

The State of Working West Virginia



**The Great
Recession
2009**



west virginia
Center on
Budget & Policy

The State of Working West Virginia: The Great Recession 2009

Dedicated to
Dave Cormier,
Professor, mentor and friend,
West Virginia University Institute for Labor Studies and Research

About the authors

Ted Boettner is the executive director of the West Virginia Center on Budget and Policy. His fields of expertise include economic policy, state budget and revenue issues, retirement security, and taxation. Questions about this report may be directed to Ted at (304) 720-8682 or tboettner@wvpolicy.org.

Paul Miller is a policy analyst at the West Virginia Center on Budget and Policy. His fields of expertise include economic policy, state budget and revenue issues, unemployment insurance, retirement security, and poverty issues.

Rick Wilson is the area director of the American Friends Service Committee, West Virginia Economic Justice Project. He has taught sociology at Marshall University and WVU-Tech and written about labor and economic issues for more than 20 years.

The report was edited by **Julie Pratt**, communications and outreach director for the West Virginia Center on Budget and Policy, and designed by **David Love** of the Phillips Group.

Acknowledgments

We would like to acknowledge the Economic Policy Institute for providing much of the data included in this report, and particularly to analysts Kathryn Edwards and Kai Fillion. In addition, we thank the following organizations for their valuable assistance: Center on Budget and Policy Priorities, Center for Economic and Policy Research, National Employment Law Project, and Workforce West Virginia. We are especially grateful to the many community, labor and religious groups that use and disseminate this report.

The West Virginia Center on Budget and Policy is supported by generous grants from the W.K. Kellogg Foundation, Claude Worthington Benedum Foundation, Sisters of Saint Joseph Charitable Fund, Service Employees Union International 1199, and the West Virginia Affiliated Construction Trades Foundation.



West Virginia Center on Budget and Policy
723 Kanawha Blvd., Suite 300
Charleston, WV 25301
Tel 304-720-8682 • Fax 304-720-9696
www.wvpolicy.org

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.

Table of Contents

Chapter 1: Overview	3
Chapter 2: Employment	5
More than 25,000 Jobs Lost; Manufacturing Hit Hardest	5
Job Loss Less Severe than in 1980s	6
Unemployment Rates Higher for Men and People of Color	9
Underemployment at 12-Year High	10
Unemployment Increases in All Counties	10
Slow Return of Jobs Predicted	10
Chapter 3: Wages	12
State Continues to Lag Behind Nation in Wages	12
Gender Gap Continues to Narrow	13
Racial Disparities Persist	14
Education Gap Widens	15
Union Workers Continue to Fare Better than Non-Union Workers	15
Chapter 4: Family Economic Security	17
Recession Triggers Increase in Poverty, Especially Among Children	17
Many People Losing Health Insurance	17
Bankruptcies and Foreclosures On The Rise	19
Public Programs Serving More People	21
Unemployment Insurance Claims Rising	22
Chapter 5: Policy Opportunities	24
The American Recovery and Reinvestment Act of 2009	24
Other Federal Policy Options	26
State Policy Options	27
Appendix: Data Tables	29
A. Change in Number of Jobs by Sector, December 2007 to September 2009	29
B. Recession Effects on Unemployment Rate in West Virginia Counties	30
C. Change in Number of Home Foreclosures by County, 2007 - 2008	31
End Notes	32

Figures

Figure 2.1: Total Non-Farm Employment, December 2007 to September 2009	5
Figure 2.2: Percentage Change in Jobs by Sector, December 2007 to September 2009	6
Figure 2.3: Percentage Change in Jobs in 1981, 1990, 2001 and 2007 Recessions	7
Figure 2.4: Total Non-Farm Employment, January 1980 to September 2009	7
Figure 2.5: Unemployment Rates, U.S. and West Virginia, December 2007 to September 2009	8
Figure 2.6: Unemployment Rates 1981, 1990, 2001 and 2007 Recessions	8
Figure 2.7: Quarterly Unemployment Rate by Gender, 2007 to 2009	9
Figure 2.8: Underemployment Rate in West Virginia Since 1994	11
Figure 2.9: Recession Effects on Unemployment Rate in West Virginia Counties	11
Figure 3.1: Real Median Wages, U.S. and West Virginia, 1979-2008	12
Figure 3.2: Percentage of Workers Earning Below Poverty Wage, U.S. and West Virginia, 1980-2008	13
Figure 3.3: Ratio of Women's Median Wage to Men's, U.S. and West Virginia, 1979-2008	14
Figure 3.4: Real Median Wages by Gender, U.S. and West Virginia, 1979-2008	14
Figure 3.5: Median Hourly Wages in U.S. by Race, 1979-2008	15
Figure 3.6: Real Median Wages by Education, West Virginia, 1980-2008	16
Figure 3.7: Non-Union and Union Hourly Wages in West Virginia, by Percentile, 2007	16
Figure 4.1: Poverty and Unemployment Rates, 1980-2009	19
Figure 4.2: Projected Poverty Rates Based on Unemployment Rate	19
Figure 4.3: Personal Bankruptcy Filings, 2006-2009	20
Figure 4.4: Households Receiving SNAP, January 2007 - July 2009	21
Figure 4.5: TANF Caseloads, January 2007 - July 2009	22
Figure 4.6: Percent Change in U.S. and West Virginia Weekly Initial Claims for Unemployment Insurance	23
Figure 4.7: Percent Change in U.S. and West Virginia Continued Claims for Unemployment Insurance	23

Tables

Table 4.1: Changes in Unemployment and Poverty, Pre- and Post-Recessions	18
Table 4.2: Projected Number of People in Poverty Based on Unemployment Rate	19
Table 5.1: Major Components of Recovery Act	25
Table 5.2: Percent Change in Aggregate Personal Income, First Quarter 2008 to Second Quarter 2009 ..	25
Table 5.3: Impact of Unemployment Insurance (UI) Enhancements on West Virginia	26

Overview

The State of Working West Virginia 2009 observes the economic pendulum swing into deep recession. The state's unemployment rate more than doubled during the first six months of the year. Some of the jobs lost came from the closing of longtime pillars of the state's economy, such as the Century Aluminum plant at Ravenswood. One in six West Virginians is presently unable to find full-time work. The resulting rise of families in need of assistance is stretching government programs at a time when tax revenues are falling.

In the fall of 2008, the first edition of *The State of Working West Virginia* analyzed economic data over a 30-year period from 1979 to 2008. The data revealed a story of dramatic contrasts. At the beginning of the period, West Virginia enjoyed hourly wages and rates of employer-provided benefits higher than the national average. Those relatively good times were followed by a rapid decline of employment, wages and benefits during the recession of the early 1980s; an extended period of double-digit unemployment well into the 1990s; and a long, slow and painful recovery.

The national economy took another downturn in late 2007, although the full impact would not reach the Mountain State until a year later. Like earlier declines, the current recession was caused largely by events beyond the control of state residents. These included the bursting of the housing bubble and a resulting credit crisis, which resulted in the worst recession since the stock market collapse of 1929.

The comparison between the Great Crash of 1929 and today's Great Recession is not an idle one. In a September 2009 speech, Christina D. Romer, Chairwoman of President Obama's Council of Economic Advisors, observed:

...the shocks that hit the U.S. economy last fall were at least as large as those in 1929. In both cases, the economy had been in a gentle decline before the crisis—the recession that became the Great Depression began in August 1929; the current recession had been going on for nine months before the Lehman Brothers collapse. And in both cases, a financial crisis greatly accelerated and strengthened the decline.

A key precipitating shock in both episodes was a decline in household wealth. The Great Crash of the stock market reduced stock prices by 33 percent from September to December 1929. However, the Crash followed a run-up in stock prices of 27 percent from June to August; over the whole year the market declined by a more modest 14 percent. Since house prices declined only slightly, the fall in household wealth was just 3 percent between December 1928 and December 1929.

In 2008, the collapse in wealth was far more dramatic. Stock prices fell 24 percent in September and October alone, and house prices fell 9 percent over the year. All told, household wealth fell 17 percent between December 2007 and December 2008, more than five times the decline in 1929.¹

It appears at present that a full-scale collapse such as the Great Depression of the 1930s has been averted and that the stock market is rebounding. In late October 2009, the government reported a rise in Gross Domestic Product (GDP), an event that is widely interpreted as signaling the end of the recession.

However, this in itself means little to the working families damaged by it. Employment is a lagging economic indicator and unemployment is likely to increase or remain high in a jobless recovery after GDP again begins to climb. Further, economic recessions have long-term scarring effects that can linger for years. According to the Economic Policy Institute, these include lower educational achievement and attainment, lost opportunities to achieve well-being, adverse health outcomes, lower private investment, and a decline in entrepreneurial activities.²

This report examines the impact of the Great Recession on West Virginia in general and on its workers in particular:

- Chapter 2 focuses on **employment**, including the rapid drop in jobs during the first six months of 2009. Although the recession came late to West Virginia, it hit the job market hard, sending unemployment to a 15-year high. Men have suffered higher job losses than women, and deep-rooted racial disparities have worsened.
- Chapter 3 focuses on **wages**, which have been declining for 30 years and now lag nearly two dollars below the national median. Wage gaps based on gender, race and education persist, although wages for women show continued signs of improvement.
- Chapter 4 focuses on **family economic security**. Job losses are fueling increases in poverty, which could eventually affect one in four West Virginians overall and one in three children. Unemployment insurance and other public programs are expanding in an effort to lessen the harm.
- Chapter 5 focuses on **policy opportunities**, including the effects of the first six months the American Recovery and Reinvestment Act, as well as further steps that can be taken at state and federal levels to build economic security and equity for West Virginia's working families.

Employment

More than 64,000 West Virginians are out of work, according to the official jobless count. Many more are working only part-time because they can't find full-time jobs. More men than women have lost their jobs because they tend to work in jobs hardest hit by the recession. People of color continue to experience higher-than-average unemployment rates, even among college graduates. Although the national economy is showing signs of improvement, economists predict that jobs will be slow to return.

More than 25,000 Jobs Lost; Manufacturing Hit Hardest

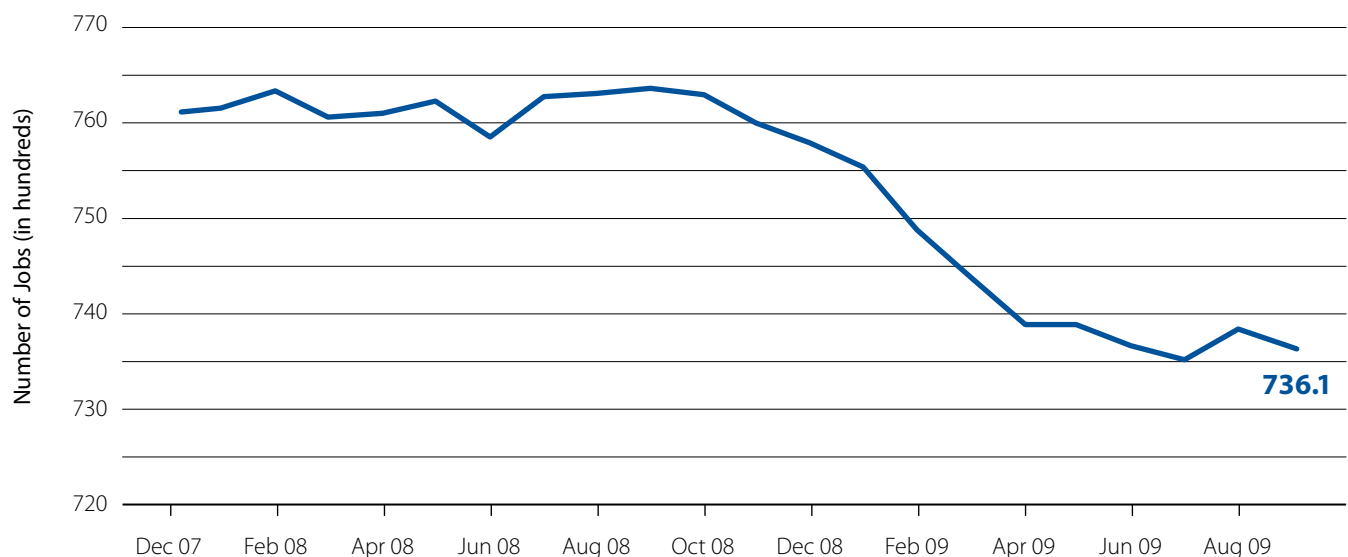
West Virginia has lost more than 3 percent of its job base – 25,100 jobs – since December 2007. The majority of the state's job losses took place in the months following the September 2008 financial market meltdown. (See Figure 2.1.)

The current recession has been particularly hard on manufacturing, which shed 14.7 percent of its jobs, and construction, which fell 11.2 percent. (See Figure 2.2) Other sectors that lost more than 5 percent of their jobs included trade, transportation, and utilities; mining and logging; and financial. Sectors that experienced job growth included education and health services at 3.4 percent and government at 1.3 percent.

The accelerated loss of manufacturing and construction jobs is highly unfortunate for working families, considering the above-average pay in each of these sectors. The average manufacturing job in West Virginia paid a weekly wage of \$911.08 in 2009, or 32 percent more than the average weekly wage in the private sector. Construction jobs paid an average weekly wage that was \$812.62, or 18 percent higher than the private sector average.³

Despite these losses, West Virginia has fared better than most states. The average job loss from December 2007 to September 2009 in the U.S. was 5.2 percent, compared to West Virginia's 3.3 percent loss. Only two states (North Dakota and Alaska) and the District of Columbia had positive job growth during this period.

FIGURE 2.1
Total Non-Farm Employment, December 2007 to September 2009
(Seasonally Adjusted)



Source: Economic Policy Institute analysis of Current Population Survey data

Among West Virginia's neighboring states, only Maryland has lost fewer jobs at three percent. Ohio and Kentucky are the biggest losers in the region, with jobs dropping by 5.9 percent and 6.1 percent, respectively.

Job Loss Less Severe than in 1980s

The current recession has resulted in more job losses than occurred in either the 1990 or 2001 recession. However, as damaging as the current downturn has been, it doesn't rival the 1981 recession, when the unemployment rate approached levels reminiscent of the Great Depression. (See Figure 2.3.)

