

WEST VIRGINIA CENTER ON
BUDGET & POLICY

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West Virginia: *How Bright is Our Economic Future?*

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West Virginia Center on Budget & Policy

**League of Women Voters of
Jefferson County**

Shepherdstown, West Virginia
September 10, 2019, 7pm-9pm

West Virginia's Economy

A Profile (it's not good)

- **Low income, high poverty:** 49th in per capita income (\$40,578 in 2018), 50th in median household income (\$43,469 in 2017), 4th highest poverty rate (19.1% in 2017), and 1st in gov't transfer payments as a share of personal income (27.9% in 2018).
- **Declining and aging population, low population density:** - 50k+ population (11'-18'), school enrollment -16k+ (08'-20'), labor force -30k+ (09'-18'), in-state public college enrollment -11k (11'-17'), and no cities above 50k.
- **Low Economic Diversity:** 46th in economic diversity (Hachman Index 2017), 5th in mining share of GDP and employment (11% in 2019-Q1; 3.9% in 2018), 1st in health care private employment share (21% - 2018) and 2nd in private health care GDP share (12.6% in 2019-Q1).
- **Low wages, education, participation:** 47th in median hourly wage (\$16.94 in 2018), 50th lowest public sector wages (2018), 50th in share of adults w/ college degree (20.2% in 2018), and 50th in labor force participation (53.8% in 2018)
- **Poor health:** 49th in life expectancy (74.8 in 2017), 46th in overall health outcomes (United Health Foundation 2018), 1st in opioid related deaths (49.7 per 100k in 2017)

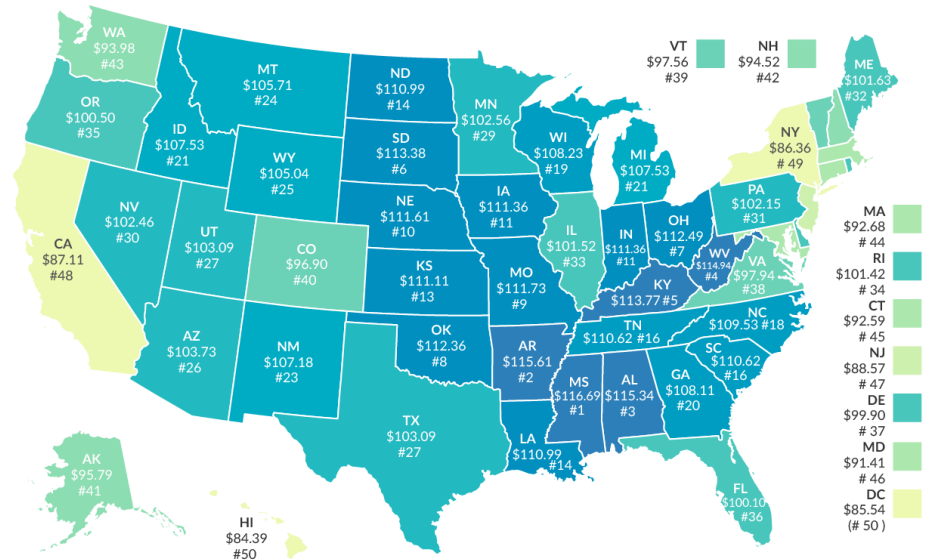
West Virginia's Economy

A Profile (some good news)

West Virginia is a cheap place to live, but is it a great place to live?

The Relative Value of \$100

What is the Real Value of \$100 in Your State?



Notes: Numbers represent value of goods that \$100 dollars can buy in each state compared to the national average. The Bureau of Economic Analysis has developed a methodology using Personal Consumption Expenditure and American Community Survey data to estimate average price levels in each state for household consumption, including rental housing costs. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included. Data is as of 2017.

Source: U.S. Bureau of Economic Analysis, *Regional Price Parities*.

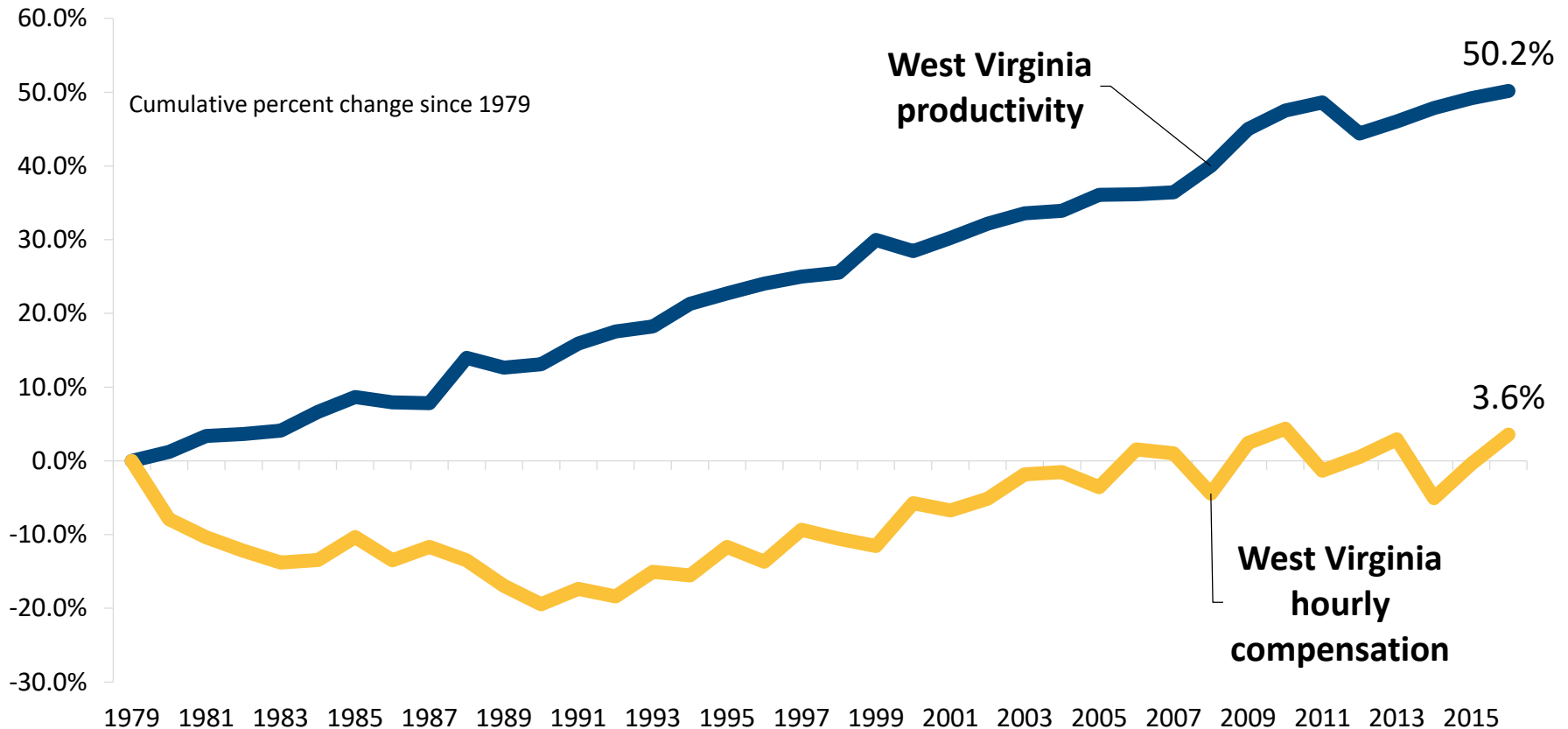


TAX FOUNDATION

@TaxFoundation

Worker Pay Has Not Kept Pace With Productivity Since the 1970s

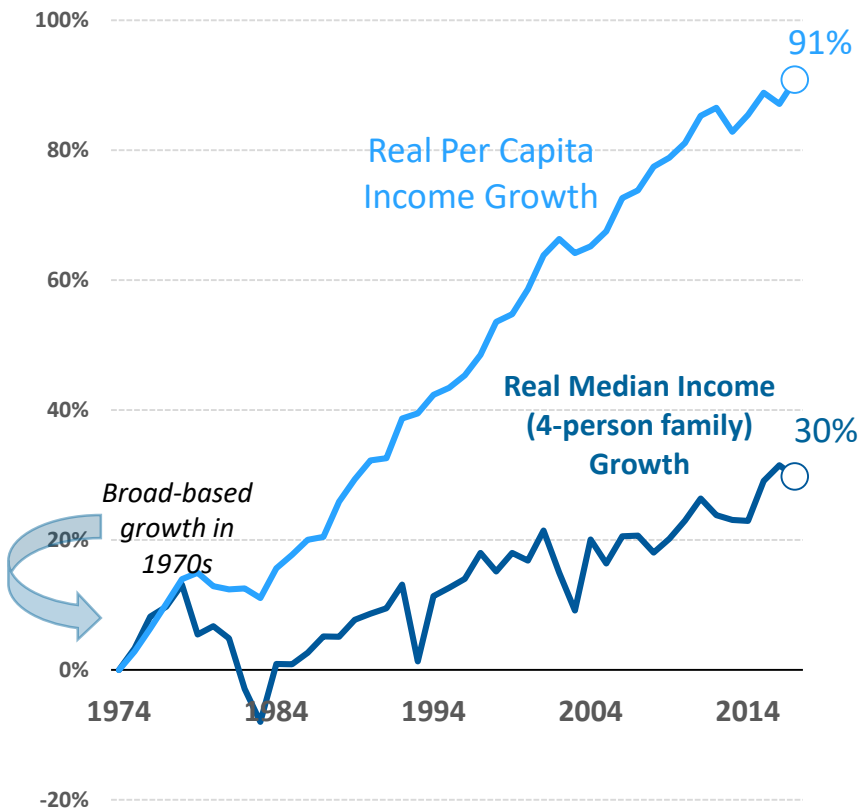
growth of real hourly median compensation for production/nonsupervisory workers and productivity, 1979-2015



