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# State of Working West Virginia 2016

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Why is West Virginia so Poor?

## Covenant House Lunch and Learn

October 12, 2016 – Charleston, WV

### **presented by**

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# Overview

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Brief economic history of West Virginia.

State of Working West Virginia in 2015.

Analysis of why West Virginia has been consistently poor.

# Why is West Virginia poor?

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Standard answers:

- \*Poor infrastructure
- \*Low educational attainment
- \*Outdated job skills
- \*Geography

# Why is West Virginia poor?

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# Culture or colonialism?



## The Stereotype of a Hillbilly/Redneck

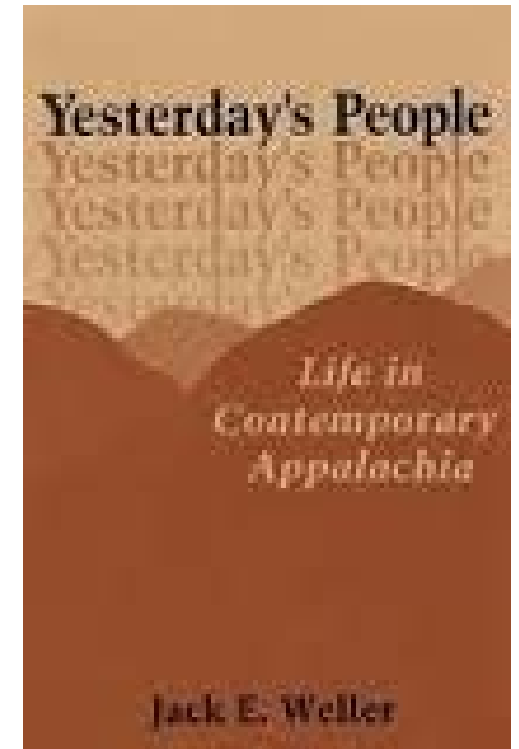
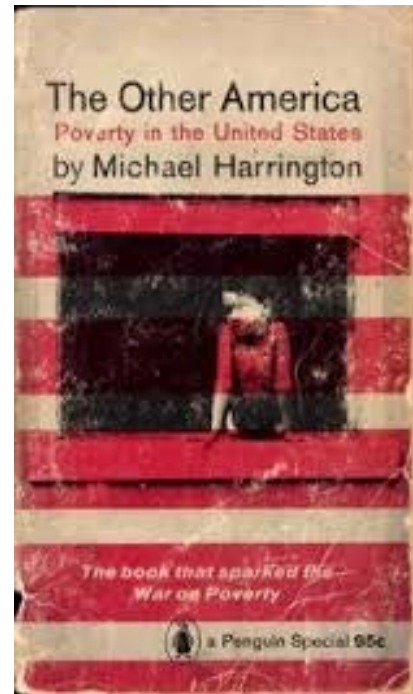
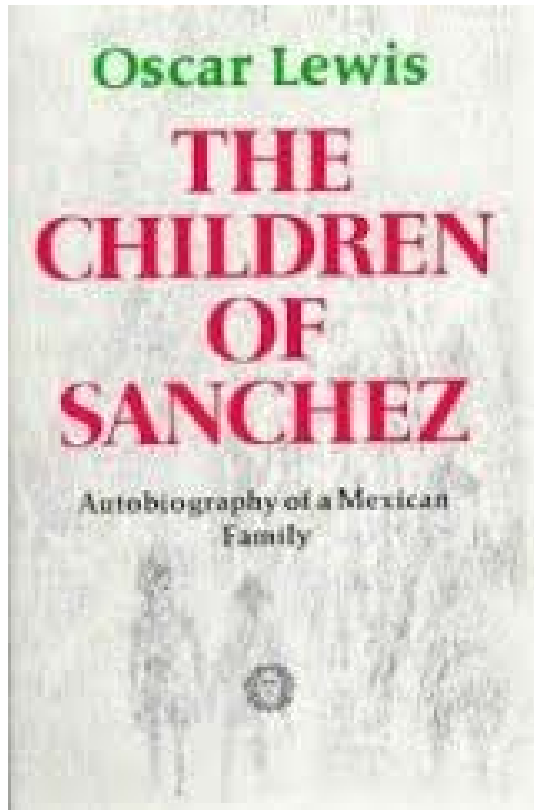


# Wild mountaineers?



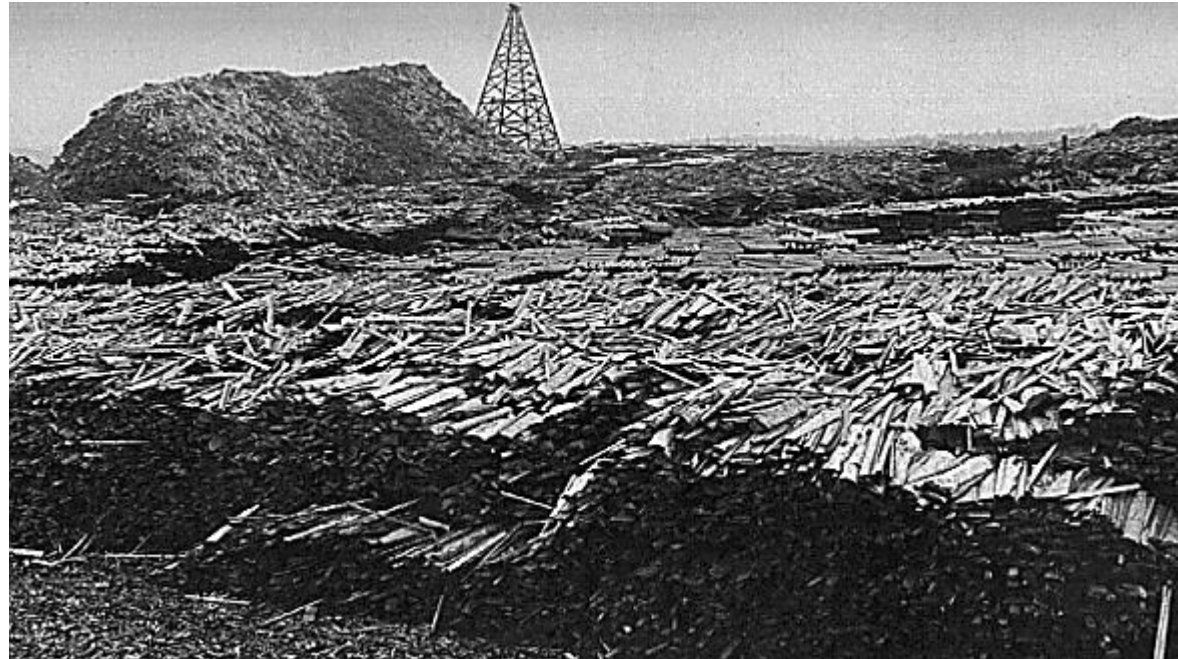
# Culture of poverty?

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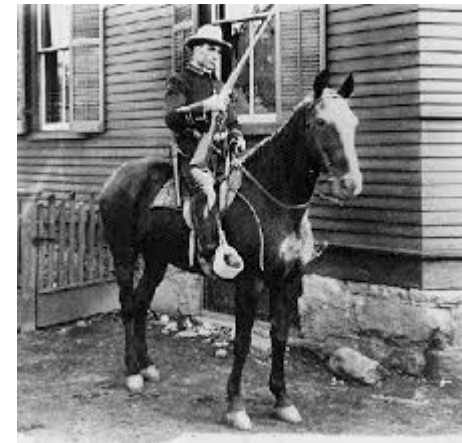


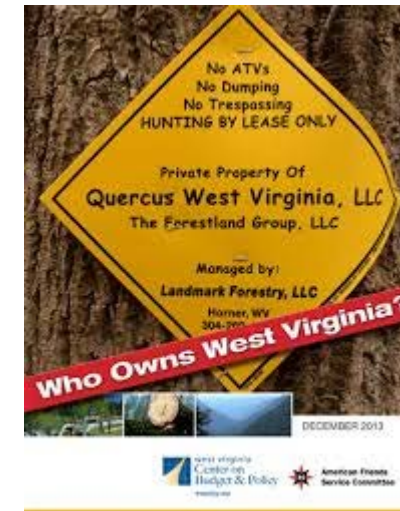
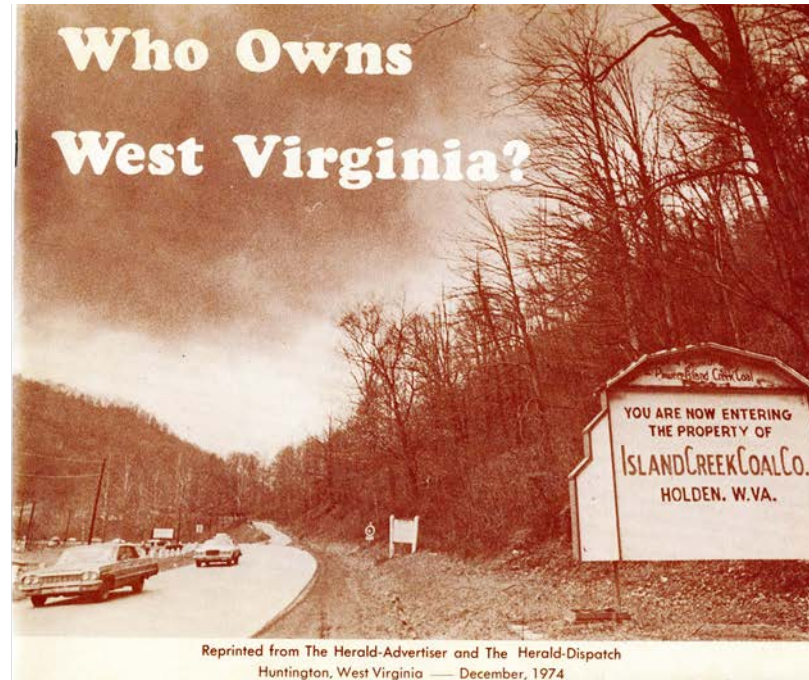