The effects of the 1981 recession lasted for 13 years, measured from employment peak to employment trough. (See Figure 2.4.) Total non-farm employment peaked in February 1980 at 662,000 and reached a low point of 577,700

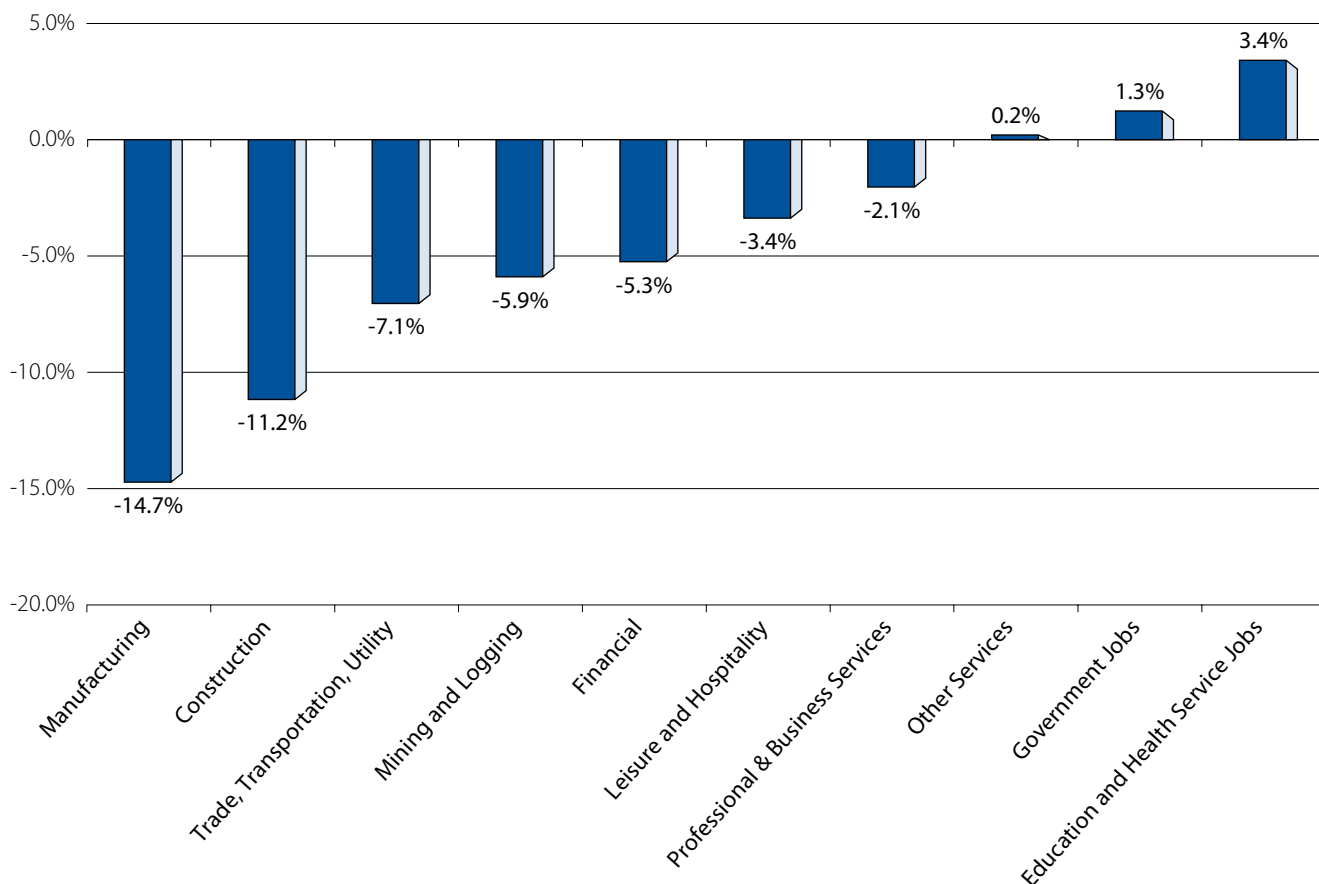
in June 1983, when the unemployment rate was 17.8 percent. It wasn't until December 1993 that West Virginia had the same number of jobs that it had in 1980.

The state's job losses since December 2007 have averaged 1,200 per month. Since October 2008, when the recession officially hit West Virginia, job losses averaged 2,300 per month. After ten months of consecutive job losses, the state experienced an increase of 3,300 jobs in the month of August.

West Virginia's unemployment rate reached a 15-year high at 9.1 percent in June 2009. The surge in unemployment began in earnest in January, and the rate more than doubled over the next six months. (See Figure 2.5.) Over the last year, the number of unemployed people grew from 29,000 in September 2008 to 64,200 in September 2009, an increase of 121 percent.

FIGURE 2.2

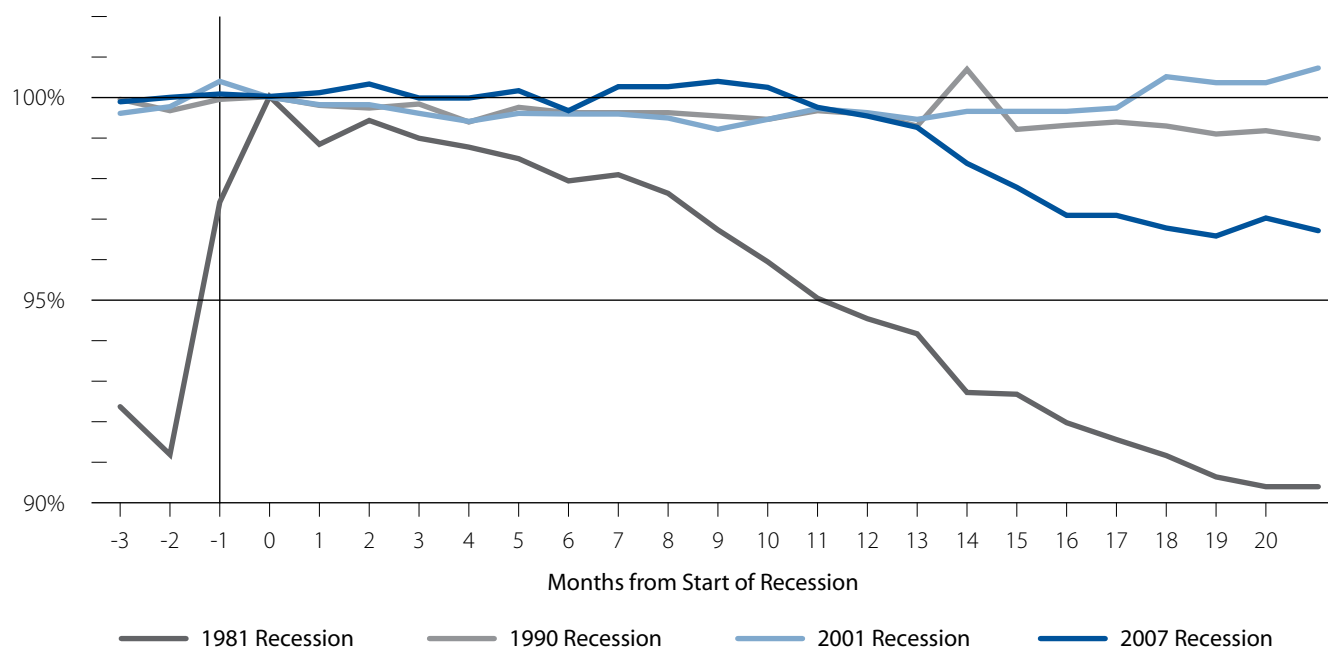
Percentage Change in Jobs by Sector, December 2007 to September 2009



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics data. See Appendix A for data chart.

FIGURE 2.3

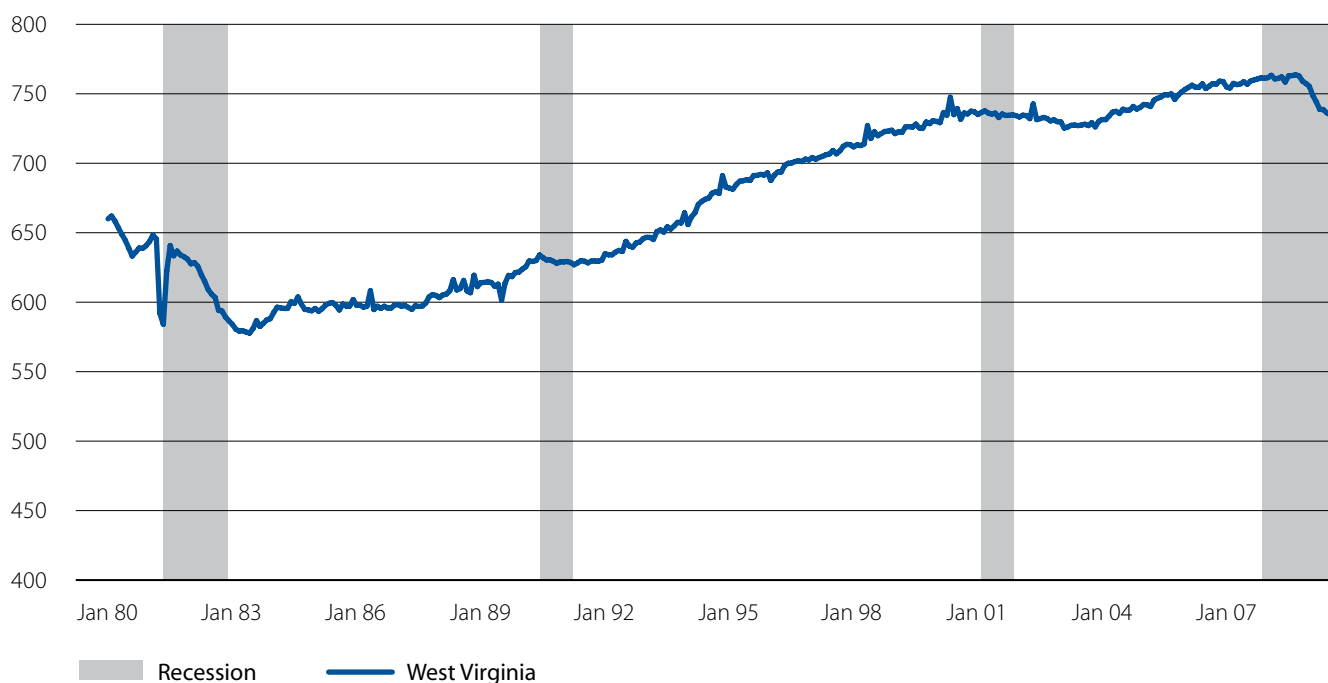
Percentage Change in Jobs in 1981, 1990, 2001 and 2007 Recessions (Seasonally Adjusted)



Source: Economic Policy Institute analysis of Current Employment Statistics data

FIGURE 2.4

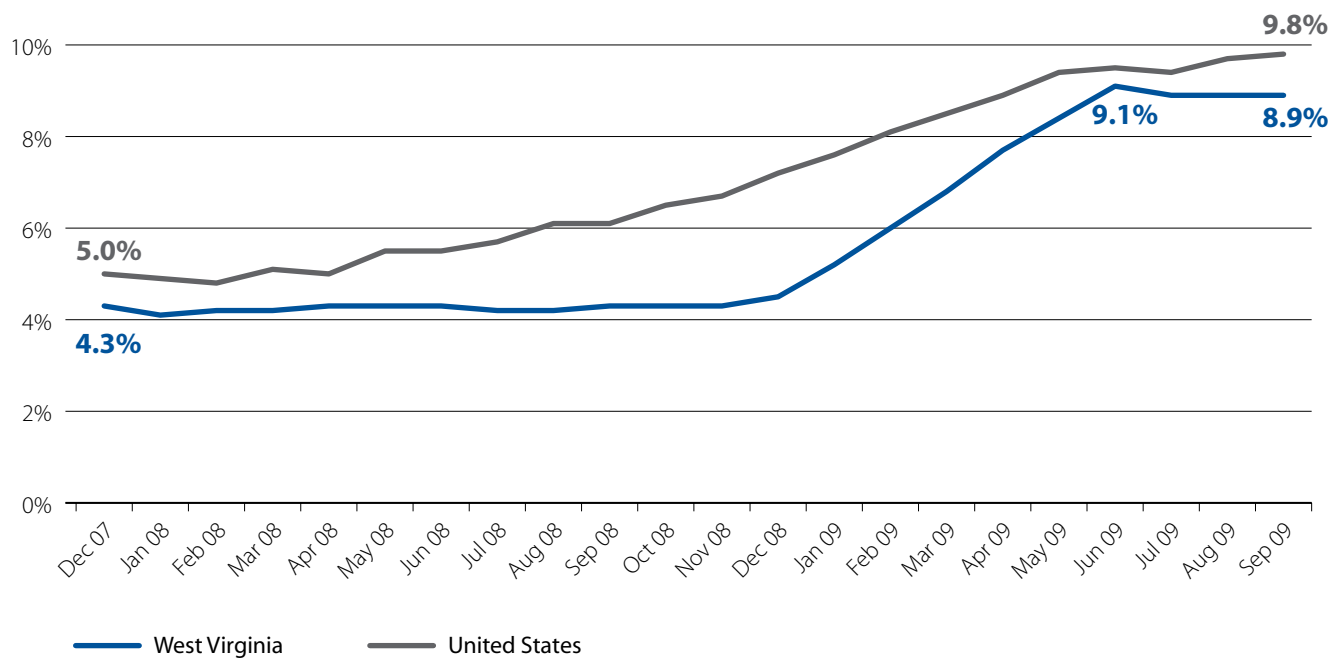
Total Non-Farm Employment, January 1980 to September 2009 (Seasonally Adjusted)



Source: Economic Policy Institute analysis of Current Employment Statistics data

FIGURE 2.5

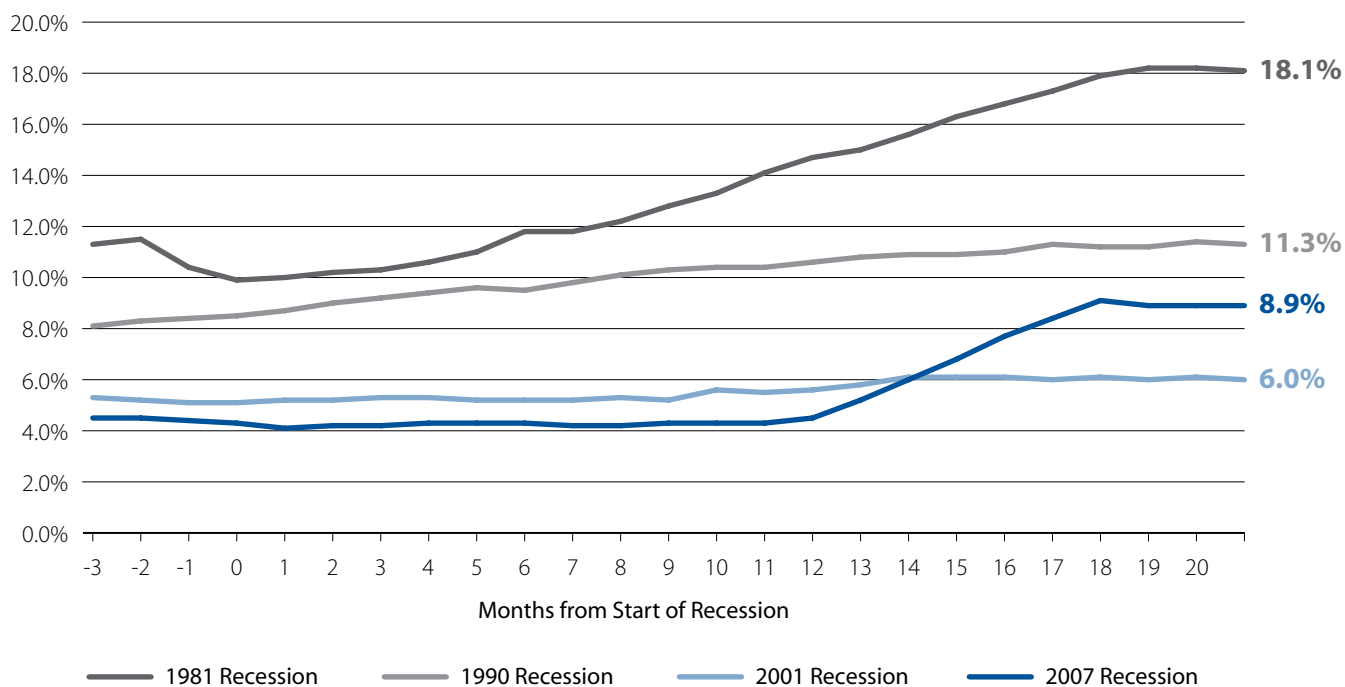
Unemployment Rates, U.S. and West Virginia, December 2007 to September 2009 (Seasonally Adjusted)



Source: Workforce West Virginia

FIGURE 2.6

Unemployment Rates 1981, 1990, 2001 and 2007 Recessions (Seasonally Adjusted)



Source: Economic Policy Institute analysis of Current Population Survey data

Unemployment Rates Higher for Men and People of Color

When the national recession began in 2007, West Virginia men and women had comparable unemployment rates of 4.5 percent and 4.3 percent, respectively. This drastically changed as the recession began making its way into West Virginia. By the third quarter of 2009, the male unemployment rate had more than doubled to 10.9 percent, while female unemployment had risen by half to 6.5 percent. (See Figure 2.7.)

The gender gap is due largely to the fact that men tend to work in occupations that have been hardest hit by the recession, such as manufacturing, construction and mining. Women, on the other hand, are more likely to work in fields less hurt by the recession, such as education and health services.

