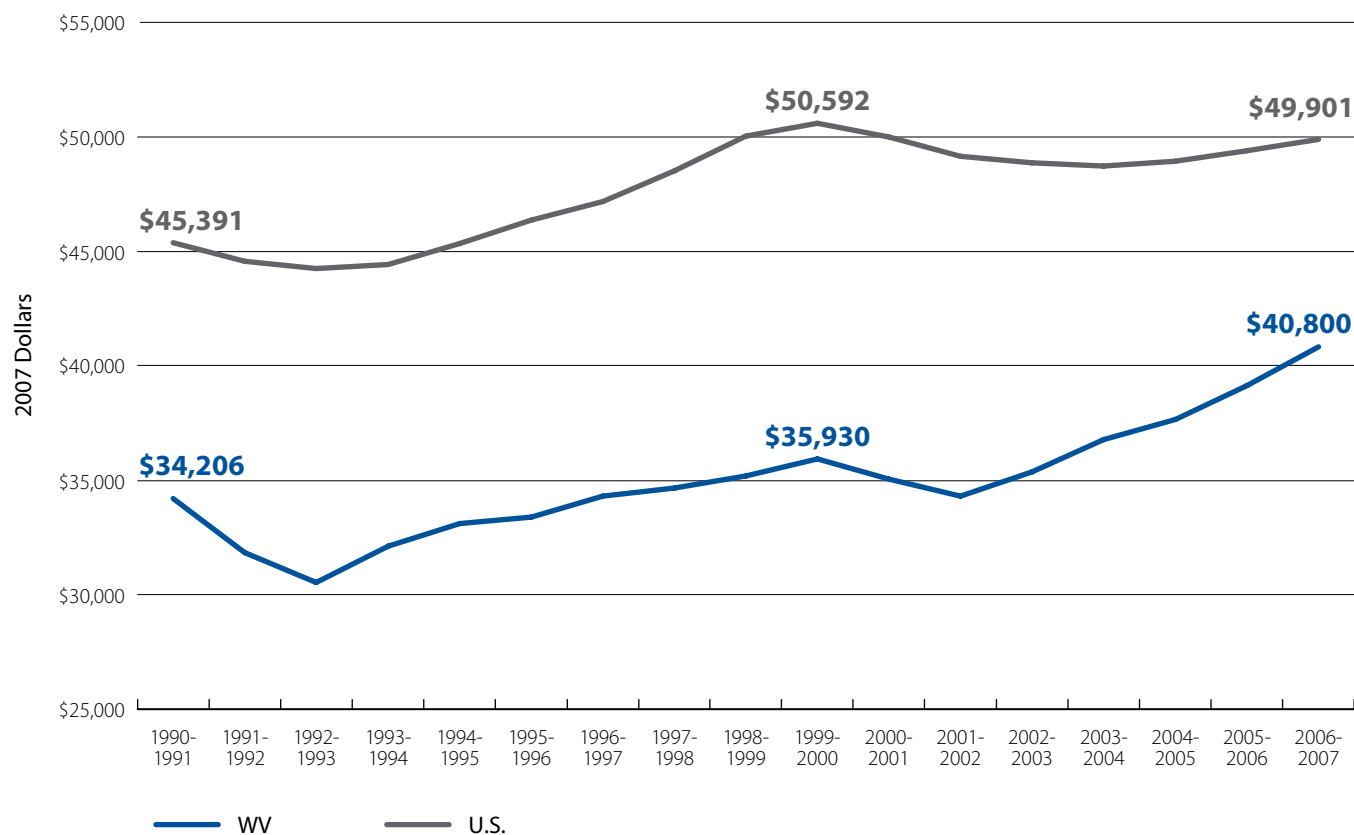
While most of the country has yet to recover from the economic recession of 2001, West Virginia experienced above average annual income growth rates since 2000. As Table 5.1 and Figure 5.1 show, the national median household income in 2007 is still below its pre-recession peak of \$50,592. West Virginia, on the other hand, experienced annual growth rates in household median income of 1.8 percent from 2000 to 2007, which surpassed the national average growth during this period of 0.8 percent.

Median income in West Virginia in the 2006-2007 period was 19.3 percent above its 1990-1991 level, with an average annual growth rate of one percent for the entire 17-year period. National median income grew at almost 10 percent over the same period, at an equal rate to West Virginia's.

While West Virginia's income growth during these periods was positive, it is tempered by a number of factors. First, income has grown in large part because of increases in the number of hours worked. As workers work longer hours, their income increases even if their hourly wage has remained stagnant over the years. Second, West Virginia's recent income growth coincided with a growing number of women entering the workforce or "opting in." Lastly, an annual growth of one percent is anemic compared to the first 30 years following World War II when annual income growth around two percent was the norm.