# What else could it be?











# Booms and busts



# Hard times and big machines



West Virginia is the greatest bituminous coal-producing area of its size in the world and supplies more than a quarter of the nation's total production of coal.  
West Virginia & Regional History Center



# From this...to this

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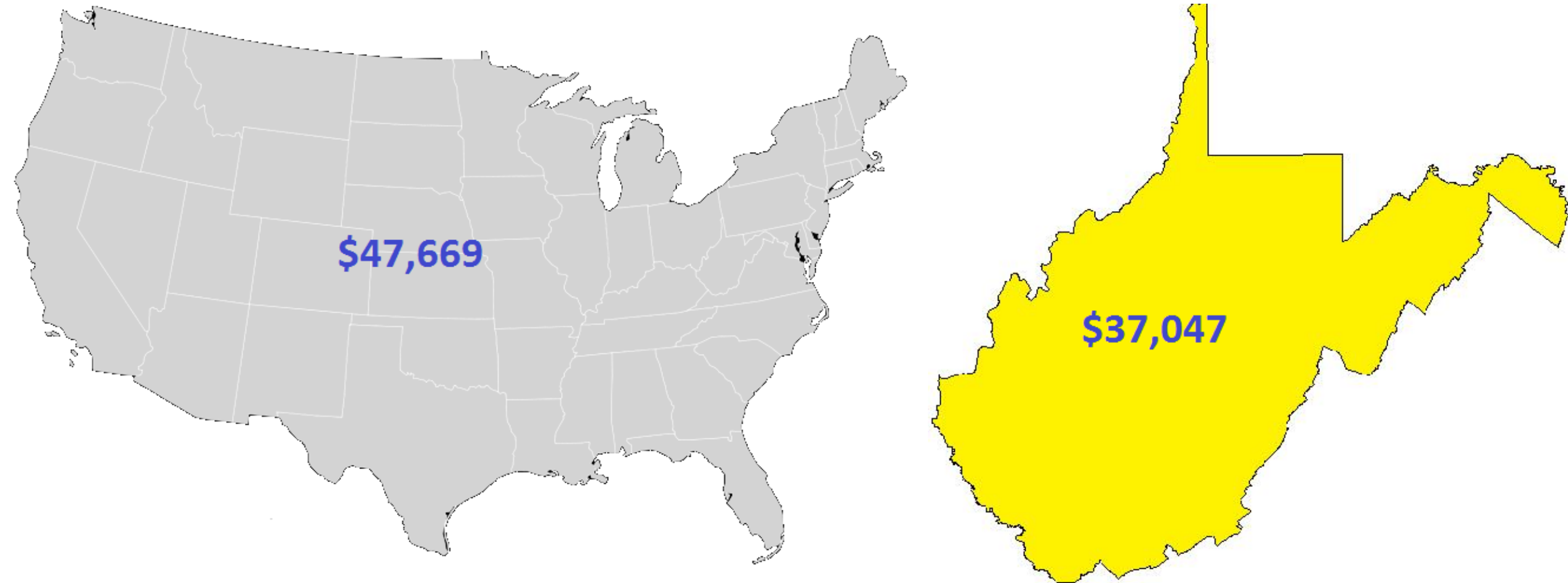




# Low Income, High Poverty

Per capita income – WV Rank: 49<sup>th</sup> highest

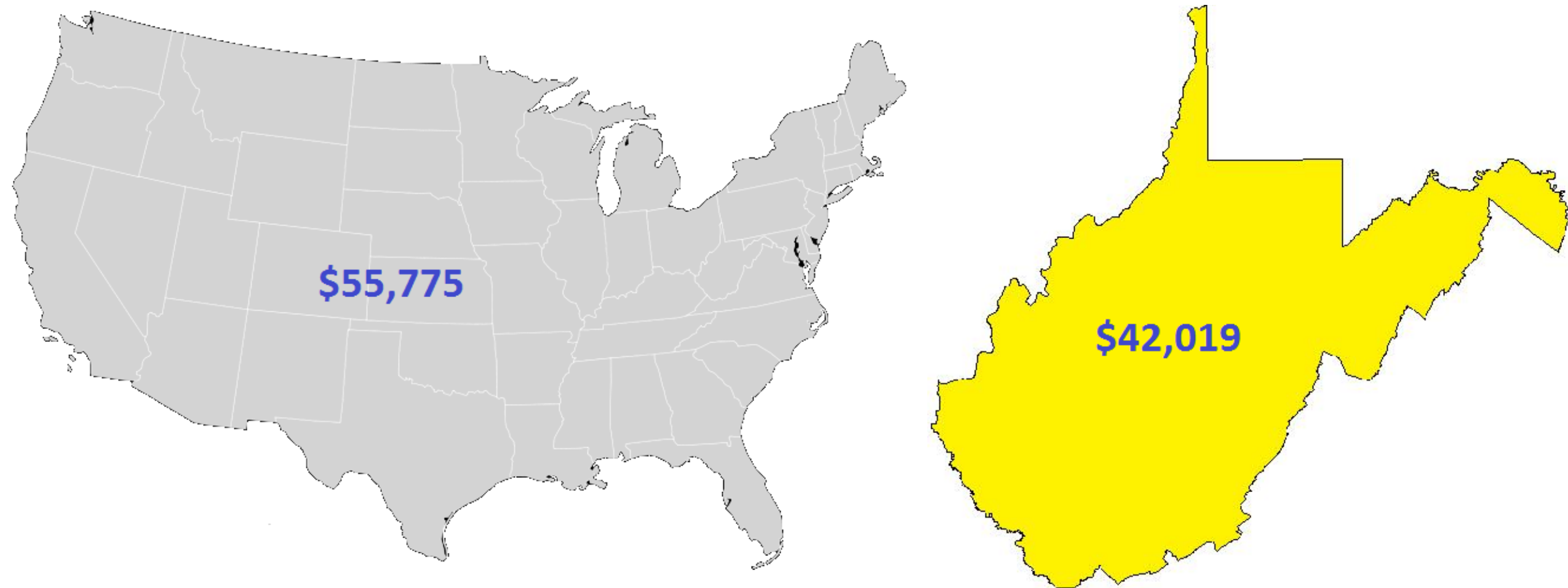
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# Low Income, High Poverty

Median Household Income – WV Rank: 47<sup>th</sup> highest

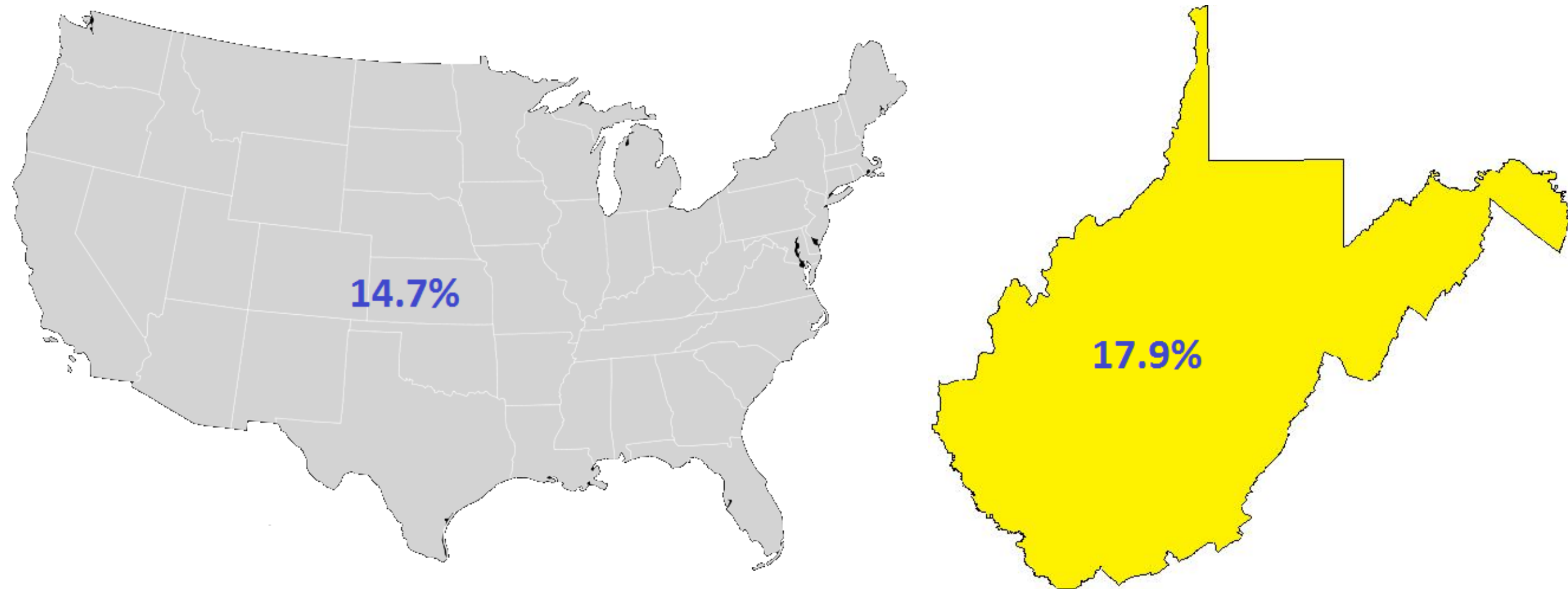
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# Low Income, High Poverty