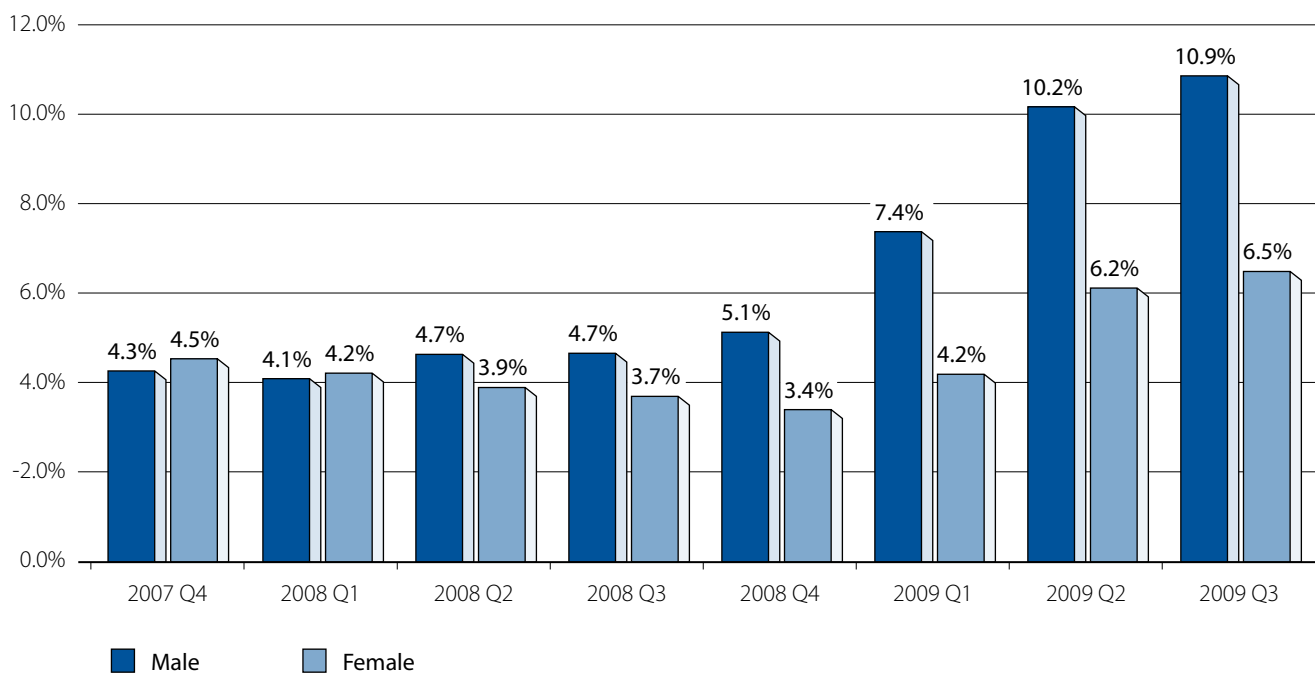
The recession is taking an even greater toll on people of color. In September 2009, the national unemployment rate was 9.0 percent for whites, 12.7 percent for Hispanics, and

15.4 percent for blacks. Disproportional increases in the unemployment rate among college-educated minorities are also evident. In March 2009, college-educated blacks had an unemployment rate 3.4 percentage points higher than whites. College-educated Hispanics had an unemployment rate that was 1.2 percentage points higher.

“Joblessness among African Americans cannot be solved by education alone,” according to economist Algernon Austin. “The disparities among the college-educated and other evidence strongly suggest that even if the black educational attainment distribution was exactly the same as the white distribution, blacks would still have a higher unemployment rate than whites.”⁴

Unfortunately, unemployment data are not available by race for West Virginia from the Current Population Survey conducted by the U.S. Census Bureau. This is largely due to the lack of ethnic diversity in the state, with blacks comprising only 3.6 percent and Hispanics only 1.1 percent of the population.

FIGURE 2.7
Quarterly Unemployment Rate by Gender, 2007 to 2009
(Seasonally Adjusted)



Source: Economic Policy Institute analysis of Current Population Survey and Local Area Unemployment Statistics data

Nonetheless, one can reasonably assume that the state unemployment rate for Blacks and Hispanics is much higher than that of Whites. For example, using Census data, Workforce West Virginia estimated that in 2000, the unemployment rate was 7.1 percent for whites, 9.9 percent for Hispanics, and 13.9 percent for blacks. The disparity persisted in 2008, with unemployment estimated at 4.1 percent for whites and 8.3 percent for blacks.

Underemployment at 12-Year High

While the unemployment rate serves as a good barometer of the labor market, it fails to tell the whole story of worker insecurity and labor market weaknesses. This is because the unemployment rate leaves many people out and doesn't reflect involuntary part-time workers.

In calculating the unemployment rate, the Bureau of Labor Statistics (BLS) doesn't include those who are willing and able to work but have dropped out of the labor force. These workers are referred to as "marginally attached" or "discouraged" workers, who have looked for a job sometime in the last 12 months but were not counted as unemployed because they stopped looking for work in the 4 weeks preceding the survey. Worker discouragement can be especially pronounced during dismal economic conditions such as the current recession.

Another group of workers left out of the official unemployment rate are those who are working part-time, but want to be employed full-time. These "involuntary part-time workers" are working part-time because that was all they could find or because their hours have been reduced to fewer than 35 per week.

The "underemployment rate" adds marginally attached and involuntary part-time workers to the official unemployment rate. West Virginia's underemployment rate is at a 12-year high of 16.2 percent. This rate has increased almost four percentage points over the previous year and has doubled since the recession began in December 2007. (See Figure 2.8.)

Nationally, the underemployment rate has increased more for Hispanics and Blacks than it has for Whites. Since the start of the recession, underemployment increased by 14 percentage points for Hispanic workers and 9.3 percentage points for black workers, compared to 7.1 percentage points for white workers. State-level underemployment data by race are not available for West Virginia.⁵

Unemployment Increases in All Counties

Every West Virginia county has experienced an increase in unemployment during the past year, ranging from 2.2 percentage points in Monongalia County to 9 percentage points in Jackson County. (See Figure 2.9 for county unemployment rate increases and Appendix B for actual rates.)

Jackson County had the largest increase in its unemployment rate over the last year, as well as the second highest unemployment rate. The steep spike in unemployment was triggered by the closing of the Century Aluminum plant in Ravenswood in February. The closure resulted in approximately 650 layoffs and had ripple effects in neighboring counties.⁶ For example, Roane County, where many of the Century Aluminum workers live, had the second highest increase in unemployment and the highest unemployment rate in the state.

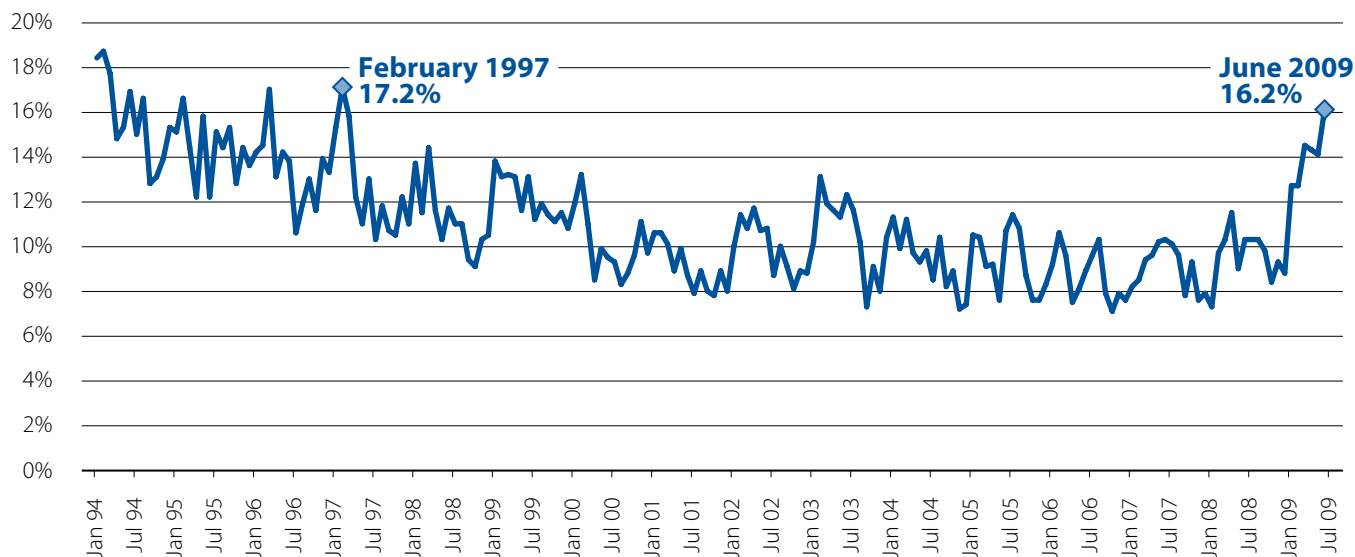
Slow Return of Jobs Predicted

After contracting for a year and a half, the national economy grew in the quarter that ended in September 2009. However, economists are calling this a "jobless recovery" because the growth has been insufficient to revive hiring.

The Congressional Budget Office (CBO) projects that the national unemployment rate will peak at 10.2 percent in 2010 and drop to 9.1 percent in 2011.⁷ The CBO also predicts that the labor market will rebound slowly over the next few years, with the U.S. will not reaching full employment – a natural rate of unemployment of 4.8 percent – until 2014.⁸

FIGURE 2.8

Underemployment Rate in West Virginia Since 1994 (Non-Seasonally Adjusted)



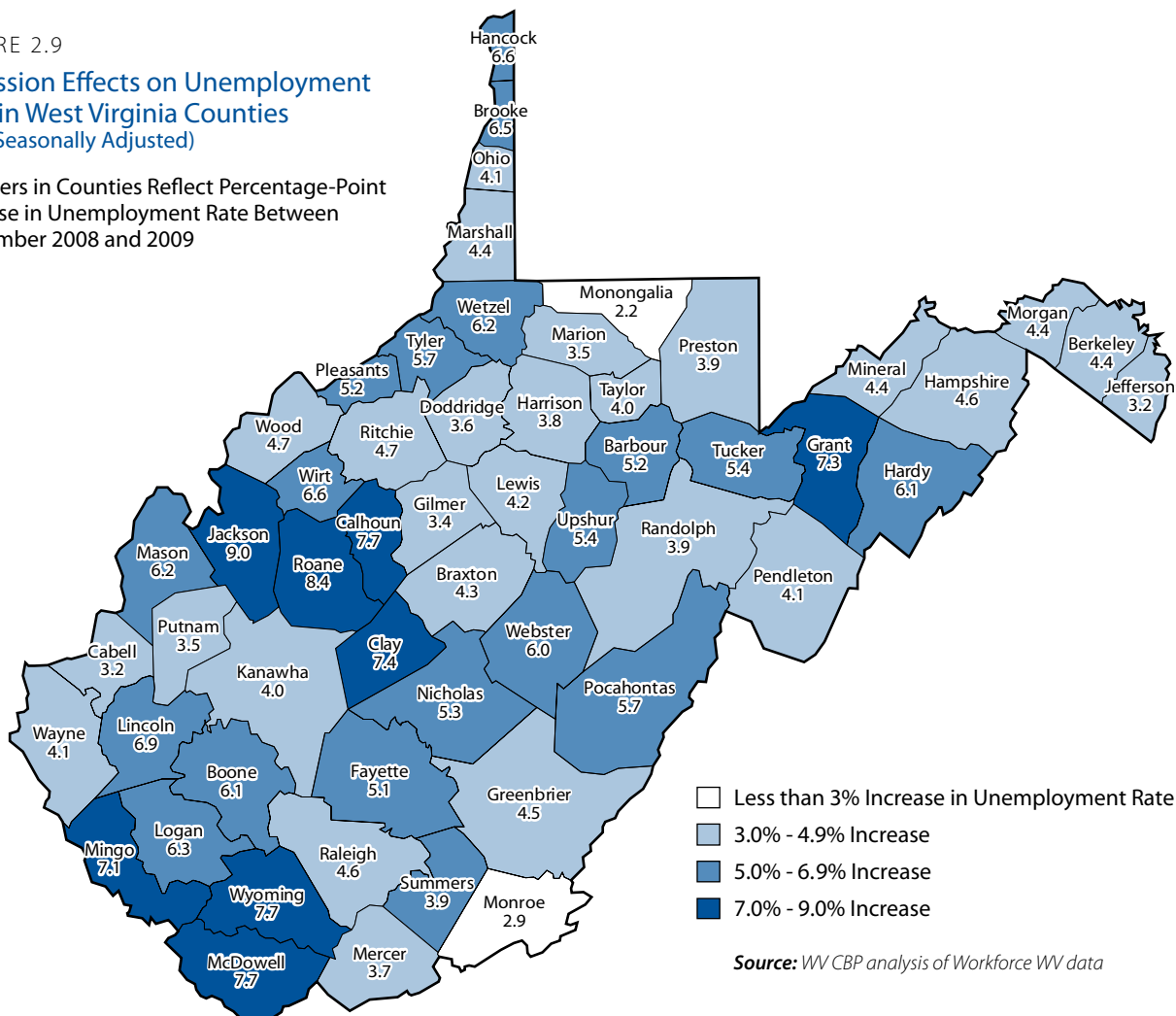
Source: Economic Policy Institute and WV CBP analysis of Current Population Survey data

Note: Data for November 2005 and July and August 2008 did not meet sample size and the previous months rate was applied.

FIGURE 2.9

Recession Effects on Unemployment Rate in West Virginia Counties (Non-Seasonally Adjusted)

Numbers in Counties Reflect Percentage-Point Increase in Unemployment Rate Between September 2008 and 2009



Source: WV CBP analysis of Workforce WV data

Wages

Wage decline has been a significant problem in the Mountain State for more than 30 years. Even before the current recession, West Virginia workers were hampered by hourly wages that failed to keep up with the growing costs of basic necessities and consumer goods. Many West Virginians have been further harmed by wage disparities based on gender, race and education. In 2008, the wage gap widened between state and U.S. workers, between high school and college graduates, and between blacks and whites. While women continue to make less than men, the gap is narrowing.

State Continues to Lag Behind Nation in Wages

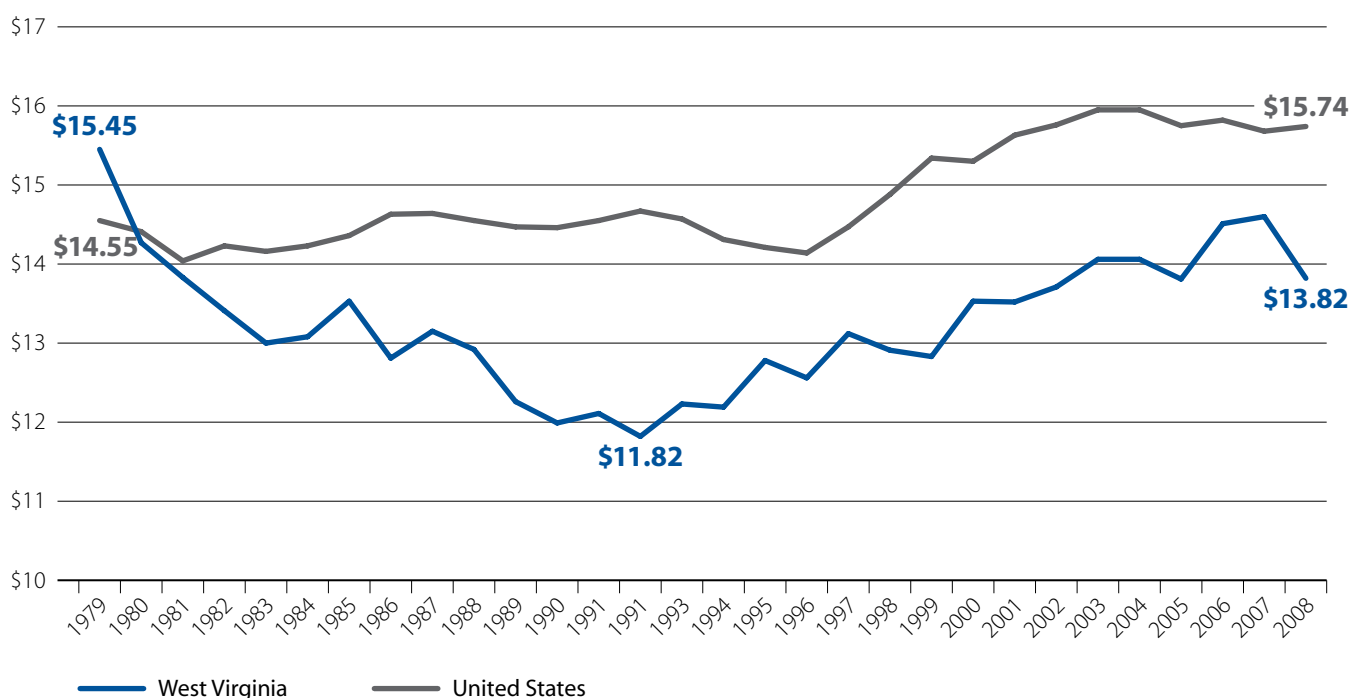
The wage disparity between West Virginia and U.S. workers grew in 2008. The state's real median wage – the hourly wage of the worker in the middle of the wage distribution – is now almost two dollars below the national median. Adjusted for inflation, the state wage is \$1.63 less per hour today than it was in 1979, when the typical West Virginia worker made almost a dollar more per hour than the national median. (See Figure 3.1.)