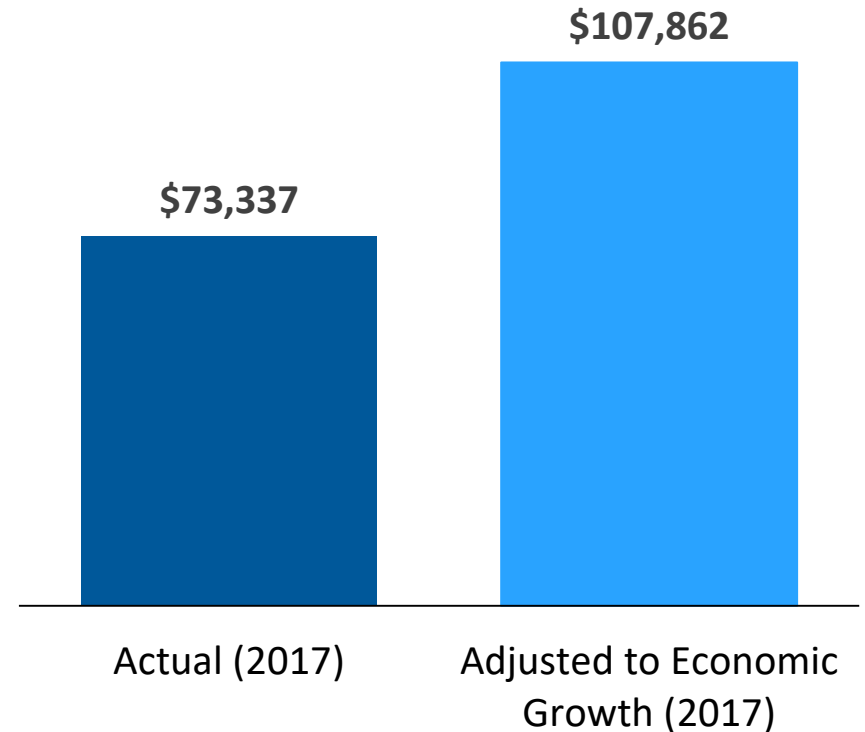
Source: EPI analysis of unpublished total economy data from Bureau of Labor Statistics, Labor Productivity and costs program; employment data from Bureau of Labor Statistics, Local Area Unemployment Statistics; wage data from the Current Population Survey and compensation data from the Bureau of Economic Analysis, State/National Income and Product Accounts public data series

What if family income grew at the same rate as West Virginia's economy?

WV Median Income Growth vs Per Capita Income Growth, 1974-2017



WV Median 4-Person Family Income

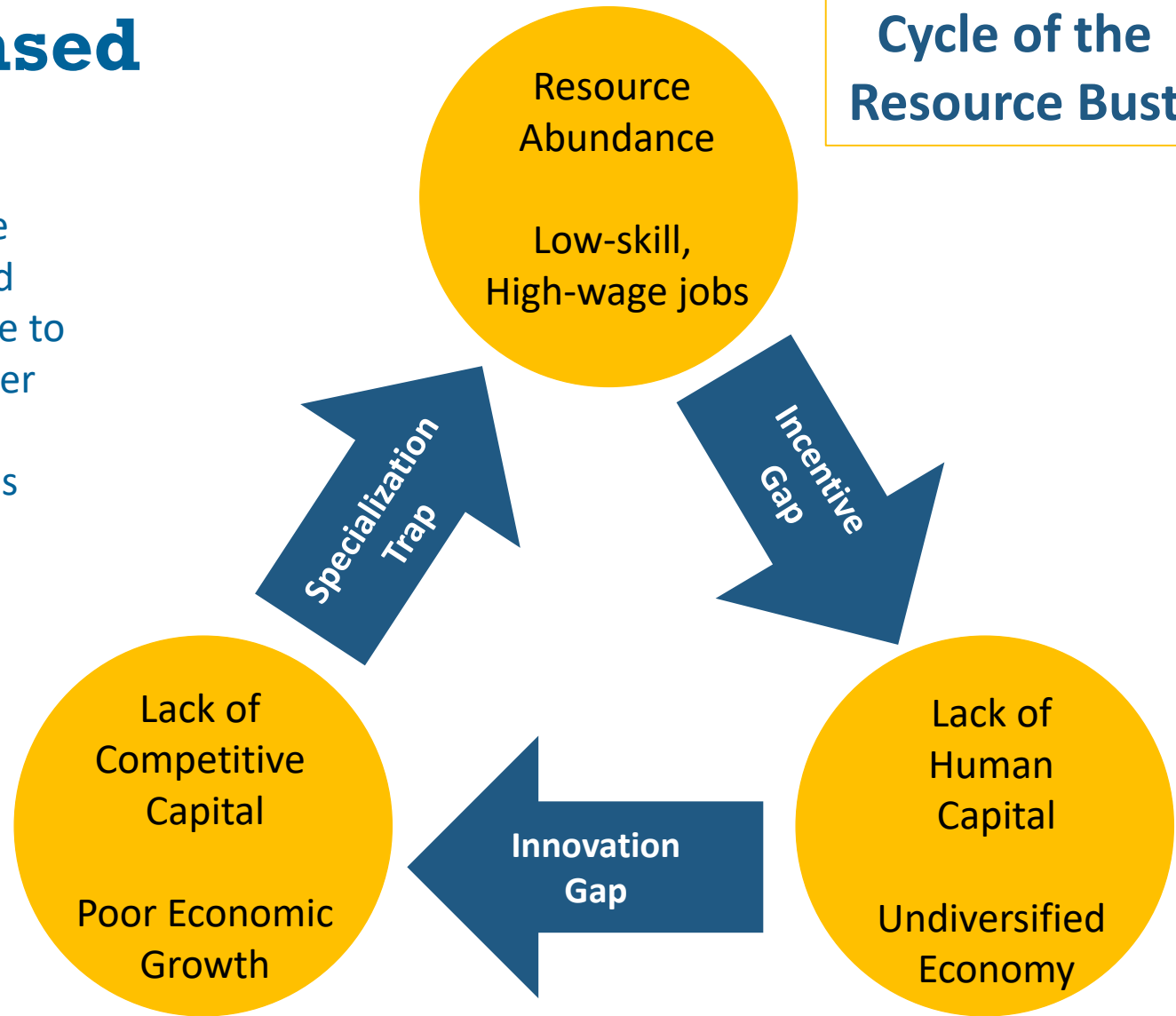


Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics (CPI-U-RS)

Problems with natural resource-based economies

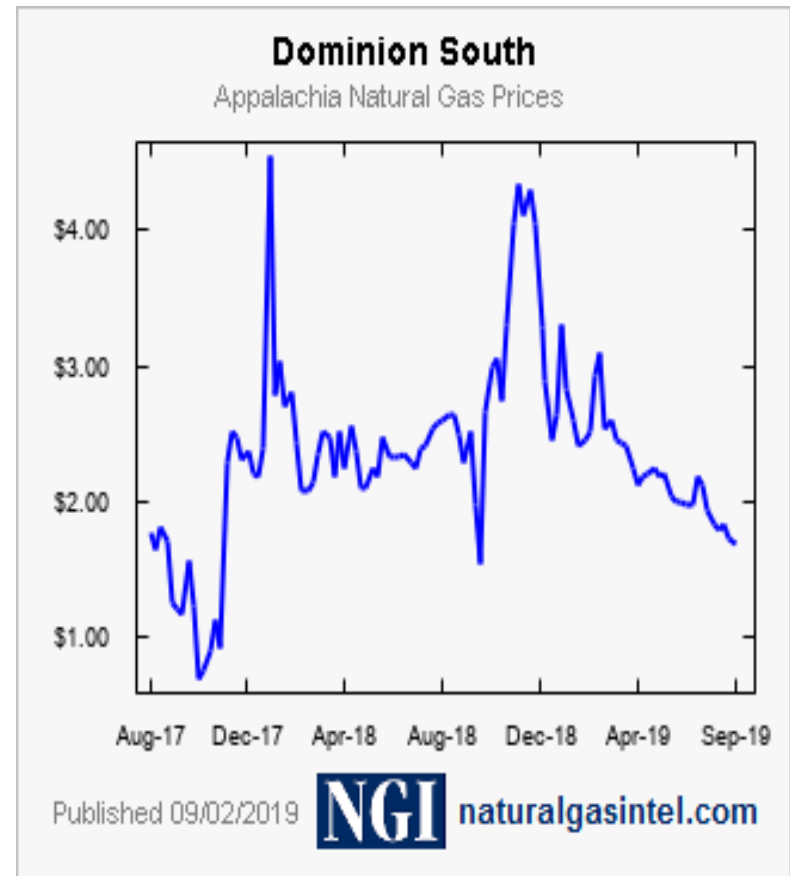
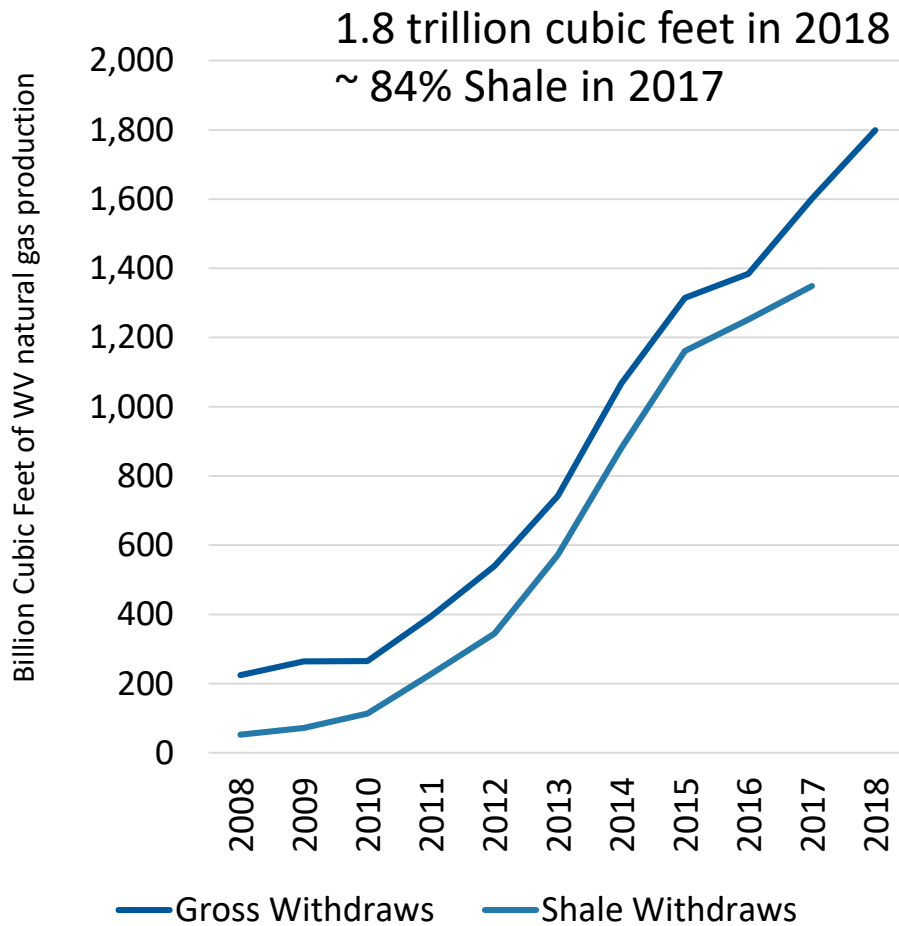
The “vicious cycle” where high-wage and low-skilled jobs creates a disincentive to invest in innovation, higher education, advanced job skills, and other industries that results in less diversification of the economy.