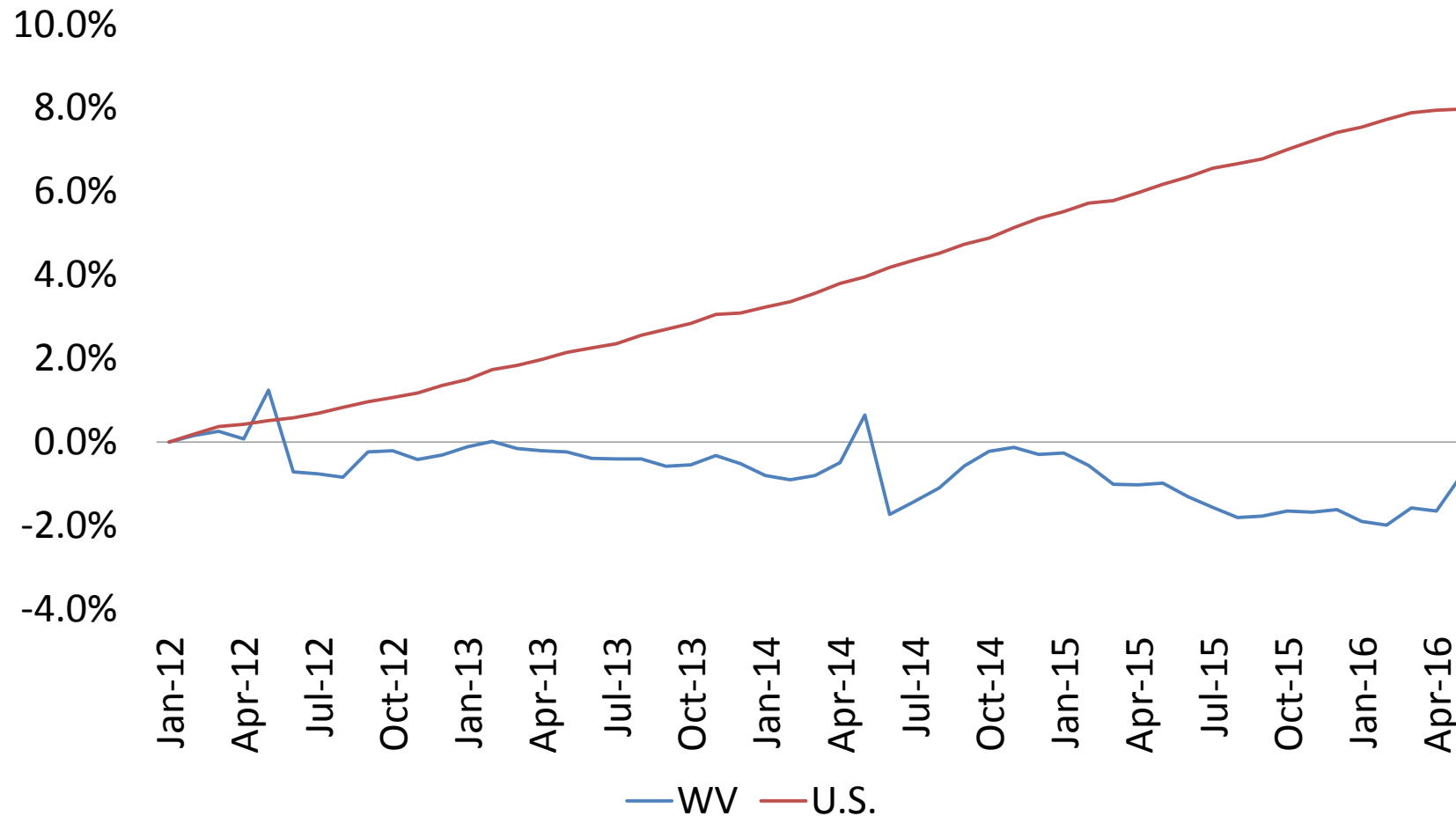
Poverty Rate – WV Rank: 7<sup>th</sup> highest

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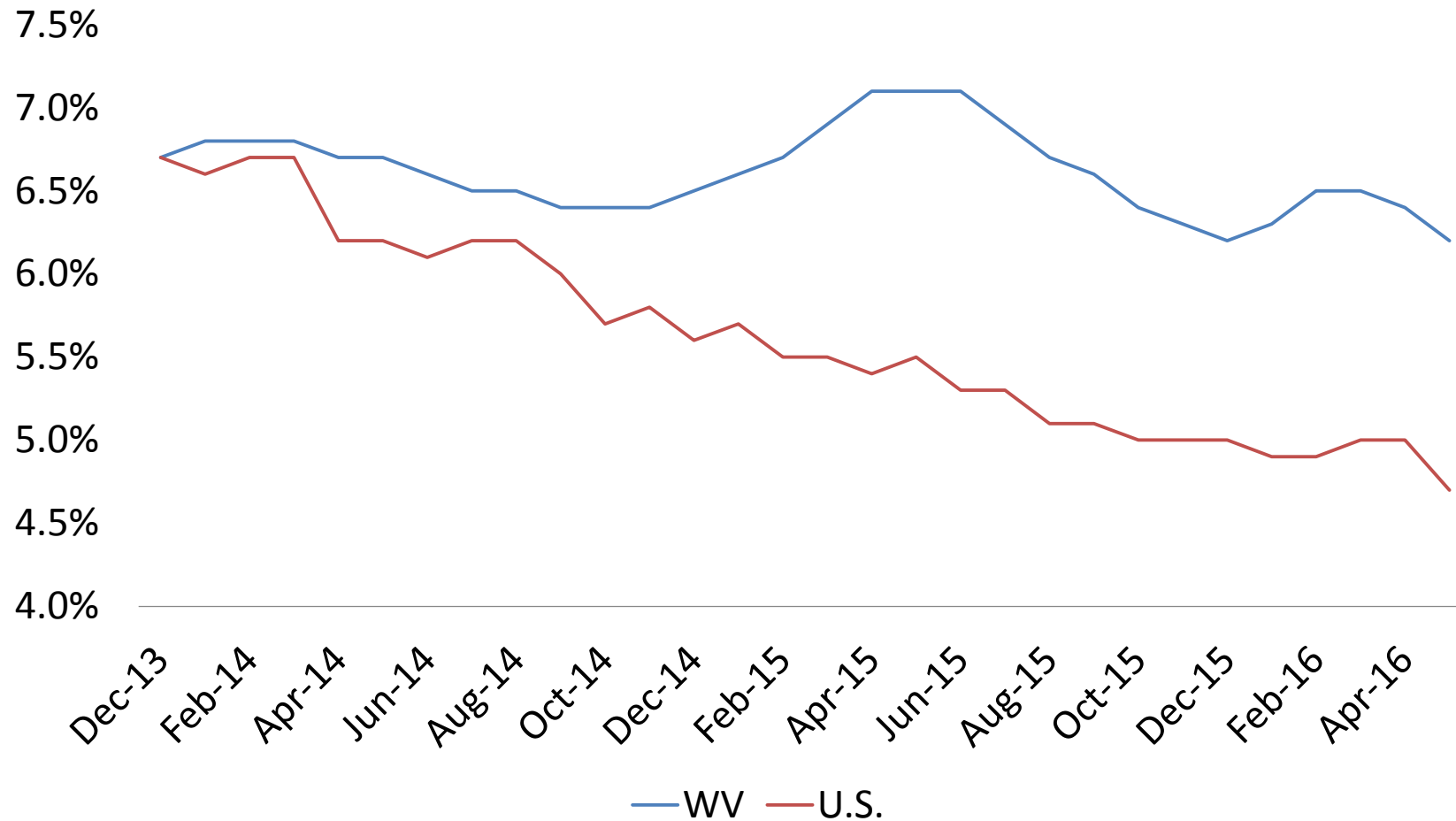
# State Economy Weakened in 2015

Total Nonfarm Employment Growth, Jan 2012-May 2016, U.S. and WV, Seasonally Adjusted



# State Economy Weakened in 2015

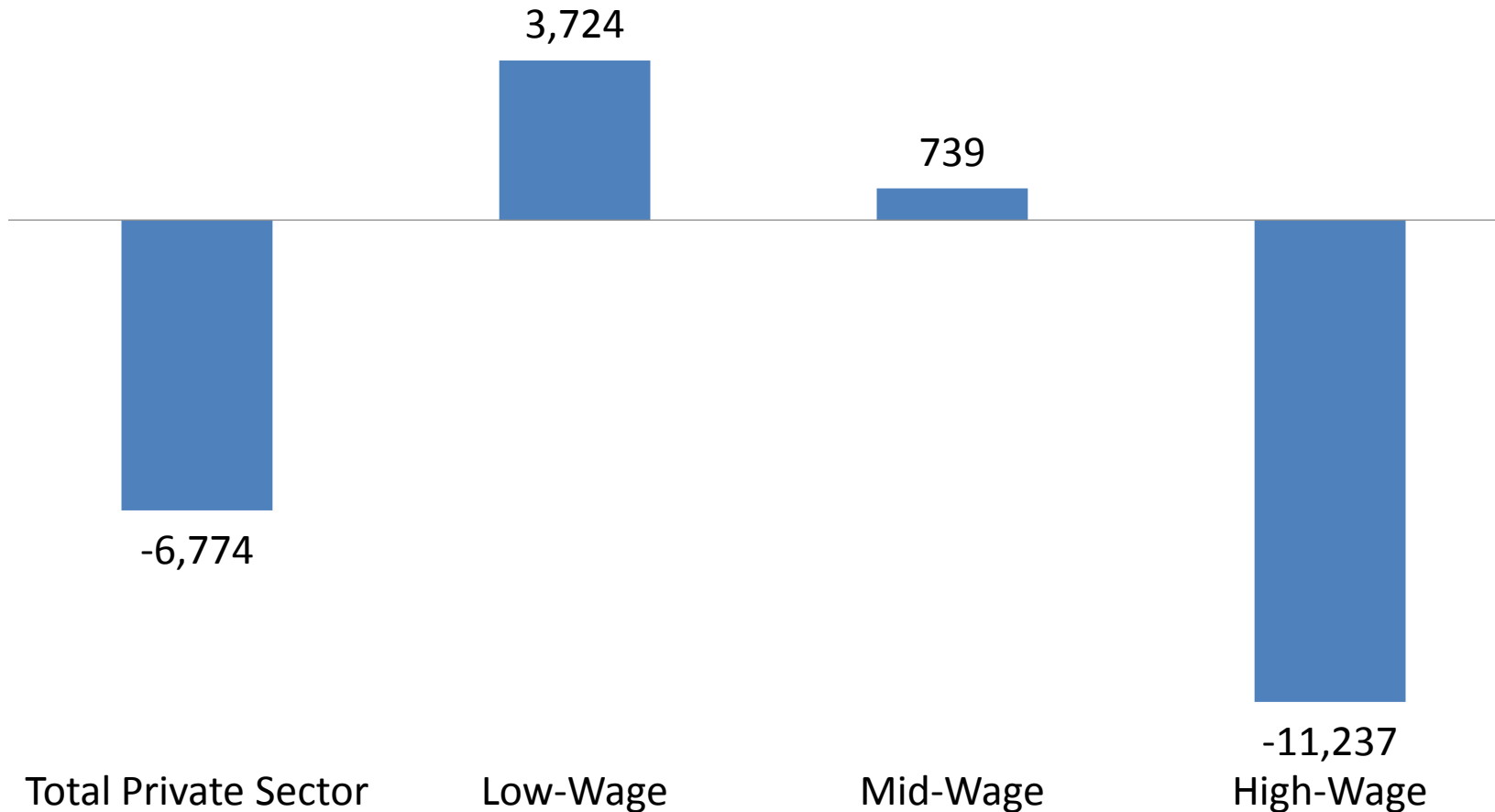
Unemployment Rate, December 2013-May 2016, U.S. and WV, Seasonally Adjusted





