

Economic Development

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THE STATE OF WORKING WEST VIRGINIA 2011

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Executive Summary

Although West Virginia has weathered the Great Recession better than most states, the state's jobs deficit and high unemployment rate give West Virginia workers little to celebrate this 2011 Labor Day. With a jobs deficit of over 20,000 and with the number of unemployed workers double what it was three years ago, the labor market is unlikely to recover soon without rigorous policy action at the federal and state level.

The State of Working West Virginia 2011 examines the current outlook for the state's working families and suggests options for moving from austerity to prosperity.

Key Findings

- West Virginia has 10,400 fewer jobs than it did at the start of the Great Recession in December 2007. To regain its pre-recession employment rate, the state would need to add 20,300 jobs.
- West Virginia's unemployment rate is nearly double what it was at the beginning of the recession and has remained above eight percent for more than two years.
- The unemployment rate for African-Americans in West Virginia was 18.9 percent in 2010, more than twice the rate for whites.
- The Great Recession has caused the state's workforce to dramatically shrink, with younger workers exiting and older workers remaining in or reentering the labor force.
- West Virginia, along with the rest of the United States, has experienced a lost decade of job growth. The state's total nonfarm employment grew 1.4 percent from 2000 to 2010, while nationally total nonfarm employment fell 1.5 percent.
- While real median wages have grown over the last decade, most of the growth has been among top wage earners in the state.
- West Virginia's rural counties have higher rates of unemployment than its urban counties: 10.6 percent compared to 8.4 percent in 2011.
- The long-term unemployment rate is at its highest rate in nearly 30 years, with approximately one in three unemployed workers out of work for more than six months in 2010.
- The state's employment rate is at a 15-year low, and remains lower than that of any other state in the nation. The employment rate for the state's youngest population fell by nearly 14 percentage points from 2000 to 2010, while the employment rate for those over age 55 increased by nearly 10 percentage points.

Policy Recommendations

- At the **state** level, policymakers could promote employment by providing wage subsidies, investing in workforce training, using severance taxes to diversify local economies, and issuing infrastructure bonds.
- At the **federal** level, policymakers could help the unemployed by extending unemployment insurance benefits and could promote employment by enacting a work-sharing program and creating an infrastructure bank.

Introduction

Labor Day 2011 marks more than just the end of another summer. It also provides an opportunity to examine the current situation of West Virginia's workers. As the fourth anniversary of the Great Recession approaches, the nation and the state teeter between a weak economic recovery and a "double dip" into another decline.

The worst economic downturn since the Great Depression officially began in December 2007. At first, West Virginia seemed to be recession-proof, adding close to 4,000 jobs in the first 10 months of the recession. By late 2008, the recession's impact began to be felt in the state. Between November 2008 and January 2010, West Virginia lost over 24,900 jobs. Signs of recovery since have been shaky, and many of the jobs lost have not been regained. Unemployment, while trending below the national average, remains above eight percent.

West Virginia emerged from the Great Recession remarkably well compared with many states. According to the Center on Budget and Policy Priorities, as of July 2011, 42 states and the District of Columbia were or had recently been scrambling to close over \$100 billion in budget gaps.¹

Many state and local governments have cut jobs and services, furloughed workers, and slashed benefits and workers' rights even at the cost of great social unrest. By contrast, West Virginia currently enjoys a budget surplus. In lieu of layoffs, state workers and teachers have received modest pay increases. Programs and public spending on services and education have not been cut. In fact, some programs have grown, like the Children's Health Insurance Program, which expanded eligibility in 2011.

This relatively good fortune has partially been the result of policy decisions at the federal and state level. Federal action from 2008 to 2010, including the Troubled Asset Relief Program and the American Recovery and Reinvestment Act, helped to blunt the recession's impact. Massive infusions of Recovery Act federal dollars helped West Virginia avoid painful cuts.² Between 2007 and 2009, the state legislature also took a cautious approach to modernizing its tax system by closing corporate tax loopholes at the time they reduced business tax rates.

Further, the state legislature acted decisively in 2009 to address the solvency of the state's unemployment insurance fund. Despite opposition from some business groups, the legislation that increased the premiums paid by employers kept the state's system from going broke during the worst of the recession.³ It also helped West Virginia avoid borrowing from the federal government to pay unemployment benefits, while also providing an economic lifeline to the tens of thousands of West Virginia workers who relied on the system.

Current and future policy decisions will help to determine how well West Virginia's working people will fare in the economically challenging days ahead. This report will examine the current outlook for the state's working families and suggest options for moving from austerity to prosperity.

Section One provides the most current picture of West Virginia's job and labor market. **Sections Two** through **Four** examine how the state's workforce has undergone the past decade, particularly how it has been impacted by the recession. **Section Five** highlights the situation for the unemployed in West Virginia. The final section recommends several policy options at both the state and federal level that can help put people back to work in West Virginia.

Section One

The State of Economic Recovery in West Virginia

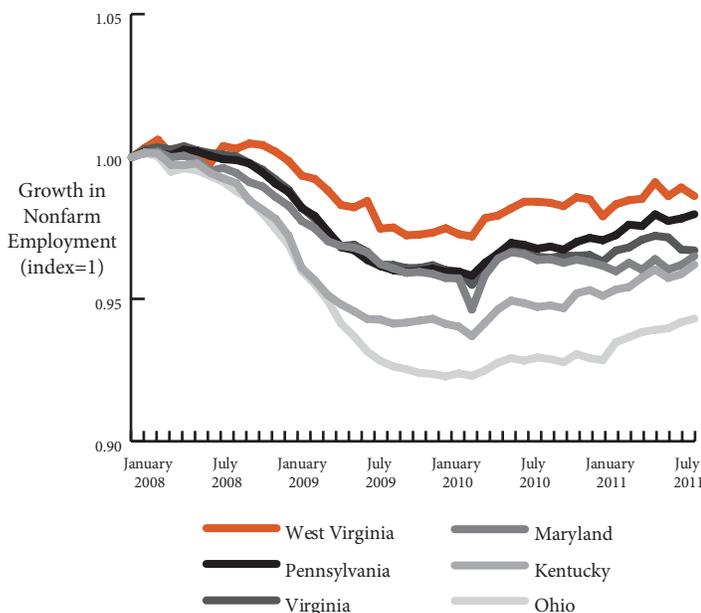
Although West Virginia weathered the Great Recession better than many states, its unemployment rate remains high and the state has a significant jobs deficit. This section looks at the jobs picture in West Virginia since the beginning of the Great Recession, and includes an examination of which industries have performed well and which have struggled.

West Virginia Outperforming U.S. and Region

Although West Virginia has lost 1.4 percent of its job base since December 2007, it has weathered the recession better than the national average. Nationally, the economy has lost approximately 6.8 million jobs, and the job base has shrunk by 4.9 percent.

Compared to its neighbors, West Virginia has lost a lower percentage of its jobs (**Figure 1.1**). Ohio has suffered the greatest job loss in the region since the start of the recession at 5.7 percent, while Pennsylvania's job loss was closest to West Virginia's at two percent. Kentucky, Maryland, and Virginia fall in the middle, having lost between three and four percent.

FIGURE 1.1
Regional Nonfarm Employment, December 2007 to July 2011 (seasonally adjusted)



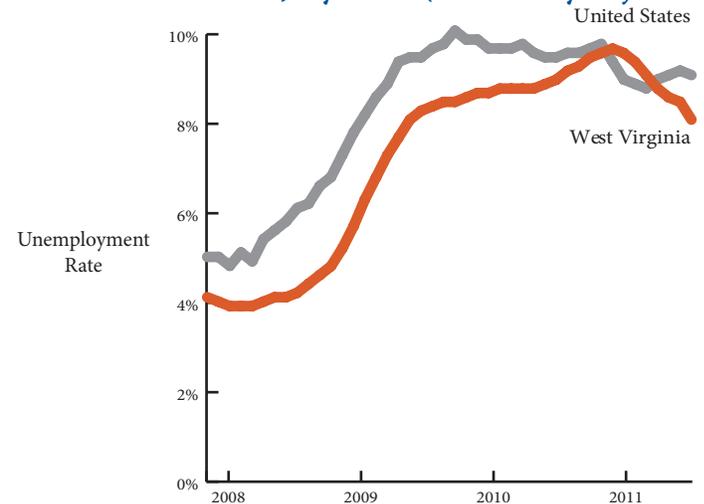
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES).