The Vicious Cycle of the Resource Bust



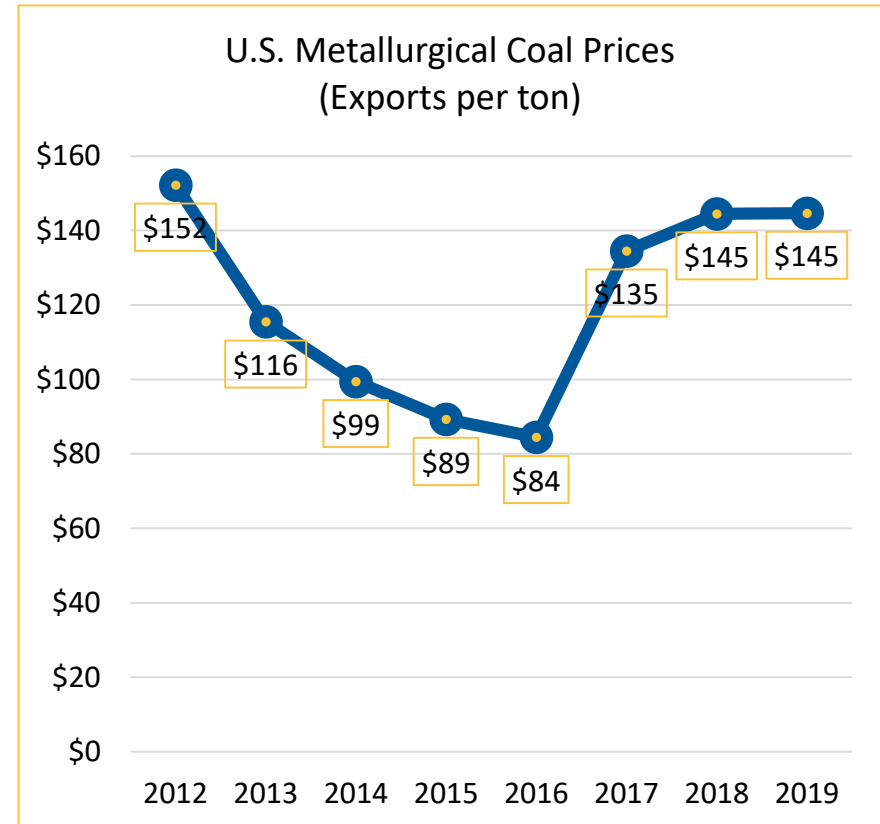
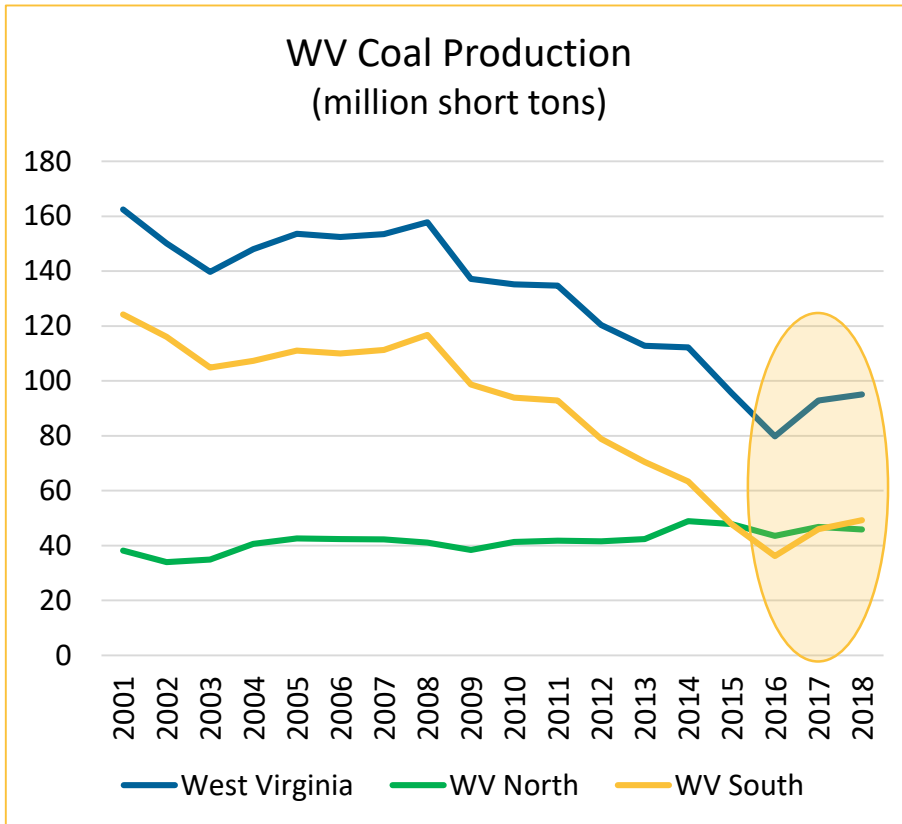
Source: Farren, Weinstein, and Parkridge, “Making Shale Development Work for Ohio.” Swank Program in Rural-Urban Policy Summary Report (2012)

Natural gas production climbing, prices falling...



Source: U.S. Energy Information Administration

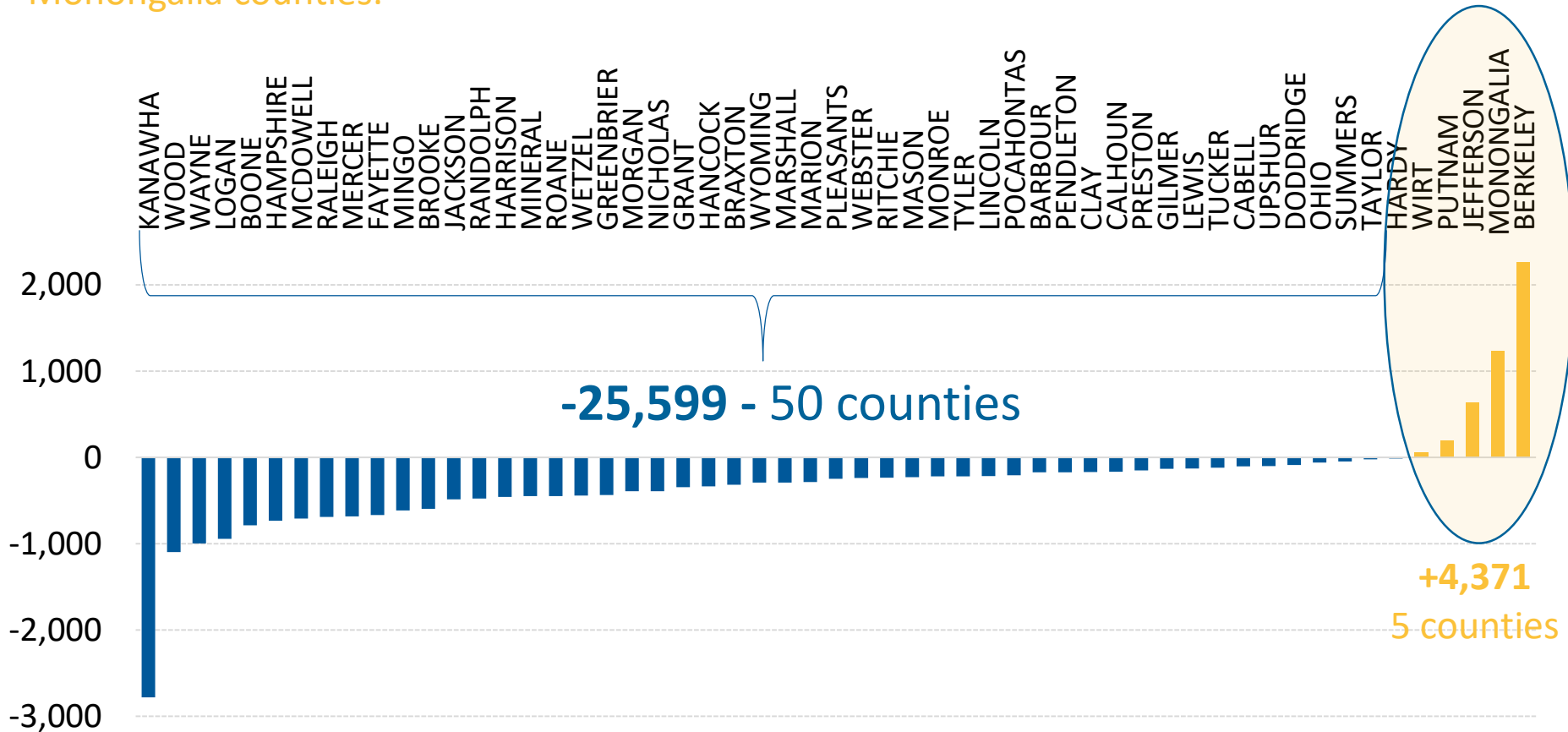
Coal production and metallurgical coal prices rose in 2017 and 2018 after long slide downward