FIGURE 5.1

Median Household Income, 2Yr. Average, 1990 to 2007



Source: Economic Policy Institute Analysis of Current Population Survey Data

TABLE 5.1

Median Household Income, 2 Yr. Average, 1990-2006

(2007 Dollars)

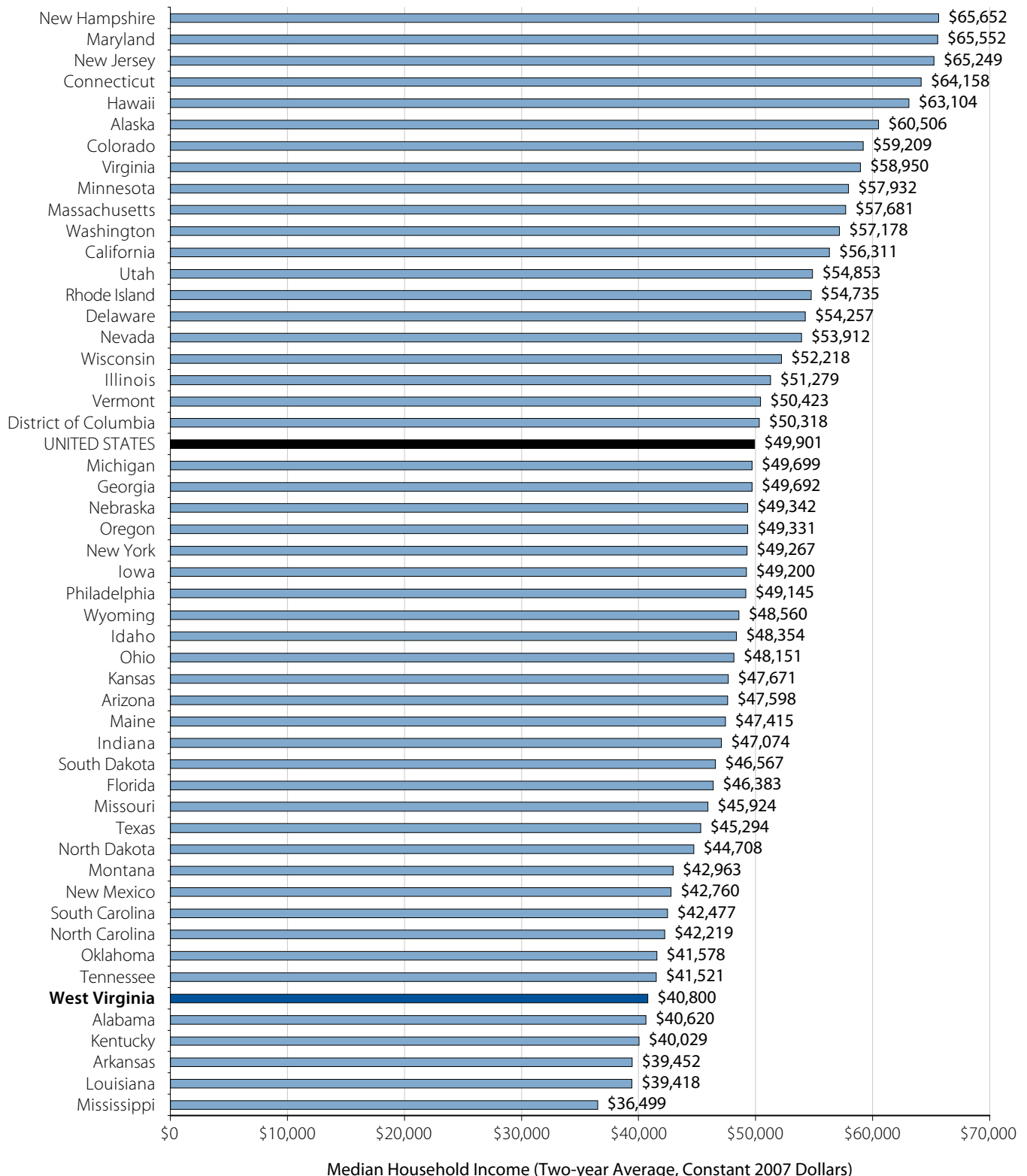
	1990-1991	1999-2000	1995-1996	2000-2001	2006-2007
West Virginia	34,206	35,930	33,415	35,082	40,800
United States	45,391	50,592	46,367	50,007	49,901

	2 Year Average Annual Growth Rate			1990 - 2007	
	1995-2000	1990-2000	2000-2007	Average Annual Growth	Total Growth
West Virginia	1.6%	0.2%	1.8%	1.0%	19.3%
United States	2.2%	1.0%	0.8%	1.0%	9.9%