Unemployment Remains High in State

West Virginia has performed better than most states, but there has not been enough job growth to bring down the state's high unemployment rate. The number of unemployed workers is nearly double what it was at the beginning of the recession when West Virginia's unemployment rate was 4.1 percent. In July 2011, that figure stands at 8.1 percent (**Figure 1.2**). The state's unemployment rate has been above eight percent for the last 26 months.

West Virginia's unemployment rate peaked at 9.7 percent in December 2010, nearly three years after the beginning of the recession. In contrast, the national unemployment rate reached its peak of 10.1 percent more than a year earlier in October 2009. While the national unemployment rate has remained around nine percent over the last year, West Virginia's unemployment rate has shown a downward trend, dropping 1.5 percentage points since the beginning of 2011.

FIGURE 1.2
West Virginia and U.S. Unemployment Rate, December 2007 to July 2011 (seasonally adjusted)



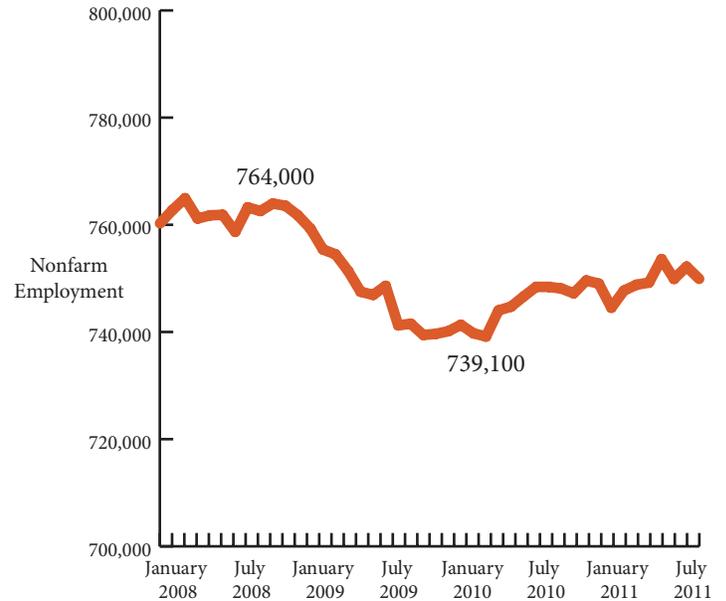
Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS).

State Still 10,000 Jobs Below Pre-Recession Level

West Virginia entered the recession later than most states and experienced heavy jobs losses well past the official end of the recession in June 2009. The majority of the state's job losses occurred in the fall of 2008 during the financial market meltdown (**Figure 1.3**). West Virginia lost 24,900 jobs from its peak employment in September 2008 to its trough in February 2010. Since then, the state has recovered 10,800 jobs, but still has 10,400 fewer jobs (1.4 percent loss) than before the recession. Growth in West Virginia's working-age population means the state's jobs gap is even bigger.

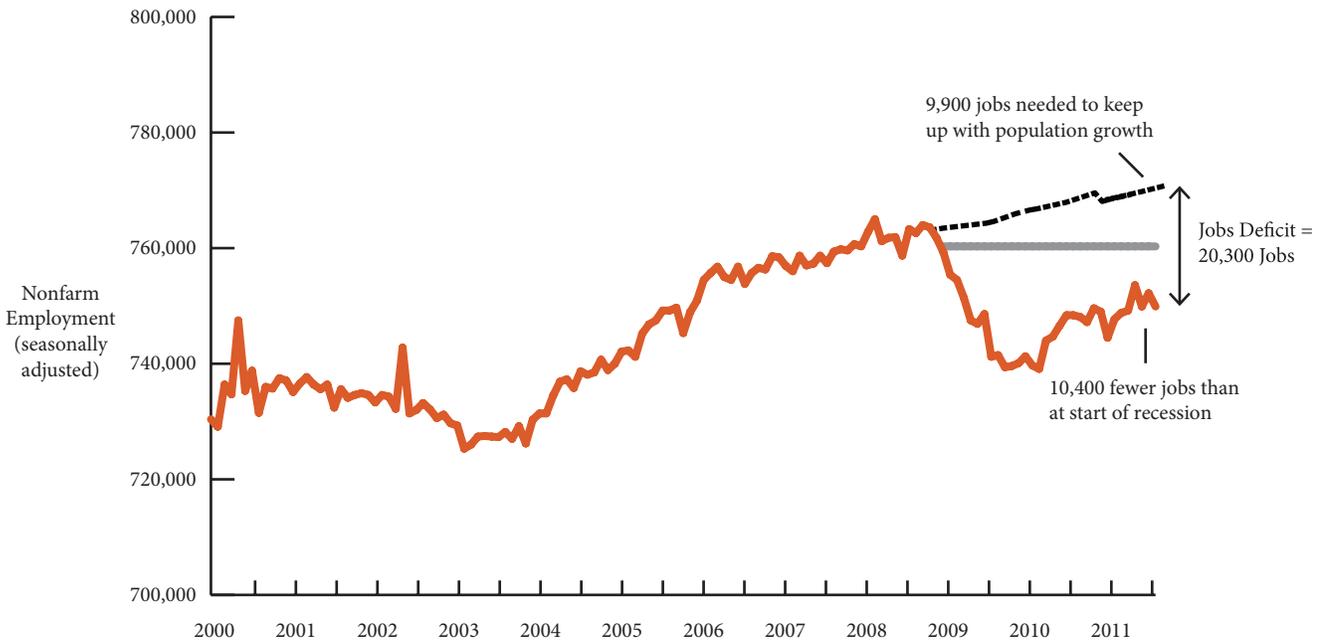
Since the beginning of the recession, the state's potential workforce has grown by 1.3 percent. For the state's jobs base to keep pace with the workforce, West Virginia would need to add 20,300 jobs to regain its pre-recession employment rate (**Figure 1.4**). This includes the 10,400 jobs West Virginia has not yet regained plus the 9,900 jobs it needs to keep up with the population growth in the 43 months since the recession began.

FIGURE 1.3
West Virginia Nonfarm Employment, December 2007 to July 2011 (seasonally adjusted)



Source: U.S. Bureau of Labor Statistics, CES.

FIGURE 1.4
West Virginia's Jobs Deficit



Source: Economic Policy Institute analysis of CES data.