The state's median hourly wage declined to a low point in 1992 of \$11.82, then improved gradually to \$14.60 in 2007. It fell sharply by more than 75 cents in 2008 – the year before the national recession officially reached the Mountain state. This was due largely to the rapid rise in inflation in 2008.

One in three West Virginia workers earned less than the federal poverty level in 2008, compared to one in four U.S.

FIGURE 3.1

Real Median Wages, U.S. and West Virginia, 1979-2008
(in 2008 Dollars)



Source: Economic Policy Institute analysis of Current Population Survey data

workers. (See Figure 3.2.) West Virginia ranks third highest in the nation in the percentage of workers earning poverty-level wages. After a steady decline since the mid-1990s, the percentage began climbing again two years ago and is expected to increase substantially as a result of the recession. (See Chapter 4.)

The current recession adds to West Virginia's wage woes. This is especially true for low and middle-income families, who derive most of their income from salary and wages, as opposed to investment income. According to economist Tim Bartik, for each percentage point increase in the unemployment rate, average income can fall by 1.8 percent for the bottom fifth of families, by 1.4 percent for the middle fifth, and by 1.0 percent for the top fifth.⁹

Gender Gap Continues to Narrow

While the wage gap between men and women has narrowed over the last 30 years, there remains a significant difference in pay. Nationally, the median wage for women was only 82.5 percent of men's median wage in 2008.

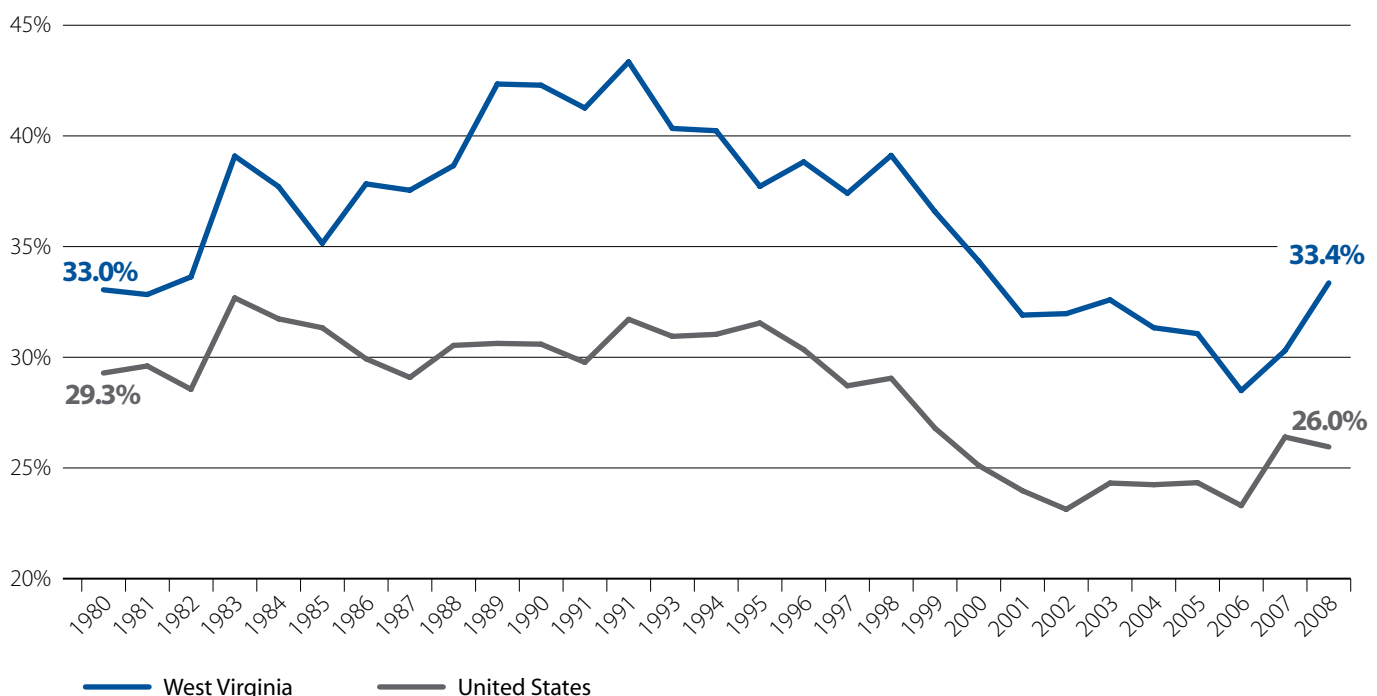
The gender gap was wider in West Virginia, where the typical woman earned just 78 cents for every dollar earned by a man.

Women across the state and nation have made substantial progress in pay equity since the U.S. Congress passed the Equal Pay Act of 1963. Over the past three decades, the ratio of the women's median wage to the male median wage has improved by nearly 20 percentage points in the U.S. and by more than 26 percentage points in West Virginia. (See Figure 3.3.)

The relative progress made by women is due in part to the decline of the male median wage during the 1980s.¹⁰ Other factors include a rise in women's educational attainment, movement into higher-paying occupations, changes in family status, reductions in discrimination, and a shift in skills.¹¹

The age of female workers and when they enter the workforce also affect gender pay ratios. The generation of women born between 1936 and 1945 made 58 percent less than their male counterparts when they were in their late 30s. For women

FIGURE 3.2
Percentage of Workers Earning Below Poverty Wage,
U.S. and West Virginia, 1980-2008
(in 2008 Dollars)



Source: Economic Policy Institute analysis of Current Population Survey data

born twenty years later, the gender gap was cut in half to 29 percent. In addition, women who entered the workforce while in their twenties experience smaller wage gaps than women who entered the workforce at age 40.¹²

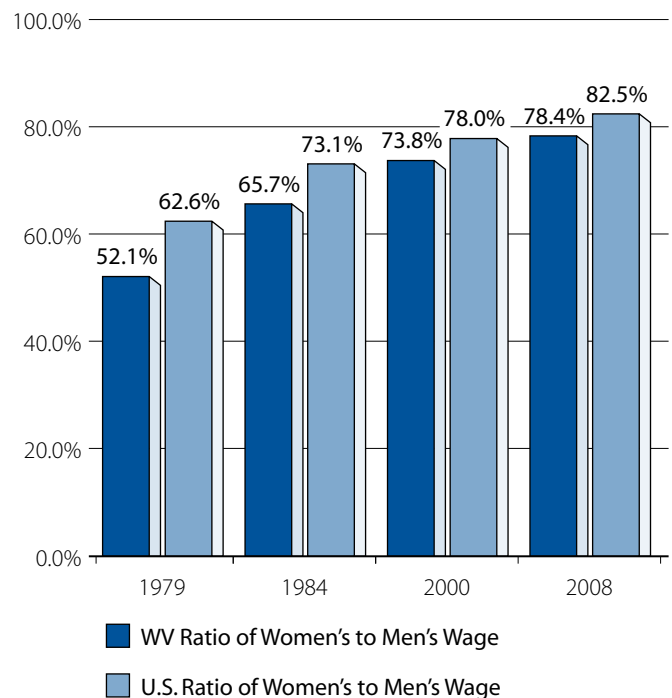
The state lags behind the nation in median wages for both men and women. West Virginia men make \$3.21 per hour less than they did thirty years ago and \$1.88 less than men nationally. The median wage for West Virginia women increased by \$1.92 during the same period, but still lags \$2.19 behind women nationally. Men were more harshly impacted by the sudden decline in West Virginia wages in 2008, when the median wage fell by almost ten percent for men, as compared to three percent for women. (See Figure 3.4)

Racial Disparities Persist

Wage data by race are not available for West Virginia from the Current Population Survey conducted by the Census Bureau. National data, however, indicate a widening wage gap in the U.S. between whites and non-whites. During the past 30 years, the gap in median wages for whites and blacks grew by 6.4 percentage points, while the difference

FIGURE 3.3

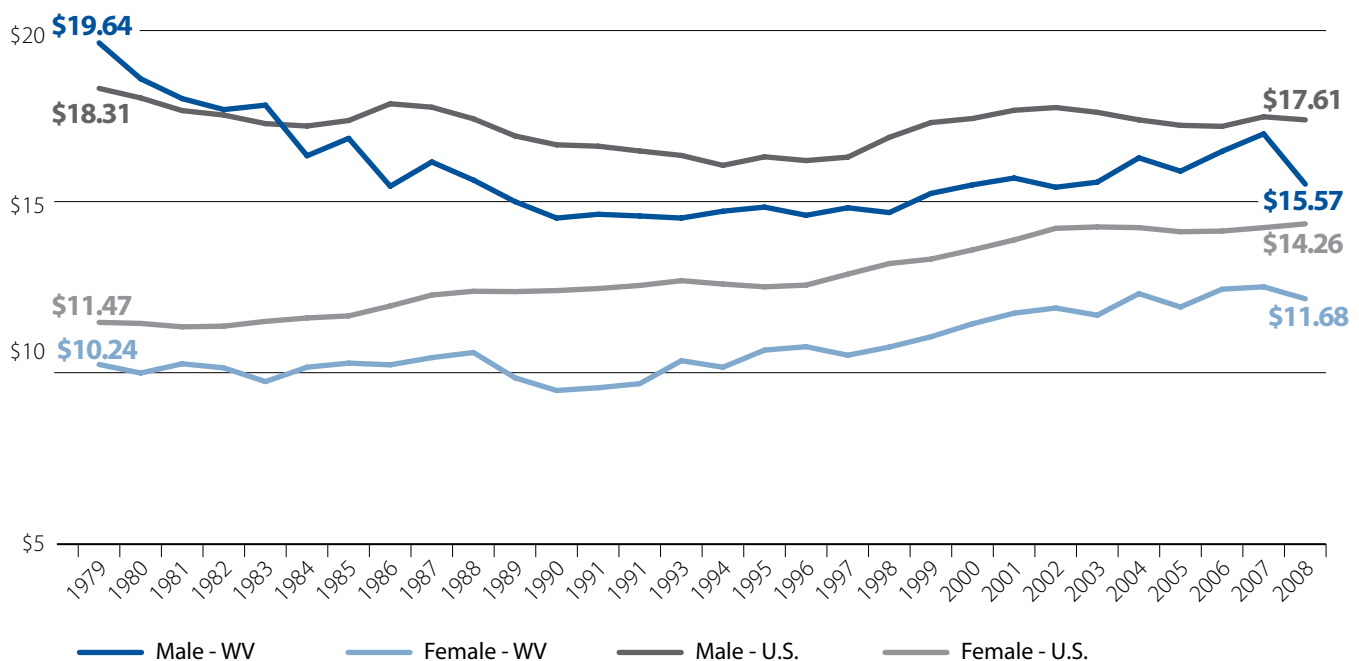
Ratio of Women's Median Wage to Men's, U.S. and West Virginia, 1979-2008 (in 2008 Dollars)



Source: Economic Policy Institute analysis of Current Population Survey data

FIGURE 3.4

Real Median Wages by Gender, U.S. and West Virginia, 1979-2008 (in 2008 Dollars)



Source: Economic Policy Institute analysis of Current Population Survey data

between white and Hispanic median wages grew by 10.4 percentage points. Since 2000, the gap has narrowed slightly for Hispanics, but worsened for blacks. In 2008, the median wage was \$17.18 for whites, \$13.07 for blacks, and \$12.16 for Hispanics. (See Figure 3.5.)

Education Gap Widens

A typical college graduate in West Virginia earned 73 percent more than a high school graduate in 2008, up from a 43-percent advantage in 1980. College-educated workers have seen their wages increase by \$3.44 during that time period, while high school graduates have watched their wages drop by 27 cents. (See Figure 3.6.)

The loss of good-paying manufacturing jobs to other states and countries has fueled much of this growing disparity. Advances in technology have also increased the demand for workers with higher-level skills. Other likely contributors to the education wage gap include erosion of the minimum wage, decline of union membership, and the sharp rise in CEO salaries.

A well-educated workforce can be an important driver of economic improvement. Yet it is important to note that the relative demand for college graduates is lower today than

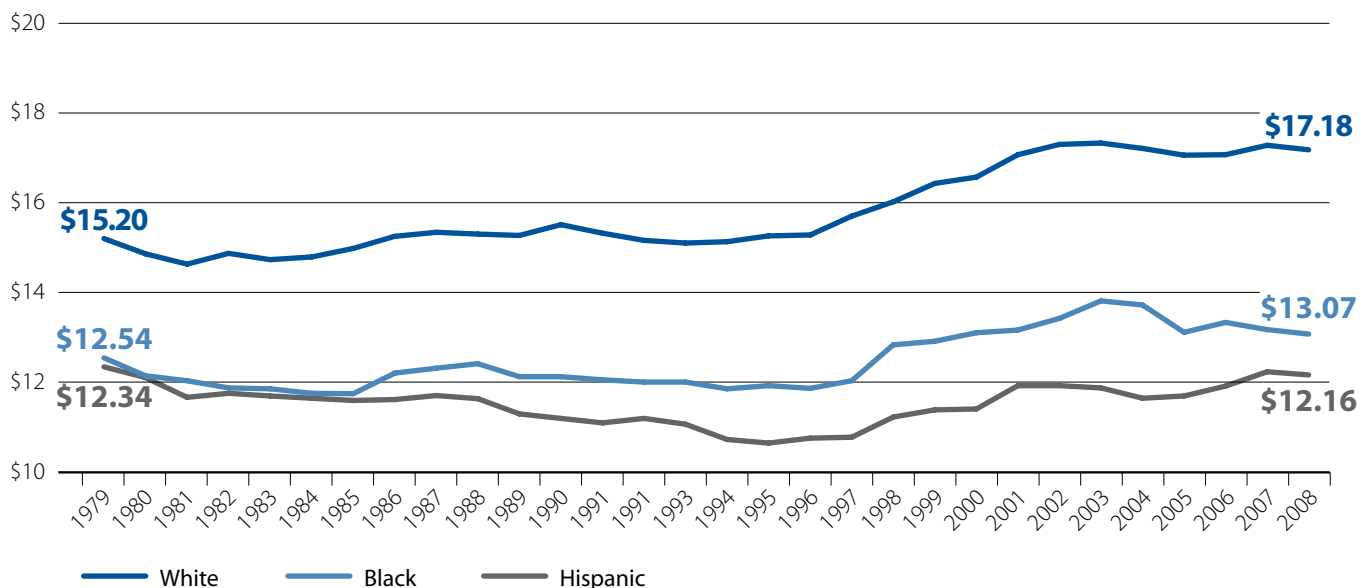
anytime during the post-war period.¹³ Narrowing the wage gap will require strategies that go beyond simply sending more people to college.