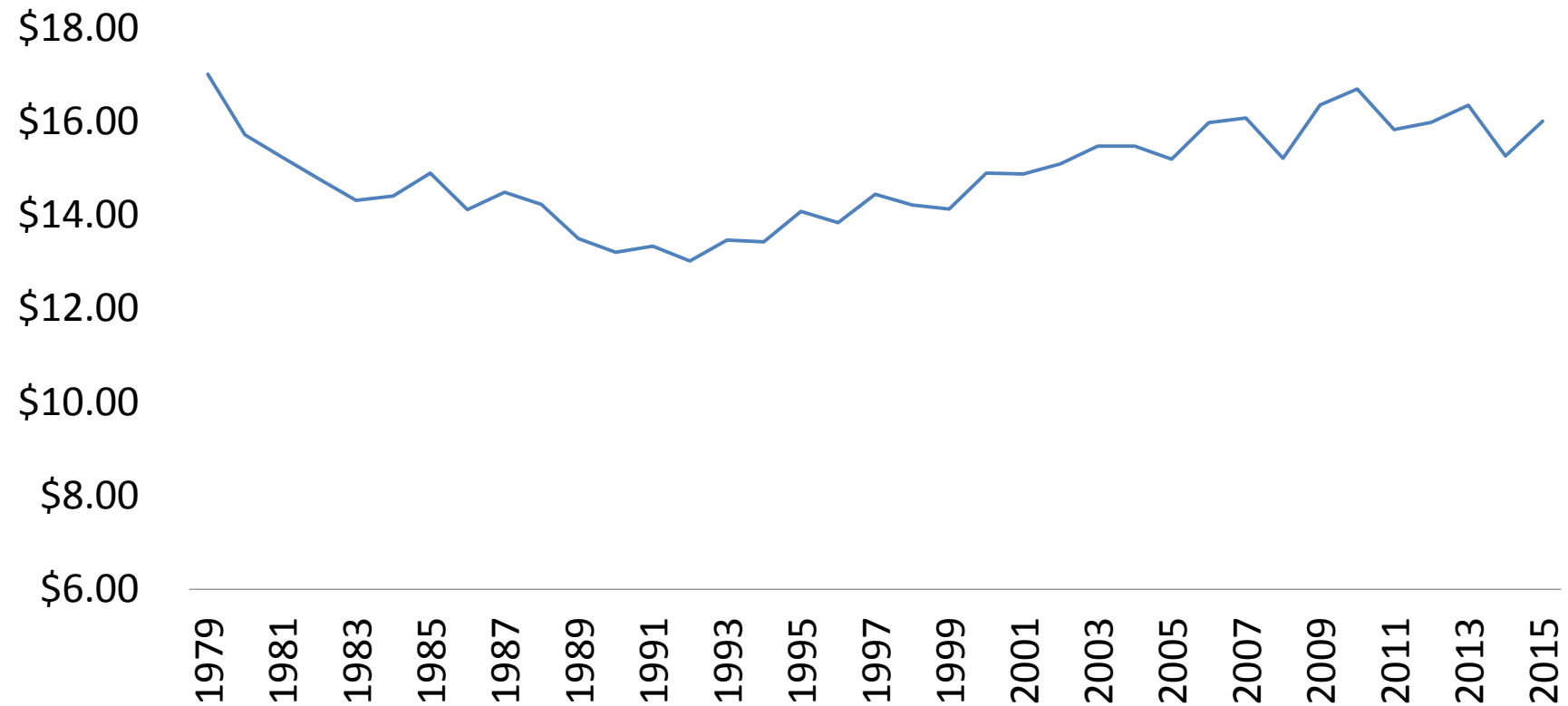
# WV Losing High-Wage Jobs, Gaining Low-Wage Jobs

Net Private Sector Employment Change, by Wage Category, 2012-2015



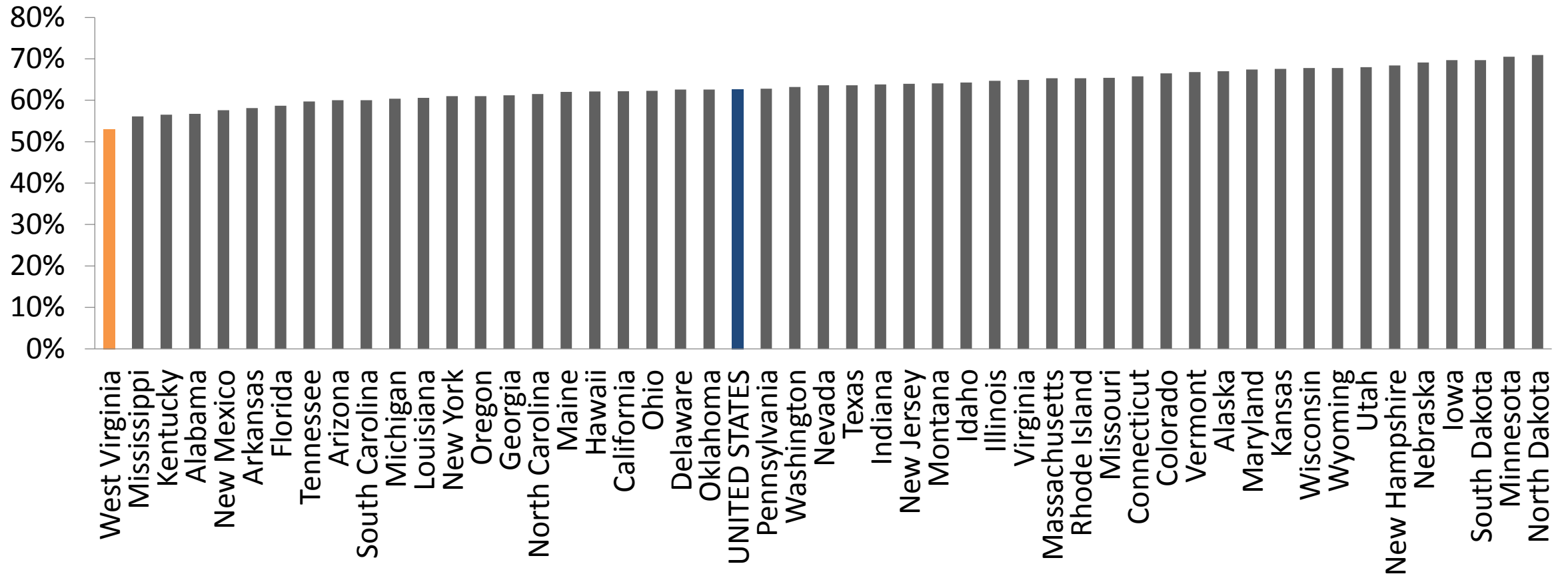
# Little Wage Growth for WV

Real Median Wage, 1979-2015 (2015\$)



# Who's Not Working in WV

Labor Force Participation Rate, U.S. and States, 2015



# Why is West Virginia poor?



Analysis of what factors account for the largest share of differences in income across states.