Mining Jobs Growing, Manufacturing and Construction Down

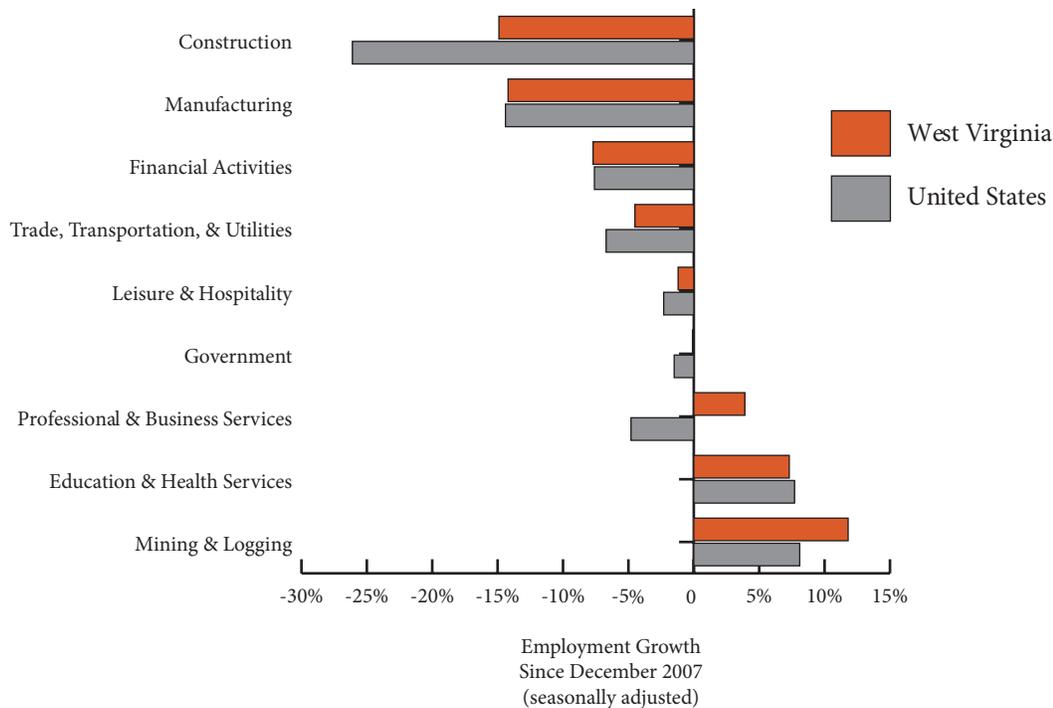
Looking at employment growth by industry in West Virginia and the United States, the only major industry that is performing well is mining and logging (**Figure 1.5**). Employment in the mining and logging industries, which mostly consist of jobs in coal mining and oil and gas drilling in West Virginia, has increased by 8.1 percent nationally and 11.8 percent (3,400 jobs) in West Virginia since the beginning of the recession. The growth in mining in West Virginia is primarily due to the high price of coal and the growing Marcellus Shale gas development, both of which have boosted employment in the state's energy sector.

The only other major industry sector that has seen an increase in jobs nationally and in West Virginia since the beginning of the recession is education and health services, which has grown by 7.7 percent nationally and 7.3 percent in West Virginia. Another bright spot in the economic

recovery is the growth in professional and business services. While jobs in this industry have shrunk nationally since the beginning of the recession, West Virginia has seen the addition of 8,400 jobs in this sector, an increase of 3.9 percent.

Two of the hardest hit industries in the state have been construction and manufacturing, which both pay above average wages. Since the beginning of the recession, manufacturing employment has decreased by 14.2 percent for a loss of 8,200 jobs, while construction has declined by 14.9 percent, or 5,700 jobs. While the state's losses in manufacturing mirror the losses nationally, West Virginia did not lose as many construction jobs as on the national level, where many states were hit hard when the housing bubble burst.

FIGURE 1.5
Industry Employment Growth Since December 2007



Source: U.S. Bureau of Labor Statistics, CES.

Section Two

West Virginia's Changing Workforce

This section examines the characteristics of West Virginia's workforce and provides data on demographics and participation, including how the make-up of West Virginia's workforce has changed over the past decade.

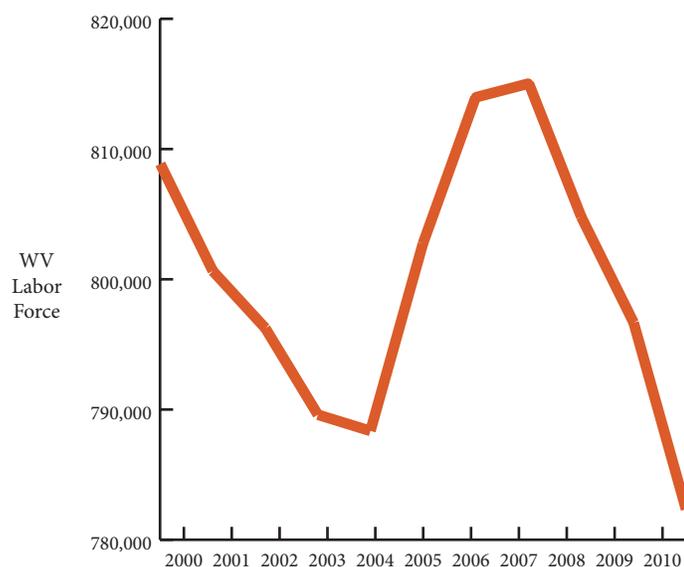
The Size of the Labor Force Remains Below Pre-Recession Levels

In 2010, West Virginia's labor force, which includes employed workers and unemployed workers who are actively seeking employment, consisted of approximately 780,000 workers. The current level is the lowest in a decade, well below the peak in 2007 of more than 815,000 workers (Figure 2.1).

Labor Force Participation Rate Still Low

The labor force participation rate is the share of workers aged 16 and over who are working or actively seeking employment. The measure does not include people in the military or in an institution, such as a prison or nursing home. The labor force participation rate is a useful measure of how well the economy provides employment. West Virginia's labor force participation rate in 2010 was 54.5 percent, down two percentage points since 2000 (Table 2.1).

FIGURE 2.1
Size of Labor Force in West Virginia, 2000-2010



Source: Economic Policy Institute analysis of CES data.

Different age groups in the state experienced different changes in their labor force participation rates. West Virginians aged 16 to 24 saw their rate decline by 10.8 percentage points from 2000 to 2010, falling from 59.8 percent to 49 percent. In contrast, the participation rate for West Virginians aged 55 years and older increased by 10.2 percentage points, climbing from 21.8 percent to 32 percent. This could be the result of a poor job market prompting young West Virginians to choose to pursue more education in the hope of improving their prospects rather than continue to seek work. It also could be the result of general economic uncertainty, causing older workers to stay in the job market longer rather than retire.

TABLE 2.1
Change in Labor Force Participation Rate, 2000-2010

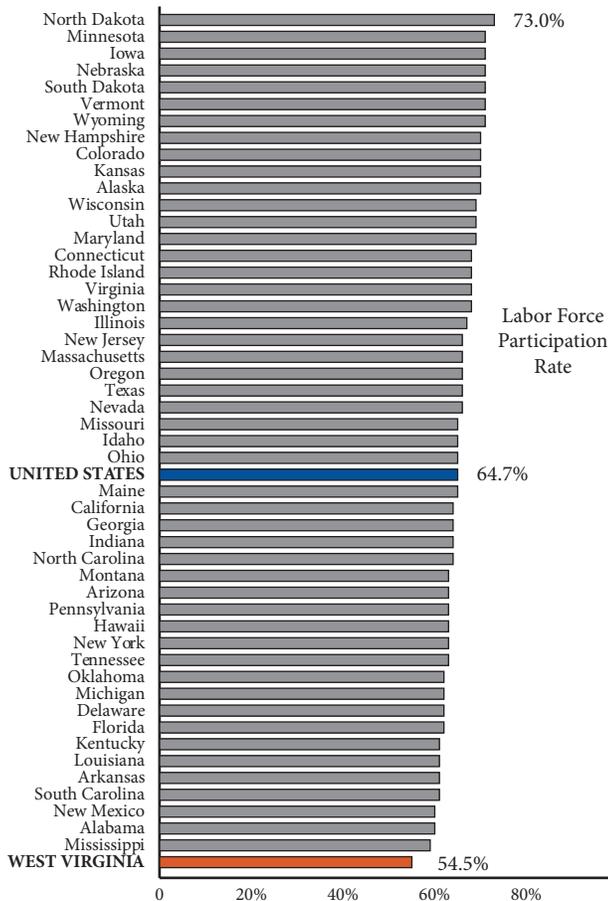
	2000	2010	Difference
All	56.5%	54.5%	-2.0%
Gender			
Male	63.2%	61.2%	-2.0%
Female	50.7%	48.2%	-2.5%
Age			
16-24 years	59.8%	49.0%	-10.8%
25-54 years	77.4%	73.7%	-3.7%
55 years and older	21.8%	32.0%	10.2%
Race/Ethnicity			
White	56.1%	54.2%	-1.9%
African-American	68.6%	58.7%	-9.9%
Education			
Less than high school	27.0%	27.4%	0.4%
High school	58.7%	53.0%	-5.7%
Some college	71.6%	62.1%	-9.5%
Bachelor's or higher	80.0%	76.1%	-3.9%

Source: Economic Policy Institute analysis of Current Population Survey (CPS) data.