Source: U.S. Energy Information Administration

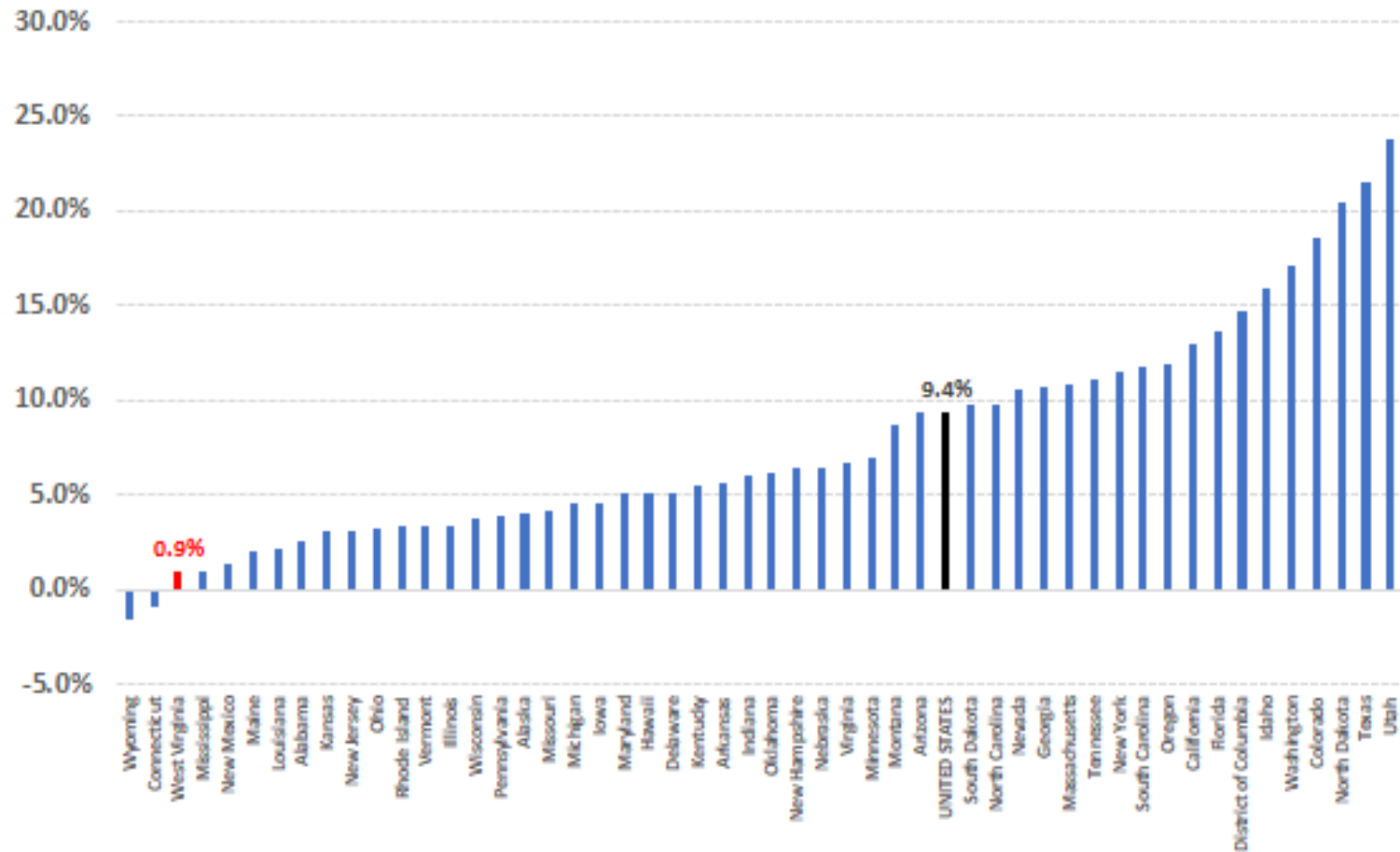
School enrollment declined by 16,188 from 2008-09 to 2018-19

Only five counties experienced enrollment growth and 94% was in Berkeley, Jefferson and Monongalia counties.



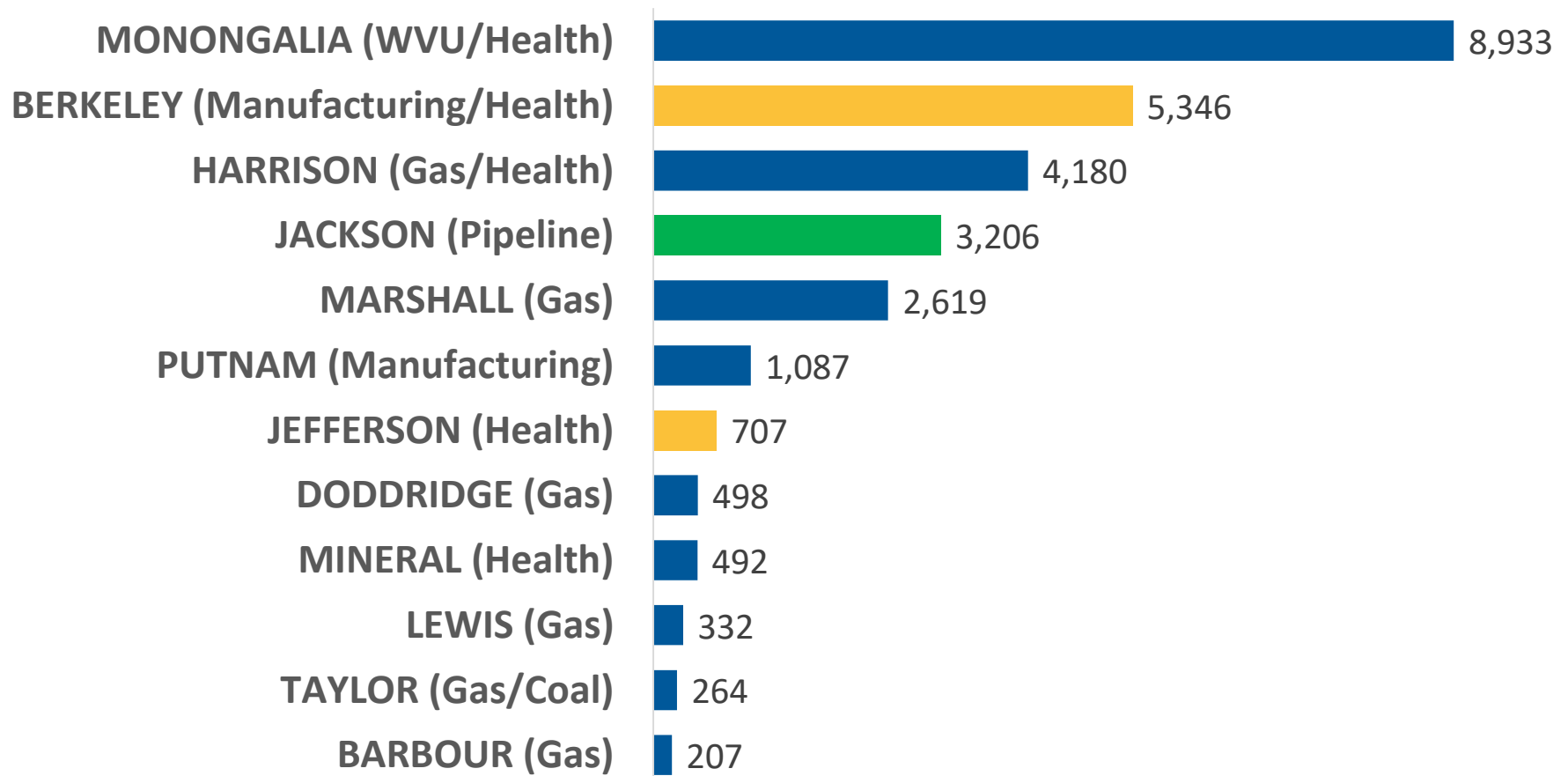
Source: West Virginia Department of Education

Nonfarm job growth since the Great Recession by state, December 2007 to July 2019



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics, Seasonally Adjusted (July 2019)