Source: Economic Policy Institute Analysis of Current Population Survey Data

FIGURE 5.2

Median Household Incomes in the United States,
Two-year Averages, 2006-2007



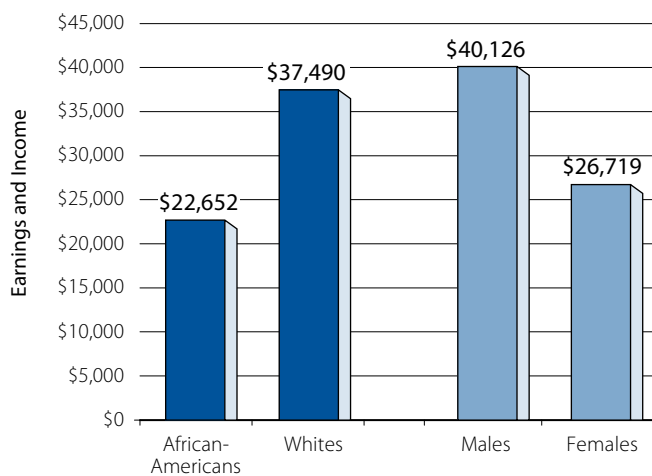
Source: Economic Policy Institute Analysis of Current Population Survey Data

Median Income and Earnings Lower for African-Americans and Women

While the figures above offer a glance of West Virginians' income over time, they hide the different experiences of women and people of color in the state's workforce. In 2007, according to the American Community Survey, median household incomes ranged from an estimated \$22,652 in African-American households to \$37,490 in white households. This means that the typical African-American household made 40 percent less than their white counterparts. In 2007, median earnings for full-time workers ranged from \$40,126 for males to \$26,719 for females. This means males earned approximately 33 percent more than female workers in 2007.

FIGURE 5.3

Median Income and Earnings by Race and Gender, West Virginia, 2007



Source: U.S. Census Bureau, 2007 American Community Survey

Income Inequality Growing

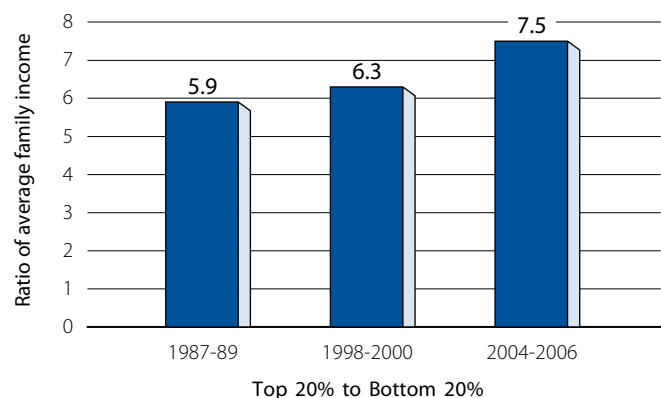
While median household incomes have grown in West Virginia over the last seven years, this does not mean the benefits of economic growth have been distributed among different income groups. From the late 1990s to the mid 2000s, West Virginia has experienced an increase in income inequality between low-income families and wealthier families despite income growth.

A ratio is presented in Figure 5.4 that compares the average income for families in the top 20 percent of the income distribution to the average income for families in the bottom 20 percent.²³ The higher the ratio between the two income groups, the greater is the income gap. For instance, if the average income for a family in the top 20 percent of the income distribution was \$100,000 and the average income for a family in the bottom 20 percent was \$20,000, the ratio would be 5:1. In other words, it would take 5 families in the bottom 20 percent of the income distribution, each earning the average income for the quintile, to make what one family in the top 20 percent makes in a single year. The higher the ratio, the less evenly incomes are distributed.

Figure 5.4 measures income inequality by measuring the average income for high-income families (Top 20%) to the average income for low-income families (Bottom 20%) over three time periods, 1987-89, 1998-2000 and 2004-06. The statistics demonstrate that income inequality has steadily risen since the late 1980s.

FIGURE 5.4

Income Inequality in West Virginia, Late 1980s-Mid 2000s



Source: Economic Policy Institute and Center on Budget and Policy Priorities

For 1987-89, the ratio of the average income for families in the top 20 percent of the income distribution to the average income for families in the bottom 20 percent was 5.9. Thus, the average family at the top of the income distribution had an income nearly six times as great as the average family at the bottom of the distribution. By 2004-06, this ratio had grown to 7.5. This means that where the average high-income family in West Virginia once had the income of roughly six average low-income families it has now become more than seven.

From the late 1990s to the mid-2000s, West Virginia had the eighth highest increase in income inequality among high-income families and low-income families in the nation. It's important to recognize that this growing gap between the poor and the wealthy happened despite the state experiencing above average income growth during this same period.