While labor force participation rates increase with education levels, even highly educated workers have seen a decline in participation rates. West Virginians with at least a bachelor's degree have the highest labor force participation rates, but have seen a decline since 2000, from 80 percent to 76.1 percent. Workers with some college or an associate's degree have seen the sharpest decline, dropping 9.5 percent between 2000 and 2010. Those without a high school education have the worst participation rates, at 27.4 percent in 2010.

African-Americans in West Virginia also have experienced a steep decline in labor force participation since 2000, with the rate falling 9.9 percentage points from 68.6 percent to 58.7 percent. Although white workers in West Virginia have experienced a decline as well during this time period, their drop is much smaller, only 1.9 percentage points from 56.1 percent to 54.2 percent.

FIGURE 2.2
Labor Force Participation Rate, U.S. and States, 2010



Source: Economic Policy Institute analysis of CES data.

Men and women in West Virginia experienced a similar decline in participation rates since 2000. The rate for men fell from 63.2 percent to 61.2 percent, while the rate for women fell from 50.7 percent to 48.2 percent.

Overall, West Virginia continues to have the lowest labor force participation rate in the country at 54.5 percent. In 2010, West Virginia's rate was 10.2 percentage points lower than the national average and 18.5 percentage points below North Dakota, which had the highest rate among the states (Figure 2.2).

In most of the key demographics of gender, age, race, and education, West Virginia had labor force participation rates far below the national average. Only the rate for college-educated West Virginians was within one percentage point of the national average (Table 2.2).

TABLE 2.2
Labor Force Participation Rate by Demographic, West Virginia and U.S., 2010

	West Virginia	United States	Difference
All	54.5%	64.7%	10.2%
Gender			
Male	61.2%	71.2%	10.0%
Female	48.2%	58.6%	10.4%
Age			
16-24 years	49.0%	55.2%	6.2%
25-54 years	73.7%	82.2%	8.5%
55 years and older	32.0%	40.2%	8.2%
Race/Ethnicity			
White	54.2%	64.6%	10.4%
African-American	58.7%	62.2%	3.5%
Education			
Less than high school	27.4%	41.3%	13.9%
High school	53.0%	62.5%	9.5%
Some college	62.1%	69.4%	7.3%
Bachelor's or higher	76.1%	77.0%	0.9%

Source: Economic Policy Institute analysis of CPS data.

West Virginia's Workforce Less Diverse, Older, With Less Education Than National Average

Table 2.3 shows the composition of West Virginia's workforce, in terms of gender, age, race, and educational attainment, in 2000 and in 2010, and the same figures for the United States as a whole. The racial composition of West Virginia's workforce continues to be less diverse than the nation. 94.1 percent of West Virginia's workforce is white, compared to 67.5 percent nationally. Less than one percent of West Virginia's workforce is Hispanic, while Hispanics make up 14.8 percent of the national workforce. While African-Americans comprise 11.1 percent of the national labor force, they are only 3.6 percent of West Virginia's labor force.

West Virginia's workforce continues to grow older, with more than one-fifth of its workers over the age of 55. This graying of the workforce also has occurred nationally, although West Virginia falls above the United States average on this measure.

Despite making gains over the past decade, the workforce in West Virginia continues to have lower levels of educational attainment than the national average. In 2010, the share of West Virginia's labor force holding at least an undergraduate degree was 25.3 percent, compared to 31.5 percent nationally. In 2010, West Virginia ranked 42nd among the states for the share of the workforce with a college degree.

While the nation saw an increase in the number of workers with some college or a two-year degree, the number of West Virginia workers in this category remained nearly the same. This could cause future employment problems. A recent Georgetown University study projects that "between 2008 and 2018, new jobs in West Virginia requiring postsecondary education and training will grow by 20,000 while jobs for high school graduates and dropouts will grow by 13,000."⁴

TABLE 2.3
Labor Force Demographics, West Virginia and U.S., 2000 and 2010

	West Virginia		United States	
	2000	2010	2000	2010
Gender				
Male	52.2%	54.4%	53.5%	53.3%
Female	47.8%	45.6%	46.5%	46.7%
Age				
16-24 years	16.5%	11.7%	15.8%	13.6%
25-54 years	70.9%	65.9%	71.1%	66.9%
55 years and older	12.6%	22.4%	13.1%	19.5%
Race/Ethnicity				
White	95.4%	94.1%	72.0%	67.5%
African-American	3.2%	3.6%	11.1%	11.1%
Education				
Less than high school	11.8%	9.3%	13.5%	10.5%
High school	41.8%	39.8%	31.3%	29.0%
Some college	26.5%	25.7%	28.3%	29.0%
Bachelor's or higher	19.9%	25.3%	27.0%	31.5%

Source: Economic Policy Institute analysis of CPS data.

Section Three

A Decade of Lost Job Growth

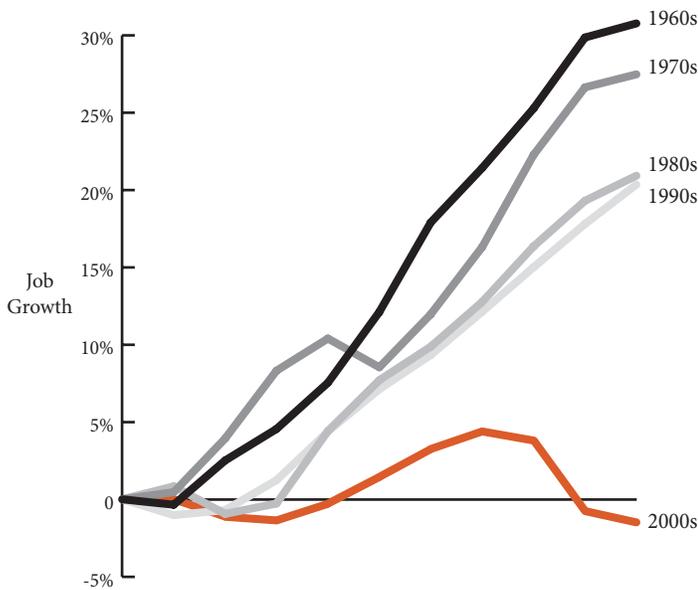
This section discusses the stagnation of job growth in West Virginia during the 2000s, despite strong per capita personal income growth. It also highlights the shift to a service-based economy and the current composition of West Virginia's employment.

Job Growth Stagnant During the 2000s

The United States' economy grew at a healthy rate for most of the last half of the 20th century, but that growth stagnated in the first decade of the new millennium. Nationwide, job growth was essentially zero, as modest growth in the middle of the decade was not enough to counterbalance the recessions at the beginning and end of the decade. Compared to previous decades, the 2000s were a decade of disappointing job growth (**Figure 3.1**).