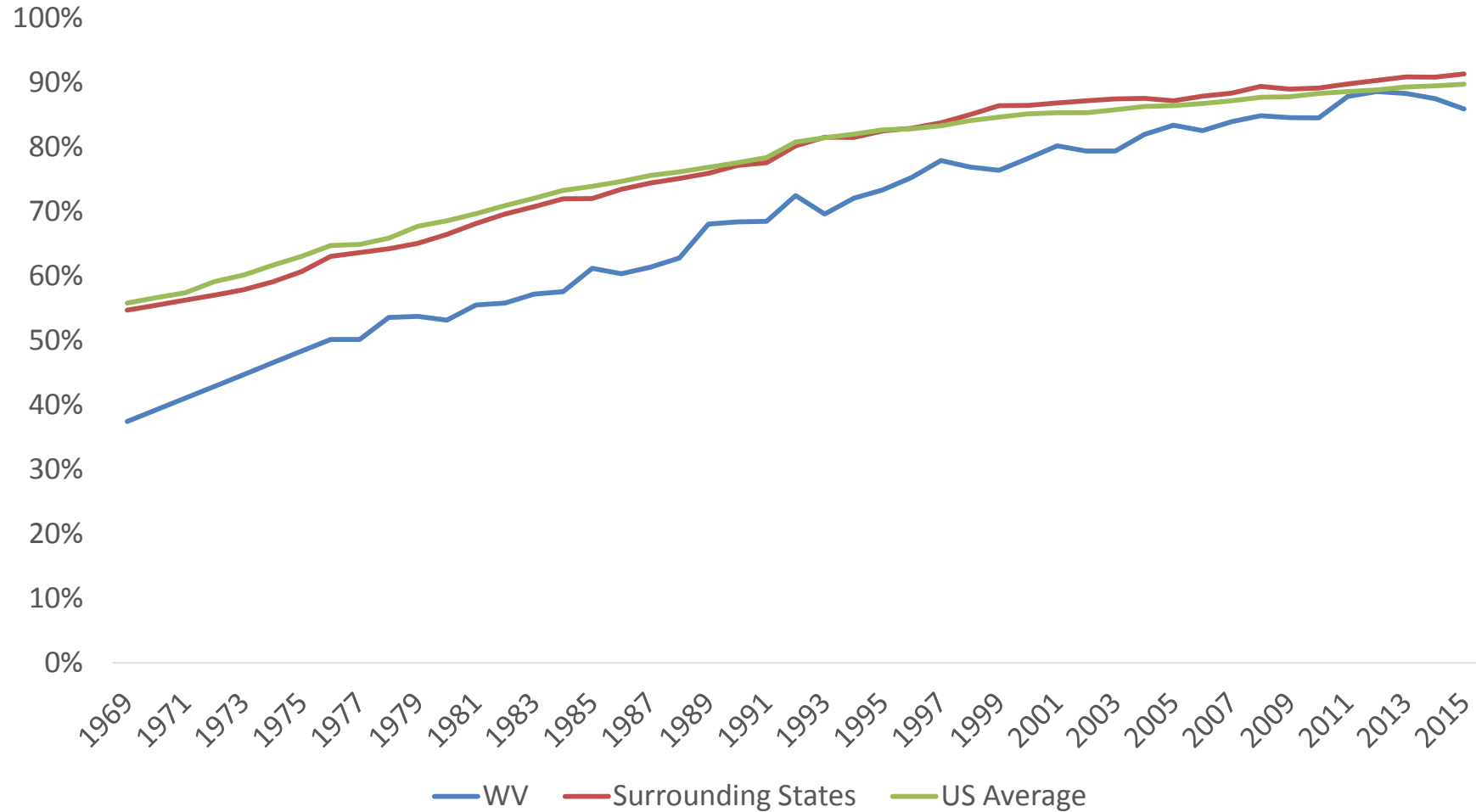
Adapted from research by the Federal Reserve Bank of Cleveland and the Kentucky Bureau of Economic and Business Research.

4 variable categories utilizing data sources covering 1969-2014:

- Stock of knowledge
- Public finance
- Industrial structure
- Labor market

# Stock of Knowledge Variables

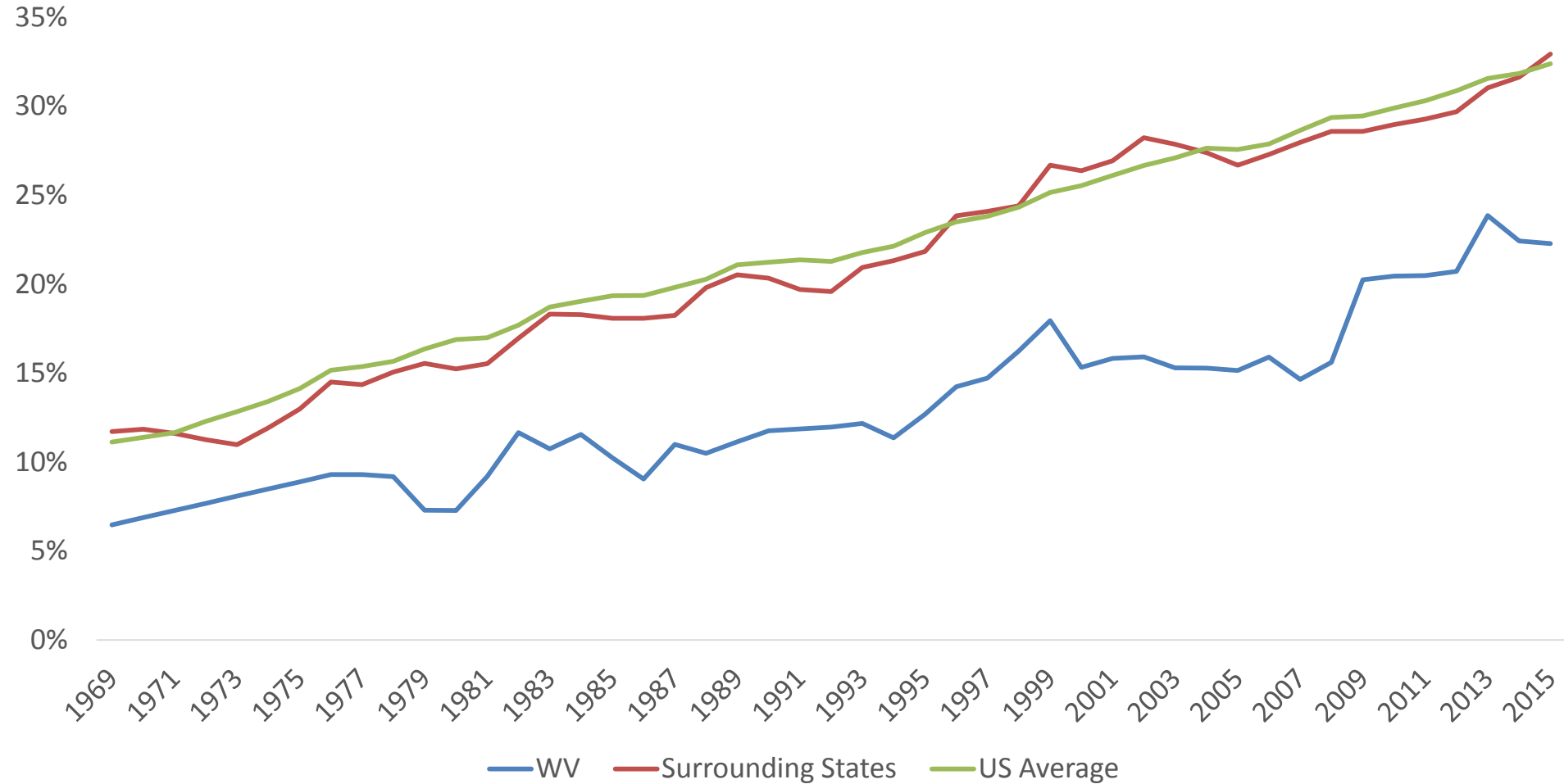
Percent of Population (25+) with a High School Degree