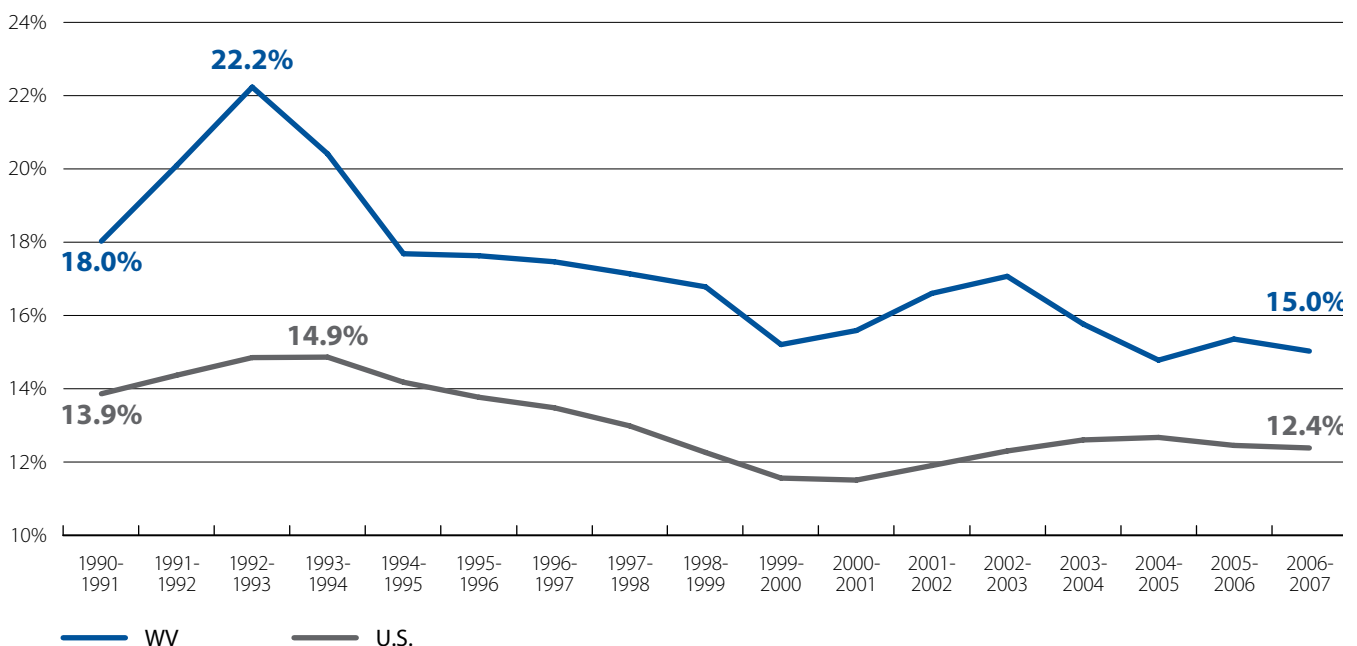
Poverty Down, But Still High

The first section of Chapter 5 showed that the median household income in West Virginia was just above \$40,000 for the 2006-2007 period. This means approximately half of the population earned less than \$40,000. Regrettably, many West Virginians earned significantly less and were unable to escape poverty. In the 2006-2007 period, approximately 15 percent—or 271,000 people—lived in poverty. As Figure 5.5 shows, this is a significant drop from the state's high of 22.2 percent during the 1992-1993 period. Despite this progress, West Virginia's total poverty rate has remained consistently above the U.S. average.

Poverty Higher for African-Americans, Women and Children

Similar to the income disparity between African-Americans and whites described in the previous section, the poverty rate for African American West Virginians is almost double that of the whites in West Virginia. According to the 2007 American Community Survey, the poverty rate for African-Americans in West Virginia was 27.8 percent while among whites it was 18.3 percent.²⁴ Women also experienced higher rates of poverty than their male counterparts in West Virginia. In 2007, the poverty rate for men was 15.4 percent while the poverty rate for women was 18.2 percent.²⁵

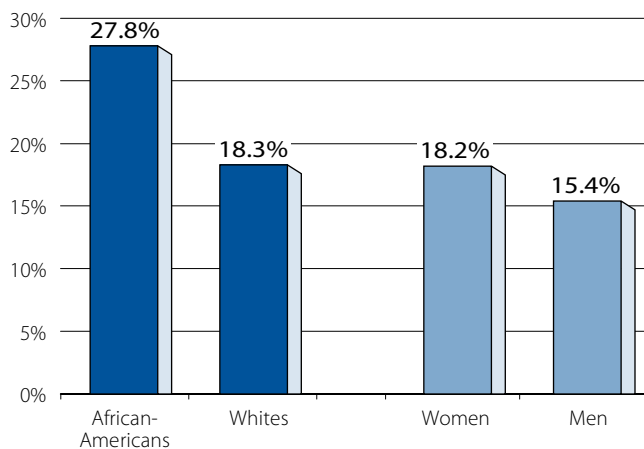
FIGURE 5.5
Poverty Rate, 2 Yr. Average, 1990-2007