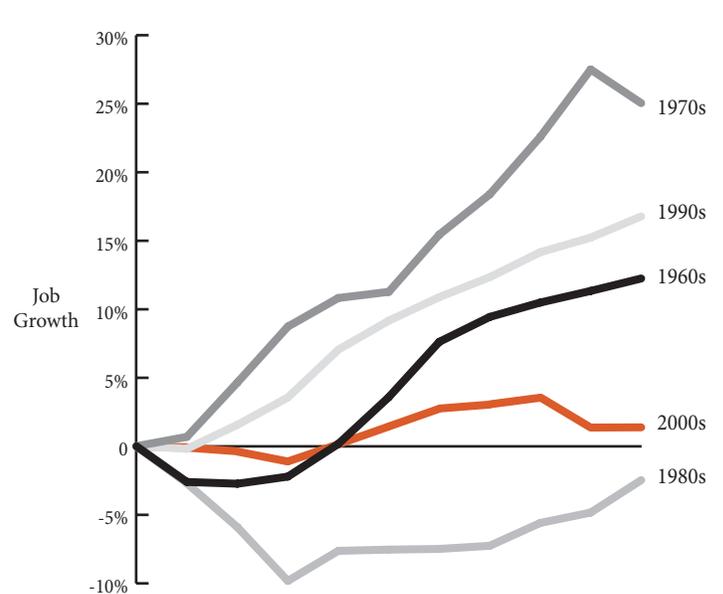
West Virginia also experienced a decade of stagnant job growth during the 2000s (**Figure 3.2**). Even before the Great Recession began in late 2007, total job growth was disappointing. The only time in recent history when job growth was worse in West Virginia was during the energy bust and recession of the 1980s. Despite its meager performance, West Virginia's job growth during the 2000s was better than the national average. The state's total nonfarm employment grew 1.4 percent from 2000 to 2010, while nationally total nonfarm employment fell 1.5 percent.

FIGURE 3.1
U.S. Job Growth, by Decade



Source: U.S. Bureau of Labor Statistics, CES.

FIGURE 3.2
West Virginia Job Growth, by Decade



Source: U.S. Bureau of Labor Statistics, CES.

West Virginia Experienced Strong Per Capita Personal Income Growth Since 2000

While West Virginia's overall job growth was relatively stagnant over the decade, the state performed well in per capita personal income growth. Per capita personal income is measured by taking the total income of an area and dividing it by the number of people within that area.

West Virginia's per capita personal income grew from \$28,075 in 2000 to \$32,641 in 2010, after adjusting for inflation, an increase of 16.3 percent (Table 3.1). This put West Virginia 7th among all states for per capita personal income growth during that time. Nationally, per capita personal income grew from \$38,386 in 2000 to \$40,584 in 2010, an increase of only 5.7 percent.

Despite West Virginia's growth in this measure, the state still ranks poorly in per capita personal income. In 2010, West Virginia ranked 47th among the states, slightly better than its 49th ranking in 2000. The gap between West Virginia and the nation shrank by 23 percent over the decade, from \$10,311 in 2000 to \$7,943 in 2010.

Shift to Service-Based Economy Continues

Over the past few decades, the national economy has shifted from one that produces goods (manufacturing, construction, etc.) to one based in services (retail, health care, business services). This trend has also occurred in West Virginia. Since 2000, service sector employment in West Virginia has increased (Table 3.2). This increase corresponded with large declines in the goods-producing sectors, leading to overall stagnant growth in the state.

The manufacturing sector in West Virginia saw the steepest decline in employment, losing nearly 27,000 jobs between 2000 and 2010, a decline of more than 35 percent. Job losses also occurred in the construction, trade, transportation, and utilities, information, and financial activities sectors.

In contrast, the education and health services sector made large gains over the past decade, adding nearly 21,000 jobs, an increase of approximately 21 percent. The natural resource and mining sector also experienced large gains, adding 8,500 jobs, an increase of 39.7 percent.

TABLE 3.1
Per Capita Income, West Virginia and U.S.,
2000 and 2010 (2010 dollars)

	2000	2010	Total Growth
West Virginia	\$28,075	\$32,641	16.3%
United States	\$38,386	\$40,584	5.7%

Source: U.S. Bureau of Economic Analysis.

TABLE 3.2
Total Nonfarm Employment by Industry,
West Virginia, 2000 and 2010 (in thousands)

Industry	2000	2010	Difference	Percent Change
Total Nonfarm	735.8	746.1	10.3	1.4%
Goods-Producing				
Natural Resources & Mining	21.4	29.9	8.5	39.7%
Construction	34.0	32.6	-1.4	-4.1%
Manufacturing	75.9	49.1	-26.8	-35.3%
Service-Based				
Trade, Transportation, & Utilities	144.7	134.5	-10.2	-7.0%
Information	14.1	10.3	-3.8	-27.0%
Financial Activities	31.2	28.2	-3.0	-9.6%
Professional & Business Services	55.9	60.7	4.8	8.6%
Education & Health Services	99.8	120.7	20.9	20.9%
Leisure & Hospitality	62.0	72.3	10.3	16.6%
Other Services	53.7	55.0	1.3	2.4%
Government	143.1	152.6	9.5	6.6%

Source: Economic Policy Institute analysis of CPS data.

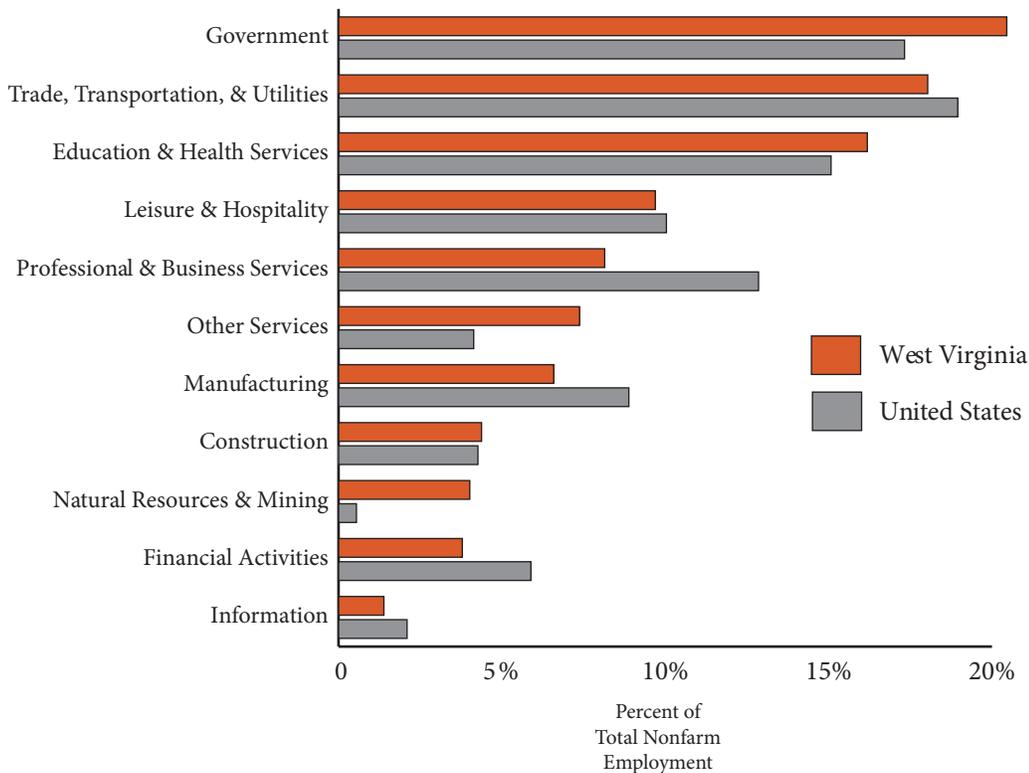
Employment Highest in Public Sector and Service Jobs

In 2010, West Virginia’s nonfarm employment totaled 746,100 jobs. Federal, state and local government jobs made up the largest share of the state’s nonfarm employment at 20.5 percent. More than half of government jobs were at the local level, while approximately 32 percent were at the state level and 16 percent were with the federal government.

After the public sector, the largest employer in West Virginia was the trade, transportation, and utilities sector. With 134,500 employees, this sector comprised roughly 18 percent of the total nonfarm employment. Within this sector, employment in retail trade comprised 64.2 percent of the total with 86,400 employees. West Virginia’s third largest sector was education and health services, with 120,700 employees and a 16.2 percent share of employment.