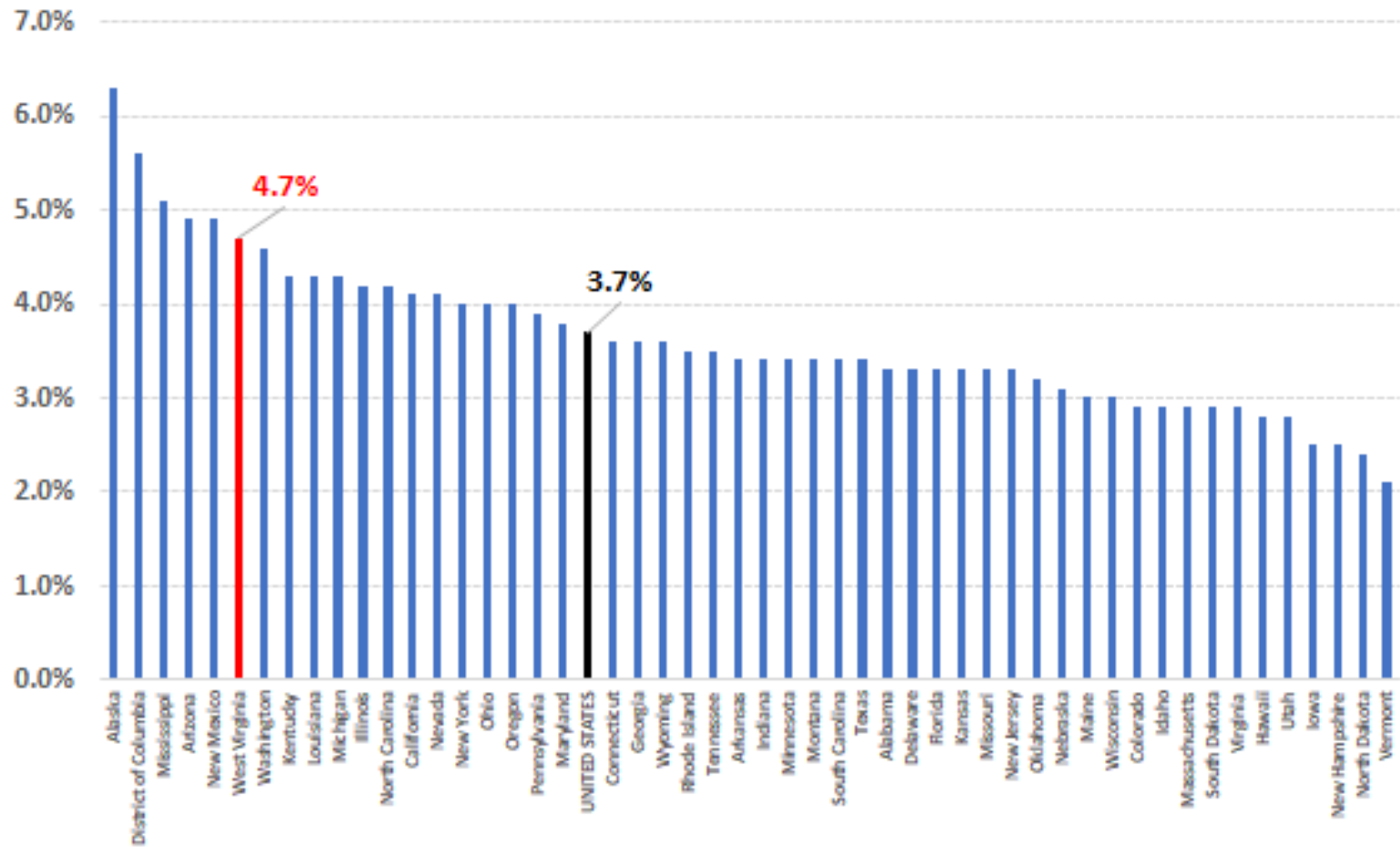
West Virginia counties with employment growth from 2007 to 2018 (QCEW)



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Wages and Employment

Unemployment Rate by State, July 2019

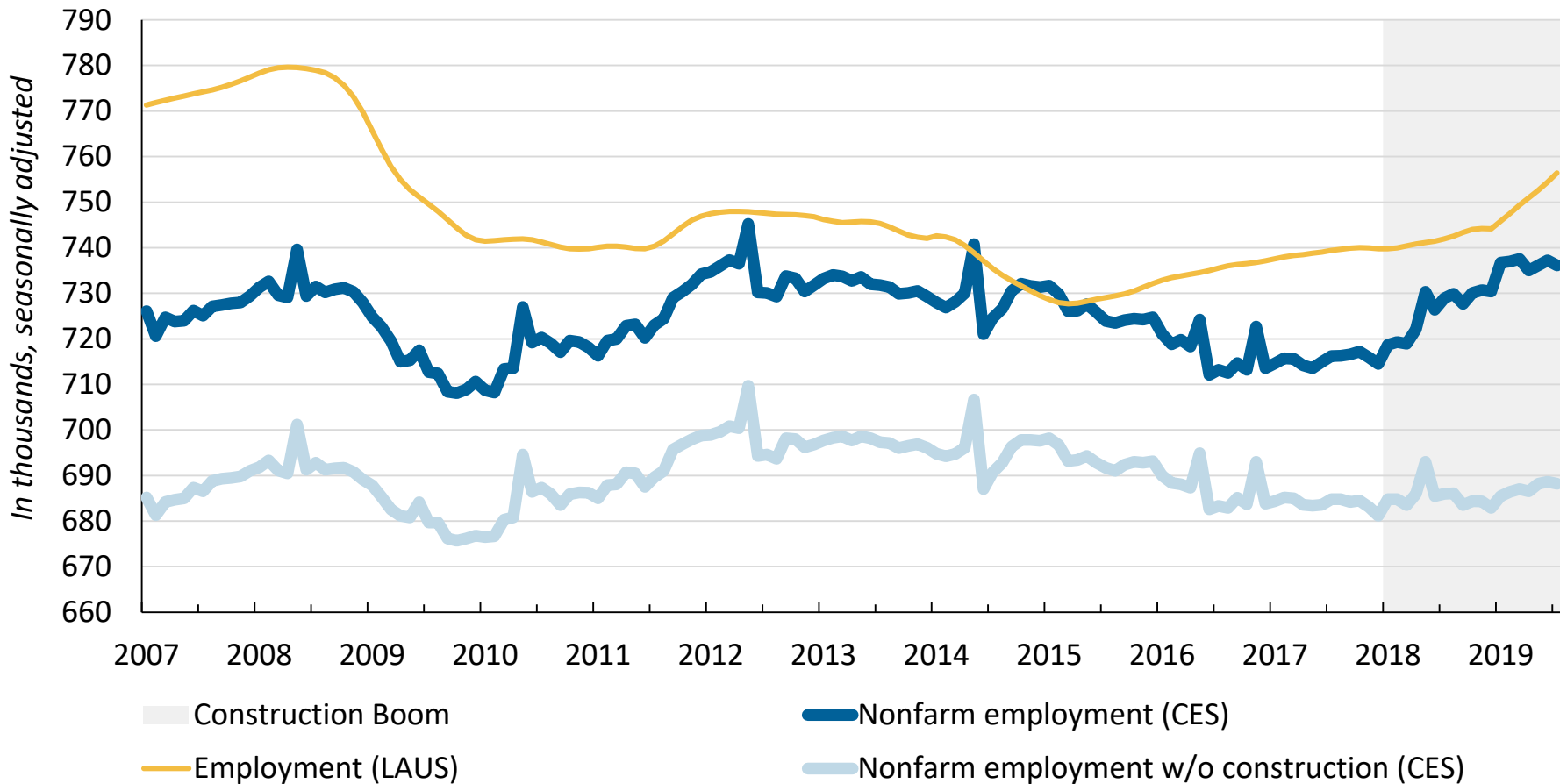
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, Seasonally Adjusted (July 2019)

Construction industry is driving recent job growth in West Virginia

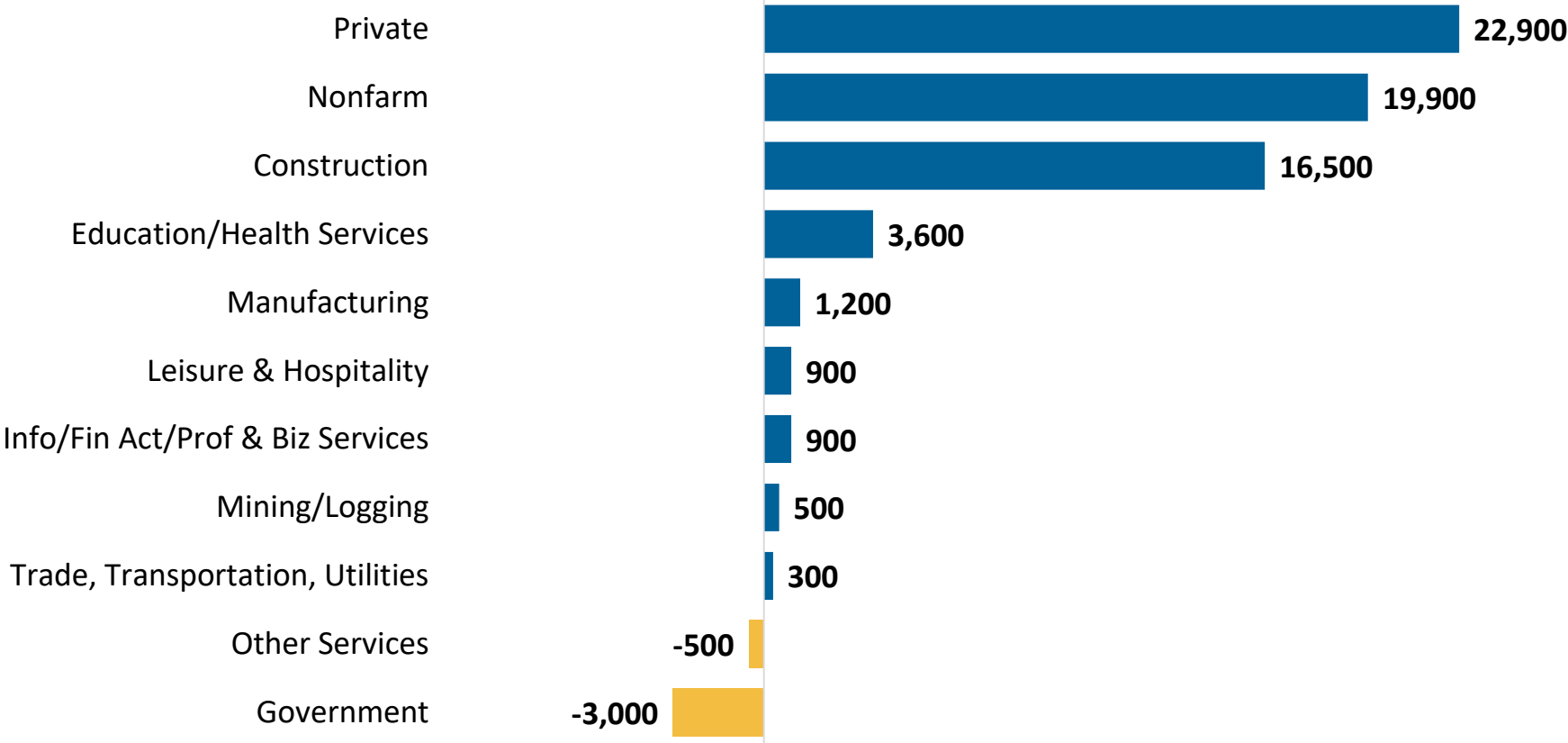
Employment (LAUS) and Payroll Employment (CES) in West Virginia, 2007-2019