Source: Economic Policy Institute Analysis of Current Population Survey Data

FIGURE 5.3

West Virginia Poverty Rates, by Race and Gender, 2007

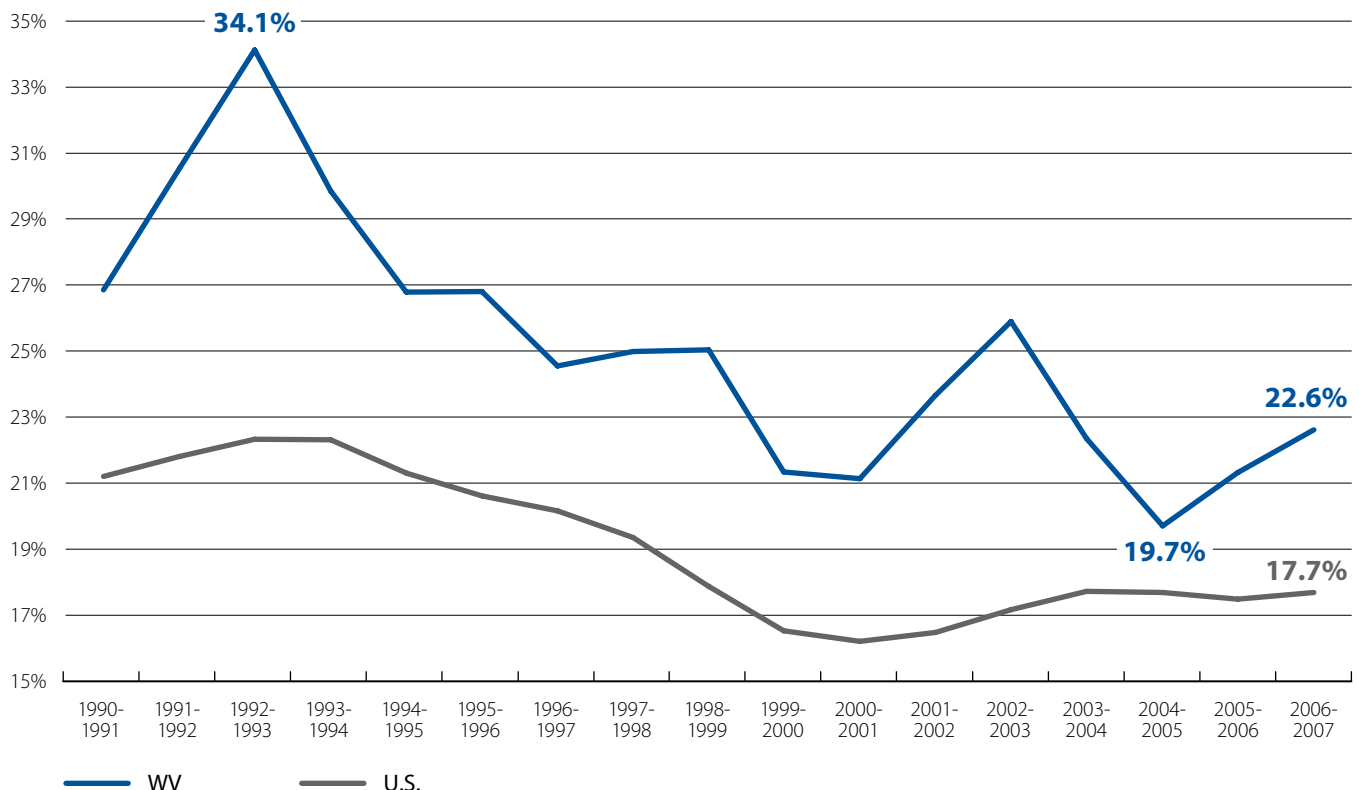


Source: U.S. Census Bureau, 2007 American Community Survey

Children, who are among the most vulnerable members of society, are also experiencing higher rates of poverty. In the 2006-2007 period, 22.6 percent of West Virginia's children—those under the age of 18—were in poverty. This was nearly five percent above the national average. Almost half (46.8 percent) of all children in West Virginia were below twice the poverty threshold in that same period. During the 2004-2005 period, the child poverty rate was 19.7 percent, almost 3 percentage points lower than it was in the latest period. While West Virginia's child poverty rate is well above the national average, it has decreased significantly from its high of 34.1 percent fourteen years ago.

FIGURE 5.7

Child Poverty Rate, 2 Yr. Average, 1990-2007



Source: Economic Policy Institute Analysis of Current Population Survey Data

Official Poverty Measure vs. Making Ends Meet

While the poverty rate provides a useful measure for how very low-income families are doing, it does not provide any insight into the minimum amount of income a family needs to make ends meet and avoid material stress and deprivation. For example, a family of four is considered in poverty if their income did not exceed \$21,027 in 2007. This scarcely supports even the most minimal standard of living. To compare, the median or typical family income for a family of four in West Virginia was \$57,552 in 2007.²⁶