Union Workers Continue to Fare Better than Non-Union Workers

Deindustrialization and out-sourcing have triggered a significant decline in the number of union members. The percentage of unionized workers in West Virginia dropped by about 40 percent between 1983 and 2008. Today, 15.3 percent of West Virginia workers and 13.7 percent of U.S. workers are members of a union or covered by a union contract.¹⁴ Despite the decline in unionization, belonging to a union is likely to boost a worker's hourly wages and benefits such as health insurance, pension coverage and paid leave.

A recent study by the Center of for Economic and Policy Research found that union membership raises the wages of West Virginia workers by 11.1 percent on average.¹⁵ For low-wage workers union membership increases earnings even higher, an estimated 15.8 percent more than non-union workers. Even those working at the top of the wage earning spectrum benefit from joining a union, making almost a dollar more per hour than non-union workers. (See Figure 3.7.)

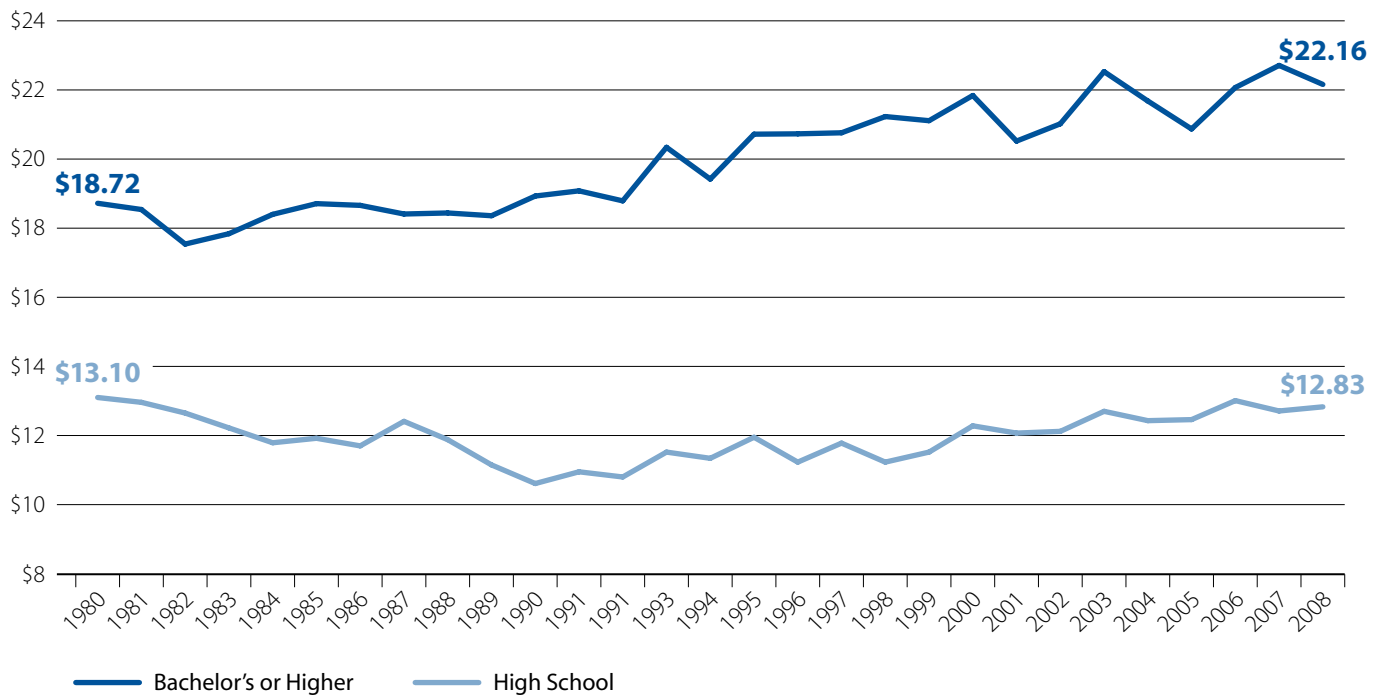
FIGURE 3.5
Median Hourly Wages in U.S. by Race, 1979-2008
(in 2008 Dollars)



Source: Economic Policy Institute analysis of Current Population Survey data

FIGURE 3.6

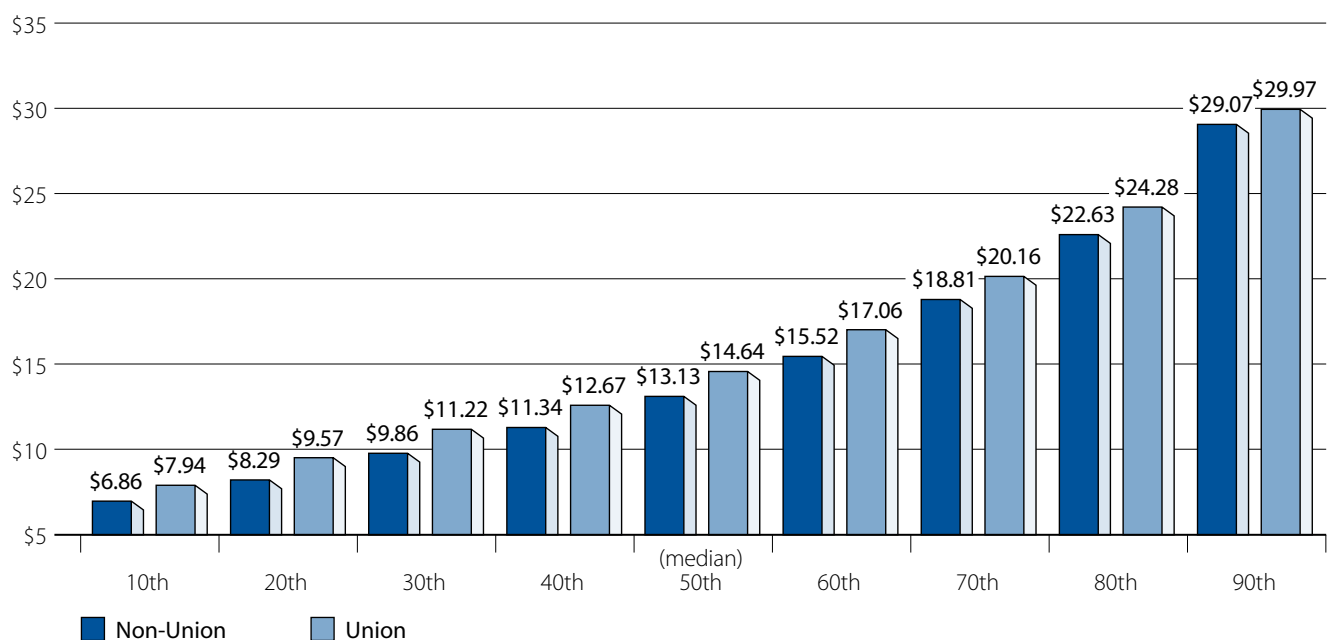
Real Median Wages by Education, West Virginia, 1980-2008
(in 2008 Dollars)



Source: Economic Policy Institute analysis of Current Population Survey data

FIGURE 3.7

Non-Union and Union Hourly Wages in West Virginia, by Percentile, 2007



Source: Center for Economic and Policy Research

Family Economic Security

The Great Recession has created a host of economic worries for West Virginia's families and communities. One in four state residents is expected to fall into poverty as high unemployment lingers. As many as a third of the state's children may end up below the poverty line. The number of people without health insurance is more than one in five, and bankruptcies and foreclosures are increasingly common. Government programs are responding to the surge of families who now need assistance, while grappling with declining tax revenues.

Recession Triggers Increase in Poverty, Especially Among Children

West Virginia continues to rank near the bottom on most measures of economic well-being, according to the 2008 American Community Survey conducted by the U.S. Census Bureau. The state came in second-to-last place in median household income at \$37,989. It ranked seventh in the nation for both overall poverty at 16.9 percent and child poverty at 22.4 percent. These data, however, don't reflect the impact of the recession, which didn't reach West Virginia until late 2008.

A more up-to-date picture of poverty in West Virginia is provided in a report released by the West Virginia Center on Budget and Policy in September 2009.¹⁶ The doubling of unemployment during the first six months of this year is expected to dramatically fuel poverty rates. The report predicts that poverty will increase to 24.9 percent overall and 34.4 percent for children.

To make these estimations, the Center examined the relationship between increases in annual unemployment rates and poverty rates during the last three recessions. In each case, the state's poverty rates rose in tandem with unemployment rates. (See Figure 4.1.) As unemployment rises during recessions, the poverty rate quickly follows. As the recessions end, poverty rates decrease and stabilize.

Children experience poverty at rates higher than those of adults, and this disparity is intensified during recessions. During the recessions that began in 1980, 1990, and 2000, the total number of West Virginians in poverty increased by 122,000, 89,000, and 22,000, respectively. Child poverty during each of these recessions grew at even greater rates.

For example, during the 1980 recession overall poverty increased by 40 percent, while the number of children in poverty nearly doubled. (See Table 4.1.)

An analysis of this relationship between unemployment and poverty rates makes it possible to estimate the likely increases in poverty based on increases in unemployment (Figure 4.2), as well as the corresponding numbers of people living in poverty (Table 4.2).

Monitoring increases in child poverty is important because even temporary stints in poverty can have long-term negative effects on a child's mental, physical, and social development. A recent study concluded that children who fell into poverty precipitated by a recession experienced more negative outcomes when they reached adulthood than children who did not fall into poverty during these same recessionary periods. On average, adults who had experienced even temporary child poverty had lower incomes, higher poverty rates, lower educational attainment, and more health problems as compared to their never-poor peers.¹⁷

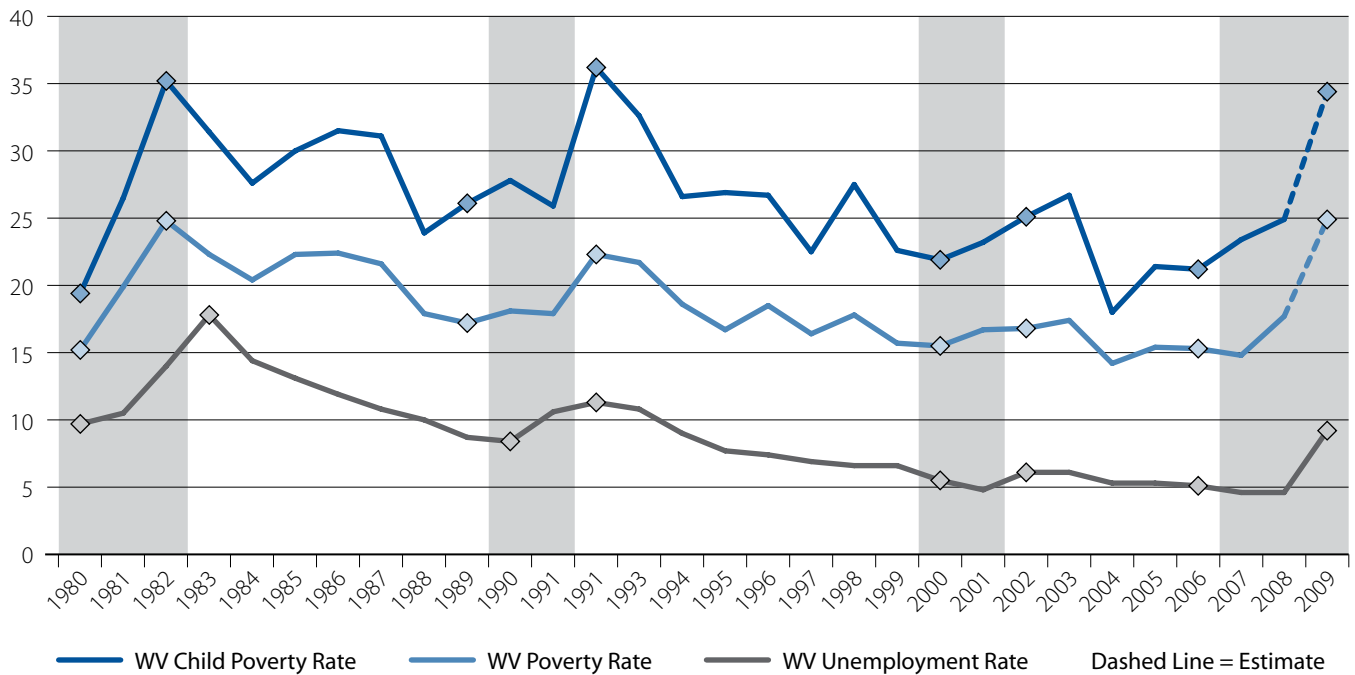
More People Losing Health Insurance

Another common effect of recession-related unemployment is the loss of employer-sponsored health care. About 59 percent of Americans and 69.5 percent of West Virginians receive health benefits through their jobs. Losing a job often requires people to pay a greater share of their health care costs at a time when they can least afford it. Many cope by postponing or foregoing needed care.

An estimated 16,900 West Virginians have lost their health care coverage as a result of the current recession, according

FIGURE 4.1

Poverty and Unemployment Rates, 1980-2009



Source: WVCBP analysis of Current Population Survey data

TABLE 4.1

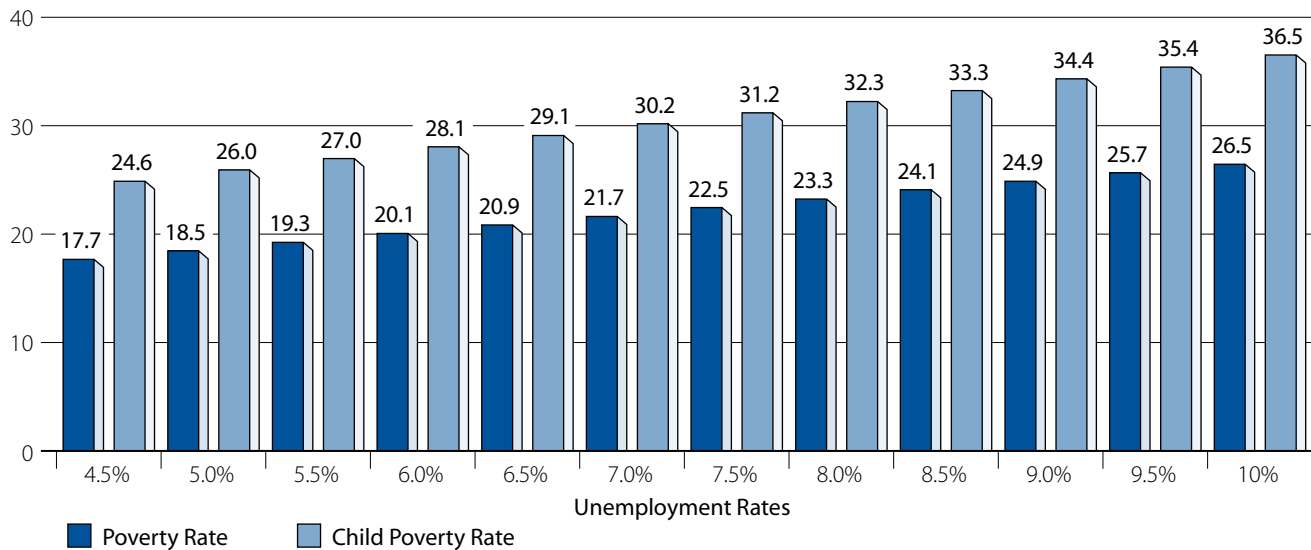
Changes in Unemployment and Poverty, Pre- and Post-Recessions

	1980-1982 Recession			1990-1991 Recession			2000-2001 Recession		
	1980	1982	Change	1990	1991	Change	2000	2001	Change
UE Rate	9.7	17.8	8.1	8.4	11.3	2.9	5.5	6.1	0.6
Overall Poverty	297,000	419,000	122,000	306,227	394,859	88,632	273,986	295,753	21,767
Overall Poverty Rate	15.2	24.8	9.6	17.2	21.7	4.5	15.5	16.7	1.2
Child Poverty	105,927	203,124	97,197	117,425	142,138	24,713	85,417	90,207	4,790
Child Poverty Rate	19.4	35.2	15.8	26.1	32.6	6.5	21.9	23.2	1.3

Source: U.S. Bureau of Labor Statistics, SAIPE, and U.S. Census Current Population Survey

FIGURE 4.2

Projected Poverty Rates Based on Unemployment Rate



Source: U.S. Bureau of Labor and Statistics and U.S. Census Current Population Survey

TABLE 4.2

Projected Number of People in Poverty Based on Unemployment Rate

Unemployment Rate	5%	6%	7%	8%	9%	10%
People in Poverty	325,664	353,829	381,995	410,160	438,326	466,491
Children in Poverty	98,698	106,670	114,641	122,613	130,585	138,557

Source: WVCBP analysis of US Bureau of Labor Statistics and U.S. Census Bureau, SAHPE data.

to a report by Families USA.¹⁸ The analysis compared the percentage of uninsured adults in 2009 with the Census Bureau's average annual percentage of uninsured adults for the three-year period of 2006-2008. It found that the percentage of uninsured adults in West Virginia grew from 20.2 percent in 2006-2008 to a projected 22.2 percent in 2009. The estimate assumes that for each percent increase in the unemployment rate, the percentage of uninsured working-age adults increases by 0.59 percent.