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics and Local Area Unemployment Statistics, (August 2019)

Construction industry is driving recent job growth in West Virginia

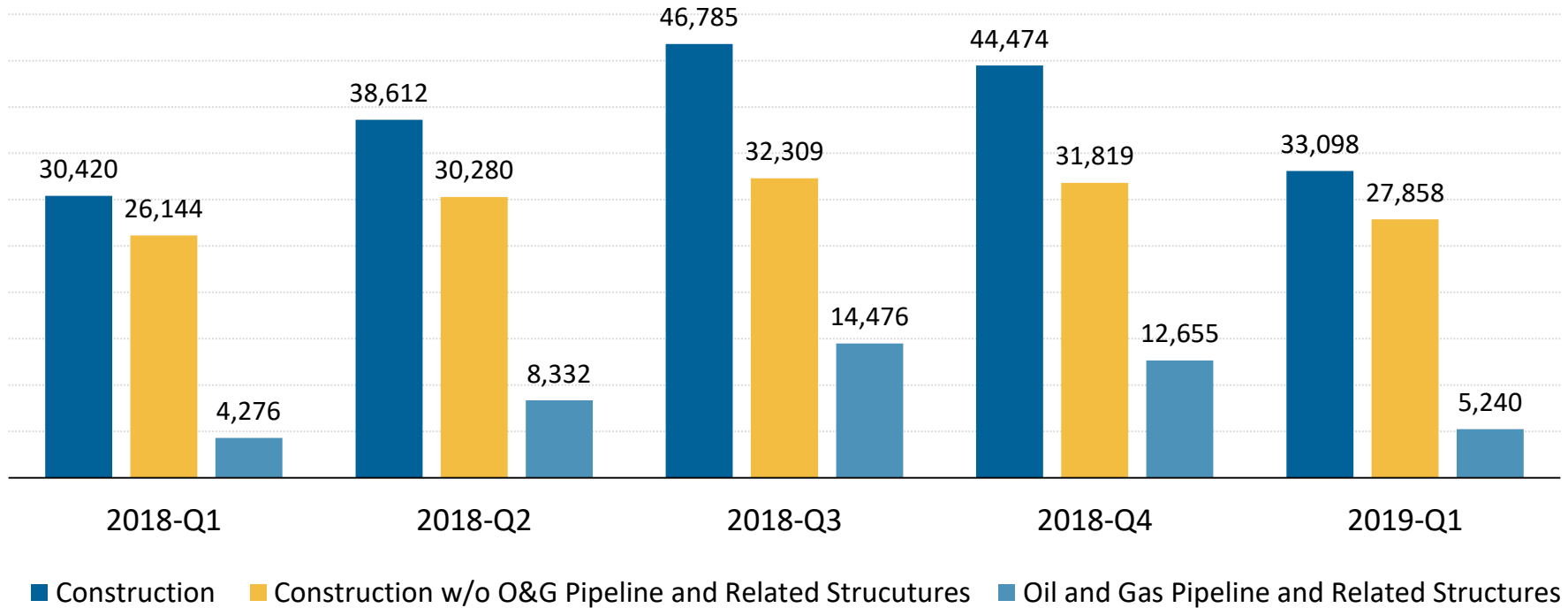
Employment growth by industry in West Virginia, July 2017 to July 2019
(seasonally adjusted)



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics and Local Area Unemployment Statistics, (August 2019)

Pipeline construction driving recent construction job growth in West Virginia

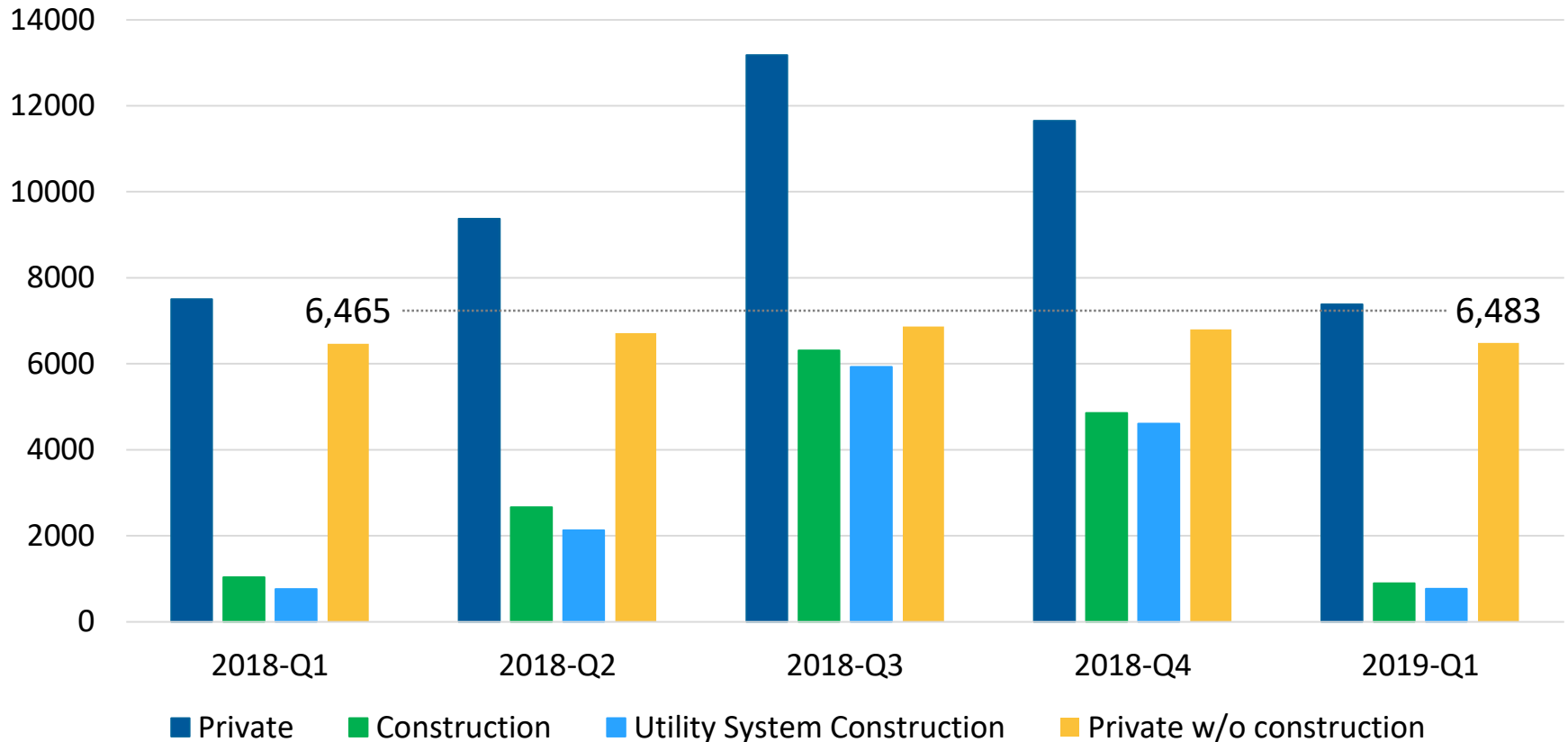
Total Private Construction and Pipeline Construction Employment (QCEW)



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics and Local Area Unemployment Statistics, (August 2019)

Exhibit A: Jackson County & Pipeline Construction (Mountaineer Express complete in Spring 2019)

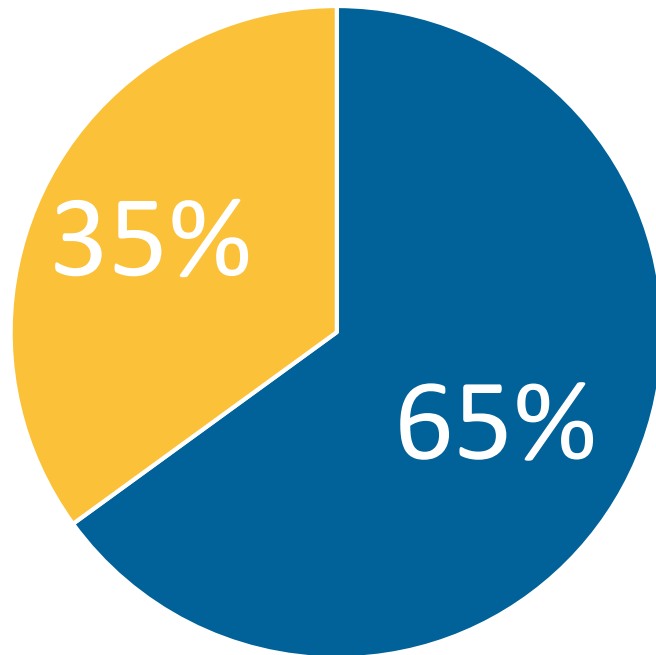
Jackson County Private Employment (in thousands)



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Wages and Employment

Where will job growth be in the future?

65% of West Virginia's 2026 Projected Job Openings Will Be In Low-Wage Occupations



Of the approximately 82,000 projected job openings from 2016 to 2026, 65 percent are in occupations that pay less than the Self Sufficiency (Kanawha county: \$36,513 in 2016 dollars) Standard for a family of three.