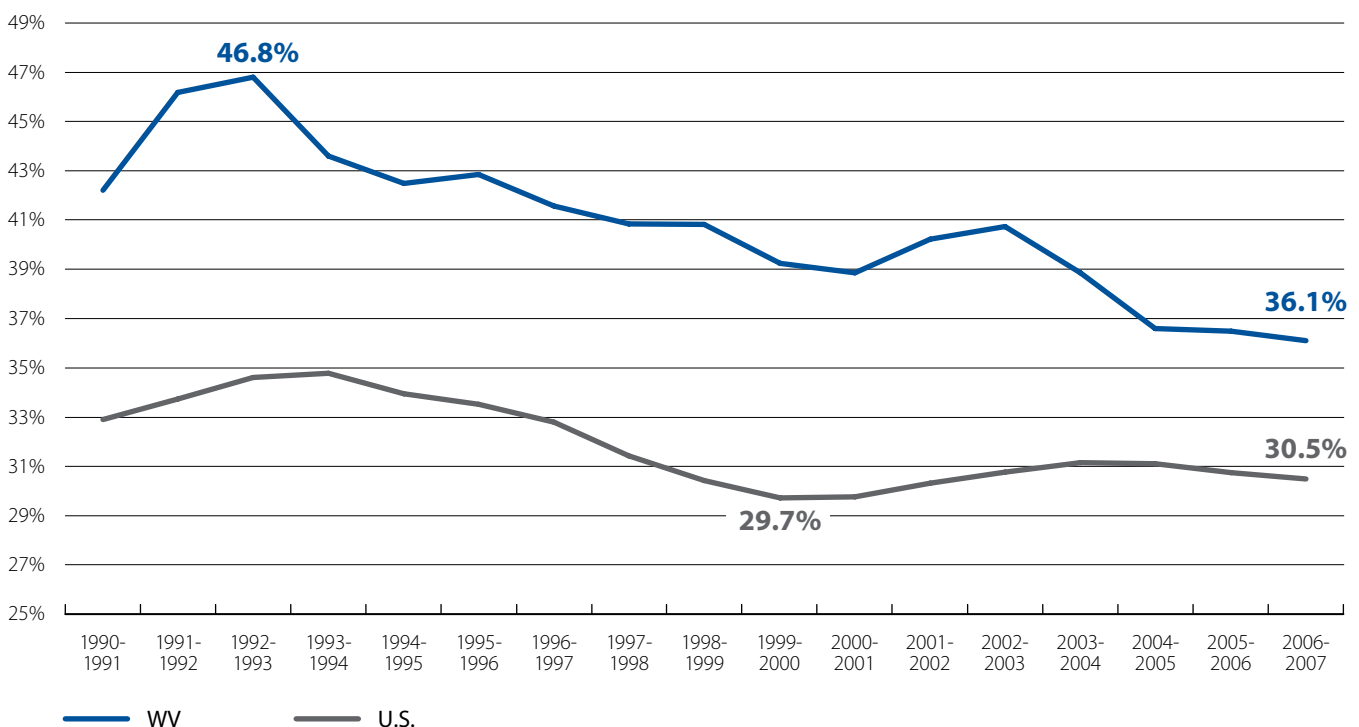
The reason the official poverty rate fails to accurately describe who is poor is because the thresholds were developed in the early 1960s and do not take into account changes in living standards reflected in family expenditures.²⁷ Most poverty analysts believe that the income a family needs to achieve self-sufficiency and make ends meet is close to twice the poverty thresholds. Detailed studies of family budgets support this evidence. For example, the basic family budget for a married couple with two children in West Virginia is approximately \$42,858 — which is about double the federal poverty thresholds used to determine poverty rates.²⁸

Federal Poverty Thresholds, 2007

\$10,787 for one individual under 65
\$14,291 for one parent and a child
\$16,705 for one parent and two children
\$21,027 for two parents and two children

Figure 5.8 shows the evolution since 1990 of the share of the population with income below twice the poverty line. The proportion of West Virginians living below this threshold is significantly higher than the U.S. average for every year since 1990. In the 2006-2007 period, 36.2 percent or more than one in three West Virginians (805,000) lived in a family making less than it takes to make end meets. While one in three low-income West Virginians are struggling to get by, the state has steadily improved since the 1992-1993 period when almost half of the population was at twice the poverty line.