The increase in recession-related loss of insurance is compounded by the fact that employer-sponsored health coverage has been declining since 2000. At the same time, the number of uninsured has been on the rise. In 2008, the uninsured rate was 15.8 percent for West Virginians overall and 22.6 percent for working-age adults. The U.S. rates were lower at 15.1 and 19.8 percent, respectively.¹⁹

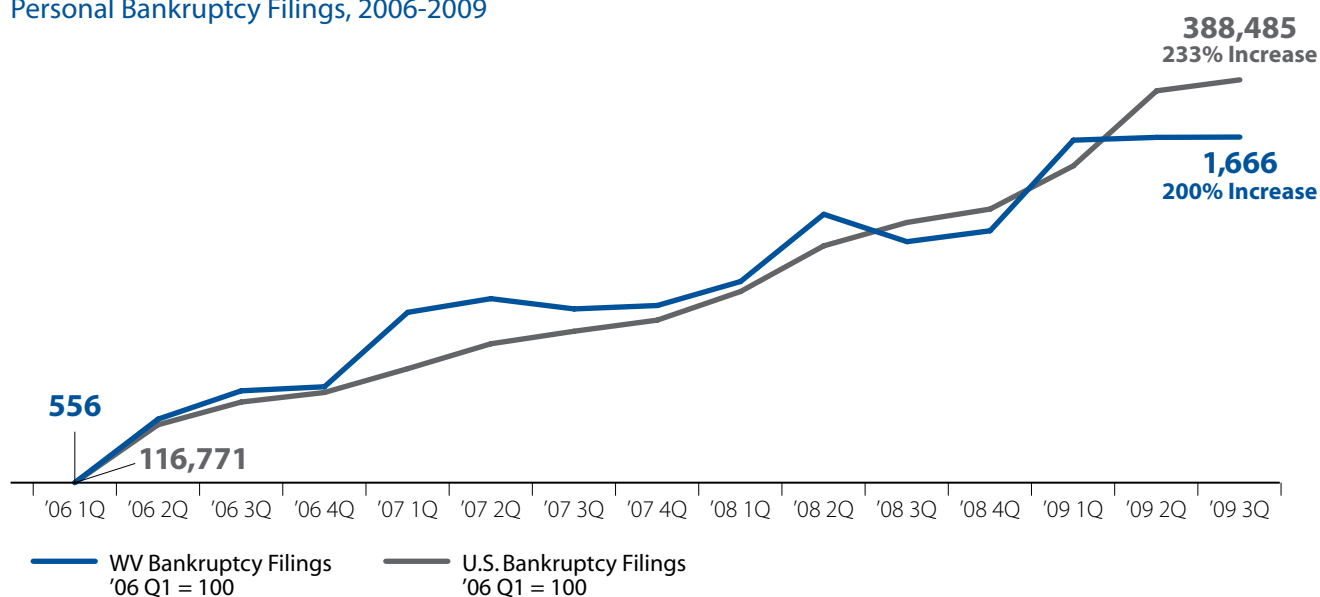
Bankruptcies and Foreclosures on the Rise

Personal bankruptcy filings increased by 18 percent in West Virginia in 2008, compared to 31 percent for the U.S. – again, suggesting that West Virginia had avoided the fallout from the national recession during much of 2008. However, the rate of personal bankruptcy filings in the state increased 21 percent during the first quarter of 2009, compared to only 10 percent for the U.S. – representing West Virginia's initial exposure to the national recession.

While bankruptcy filings continued to increase in the U.S. by 15 percent during the second quarter of 2009, the number of filings in West Virginia increased by only one percent. There were 1,666 bankruptcy filings in West Virginia during the third quarter of 2009, compared to 556 filings in the first quarter of 2006. Overall, personal bankruptcy filings increased in West Virginia by 200 percent since 2006, while the national increase was 233 percent. (See Figure 4.3)

FIGURE 4.3

Personal Bankruptcy Filings, 2006-2009



Source: American Bankruptcy Institute

Housing debt and job loss are the primary factors driving the increase in bankruptcy filings. Nearly one-third of all homeowners with first mortgages are “upside down” on their mortgages; that is, the value of their homes is worth less than what they owe, forcing many families to walk away from their mortgages and seek bankruptcy protection.²⁰ Unlike the earlier foreclosures that were largely the result of sub-prime mortgages and misplaced extensions of credit, the current spike is directly related to the loss of income support due to job losses.²¹

West Virginia’s housing woes have not been quite as severe as much of the country. Between 2008 and 2009, foreclosures increased 54 percent nationally and 46 percent in West Virginia.²² West Virginia’s lower rate of increase is even more impressive when one considers that 74 percent of homes in West Virginia are owner-occupied, compared to 67 percent in the U.S.²³

Between 2007 and 2008, West Virginia experienced a 12-percent increase in the number of foreclosures. Nearly one-fourth of the total foreclosures in 2007 and 2008 were located two Eastern Panhandle counties. Berkeley (15.7 percent) and Jefferson (6.6 percent) accounted for 22.3 percent of the 4,873 foreclosures

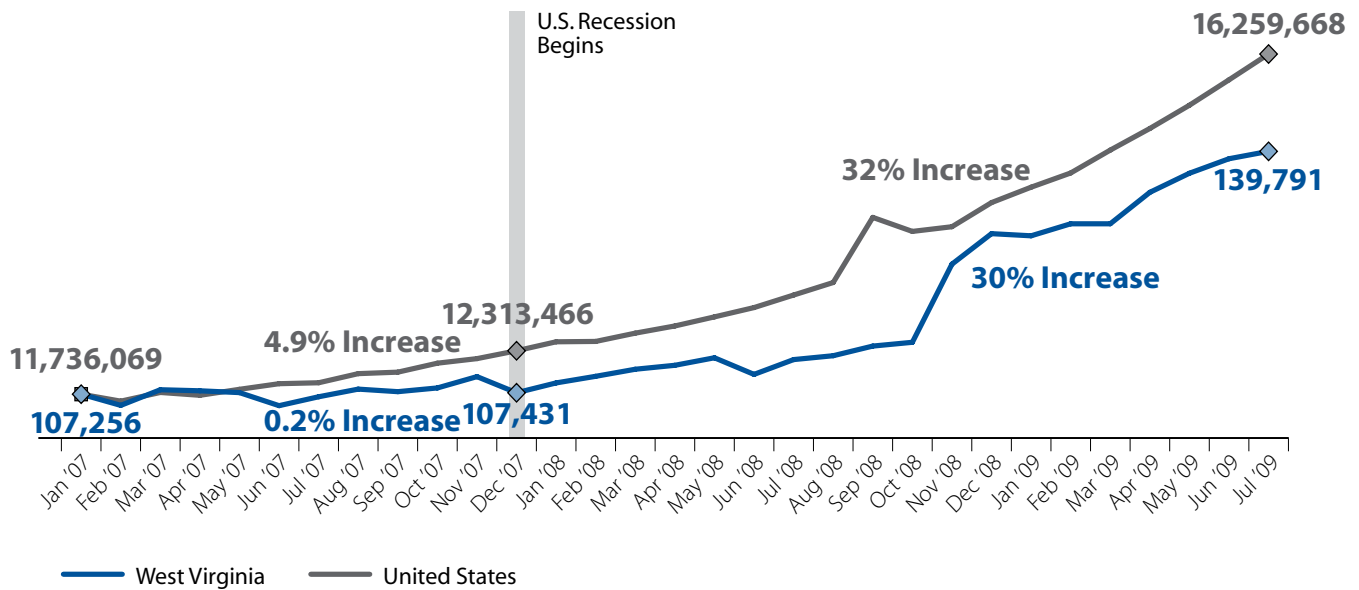
during these two years. (See Appendix C for data on all counties.)

Rising unemployment contributes to rising rates of foreclosure and bankruptcy, both directly and indirectly. Jobless workers become unable to maintain current mortgage payments and eventually seek bankruptcy protection once foreclosure proceedings begin. The rise in foreclosures eventually becomes a drag on the asset valuation of all mortgaged properties, thus contributing to higher rates of strategic defaults or “walk away” foreclosures. Economist Mark Zandi predicts that strategic defaults will continue to plague the American economy for some time and will continue long after improvements in the job market have surfaced.²⁴

Foreclosures affect not only the financial well-being of homeowners, but also the fiscal stability of local governments, which must now rely on lower property values for the taxes needed to fund public services. A comparison of the final bids for foreclosed homes in West Virginia and the purchase prices listed on the original deeds of trust reveals that homeowners lost equity of 77.8 million in 2007 and 134.4 million in 2008, which translated into a lower property tax base for county-funded services.

FIGURE 4.4

Households Receiving SNAP, January 2007 - July 2009



Source: WVCBP Analysis of WV DHHR Data

Public Programs Serving More People

The recession is spurring greater utilization of public programs, including the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps. SNAP helps low-income people and families buy the food they need for good nutrition and health. The program is funded by the federal government and administered by the states.

Eligibility for SNAP is based on family income and size. A family of four, for example, must have an income below \$22,000 in order to qualify. The average monthly food benefit per household is about \$222 dollars. Jobless workers aged 18-50 without children are restricted to only three months of assistance.

SNAP participation has jumped by 32 percent in the U.S. and 30 percent in West Virginia since December 2007. As of July 2009, there were 16.3 million American households and 139,791 West Virginia households receiving food assistance from SNAP. (See Figure 4.4.)

Nationally, about half of the participants are children, according to a recent USDA report. According to this study, 37 percent of all white children and nearly 90 percent of all black children received food stamps.²⁵

Monthly food stamp caseload data serves as an early warning indicator of changes in the poverty rates. This is because the official Census poverty data for the prior year is not available until long after the monthly food stamp data have become available.²⁶

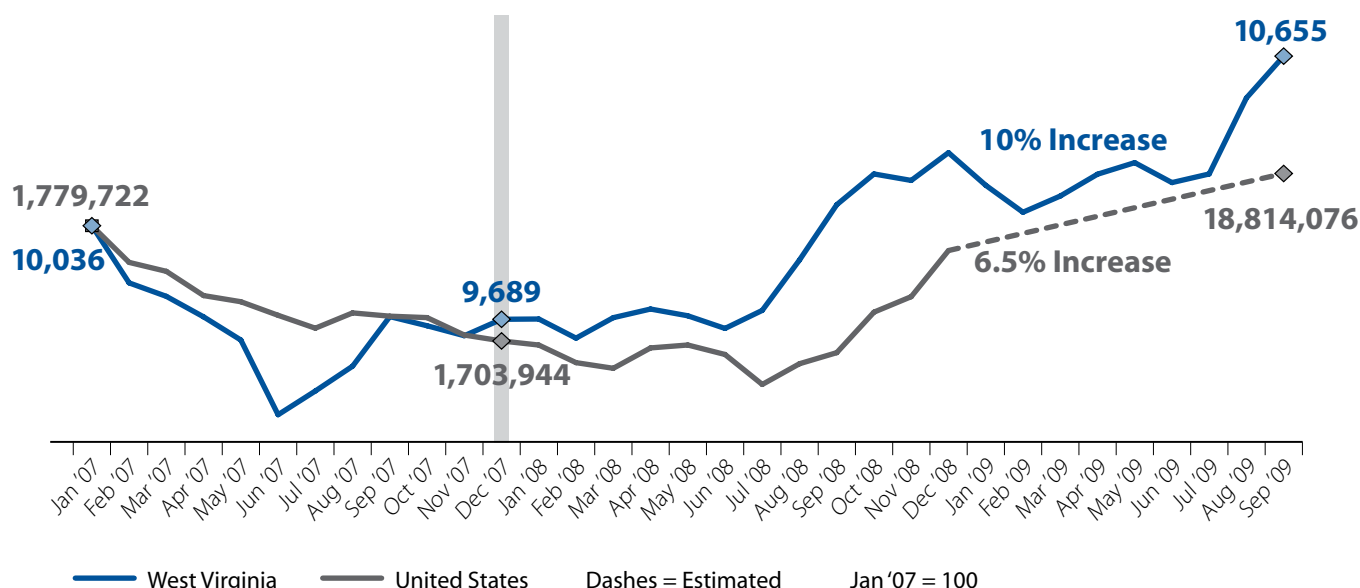
Participation in the Temporary Assistance to Needy Families (TANF) program has also grown. TANF provides temporary financial assistance to very low-income pregnant women and families with one or more dependent children. TANF also provides services to help families become independent, such as job training, transportation and child care assistance. This state-administered program is funded by a federal block grant.

TANF participation has increased by 6.5 percent in the U.S. and by 10 percent in West Virginia since December 2007. As of July 2009, there were 1.8 million families in the U.S. and 10,655 families in West Virginia receiving TANF assistance. (See Figure 4.5.)

The Center on Budget and Policy Priorities estimates that fewer than 40 percent of all families eligible for cash assistance under TANF actually receive it. Due to state and federal policy changes to the TANF program, this has become a less effective weapon against sudden losses of income for poor families with children.²⁷

FIGURE 4.5

TANF Caseloads, January 2007 - July 2009



Source: WVCBP Analysis of WV DHHR data and US Department of Health and Human Services data
See, http://www.acf.hhs.gov/acf_policy_planning.html#stats.

Unemployment Insurance Claims Rising

The unemployment insurance program helps people who have lost their jobs by temporarily replacing part of their wages. Enacted in 1935 during the Great Depression, President Franklin Roosevelt called the program the nation's "first line of defense" against rising poverty for jobless workers and their families. It also helps the economy by providing a continuing stream of dollars for families to spend. The program is administered by the states and overseen by the U.S. Department of Labor. States provide the majority of the funding, with additional federal support provided under the Recovery Act.

Unemployment Insurance is one of the most effective anti-poverty programs in the U.S. An estimated 800,000 Americans have largely avoided poverty as the direct result of the federal extensions of unemployment insurance as well as the additional \$25 supplemental weekly payment afforded under Recovery Act provisions.²⁸ Other Recovery Act aid for jobless workers include a 65-percent subsidy of COBRA health benefits, and tax exemption on the first \$2,400 of unemployment insurance benefits.