The largest discrepancy in the composition of employment between West Virginia and the United States is in the professional and business services sector (**Figure 3.3**). This sector accounted for 8.1 percent of employment in West Virginia, while accounting for 12.9 percent of employment nationwide. Another large discrepancy is in the natural resources and mining sector, which accounts for four percent of West Virginia’s employment, but only 0.5 percent of employment nationally.

FIGURE 3.3
**Composition of Nonfarm Employment,
 West Virginia and U.S., 2010**



Source: Economic Policy Institute analysis of CES data.

Section Four

Wages and Wage Disparity

This section looks at the growth in real median wages in West Virginia and the United States over the last three decades. Despite relatively good wage growth over the last decade, West Virginia workers, especially low-income workers, make less per hour than they did in 1979 and less than the nation as a whole in 2010. College graduates have a significant advantage in per hour wages compared to their counterparts with lower levels of education.

Real Wages Nearly Back to Historical Levels

Nationwide, real median wages – the wage earned by the worker in the middle of the wage distribution – were stagnant from the late 1970s to the mid 1990s (Figure 4.1). From the mid 1990s to the early 2000s, the United States experienced modest real wage growth. However, over the last seven years, real median wages have been flat for a majority of workers. For West Virginia, wages began to decline sharply in the late 1970s, before rebounding in the late 1990s. After median wages stopped falling in West Virginia, it has taken nearly 20 years for them to climb back up near their previous level.

In 2010, the median-wage worker in West Virginia earned \$0.64 less per hour than his counterpart on the national

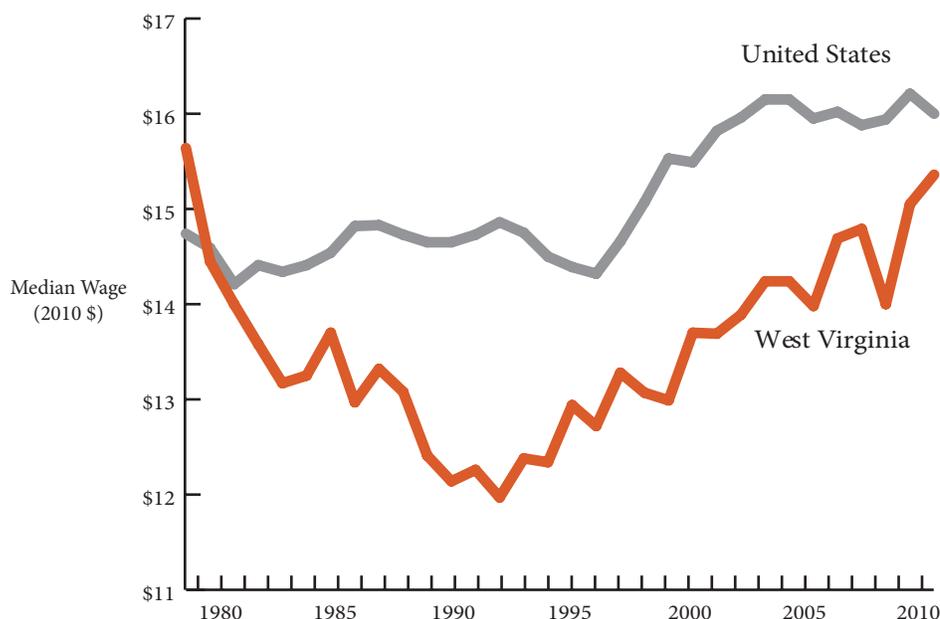
scale (Table 4.1). Although the median hourly wage in West Virginia has increased by \$1.66 since 2000, it is still \$0.28 lower than it was in 1979. West Virginia is in the middle of the pack among the states in regard to the median wage, ranking 27th in 2010.

TABLE 4.1
Median Wages, West Virginia and U.S., 1979, 1990, 2000, and 2010 (2010 dollars)

	1979	1990	2000	2010
West Virginia	\$15.64	\$12.14	\$13.70	\$15.36
United States	\$14.74	\$14.65	\$15.49	\$16.00

Source: Economic Policy Institute analysis of CPS data.

FIGURE 4.1
Median Wages, West Virginia and U.S., 1979-2010 (2010 dollars)



Source: Economic Policy Institute analysis of CES data.

Wages Growing Fastest at the Top

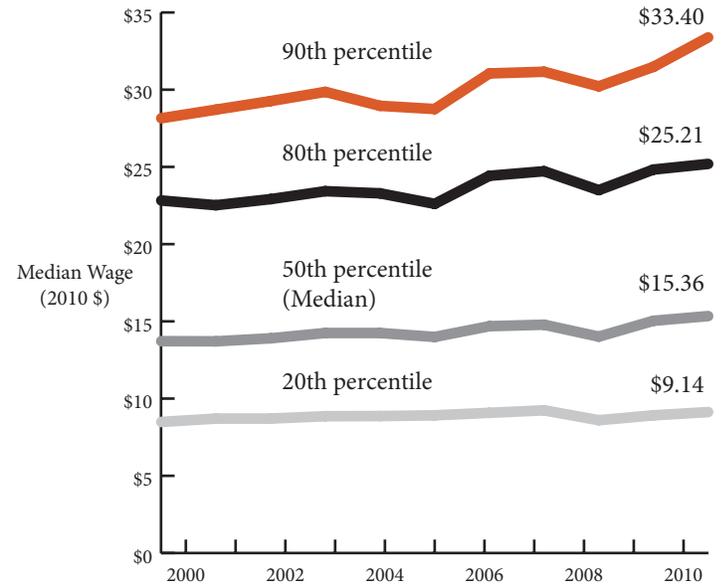
While the median wage shows how a typical West Virginia worker is faring, it is also important to look at the distribution of wages across different quintiles, or fifths of the population. This shows differences among wage levels.

Since 2000, there have been increases in wages across the board (**Figure 4.2**). However, wage growth for the highest earners in West Virginia has outpaced that of everyone else. Wages at the 90th percentile increased by 18.7 percent compared to 12.1 percent for the 50th percentile and 7.9 percent for the 20th percentile. The gap between West Virginia's median wage and the wage for those at the 90th percentile rose from \$14.43 in 2000 to \$18.04 in 2010, an increase of 25 percent.

The Education Gap in Wages

A worker's education continues to play an important role in determining wages. College graduates earn nearly \$10 more per hour than workers with only a high school diploma (**Table 4.2**). This wage gap has been consistent over the past decade, as college graduates have continued to earn more than other workers since 2000.

FIGURE 4.2
West Virginia Real Wage Levels,
2000-2010 (2010 dollars)



Source: Economic Policy Institute analysis of CES data.

TABLE 4.2
West Virginia Median Wages by Education,
2000 and 2010 (2010 dollars)

Level of Education	2000	2010
High School	\$12.44	\$13.10
Some College	\$13.87	\$14.61
College Graduate	\$22.12	\$22.91

Source: Economic Policy Institute analysis of CPS data.

Section Five

Workers Without Work

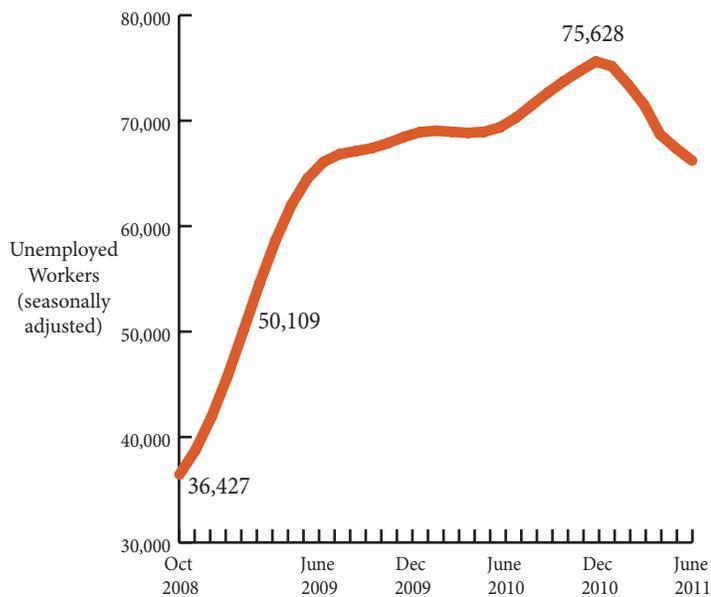
This section examines the members of West Virginia's labor force who are currently not working. After making progress for much of the past decade, the number of unemployed jumped sharply as a result of the Great Recession. Today, the number of unemployed West Virginians remains stubbornly high.