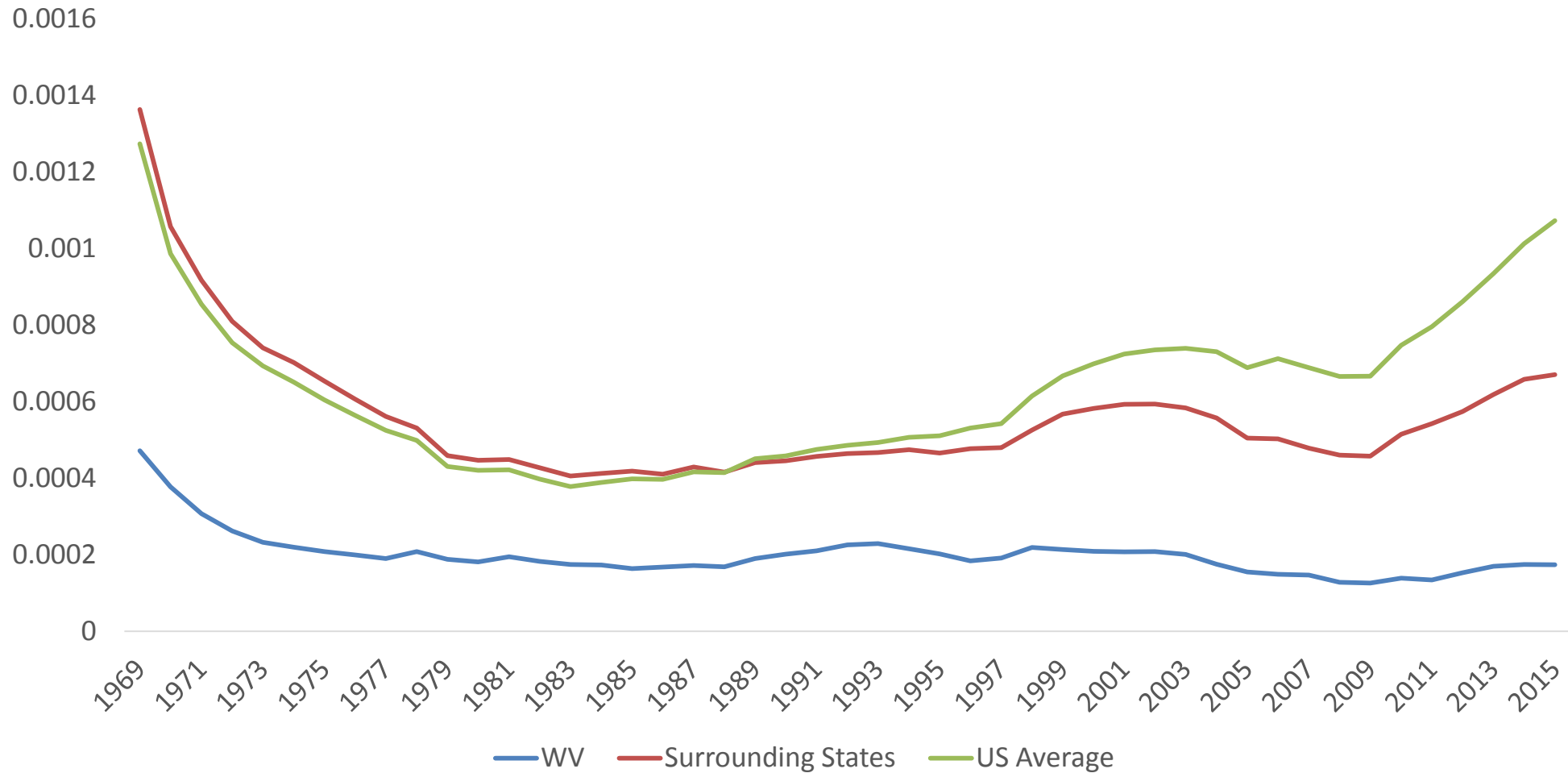
# Stock of Knowledge Variables

Percent of Population (25+) with a College Degree



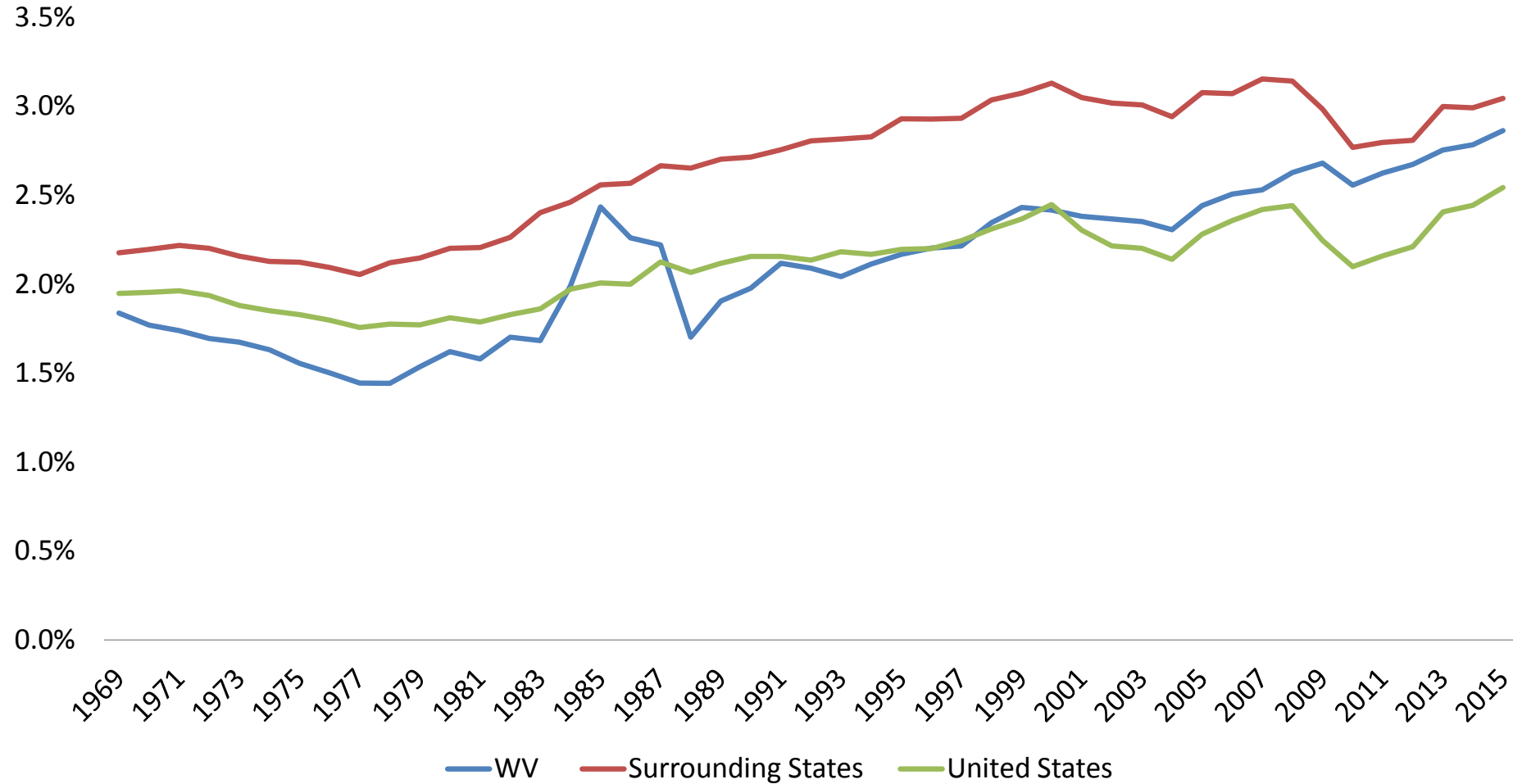
# Stock of Knowledge Variables

## Patents Stock per Capita



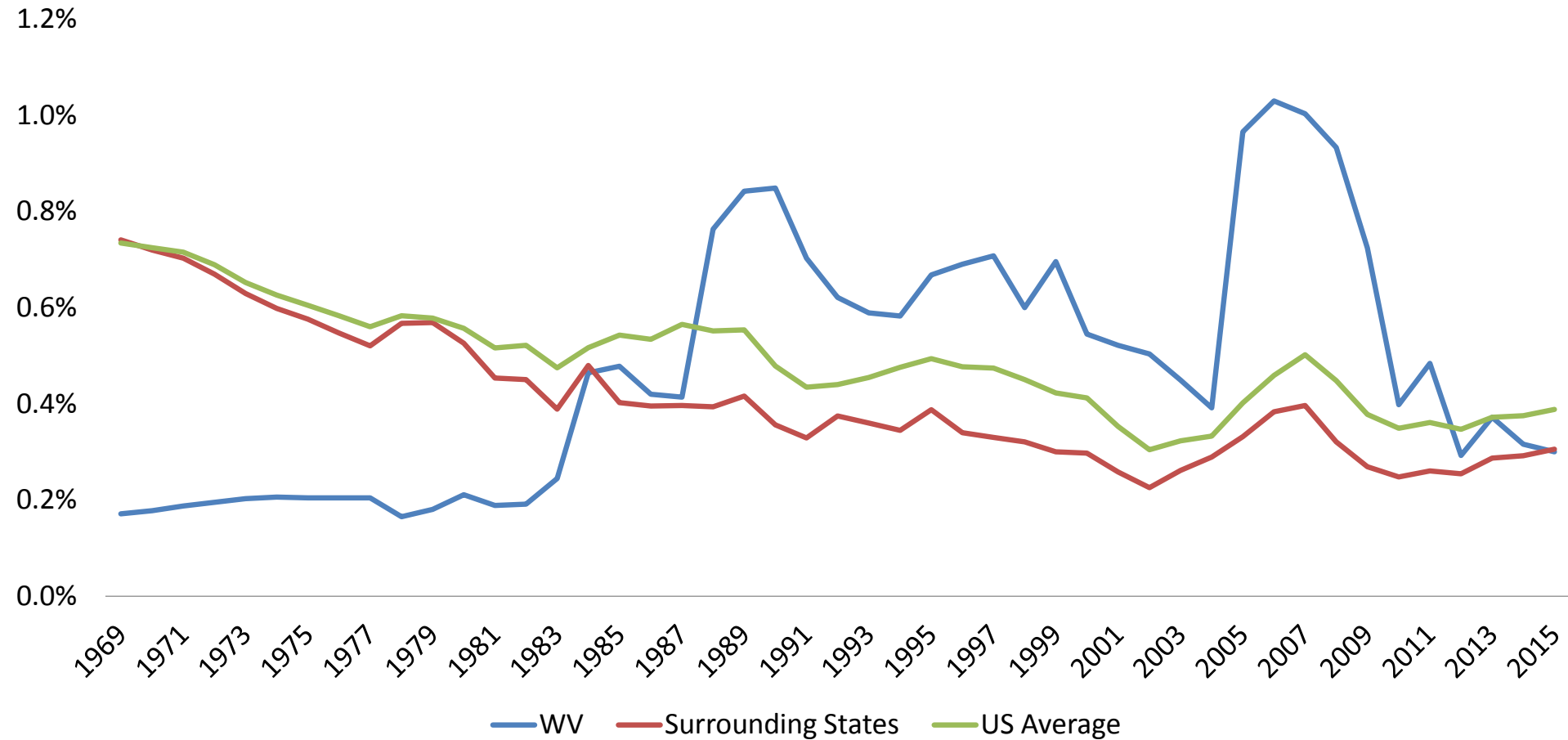