N = 578 Occupations

N = 82,128 Job Openings

■ Workers earning less than self-sufficiency wages

■ Workers earning self-sufficiency wages

Source: WVCBP analysis of Workforce WV data (Long Term Occupational Projections, 2016-2026 + The Self-Sufficiency Standard for West Virginia, 2013)

| Occupation | Projected Job Openings | Median Annual Wage |
|--|------------------------|--------------------|
| Combined Food Preparation and Serving Workers | 3,984 | \$19,782 |
| Cashiers | 3,758 | \$19,305 |
| Retail Salespersons | 3,700 | \$20,248 |
| Office Clerks, General | 2,806 | \$24,871 |
| Personal Care Aides | 2,545 | \$19,791 |
| Waiters and Waitresses | 2,347 | \$20,307 |
| Laborers and Freight, Stock, and Material Movers, Hand | 1,696 | \$24,324 |
| Customer Service Representatives | 1,672 | \$26,756 |
| Registered Nurses | 1,486 | \$59,450 |
| Janitors and Cleaners, Except Maids and Housekeeping Cleaner | 1,350 | \$22,670 |
| Heavy and Tractor-Trailer Truck Drivers | 1,274 | \$37,207 |
| Maids and Housekeeping Cleaners | 1,201 | \$20,200 |
| General and Operations Managers | 1,126 | \$72,189 |
| Maintenance and Repair Workers, General | 1,122 | \$28,643 |
| First-Line Supervisors of Retail Sales Workers | 1,103 | \$32,468 |
| Construction Laborers | 1,100 | \$31,526 |
| Nursing Assistants | 1,088 | \$24,908 |
| Secretaries and Administrative Assistants, Except Legal, Med | 988 | \$30,093 |
| Cooks, Restaurant | 967 | \$21,103 |
| First-Line Supervisors of Office & Administrative Support | 955 | \$41,879 |

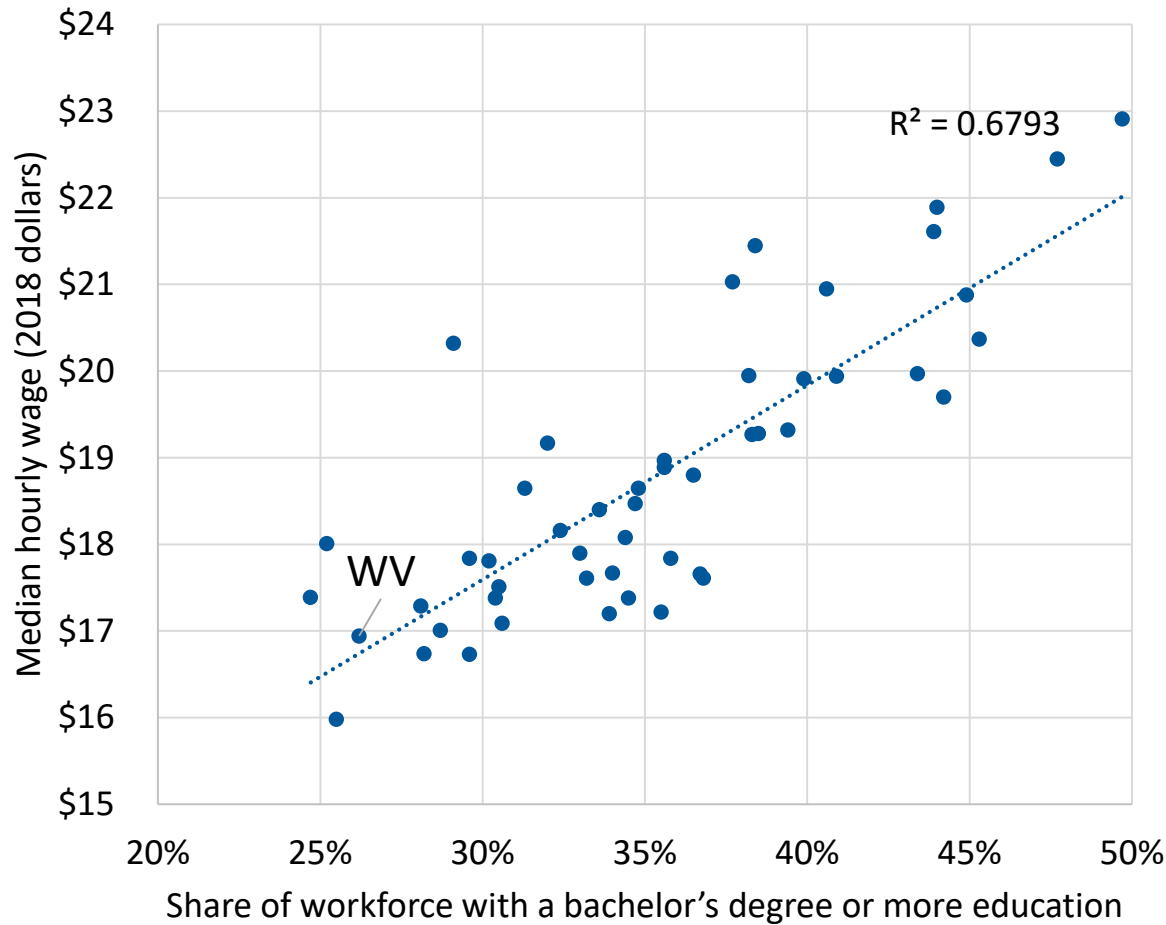
16 of West Virginia's top 20 occupations of 2026 pay below self-sufficient wages for a family of three

Pays LESS than Self-Sufficiency Standard for a Family of Three in 2016 (\$36,513)

Pays MORE than Self-Sufficiency Standard for a Family of Three in 2016

Source: WVCPB analysis of Workforce WV data (Long Term Occupational Projections, 2016-2026 + The Self-Sufficiency Standard for West Virginia, 2013)

Relationship between state median hourly wage and share of state's workforce with a bachelor's degree or more education, 2018

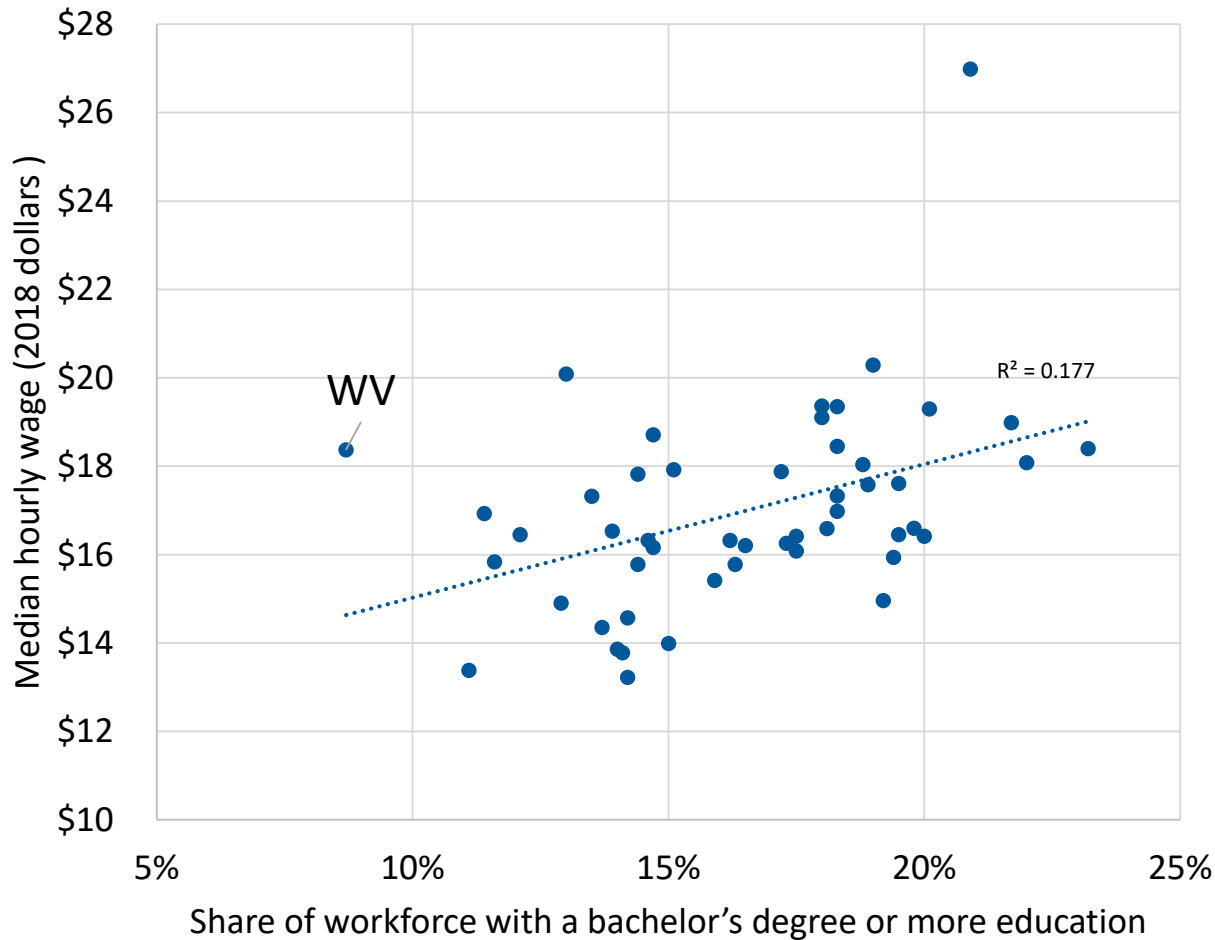


Median wages are substantially higher in states with better-educated workers

“An increase in the labor supply probably stimulates labor demand by at least two-thirds the supply increase. This is because additional labor attracts employers, and additional higher-skilled labor attracts employers with more skilled jobs” (Bartik 2009).

Source: Berger and Fisher (2012) analysis of Current Population Survey (CPS) basic monthly and CPS Outgoing Rotation Group microdata data

Relationship between state median hourly wage and share of state's workforce with a bachelor's degree or more education, 1979



There was a much weaker correlation between education and wages as recently as 1979

“We had a very different economy in the 1970s and the wage premium for a college degree (the gap between wages of college and high school graduates) was much smaller.”