FIGURE 5.8
Population Below Twice the Poverty Line,
West Virginia and U.S., 2 Yr. Average, 1990-2007



Source: Economic Policy Institute Analysis of Current Population Survey Data

Low and Middle Income Families Hit Hardest by Taxes

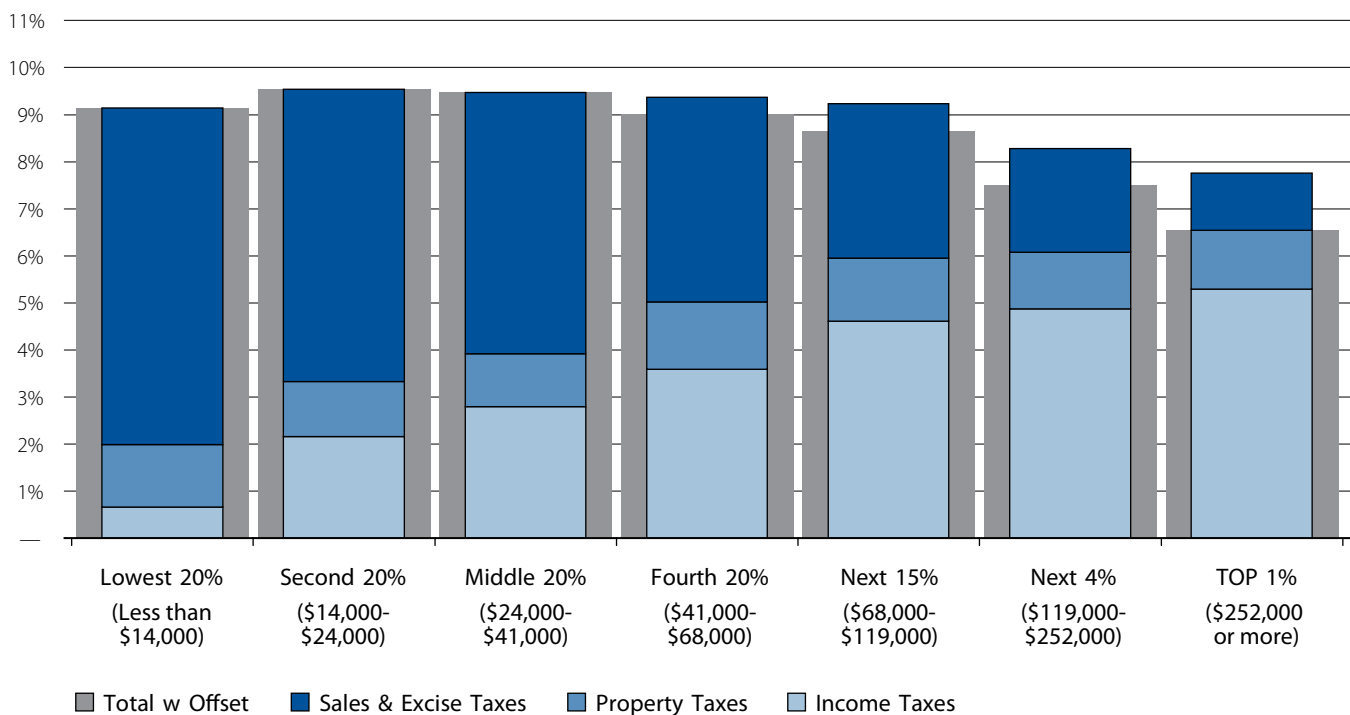
Taxes also have a significant impact on the ability of families to make ends meet. A fair and balanced tax system is based on the ability to pay. That is, those with lower incomes pay a smaller portion of their income in taxes than higher income earners—who devote more of their income to non-necessities. Taxes that disproportionately impact people with low incomes are called regressive.

Despite recent improvements, such as the reduction of the food tax and of income taxes on low income West Virginians, overall state and local taxes are regressive. Figure 5.9 illustrates the share of income families pay in state and local taxes at different income levels. The state and local taxes outlined in Figure 5.9 fall into three main categories, income, sales and excise and property taxes. As Figure 5.9 illustrates, West Virginians with the lowest 20 percent of incomes (less than \$14,000) pay 9.1 percent of their income in state and local taxes. In contrast, high income West Virginians—those with income of \$119,000 and above—pay between 8.3 and 7.8 percent. Higher income earners in West

Virginia also benefit from federal offsets (gray bars), which lowered their taxes paid to between 7.3 and 6.6 percent respectively. Middle-income West Virginians—those earning between \$24,000 and \$41,000—paid the highest amount of their income in taxes at 9.4 percent after federal offsets.

The state's over reliance on sales and excise taxes hurts low and moderate-income families. As Figure 5.9 shows, people with lower incomes pay more in sales and excise taxes as a share of their income than higher income taxpayers. Taxpayers with the lowest incomes paid 7.1 percent of income in sales tax, while the top 20 percent paid between 3.3 and 1.2 percent. The income tax, on the other hand, is progressive—with higher incomes taxed at a higher rate. Low-income taxpayers paid 0.7 of their income in income taxes while the top 20 percent paid between 4.6 and 5.3 percent. Without the income tax balancing our state and local tax system, the state would be more reliant on tax revenues from those that have the least.

FIGURE 5.9
West Virginia State & Local Taxes Paid
by Income Group, 2008



Source: Institute for Taxation and Economic Policy

Conclusion

While West Virginia continues to lag behind most of the country in terms of income and poverty levels, there are encouraging signs. Over the last several years, West Virginia has experienced higher median income growth rates than the nation and has seen a dramatic reduction in the amount of people living below 200 percent of poverty level.