In West Virginia, initial claims for unemployment insurance increased 461 percent between September 2007 and January 2009. The number of unemployed receiving assistance

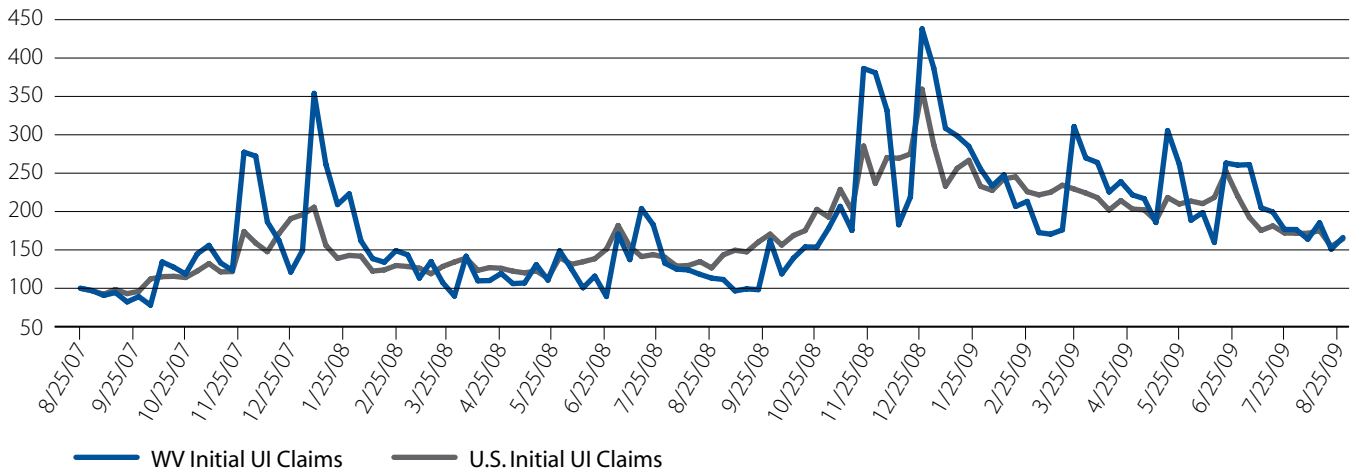
from the state's primary benefit program for jobless workers increased from 778 weekly claims to 4,368 weekly claims. Initial claims are a good barometer of the sudden shifts in the jobs market as they are responsive to proportional increases in job losses. There are now fewer workers joining the initial ranks of the unemployed. Since January 2009, weekly claims for unemployment insurance declined 61 percent to 1,721, slightly below the two-year average of 1,795 weekly claims. (See Figure 4.6.)

During the last week of October 2009 there were 512,000 initial claims of unemployment compensation in the US. Compared to the current recession's high water mark set during the week of March 28, 2009, of 674,000 claims, this represents a 31 percent decline in weekly unemployment compensation claims. Yet, it still remains higher than the number of weekly claims set just one year prior of 488,000. In fact, the current recession's record high 674,000 initial claims were last evidenced during the week of October 09, 1982.²⁹

Another way to examine the effect of recession-related unemployment is by following the number of weekly continued claims for unemployment compensation. Unlike initial claims, which largely measure abrupt changes in the jobs market, continued claims provide a gauge of how long it takes to find re-employment after loss of employment.

FIGURE 4.6

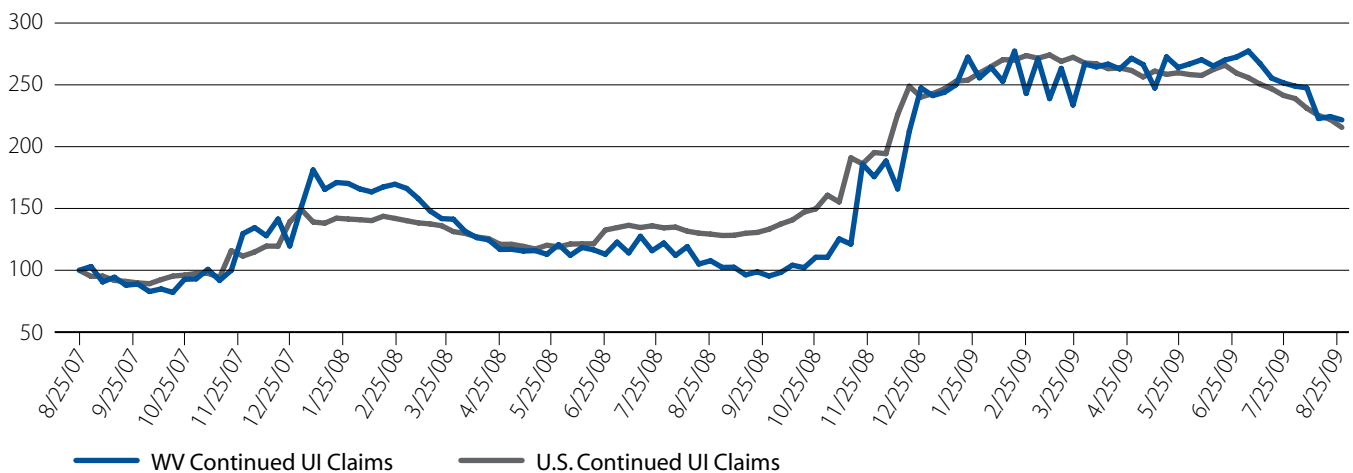
Percent Change in U.S. and West Virginia Weekly Initial Claims for Unemployment Insurance



Source: WVCBP Analysis of Department of Labor, Employment and Training Administration data

FIGURE 4.7

Percent Change in U.S. and West Virginia Continued Claims for Unemployment Insurance



Source: WVCBP Analysis of Department of Labor, Employment and Training Administration data

It is estimated that there are now six applicants for every available job. As long as the supply of available jobs remains weak, this will be reflected by the increasing number of continued claimants who remain on weekly unemployment compensation.

The percent change in the number of continued claims for unemployment insurance in West Virginia has largely paralleled those for the U.S. (See Figure 4.7.) Both nationally and in West Virginia, the weak jobs

market is determining how long jobless workers receive unemployment insurance.

According to the Congressional Budget Office, 51 percent of all jobless workers cannot find jobs within their first six months of receiving unemployment insurance benefits, the highest figure recorded in the program's history. Last year, the percent of all jobless workers unable to find re-employment within six months of receiving unemployment insurance benefits was 38 percent.³⁰

Policy Opportunities

Federal and state actions already taken may well reverse the decline in Gross Domestic Product (GDP), but more will be required to undo the damage and to lay the foundation of a broadly shared prosperity. This is especially true for West Virginia, where the effects of economic downturns have often lingered long after the nation as a whole recovered. The American Recovery and Reinvestment Act and other federal and state policy options are available to significantly improve conditions for working families.

“The Great Recession has finally come to an end, in large part because of unprecedented policy efforts by the Federal Reserve and fiscal policymakers. The cost to taxpayers has been substantial but would have been even greater if aggressive action was not taken and the financial crisis and recession had been allowed to continue unchecked.

“Now, although the financial system is stable and the recession is over, the recovery is still fragile. There will be times in coming months when the economy will appear to be performing well, but there will be other times when it seems liable to falter again. It is growing clear that more policy help will be needed to ensure that the tentative recovery evolves into a self-sustaining expansion.”

- Mark Zandi, *Moody's Economy.com*

The American Recovery and Reinvestment Act of 2009

Congress and the Obama administration responded quickly to the Great Recession with the American Recovery and Reinvestment Act, which was signed into law in February 2009. The Recovery Act aims to halt further economic decline by sustaining public and consumer spending, to promote economic growth by investing in technology and infrastructure, and to assist those most impacted by the recession.

The Recovery Act provides a total of \$787 billion, or about 2.6 percent of GDP, during 2009 and 2010. Early indications show that the Recovery Act added two to four percentage points of GDP growth in the second and third quarters of 2009.³²

Nearly two-thirds of Recovery Act funding is dedicated to program spending, while the remainder funds tax cuts. (See Table 5.1.) About one-fifth of program spending is in the form of direct benefits to individuals, including increases in unemployment benefits and food stamps and a one-time \$250 payment to Social Security and Supplemental Security Income (SSI) recipients.

West Virginia will receive an estimated \$1.8 billion for public programs over the next two years.³³ As of November, the state has spent 17 percent, or \$255 million, of Recovery Act program funds, and 2,409 jobs have been created or maintained.³⁴ A report issued in September by the President's Council of Economic Advisors estimated that the Recovery Act will create or save 5,100 jobs in West Virginia.³⁵ Additional benefits to date include:

TABLE 5.1

Major Components of Recovery Act (in billions)

Program Spending	\$499
State Fiscal Relief	\$140
Aid to Unemployed and Individuals	\$102
Infrastructure	\$90
Health Care, Education, and Training	\$87
Energy Efficiency & Development	\$61
Scientific Research, Public Safety, and Other	\$19
Tax Cuts	\$288
Payroll Tax Credit	\$116
AMT Patch	\$70
Business Tax Cuts	\$51
Child Tax Credit Expansion	\$15
College Tax Credit Expansion	\$14
Other	\$22
Total: \$787	

Source: American Recovery and Reinvestment Act and Fiscal Policy Institute

- **Increase in the state's aggregate personal income**

The Recovery Act allowed West Virginia to be one of only a handful of states that experienced growth in aggregate personal income in 2009. Direct benefits to individuals funded by the Recovery Act (e.g. increases in unemployment insurance and food stamps) contributed as much as 70 percent to West Virginia's second quarter personal income growth (0.9 percentage point of the total 1.3 percentage points).³⁶

Table 5.2 looks at quarterly personal income growth from the 1st Quarter of 2008 (the first quarter after the recession officially started) to the 2nd Quarter of 2009 (when the federal stimulus began having an affect). West Virginia's personal income growth rate of 4.9 percent over this period was the highest in the nation, more than double the percentage point growth of neighbor state Maryland, which ranked second highest. Among the 50 states and the District of Columbia, only 15 states experienced a positive change in aggregate personal income growth over this period. The U.S. average over this period was -1.45 percent.

TABLE 5.2

Percent Change in Aggregate Personal Income, First Quarter 2008 to Second Quarter 2009

State	Rank	Percent Change in Income
United States		-1.45%
West Virginia	1	4.91%
Maryland	2	1.90%
New Mexico	3	1.15%
Hawaii	4	0.78%
Maine	5	0.75%
Pennsylvania	6	0.54%
Louisiana	7	0.52%
Iowa	8	0.46%
Tennessee	9	0.34%
Mississippi	10	0.32%

Source: West Virginia Center on Budget and Policy analysis of Bureau of Economic Analysis data

- **Reduction of state's budget gap**

State fiscal relief is the single largest area of program spending in the Recovery Act. The allocation includes increases in Medicaid funding and education aid and a flexible block grant. While intended primarily for education and health care, states may also use the money to protect other important public programs. The flexibility of these funds has enabled states avoid or lessen cuts in other areas of their budgets.

West Virginia's share of the federal state aid is \$718 million. The state used about \$79 million of these funds to close over one-third of its budget gap for FY 2010. The projected deficit for the FY 2011 state budget is \$233 million.³⁷ The remaining Recovery Act funds could close the entire budget gap in the upcoming year.³⁸ The state will receive another \$1.1 billion in Recovery Act funds for infrastructure, health care, weatherization, public education, workforce development and other programs.

- **Additional relief to jobless workers**

The Recovery Act includes important provisions for nearly 90,000 West Virginians who are or become unemployed in 2009. A total of \$126 million is available to help the state's jobless workers. (See Table 5.3.) The provisions including raising weekly unemployment benefits by \$25, extending the Emergency Unemployment Compensation Fund through December, suspending taxation on the first \$2,400 of unemployment benefits, and subsidizing health insurance premiums under COBRA.

In addition, the Recovery Act includes incentives for states to modernize their unemployment insurance (UI) programs. West Virginia is eligible for a total \$33.2 million if the Legislature adopts three reforms. So far, the state has captured \$11 million by adopting an alternative base period for calculating benefits. The state is eligible for an additional \$22.2 million if it enacts certain program improvements, such as adding part-timer worker coverage and allowing workers to receive benefits if they lose their jobs due to compelling family reasons. The funds provided would cover the cost of these improvements for five years.³⁹

TABLE 5.3

Impact of Unemployment Insurance (UI) Enhancements on West Virginia (in millions)

UI benefit extensions and administration	\$43.2
UI modernization*	\$33.2
UI weekly benefit increase	\$30.7
\$2,400 in tax relief for UI Payment	\$18.8
Total: \$125.9	

Source: Federal Fund Information for States; U.S. Department of Labor; National Employment Law Project; U.S. Social Security Administration; and Fiscal Policy Institute.

* West Virginia has only received \$11 million of these funds. In order to receive an additional \$22.2 million of federal UI funds it must adopt two changes to its Unemployment Insurance system. (See <http://www.wvpolicy.org/downloads/2009session/UnempPoints030609.pdf>)

Other Federal Policy Options

Extending recovery efforts. By all indications as noted in this report, the state and national economies might best be described as back from the brink, but not out of the woods. Unemployment is not likely to peak until next year and even then, it will take years to recover the massive loss of jobs. In the meantime, family incomes will continue to suffer and poverty will continue to climb, especially among children.

To combat these trends, policy options include continuing and expanding provisions of the Recovery Act. An immediate and highly effective strategy would be to strengthen benefits for the un- and underemployed, including improvements in unemployment insurance, COBRA, and food stamps. Other options for consideration include additional fiscal aid to states, tax credits to promote job creation, direct public employment programs, and continued investment in infrastructure.

Health care reform. The recession, which has caused millions of Americans to lose health insurance, has made the need for reform all the more urgent. Elements of reform that would most help working West Virginians would be a strong public insurance option for those who lose or cannot afford private insurance; expansion of Medicaid eligibility for all adults to 150 percent of the federal poverty level; and stronger regulations for the insurance industry. If Congress chooses to mandate individual coverage, subsidies must be made available to make such coverage affordable.

Employee Free Choice Act. Research has repeatedly shown that union members generally earn higher wages than non-union workers. They are also much more likely to receive benefits such as employer-provided health insurance, pensions, and paid vacations and sick leave. The Employee Free Choice Act would make it easier for workers to organize into unions and would increase penalties for employers who illegally intimidate, fire or harass workers seeking to organize. This measure has already passed the House of Representatives and is awaiting action in the Senate.

Healthy Families Act. This measure would guarantee workers up to seven paid sick days per year to recover from illnesses, care for sick family members, and seek routine medical care and/or assistance related to domestic violence, sexual assault or stalking. This measure would keep workers from being forced to choose between caring for basic health needs and a paycheck.

State Policy Options

Maximize use of Recovery Act funding. While some provisions of the American Recovery and Reinvestment Act happen automatically, others require state action. West Virginia would benefit by taking the following steps:

- Enact legislation to modernize its unemployment system by extending benefits to people currently excluded from the system. These include people seeking only part-time work and those who lost jobs due to domestic violence and other compelling family reasons when they are available to return to work. By enacting these changes, the state could draw down an additional \$22 million in federal funding.
- Investigate means of taking advantage of Emergency TANF (Temporary Assistance for Needy Families) funding to provide non-recurring emergency assistance and subsidized employment.
- Take full advantage of Recovery Act funding to avoid cuts in state services and employment and improve infrastructure.

Enact 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 133,000 West Virginia households.

Instill 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.

Raise 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.⁴⁰ Such legislation could also index wage rates to inflation.

Create a system of Voluntary Employment Retirement Accounts (VERA). Less than half of all workers in West Virginia participate in 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.

Improve the Children's Health Insurance Program. In Feb. 2009, Congress passed the Children's Health Insurance Reauthorization Act. This legislation allows states to expand and improve this program for children of working families by raising the eligibility level to 300 percent of the federal poverty level; eliminating the waiting period for enrollment for those who lose private coverage; eliminating the five-year waiting period for children of legal immigrants; and improving oral health coverage. West Virginia should amend its CHIP plan to expand and improve this program.

Invest in green jobs. For a number of reasons ranging from recession to regulatory changes, West Virginia's coal industry faces an uncertain future. The WVU Bureau of Business and Economic Research predicts a significant long-term decline in coal production between now and 2030.⁴¹ In the meantime, state government, institutions of higher education, and businesses should collaborate to pursue opportunities for clean and alternative energy and sustainable economic policies, promote best practices, and train workers for jobs in this sector.