# Public Finance Variables

## Effective State and Local Income Tax Rates



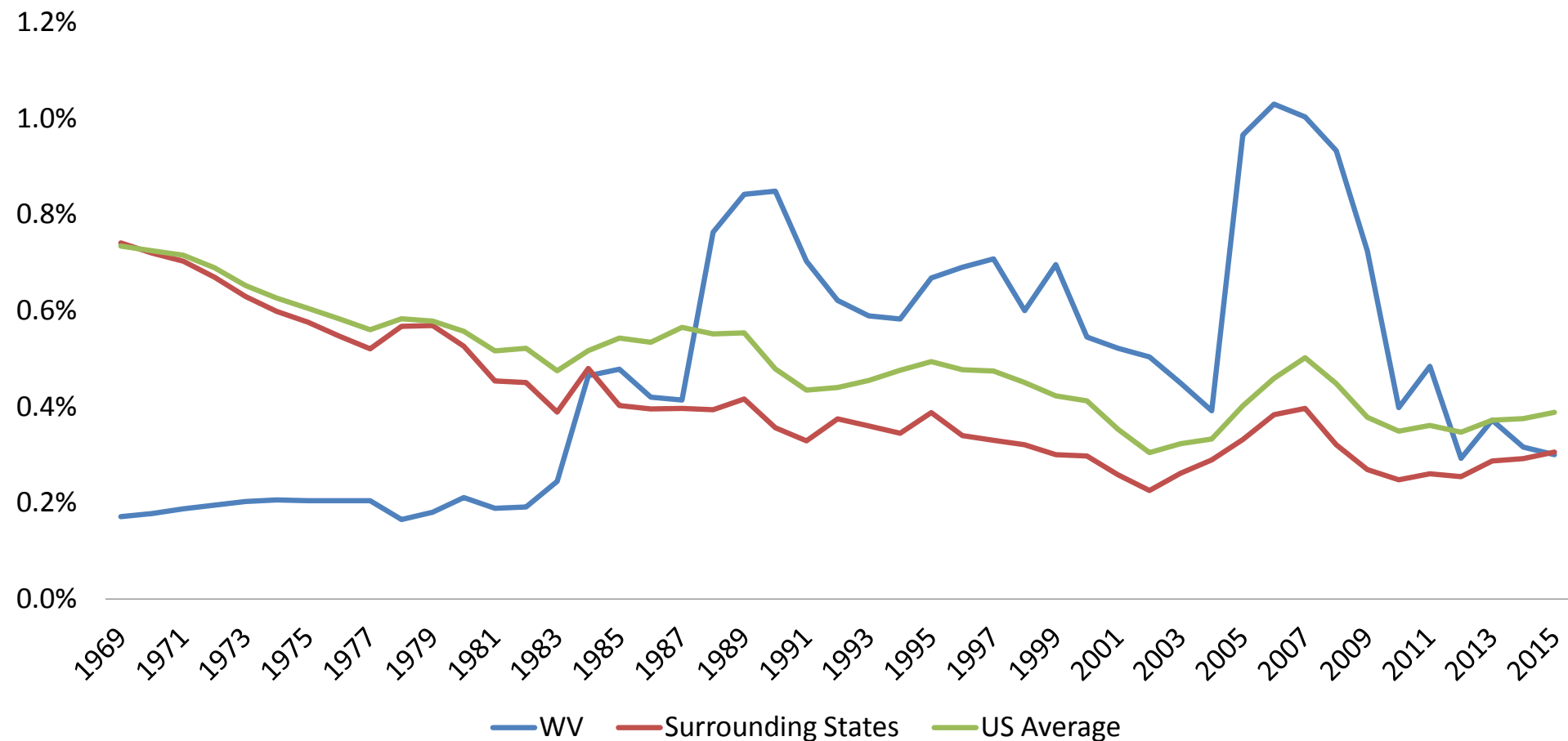
# Public Finance Variables

## Effective State and Local Corporate Tax Rates



# Public Finance Variables

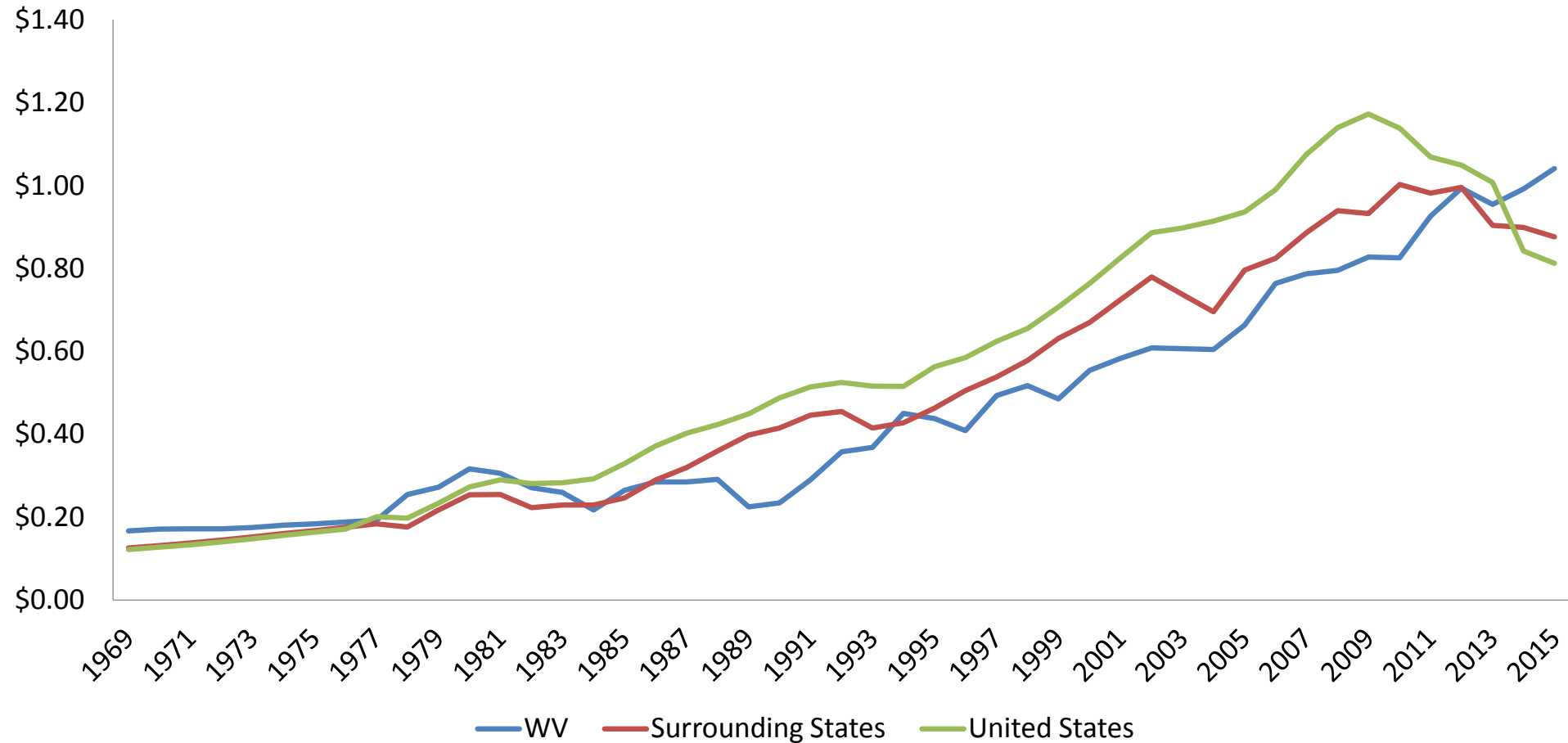
## Effective State and Local Corporate Tax Rates