Moreover, West Virginia's unemployment rate has been below the national average in nine of the first ten months of 2008 and was tied with the national average of 4.6 in 2007. This is a welcome change from the double digit unemployment rate that prevailed for much of the 1980s and early 1990s.

Still, there are a number of steps that could be taken to improve conditions for West Virginia's working families. Here are some suggestions for policy options that could move West Virginia towards a more broadly shared prosperity.

A refundable State Earned Income Tax Credit.

West Virginia has made progress towards a fairer tax system with the phased-in reduction of the regressive food tax and with the creation in 2006 of a state family tax credit which reduced income taxes on low wage workers. The state could take a further step by enacting a refundable State Earned Income Tax Credit set at some percentage of the Federal Earned Income Tax Credit. This would benefit about 145,000 West Virginia households.

Greater accountability in economic development policies and incentives.

West Virginia spends millions of dollars annually to promote economic development. Much of this takes the forms of subsidies or tax credits for private employers. However, there is a lack of transparency and accountability for these subsidies. West Virginia could remedy this situation and establish provisions for recapture of public subsidies for companies that receive state dollars while failing to create quality jobs.

Improving education and ensuring its affordability.

Recent Census data once again highlights the importance of educational attainment as an important means for people to escape poverty. Among all Americans, 22.9 percent of adults without a high school diploma lived in poverty in 2007; the rate was 12 percent for those with a high school diploma alone, 8.2 percent for those with some college and 3.9 percent for those with a four year degree or higher. The effects of education on poverty were even stronger for women, with 25.9 percent of those without a high school diploma living in poverty, 14.3 percent for those with a high school diploma, 9.7 percent for those with some college, and 4.4 percent for those with a four year degree or more. West Virginia should continue to invest heavily in high quality education at all levels and increase the affordability of post-secondary education.

Adequate public investment.

A strong infrastructure is a precondition for economic growth. In addition to such basics as roads, clean water, and sewer systems, expanding access to high speed internet would improve the climate for workers and businesses. Similarly, investments in higher education and research and development can help the state create good jobs for the changing economy.

Improving access to health care

Affordable health care is an important ingredient in maintaining a decent living standard. Unfortunately, in 2007 253,000 West Virginians lacked health coverage. In addition to pursuing economic development policies that provide good jobs with benefits, the state could consider raising the Medicaid eligibility threshold so that more people could qualify for coverage.

Access to paid sick days.

An even larger number of West Virginia workers do not have paid sick days on the job. Innovative policy initiatives and public/private partnerships could explore options to allow workers to earn paid sick days.

Reducing the fear factor for workers attempting to form unions.

Since high job quality is strongly associated with union membership, steps that reduce worker intimidation and retaliation in organizing efforts could benefit working people.

Raising the minimum wage.

Many states and local jurisdictions have set minimum wages at a higher level than the federal minimum, a step permissible under federal law. However, definitions in state law exclude the majority of employers from such legislation. Language in the West Virginia Code could be amended so that in the future, state minimum wage increases would cover more employees.

A system of universal voluntary retirement accounts.

As noted in Chapter 5, less than half of all workers in West Virginia lack an employer-provided pension system. West Virginia could explore the creation of a system of voluntary retirement accounts financed by payroll deductions which workers could retain as they move from job to job. This would promote savings and investment as well as build retirement security.

Invest in green jobs.

Whatever the future holds for the state's coal industry, West Virginia cannot afford to miss out on the growing green economy. State government, colleges and universities and businesses should collaborate to pursue opportunities for clean and alternative energy and sustainable economic policies, promote best practices and to train workers for jobs in this growing sector.

Explore non-punitive ways of increasing the state's labor participation rate.

As noted in previous chapters, West Virginia has the lowest labor force participation rate in the nation. This tends to reduce our overall economic performance. Some of the measures suggested above—such as a state earned income credit and expanded access to health care—could provide more incentives for employment. But additional research is needed to identify obstacles to employment and provide more positive work incentives.

While economic hardship has frequently been the lot of West Virginia's workers, it need not be their fate.

End Notes

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- 20 Bernstein, J. and Baker, D., *The Benefits of Full Employment*, (Washington, D.C.: Economic Policy Institute, 2004)
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- 22 Median household income (MIH) measures the income of the typical household, those in the middle of the range of all household incomes. In other words, half of all households have incomes below the median and half have income above it. Income refers to all pre-tax money received, including wages and salary plus any other cash income received such as unemployment insurance, disability payments or child support. Income does not include the value of non-cash benefits such as food stamps or Medicaid. A household consists of all persons living in the same housing unit, whether related or unrelated. To compare West Virginia MIH to the US average, the Census Bureau suggests using multi-year averages.
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- 27 Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, *The State of Working America 2006/2007*, (New York: Cornell University Press, 2007), 282.
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