Coordinate education and training programs with demand occupations. Workforce West Virginia regularly publishes and updates projections of demand occupations at the state and regional level.⁴² Community colleges, four-year institutions, universities and vocational centers should work to better coordinate efforts to provide training for high-wage occupations.

Address racial disparities. Minority groups such as African-Americans and Hispanics in West Virginia and the

nation continue to experience higher rates of poverty and unemployment, and lower incomes. African-Americans, who comprised 3.6 percent of the state population in 2008, experience higher infant mortality, lower life expectancies, and higher rates of hypertension than the white population. In order to address these and other racial and ethnic disparities, West Virginia should create a cabinet-level Office of Minority Affairs.

While it has been a cherished belief among many that economic crises of great magnitude can resolve themselves in the long run without public action, experience seems to indicate the contrary. The cost of not acting—socially, politically, and economically—is prohibitively high.

As Jeremy Irons of the Economic Policy Institute observed: “A recession should not be thought of as a one-time event that stresses individuals and families for a couple of years. Rather, economic downturns will impact the future prospects of all family members, including children, and will have consequences for years to come.”⁴³

APPENDIX

Data Tables

APPENDIX A

Change in Number of Jobs by Sector, December 2007 to September 2009

	December-07	September-09	Number Change	Percent Change
Total Non-Farm	761,200	736,100	-25,100	-3.3%
Manufacturing Jobs	54,000	45,500	-8,500	-14.7%
Construction Jobs	38,500	34,200	-4,300	-11.2%
Trade, Transportation, Utility Jobs	143,700	133,500	-10,200	-7.1%
Mining and Logging jobs	29,000	27,300	-1,700	-5.9%
Financial Jobs	30,000	28,400	-1,600	-5.3%
Leisure and Hospitality Jobs	73,100	70,600	-2,500	-3.4%
Professional & Business Service Jobs	61,500	60,200	-1,300	-2.1%
Other Service Jobs	55,300	55,400	100	0.2%
Government Jobs	145,400	147,300	1,900	1.3%
Education and Health Service Jobs	115,200	119,300	4,100	3.4%

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics data

APPENDIX B

Recession Effects on Unemployment Rates
in West Virginia Counties
December 2007 to September 2009

	Sept. 08	Sept. 09	Change
Jackson	3.9	12.9	9.0
Roane	4.6	13.0	8.4
Wyoming	3.8	11.5	7.7
Calhoun	4.4	12.1	7.7
McDowell	5.0	12.7	7.7
Clay	4.5	11.9	7.4
Grant	3.9	11.2	7.3
Mingo	3.6	10.7	7.1
Lincoln	3.7	10.6	6.9
Hancock	5.0	11.8	6.8
Wirt	4.8	11.4	6.6
Brooke	4.6	11.1	6.5
Logan	3.5	9.8	6.3
Wetzel	6.1	12.3	6.2
Mason	5.9	12.1	6.2
Boone	3.3	9.4	6.1
Hardy	3.6	9.7	6.1
Webster	4.4	10.4	6.0
Pocahontas	5.6	11.3	5.7
Tyler	5.1	10.8	5.7
Tucker	5.5	10.9	5.4
Upshur	3.5	8.9	5.4
Nicholas	3.8	9.1	5.3
Barbour	4.0	9.2	5.2
Pleasants	5.0	10.2	5.2
Fayette	3.5	8.6	5.1
Ritchie	4.1	8.8	4.7
Wood	4.1	8.8	4.7

	Sept. 08	Sept. 09	Change
Hampshire	3.2	7.8	4.6
Raleigh	3.4	8.0	4.6
Greenbrier	3.8	8.3	4.5
Berkeley	4.1	8.5	4.4
Mineral	3.5	7.9	4.4
Marshall	4.3	8.7	4.4
Morgan	4.7	9.1	4.4
Braxton	3.7	8.0	4.3
Lewis	3.3	7.5	4.2
Ohio	3.7	7.8	4.1
Pendleton	3.4	7.5	4.1
Wayne	3.6	7.7	4.1
Taylor	3.9	7.9	4.0
Kanawha	3.1	7.1	4.0
Randolph	4.6	8.5	3.9
Preston	3.1	7.0	3.9
Summers	3.9	7.8	3.9
Harrison	3.3	7.1	3.8
Mercer	3.2	6.9	3.7
Doddridge	3.8	7.4	3.6
Marion	3.0	6.5	3.5
Putnam	2.8	6.3	3.5
Gilmer	3.1	6.5	3.4
Cabell	3.4	6.6	3.2
Jefferson	3.4	6.6	3.2
Monroe	3.6	6.5	2.9
Monongalia	2.4	4.6	2.2

Source: WVCBP analysis of Workforce WV data

APPENDIX C

Change in Number of Home Foreclosures by County, 2007 - 2008

	2007	2008	Difference
Berkeley	244	519	275
Jefferson	99	225	126
Morgan	18	45	27
Hampshire	29	48	19
Harrison	92	108	16
Monongalia	28	42	14
Mingo	18	31	13
Greenbrier	25	34	9
Randolph	21	28	7
Marshall	33	38	5
Wetzel	10	15	5
Tucker	3	8	5
Jackson	21	24	3
Pocahontas	7	10	3
Gilmer	1	4	3
Marion	45	47	2
Hardy	17	19	2
Calhoun	0	2	2
Barbour	13	14	1
Braxton	11	12	1
Clay	3	4	1
Webster	3	4	1
Wood	160	160	0
Summers	19	19	0
Preston	18	18	0
Lincoln	15	15	0
Taylor	12	12	0
Grant	8	8	0

	2007	2008	Difference
Fayette	41	40	-1
Pleasants	8	7	-1
Pendleton	5	4	-1
Boone	20	18	-2
Monroe	19	17	-2
Tyler	12	10	-2
Raleigh	119	116	-3
Putnam	66	63	-3
Nicholas	25	22	-3
Roane	17	14	-3
Wyoming	22	18	-4
Doddridge	7	3	-4
Brooke	51	46	-5
Mason	30	25	-5
Ritchie	12	7	-5
Logan	27	21	-6
Upshur	17	11	-6
Wirt	9	3	-6
McDowell	15	7	-8
Lewis	15	6	-9
Ohio	63	53	-10
Hancock	61	49	-12
Mineral	30	18	-12
Mercer	78	64	-14
Wayne	58	38	-20
Cabell	168	128	-40
Kanawha	328	256	-72

Source: WVCBP Analysis of WV Division of Banking Foreclosure Data

End Notes

- 1 Christina D. Romer, "Back from the Brink," Speech to the Federal Reserve Bank of Chicago, Sept. 4, 2009, pp. 1-2, http://www.whitehouse.gov/assets/documents/Back_from_the_Brink2.pdf.
- 2 John Irons, "Economic Scarring: the Long Term Impacts of the Recession," Economic Policy Institute, p. 1, http://epi.3cdn.net/25f9881466fb1c55cd_i9m6bnlcc.pdf.
- 3 Workforce West Virginia, 1st Quarter 2009 Weekly Wages, August 27, 2009. <http://www.workforcewv.org/LMI/EW2009/q1/ew09x000.htm>.
- 4 Algernon Austin, "Among college-educated, African Americans hardest hit by unemployment," Economic Policy Institute, April 22, 2009, http://www.epi.org/economic_snapshots/entry/snapshots_20090422/.
- 5 Economic Policy Institute analysis and WV CBP analysis of Current Population Survey data.
- 6 Workforce West Virginia, "West Virginia Summary: A Review of Economic Activity," April 2009, p.2.
- 7 Congressional Budget Office, Washington, D.C., August 25, 2009, <http://www.cbo.gov/budget/econproj.shtml>.
- 8 Congressional Budget Office, "The Budget and Economic Outlook: An Update," August 2009, <http://www.cbo.gov/doc.cfm?index=10521&type=1>.
- 9 Lawrence Michel, Jared Bernstein, and Heidi Shierholz, "The State of Working America: 2008/2009," (Ithaca, NY: Cornell University Press, 2009), p. 48.
- 10 Ibid. p. 178.
- 11 "Explaining Trends in the Gender Gap," The White House Council of Economic Advisors, June 1998 <http://clinton4.nara.gov/WH/EOP/CEA/html/gendergap.html#conc>.
- 12 Michel et al, "The State of Working America," p. 178.
- 13 Ibid. p. 214-220.
- 14 U.S. Census Bureau, 2009 Statistical Abstract, http://www.census.gov/compendia/statab/cats/labor_force_employment_earnings/labor_force_violations_work_stoppages_union_membership.html.
- 15 "Union Membership Boosts Pay for Workers in West Virginia," press release, West Virginia Center on Budget and Policy, May 15, 2008, <http://www.wvpolicy.org/unionmembership.htm>.
- 16 Paul E. Miller, "Recession Raises Poverty in West Virginia, Especially Among Children," West Virginia Center on Budget and Policy, September 9, 2009, <http://www.wvpolicy.org/downloads/RI-Poverty090809.pdf>. The methodology for this analysis is based on a report by Sharon Parrott, Center on Budget and Policy Priorities, "Recession Could Cause Large Increases in Poverty and Push Millions Into Deep Poverty," November 24, 2008, <http://www.cbpp.org/files/11-24-08pov.pdf>.
- 17 First Focus, "The Cost of Doing Nothing, The Economic Impact of Recession – Induced Child Poverty," December 2008, <http://www.cga.ct.gov/coc/PDFs/poverty/CostNothing.pdf>.
- 18 "One-Two Punch, Unemployed and Uninsured," Families USA, October 2009, www.familiesusa.org.
- 19 U.S. Census Bureau, 2008 American Community Survey, September 2009.
- 20 Stephanie Armour, "More Walk Away from Homes, Mortgages," USA Today, November 03, 2009, http://www.usatoday.com/money/perfi/housing/2009-11-02-voluntary-foreclosure_N.htm.
- 21 "Long Term Jobless Face Frayed Safety Net," MSNBC, November 5, 2009, http://www.msnbc.msn.com/id/33621222/ns/business-personal_finance.
- 22 National Association of Realtors, "2009 Mortgage Market Conditions: West Virginia," http://www.realtor.org/wps/wcm/connect/942c59004fef3bfc94d3f5205f470b6e/WVMortgage_Report2.pdf?MOD=AJPERES&CACHEID=942c59004fef3bfc94d3f5205f470b6e.
- 23 U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates: West Virginia.
- 24 Stephanie Armour, "More Walk Away from Homes, Mortgage," USA Today, November 3, 2009.
- 25 Mark Rand and Thomas Hirschl, "Estimating the Risk of Food Stamp Use and Impoverishment During Childhood," Arch Pediatr Adolesc Med. 2009; 163(11):994-999.
- 26 Sharon Parrott, "Recession Could Cause Large Increases in Poverty and Push Millions Into Deep Poverty," Center on Budget and Policy Priorities, November 24, 2008, p. 2, <http://www.cbpp.org/files/11-24-08pov.pdf>.
- 27 Liz Schott, "Policy Basics: An Introduction to TANF," Center on Budget and Policy Priorities, March 19, 2009.
- 28 Arloc Sherman, "Stimulus Keeping 6 Million Americans Out of Poverty in 2009, Estimates Show," Center on Budget and Policy Priorities, September 9, 2009, p. 3, <http://www.cbpp.org/cms/index.cfm?fa=view&id=2910>.
- 29 US Department of Labor, Employment & Training Administration, Seasonally Adjusted Initial Claims, 1980 – 2009, <http://www.doleta.gov/unemploy/chartbook/chartprt.cfm>.
- 30 Congressional Budget Office, Economic Projections, August 25, 2009.
- 31 Zandi, Mark, Moody's Economy.com, "The Impact of the Recovery Act on Economic Growth," testimony before the Joint Economic Committee, Oct. 29, 2009, p. 1, <http://www.economy.com/mark-zandi/documents/JEC-Fiscal-Stimulus-102909.pdf>.
- 32 Dean Baker and Rivka Deutsch, "The State and Local Drag on Stimulus," CEPR, May 2009, p.7; and President's Council of Economic Advisors, "The Economic Impact of the American Recovery and Reinvestment Act of 2009: First Quarterly Report," September 10, 2009, p. 22, <http://www.whitehouse.gov/administration/eop/cea/Economic-Impact>.
- 33 For a complete breakdown of Recovery Act funds see Appendix of "Paying for Priorities: A Behind-the-Scenes Look at the State Budget," West Virginia Center on Budget and Policy, August 2009, http://www.wvpolicy.org/downloads/WVCBP-Paying_For_Priorities-PROOF4.pdf.
- 34 See <http://www.recovery.wv.gov/Pages/default.aspx> for a distributional breakdown of how these funds have been spent as of November 2009. Note that the \$255 million does not include the individual and business tax cuts listed in Table 5.1. Total projected agency spending is \$1.474 billion, according to Federal Funds Information for States (FFIS).
- 35 President's Council of Economic Advisors, September 10, 2009, p. 22.
- 36 U.S. Bureau of Economic Analysis, "State Personal Income: Second Quarter 2009," Press Release, October 16, 2009 http://www.bea.gov/newsreleases/regional/spi/sqpi_newsrelease.htm.
- 37 West Virginia State Budget Office, "Executive Budget Fiscal Year 2010: Volume I: Budget Report," February 11, 2009, http://www.wvbudget.gov/BudDocs/WVBudget_FY2010_Vol%201_Report.pdf.
- 38 These projections assume that state Medicaid spending is stagnant in FY 2010-11.
- 39 National Employment Law Project, November 2009.
- 40 The West Virginia Code [21-5C-1(e)] excludes from the definition of "employer" "any individual, partnership, association, corporation, person or group of persons or similar unit if eighty percent of the persons employed by him are subject to any federal act related to minimum wage, maximum hours and overtime restrictions." This means most businesses and therefore most workers would not be covered by the increase. Federal law, however, does not prohibit a state from requiring a higher minimum wage for all businesses. The federal Fair Labor Standards Act (FLSA) provides at USC sec. 218 (a) that "No provision of this chapter or of any order thereunder shall excuse noncompliance with and Federal or State law or municipal ordinance establishing a minimum wage higher than the minimum wage established under this chapter..."
- 41 Randall A. Childs and George W. Hammond, "Consensus Coal Production Forecast for West Virginia 2009-2030," West Virginia University Bureau of Business and Economic Research, p. 1, <http://www.be.wvu.edu/bber/pdfs/BBER-2009-14.pdf>.
- 42 Workforce West Virginia, "West Virginia Demand Occupations, 2006-2016," <http://workforcewv.org/LMI/occp/longterm/WVDemand.htm>.
- 43 John Irons, "Economic Scarring: the Long Term Impacts of the Recession," Economic Policy Institute, p. 1, http://epi.3cdn.net/25f9881466fb1c55cd_i9m6bnlcc.pdf.



Our Mission

- Research and analyze tax and budget issues for fairness and adequacy and to examine overall budget priorities.
- Educate policymakers on the effects of budget and tax policies and economic trends.
- Inform public debate and ensure that complex tax and budget issues are accessible to a varied audience of state and local officials, journalists, nonprofits, other interested parties, as well as the general public.
- Make research available to state and community-based groups and organizations and work to assure that they are consulted in the process of setting priorities for research and analysis.

Find this and other reports online at
www.wvpolicy.org

NO TRESPASSING
THIS AREA IS A DESIGNATED
CONSTRUCTION SITE AND ANYONE
WHO TRESPASSES ON THIS
PROPERTY COMMITS A FELONY.
THIS IS ENFORCED BY THE LOCAL
POLICE DEPARTMENT
FLORIDA STATUTE §10.09



west virginia
**Center on
Budget & Policy**

West Virginia Center on Budget and Policy
723 Kanawha Blvd., Suite 300
Charleston, WV 25301
Tel 304-720-8682 • Fax 304-720-9696
www.wvpolicy.org