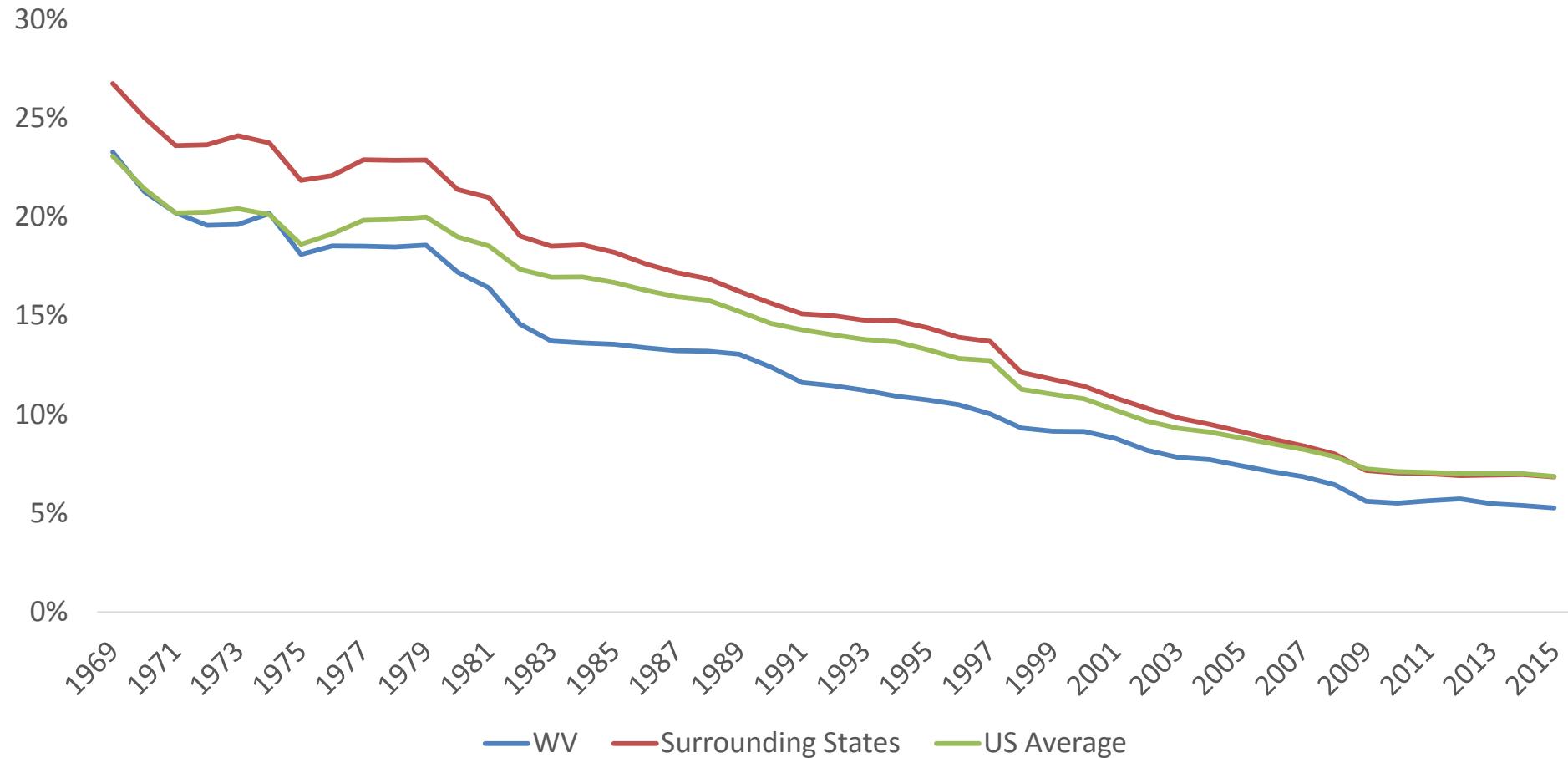
# Public Finance Variables

## Capital Outlays per Capita, State and Local Funding



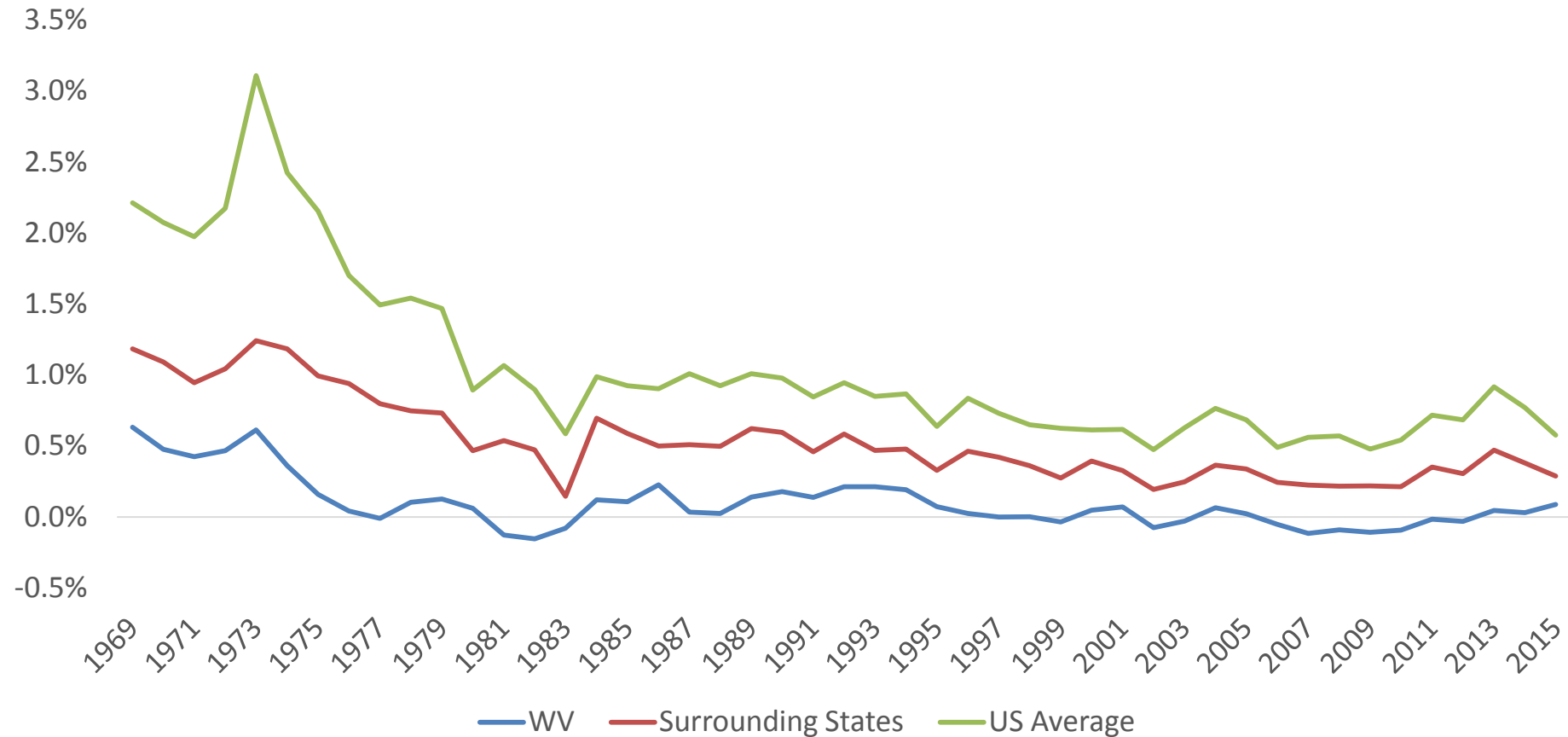
# Industrial Structure Variables

Percent of Personal Income from Manufacturing



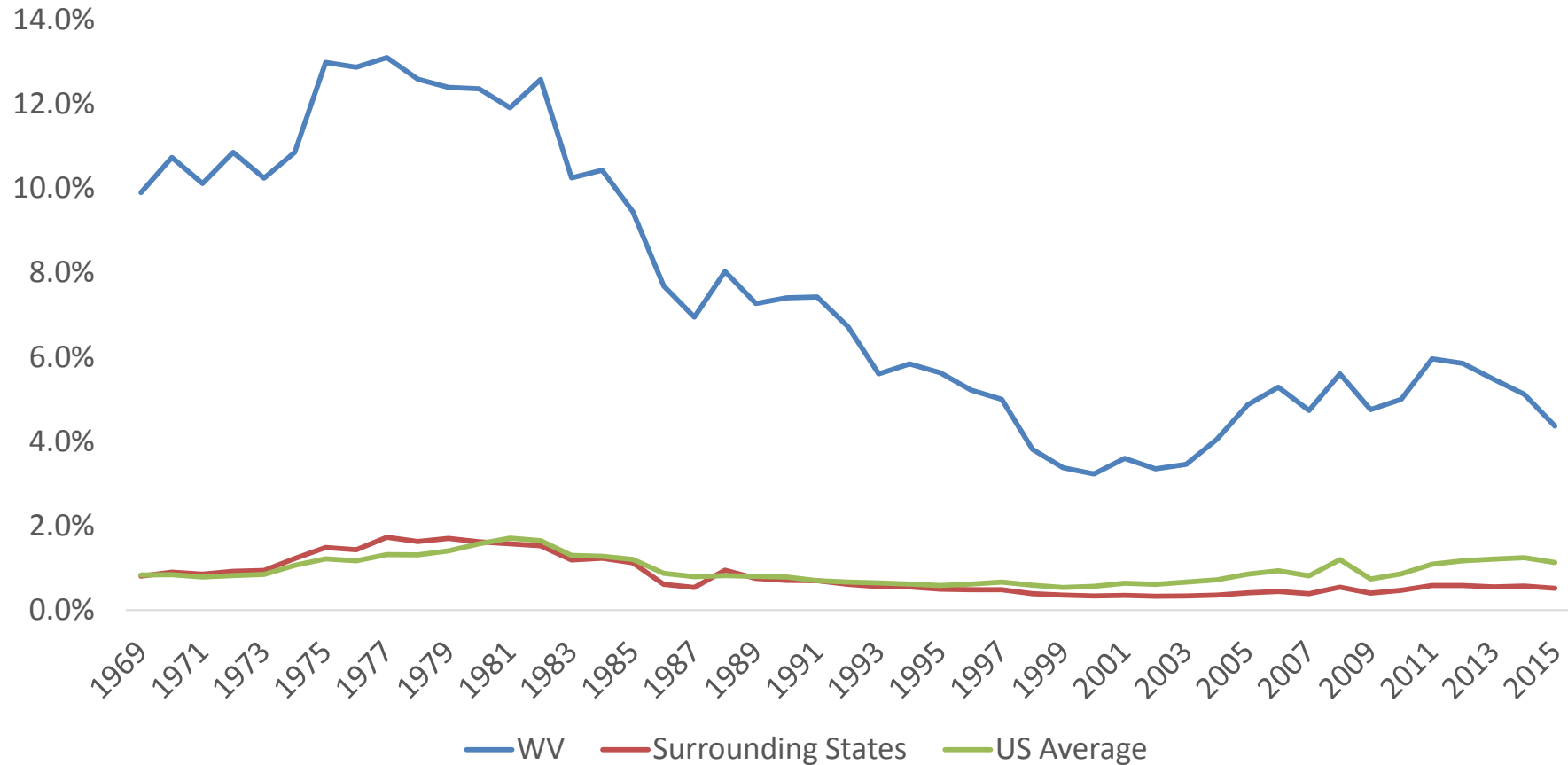
# Industrial Structure Variables

## Percent of Personal Income from Farming



# Industrial Structure Variables

Percent of Personal Income from Mining



# Labor Market Variables

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- Labor force participation
- Right to work status

# Regression Results

	Coefficient	Standard Error
<b>Knowledge Variables</b>		
Percent of population with high school degree	0.0670124***	0.0179071
Percent of population with college degree	0.0089088***	0.00152
Patent Capital Per Capita	3.27E-06***	6.98E-07
<b>Public Finance Variables</b>		
Corporate Tax rate	0.0000127***	3.58E-06
Effective Individual Tax Rate	0.000026***	7.18E-06
Highway Stock Per Capita	1.428203	0.8821894
State capital Outlays per Capita	-0.0267446	0.0249909
<b>Industrial Structure Variables</b>		
Manufacturing income as a percent of total personal income	-0.0006643	0.0005312
Farming income as a percent of total personal income	-0.0000605***	8.64E-06
Mining income as a percent of total personal income	-0.0000703***	8.86E-06
<b>Labor Market Variables</b>		
Labor Force Participation	0.126095***	0.032784
Right To Work	0.007437	0.0102481



# Impact on Per Capita Income

	Real Per Capita Personal Income	Percent of US Average
Actual Value in West Virginia in 2014	\$33,129	82%
<b>Predicted Value in West Virginia if WV had the US average of:</b>		
Percent of Population are High School Graduates	\$35,350	88%
Percent of Population are College Graduates	\$36,492	91%
Patent Stock per Capita	\$35,989	89%
All Knowledge Variables	\$37,901	94%
Individual Income Tax Rate	\$35,122	87%
Percent of Personal Income from Mining	\$34,429	86%
Labor Force Participation Rate	\$39,721	99%

# Conclusions

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Substantial policy change needed to improve WV's income levels.

- Increasing innovative research and education levels.
- More diversified economy.
- Improving labor force participation.