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September 8, 2012

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Rick Wilson: Status of working West Virginians

CHARLESTON, W.Va. -- Recently I worked on a report on how working people are faring in West Virginia. The report, the fifth of its kind in so many years, is "The State of Working West Virginia" by the West Virginia Center on Budget and Policy.

The folks from the center did the grunt work of assembling and analyzing the data. I had the easy job of going over it and trying to identify a few key themes for an introductory summary. Some of the things that jumped out at me are described below.

But first, consider why it matters. It's not unusual in West Virginia to hear more or less strident warnings about the state's business climate, the status of which is said to range from healthy to "hellhole." Whatever the merit of such statements, I think it is very fitting to ask what the climate is for West Virginia's working people for a change.

Workers, after all, drive our economy as well as just about everything that moves in the state. They mine the coal, extract the gas, manufacture the goods, deliver the goods, provide the services and care for the people. Not only does their labor produce wealth, but their compensation, in the form of wages and benefits, provides most of the demand that moves the economy. By virtue of their labor and spending, they are arguably the real wealth and job creators.

And, unlike the gas, oil and coal that lie beneath our soil, they can and do move all by themselves, often heading for better opportunities elsewhere when these are not to be found in the Mountain State.

With that in mind, here are some key findings:

* **We have a jobs deficit.** During the worst period of the recession, which hit bottom in February 2010, West Virginia lost 21,300 jobs. Despite a long term, if unsteady, upward trend, as of this summer, there were 3,200 fewer jobs than before the crash. West Virginia would have had to create 27,000 jobs to maintain pre-recession job levels given population growth.

* **Where the jobs are.** More than half of all jobs in West Virginia are concentrated in three sectors: government; trade, transportation and utilities; and education and health services. The public sector was the largest employer, comprising over 20 percent of non-farm employment. Given recent calls for slashing the state budget, which are due in part to tax cuts that did not pay for themselves, this sector could face a decline in employment.

* **How the jobs are.** When viewed over several decades, job quality has declined. Less than half of West Virginia's workers are covered by employer-provided pensions and only slightly over half receive employer-provided health insurance. Meanwhile, inflation adjusted median wages declined between 2010 and 2011 and were over \$1 an hour below the national average, even though low-wage West Virginia workers are better educated than in the past. Moreover, what wage growth occurred did so among higher paid workers, thus increasing inequality.

* **Who is missing?** One disturbing trend about West Virginia's workforce is its steady decline. Our labor force participation rate, which is the share of people between 16 and 65 who are working or seeking work, is the lowest in the nation at 54.3 percent. Much of this drop has occurred among younger workers, aged 16 to 24, while workers 55 and older have tended to stay on the job.

* **What does our labor force look like?** Compared with the national average, West Virginia's labor force is older, less educated and less diverse. Nearly one in four state workers is 55 or older, a level exceeded by only six other states.

* **What is the long view?** Here's the scary part: Long-term projections by West Virginia University's Bureau of Business and Economic Research highlight the urgency of making West Virginia an attractive place for people to live and work. Our state is projected to lose residents below the age of 65 both in terms of numbers and percentage of the population, while state residents above that age will dramatically increase. The most dramatic increase is in residents above age 75. Unless we can attract and retain working families, we are headed for a demographic disaster.

* **Who are the unemployed?** West Virginia's unemployment rate has fluctuated in recent months but is still higher than pre-recession levels. Younger workers between the ages of 16 and 24 are especially hard hit. Although they make up less than 15 percent of the workforce, they comprise a third of the unemployed. Unemployment rates are also higher than average for men, African-Americans of both sexes, and for those with low levels of education. Another disturbing trend is one toward long-term unemployment. About four in 10 jobless workers have been so for over six months.

* **Is there a mismatch?** It is frequently asserted that the structural cause of today's unemployment is a mismatch between the skills of available workers and those required by employers. While that may be a contributing factor, low levels of demand are more to blame. By June 2012, there were nearly four jobless West Virginians for every new job opening.

* **The elephant in the room.** Much talk in West Virginia today centers on coal issues. While many political leaders attribute coal industry woes to a regulatory "war on coal," other factors such as cheap natural gas and competition from other coal markets are major driving factors. Coal employment actually increased over most of the last decade, although a downturn has recently occurred that is likely to continue. Projections from the U.S. Energy Information Administration are particularly grim for southern West Virginia, while northern West Virginia is expected to fare better.

A possible southern coal bust is accompanied by a northern gas boom due to Marcellus Shale play. These shifting tides will provide challenges as well as opportunities. State leaders would do well to help West Virginians plan for an economic transition for areas of declining employment even as they must maximize the opportunities and minimize any damage created in areas of growth. State leaders should also take the steps necessary to create permanent sources of wealth from nonrenewable resources by creating a permanent mineral trust fund or Future Fund from severance taxes.

Other steps that might help working families include restoring child care funding and benefits, which were recently cut; raising the minimum wage; enacting work sharing to reduce unemployment; issuing infrastructure bonds to make needed upgrades and boost employment; and expanding health care coverage under the Affordable Care Act.

In sum, the economic situation for West Virginia's workers at the moment is less dire than at the depth of the Great Recession, but aftershocks remain and even more serious challenges lie ahead. Improving the well-being of West Virginia's working families is necessary for our very future, but it won't be easy and it won't happen without effort.

Wilson, director of the American Friends Service Committee's West Virginia Economic Justice Project, is a Gazette contributing columnist.

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Posted By: Joe6Pk

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Wilson said:

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funding and benefits, which were recently cut; raising the minimum wage; enacting work sharing to reduce unemployment; issuing infrastructure bonds to make needed upgrades and boost employment; and expanding health care coverage under the Affordable Care Act."

All of which cost more money that we don't have. Wilson's cure is worse than the disease.

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