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West Virginia Loses 18,900 Manufacturing Jobs Since 2000

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U.S. trade deficit restricts creation of additional 17,800 jobs.

Story By Ted Boettner and Paul Miller

While West Virginians worry about mounting losses on Wall Street, an issue closer to Main Street is receiving less attention. Some of the best-paying jobs in West Virginia are disappearing at an alarming rate.

From 2000 to 2007, West Virginia lost 18,900 manufacturing jobs. As a percentage of all state employment, the number of manufacturing jobs fell by nearly 50 percent during the past 19 years: from 14.3 percent in 1988 to 7.8 percent in 2007. a Despite this downward trend in employment, the manufacturing industry still comprised 13.6 percent of private-sector state GDP in 2007. b

As manufacturing employment declines in West Virginia, many displaced workers may be moving into lower-paying service industries without union benefits such as higher wages and employer-provided health care and pensions. In turn, labor standards are lowered for all workers in the state, and the standard of living for many West Virginia families becomes depressed.

The average manufacturing worker in West Virginia earns a weekly wage of \$818.13 or 38 percent higher than the average-private sector job. c Service-providing jobs, which make up 40 percent of all employment in West Virginia, only pay an average weekly wage of \$513.26, or 56 percent less than manufacturing jobs. d

Despite a decline in manufacturing jobs, employment in the service sector rose in West Virginia from 21.5 percent in 1988 to 40 percent in 2007. e Shifts in the economy from manufacturing to services make it difficult for workers without a college degree to maintain a living wage. This is especially important in West Virginia, where in 2007 79.1 percent of the state's labor force did not have a college degree. f

West Virginia's economy also mirrors the national trend toward the loss of quality manufacturing jobs that are being exported overseas due to our growing trade deficit.

A recent report by the Economic Policy Institute (EPI) found that the U.S. non-oil trade deficit failed to create or maintain 5.6 million jobs nationally and 17,800 in West Virginia in 2007. g The trade deficit -- when our imported goods exceed our exported goods -- also is affecting the number of potential manufacturing jobs in our state and in our country. EPI estimates that more than 4 million (70 percent) of the jobs displaced in 2007 were in the manufacturing sector.

Several factors contributed to the nation's trade deficit, but the most important causes are the distortion of exchange rates through the currency intervention policies of China and other Asian governments. When other countries manipulate currency values, the prices of their products remain low, while ours increase. This unfair practice makes it difficult for the U.S. to export its products overseas, which causes the trade imbalance.

For each billion dollar of trade deficits, America loses an opportunity to create or maintain 10,000 jobs. h Eliminating the trade imbalance would help West Virginia create a significant number of high-quality jobs and help contribute to the revitalization of U.S. manufacturing.

Another way to revitalize manufacturing is for the state to promote create "green jobs." For example, last year Washington State mandated that 15 percent of the state's electricity needs would have to be met with renewable energy and efficiency by 2020. i The goal of this initiative is to not only reduce global warming but to create 25,000 new high-wage jobs in clean energy technology.

If West Virginia followed with a similar proposal, it too could be a leader in green energy technology or what Thomas Friedman calls the "next great global industry." While most investments in green technology will be initiated on the national and international level, West Virginia could use this opportunity to expand our research and job training in energy technology so we have a strategic advantage and a rising standard of living.

Ted Boettner is executive director and Paul Miller is a policy analyst with the West Virginia Center on Budget and Policy.

FOOTNOTES: a: WVBCP analysis of U.S. Bureau of Labor Statistics data; b: WVBCP analysis of U.S. Bureau of Economic Analysis data; c: Cornier, David, Institute for Labor Studies & Research, The Numbers Behind Local Economic Development, Citing WVBCP, Employment and Earning Trends -- 2000, September 2008.; d: Ibid; e: Ibid; f: WVBCP Analysis of U.S. Bureau of Labor Statistics; g: Scott, Robert (2008). The Burden of Outsourcing: U.S. Non-Oil Trade Deficit Costs More Than 5 Million Jobs.; h: Ibid; i: White, Sarah and Jason Walsh, "Greener Pathways: Jobs and Workforce Development in the Clean Energy Economy," Center on Wisconsin Strategy, The Workforce Alliance, and The Apollo Alliance, 2008.

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