Unemployment Rate Stuck at High Level

After remaining relatively low for most of the 2000s, West Virginia's unemployment rate spiked in 2009, as the effects of the national recession began to take hold in the state. In October 2008, 36,427 West Virginians were unemployed. By February 2009, that number had jumped to over 50,000. The number of unemployed West Virginians climbed throughout the first half of 2009 and has stayed at an elevated level (Figure 5.1).

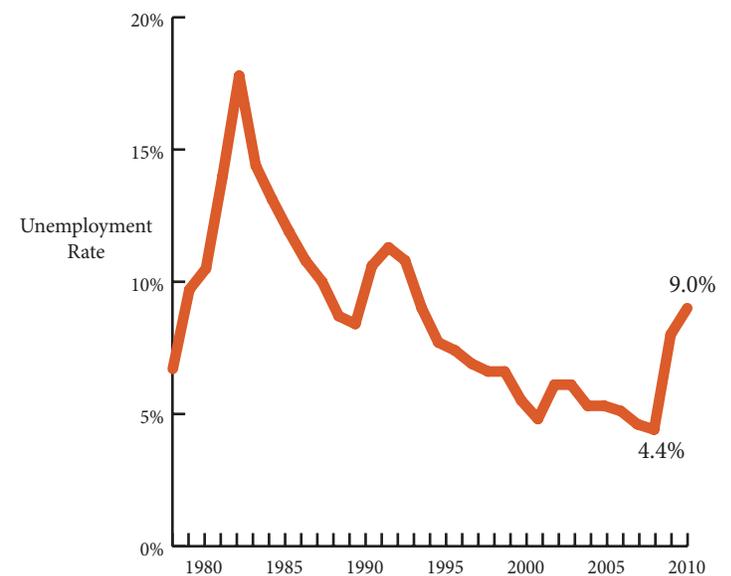
Prior to 2009, West Virginia's unemployment rate was historically low. The highest it had climbed was 6.1 percent in 2003 after the 2001 recession. The Great Recession, however, pushed West Virginia's unemployment rate to a 20-year high, averaging 9.0 percent in 2010 (Figure 5.2). As of July 2011, West Virginia's unemployment rate had fallen slightly to 8.1 percent, with 63,100 workers unemployed.

FIGURE 5.1
West Virginia Unemployed Workers, October 2008 to June 2011 (seasonally adjusted)



Source: U.S. Bureau of Labor Statistics, LAUS.

FIGURE 5.2
West Virginia Unemployment Rate, 1979-2010



Source: U.S. Bureau of Labor Statistics, LAUS.

TABLE 5.1

West Virginia Unemployment Rate by Demographic, 2010

	Unemployment Rate
All	9.0%
Gender	
Male	10.5%
Female	7.1%
Age	
16-24 years	21.7%
25-54 years	8.1%
55 years and older	4.7%
Race/Ethnicity	
White	8.5%
African-American	18.9%
Education	
Less than high school	22.5%
High school	11.2%
Some college	6.8%
Bachelor's or higher	2.7%

Source: Economic Policy Institute analysis of CPS data.

These numbers indicate that even in a depressed job market with high overall unemployment, attaining a higher level of education is one of the best paths to employment.

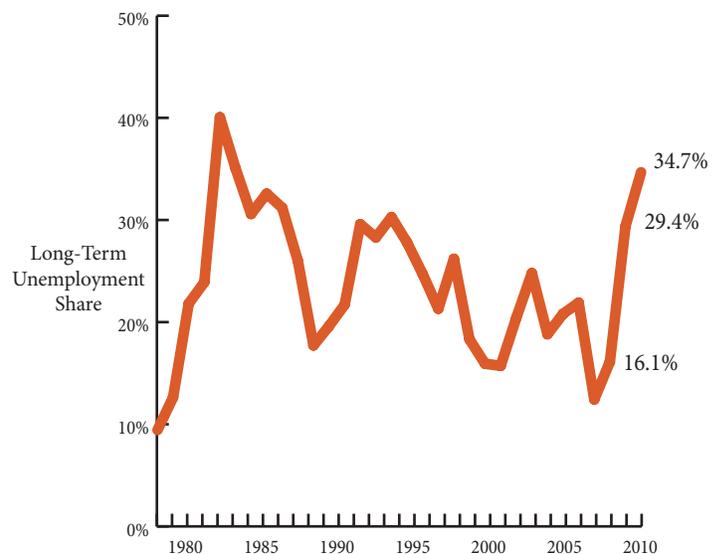
Discrepancies in West Virginia's unemployment rates exist for gender, race, and age as well. The unemployment rate among men is 3.4 points higher than the rate for women. The unemployment rate for African-Americans is more than twice the rate for whites. The unemployment rate among West Virginia's youngest workers is over 20 percent, while West Virginia's oldest workers have an unemployment rate below five percent.

Long-Term Unemployment Share Highest in Nearly 30 Years

One effect of the Great Recession has been a sharp increase in long-term unemployment. The long-term unemployment share is the percent of unemployed workers who have been unemployed for more than six months. Long-term unemployment is one of the most severe forms of joblessness, creating great financial difficulties for those it affects.

West Virginia's long-term unemployment rate jumped sharply from 2008, climbing from 16.1 percent to 29.4 percent in 2009 (Figure 5.4). In 2010, the state's rate continued to climb to 34.7 percent, its highest level since 1984. This means that more than one in three of the state's unemployed workers has been out of work for more than six months. Despite the recent spike, West Virginia's long-term unemployment share was still below the national average of 43.3 percent.

FIGURE 5.4
West Virginia Long-Term Unemployment Share, 1979-2010



Source: Economic Policy Institute analysis of CES data.

Underemployment Up, But Below National Average

When the unemployment rate is calculated, it only counts unemployed workers who are actively seeking work. A more comprehensive measure is the underemployment rate, which takes into account discouraged workers, involuntary part-timers, and workers who face a substantial barrier to work, such as a lack of transportation or child care.

Like the other measures of unemployment, West Virginia's underemployment rate jumped in 2009 from 9.1 percent in 2008 to 14.2 percent. In 2010 it remained at an elevated level of 14 percent. In 2010, West Virginia's underemployment rate was better than the national average of 16.7 percent.

The difference between West Virginia’s unemployment and underemployment rates was consistent over the past decade, with the underemployment rate typically four or five percentage points higher than the unemployment rate (Table 5.2). This is slightly different than in the nation as a whole. In 2010, the national underemployment rate was 7.1 points higher than the unemployment rate, after being between three and four points higher for most of the decade.

State Employment Rate Worst in Nation, Declining for Young Workers

Another important measure of the state’s labor market is the employment rate, also known as the employment-to-population ratio. The employment rate measures the share of the working-age population with a job. Unlike the unemployment rate, the employment rate is unaffected by changes in the labor force, like discouraged workers entering and exiting the labor force. In 2010, West Virginia’s employment rate was 49.6 percent, meaning that less than half of the state’s population was working. This was the state’s lowest employment rate in over 15 years (Figure 5.5). West Virginia ranked last among the states, with a rate far below the national average employment rate of 58.5 percent.

The employment rate, like the unemployment rate, is not consistent for all age groups (Figure 5.6). The rate for West Virginia’s youngest population fell by nearly 14 percentage points from 2000 to 2010, while the employment rate for West Virginians over the age of 55 increased by nearly 10 percentage points. This shift accelerated at the end of the decade, with the onset of the national recession in West Virginia.

TABLE 5.2
Unemployment and Underemployment Rate, West Virginia and U.S., 2000 and 2010

	West Virginia		United States	
	Unemployment Rate	Underemployment Rate	Unemployment Rate	Underemployment Rate
2000	5.5%	10.2%	4.0%	7.0%
2010	9.0%	14.0%	9.6%	16.7%
Difference	3.5%	3.8%	5.6%	9.7%

Source: Economic Policy Institute analysis of CPS data.

FIGURE 5.5
West Virginia Employment Rate, 1979-2010

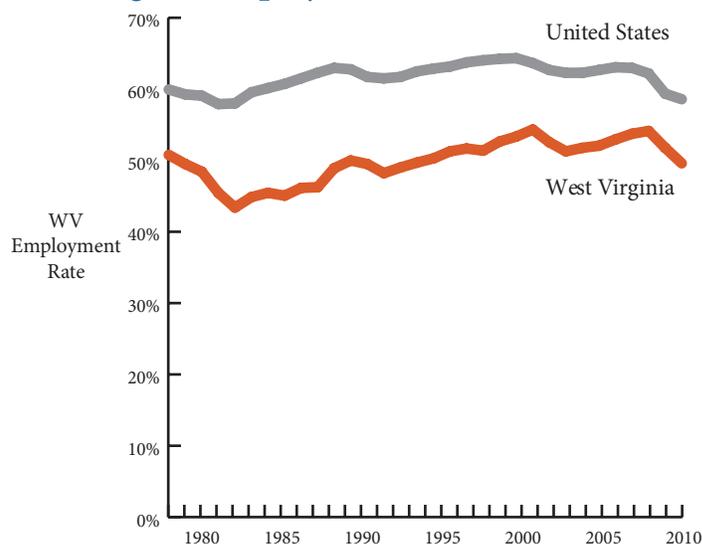
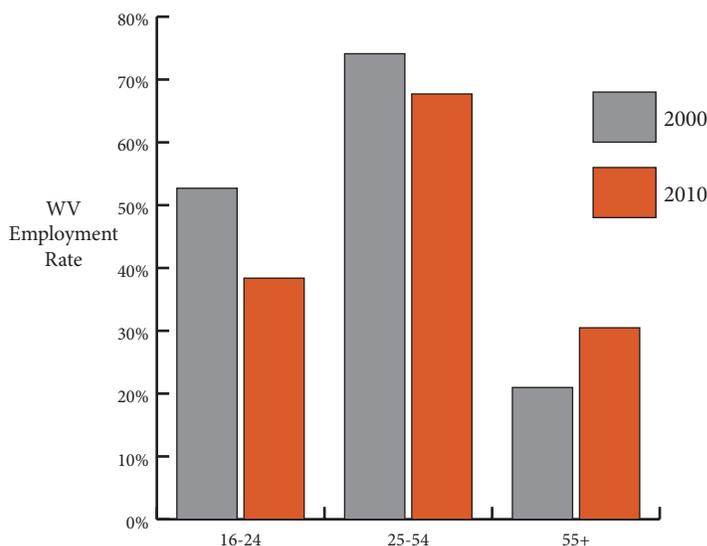


FIGURE 5.6
West Virginia Employment Rate by Age, 2000 and 2010



Source for Figures 5.5 and 5.6: Economic Policy Institute analysis of CES data.

Conclusion and Policy Recommendations

Although West Virginia has weathered the recession better than most states, the jobs deficit and the state's high unemployment rate make it clear that West Virginia has not fully recovered from the Great Recession. As elected officials at both the state and federal level make policy choices to deal with the jobs crisis, they should avoid decisions that threaten to throw this very tentative recovery into reverse. Putting workers back to work needs to be the primary goal for lawmakers. In the near future, a number of policy options could determine whether the state's economy grows or shrinks.

State Actions

Adopt Programs to Promote Employment

Remaining attached to the labor force is a challenge for many workers in West Virginia, particularly as the labor market shifts from goods-producing to service-providing jobs. When workers with little education or obsolete job skills are able to find a job and stay employed for at least six months, they gain valuable experience that translates to long-term employment and increases in earnings. Programs like the Minnesota Emergency Employment Development have been used in the past to promote employment. These programs provide wage subsidies for employers who hire unemployed workers referred by local workforce agencies into newly created positions, protecting the workers from the threat of long-term unemployment.⁵

Increase Governor's Guaranteed Workforce Training Program

West Virginia needs to create a well-trained and productive workforce. One effective way to do this is through the Governor's Guaranteed Workforce Training Program, which provides both businesses and workers with customized job training. However, funding for the program is at its lowest point since it was created in 1994.⁶ Increasing investments in workforce training will create an environment that is attractive to businesses and provide the foundation of sustained economic growth.

Create Severance Tax Trust Fund

The development of the Marcellus Shale presents an opportunity to diversify West Virginia's economy and promote long-term economic growth. States like Alaska, Colorado, Montana, New Mexico, North Dakota, and Wyoming have established funds from mineral severance

tax collections. By setting aside part of the severance tax on nonrenewable natural resources like coal and natural gas, states rich in these resources can create a permanent source of sustainable wealth that can be used to invest in economic alternatives and the state's workforce.

Issue Infrastructure Bonds

West Virginia needs a significant investment in infrastructure to remain at an acceptable level of safety and efficiency. According to the American Society of Civil Engineers, 39 percent of West Virginia's bridges are structurally deficient or functionally obsolete, 37 percent of West Virginia's major roads are in poor or mediocre condition, and 30 of West Virginia's 360 dams are in need of rehabilitation to meet applicable state dam safety standards.⁷ The updating and repair of West Virginia's infrastructure represents an important economic development opportunity and a job-creation strategy.

Funding these much-needed projects could come from new bonds that can be paid back with the tax revenue yielded by greater economic growth. Around the nation, states are aggressively pursuing new bond investments. When the investments made through the bonds create savings over the long-term, they can be an even better deal for the state. For example, the state of Washington passed legislation last year allowing the State Finance Committee to issue \$861 million in general obligation bonds for capital improvements that could lead to energy-related costs saving in public facilities.⁸ These projects would create jobs, and the increased energy efficiency would save the state money.

Federal Actions

Extend Unemployment Insurance

The unemployment rate remains stubbornly high, both in West Virginia and nationwide. According to the Bureau of Labor Statistics, there were 3.1 million job openings in June 2011, while there were over 14 million people unemployed and seeking work.⁹ While this large gap between the number of jobs available and the number of people looking for work persists, Congress should extend unemployment benefits. Millions of Americans and thousands of West Virginians remain unemployed simply because there are no jobs. Prematurely ending unemployment benefits before the job market recovers would be financially devastating to the unemployed and could push the economy back into a recession.

Enact a Federal Work-Sharing Program

Work-sharing is a simple policy tool that can dampen the effects of a recession on employment. With work-sharing, employers reduce their workers' weekly hours during an economic downturn, rather than laying them off. States can then make up some of the lost wages resulting from the reduction in hours with their unemployment funds. Work-sharing can mitigate the threat of long-term unemployment and keep workers attached to the workforce.¹⁰ Work-sharing has been used successfully in Germany, and several states currently have some form of work-sharing. All states, including West Virginia, would benefit from a federal work-sharing program, particularly during this time of sustained high unemployment.

Create a National Infrastructure Bank

Updating the nation's infrastructure could put many workers back to work while making much-needed repairs. According to the American Society of Civil Engineers, the United States needs a minimum investment of \$1.7 trillion over the next decade just to bring the nation's infrastructure up to acceptable levels.¹¹ A national infrastructure bank could use public dollars to leverage private capital in order to finance the investments needed in the nation's infrastructure, creating jobs and making the economy competitive for the future.

Endnotes

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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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