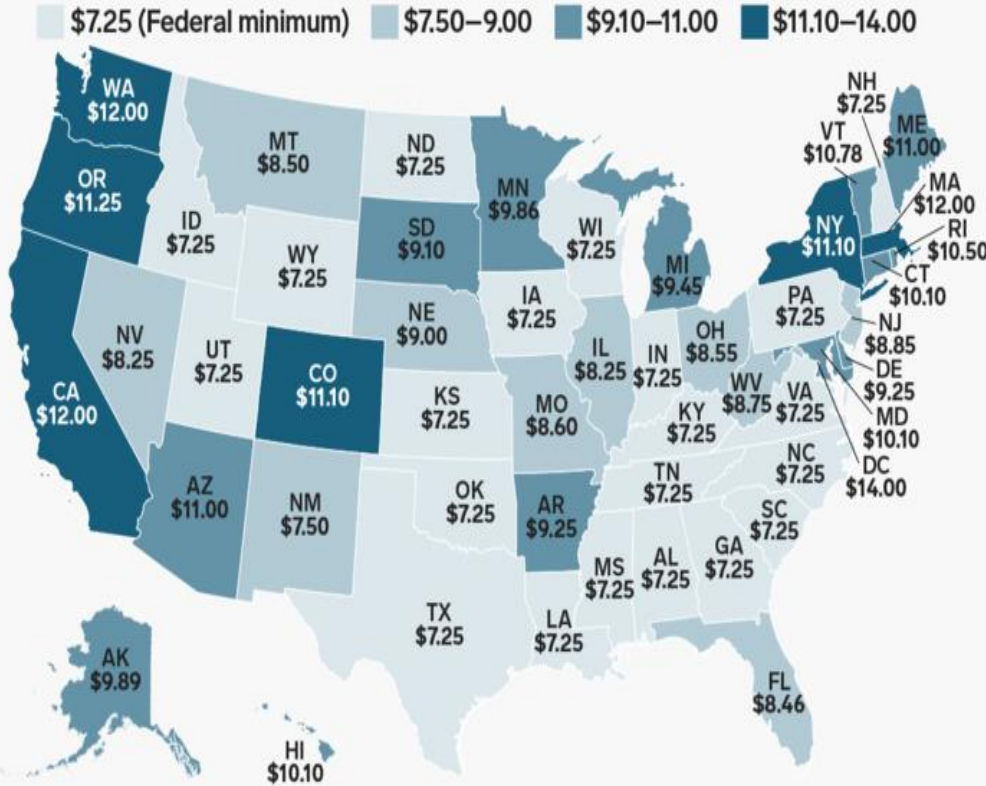
- Berger and Fisher (2012)

Source: Berger and Fisher (2012) analysis of Current Population Survey (CPS) basic monthly and CPS Outgoing Rotation Group microdata data

State Policies to Tackle Our Problems and Power Shared Prosperity in West Virginia

West Virginia's biggest economic problems are: low wages, poor health, low educational attainment, and lack of economic diversity.

2019 minimum wage



Source: Economic Policy Institute and Wolters Kluwer

Insider Inc.

Benefits of Raising Minimum Wage:

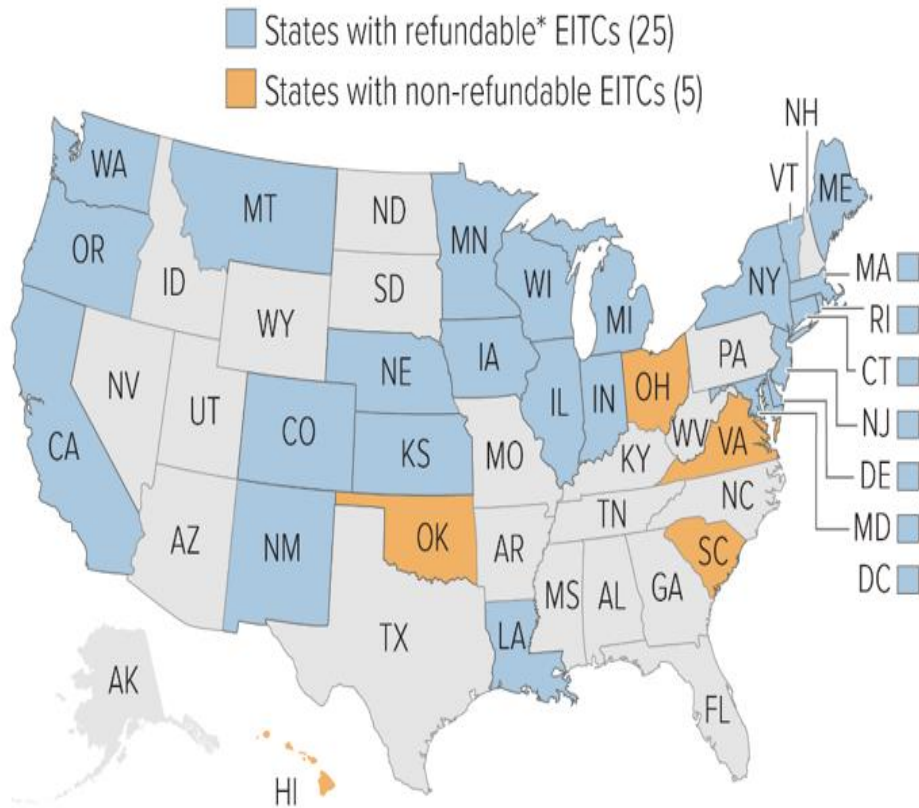
- ✓ Reduces poverty and public assistance
- ✓ Boosts consumer spending
- ✓ Saves labor costs due to reduced turnover
- ✓ Boosts productivity and sales
- ✓ Improves worker health
- ✓ Little negative impact on employment

Impact of Raising Minimum Wage by \$15 by 2024 in WV:

- 37.1% workforce get raise
- 244,000 workers impacted
- Total wages increase by \$942 million
- Average wage increase: \$3,900

Source: O'Leary et al, "Strengthening West Virginia Families: Seven Policies to Build Shared Prosperity," WV Center on Budget and Policy, (August 2018)

Creating a West Virginia Earned Income Tax Credit



Note: Refundability in Delaware is pending action by the state's governor.
 *Refundable EITCs give working households the full value of the credit they earn even if it

@WVEITC

*When we invest in working families,
we invest in WV's economy.*

State EITC Profile

Creating a state EITC will benefit

162,961

children throughout West Virginia

141,176 Households helped by creating a state EITC.

Children in EITC households have:

Better birth outcomes

Higher educational attainment

More earnings as adults

Local Impact from creating a state EITC

Average boost to working families' incomes **\$332**

Annual economic activity from creating a state EITC **\$46.9 million**

Why creating a state EITC works for West Virginia's economy:

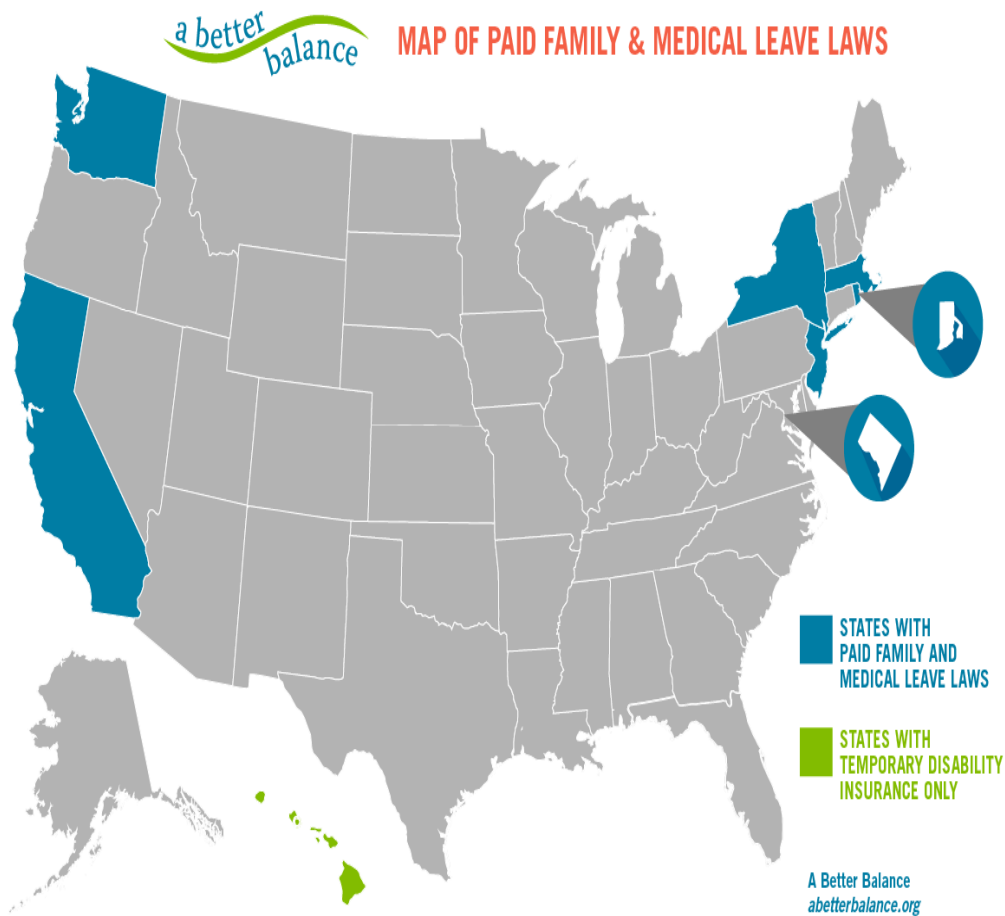
- The EITC lets low- and moderate-income working families keep more of their earnings to help pay for things that help them keep working, such as child care and transportation.
- The EITC reduces the number of children living in poverty and improves kids' chances of success as adults.
- By helping low-wage workers keep more of their incomes, the EITC increases consumer spending which then boosts local economies across the state.

Create a state EITC: Invest in Working families and grow our economy!
 For more information visit investinwvfamilies.org



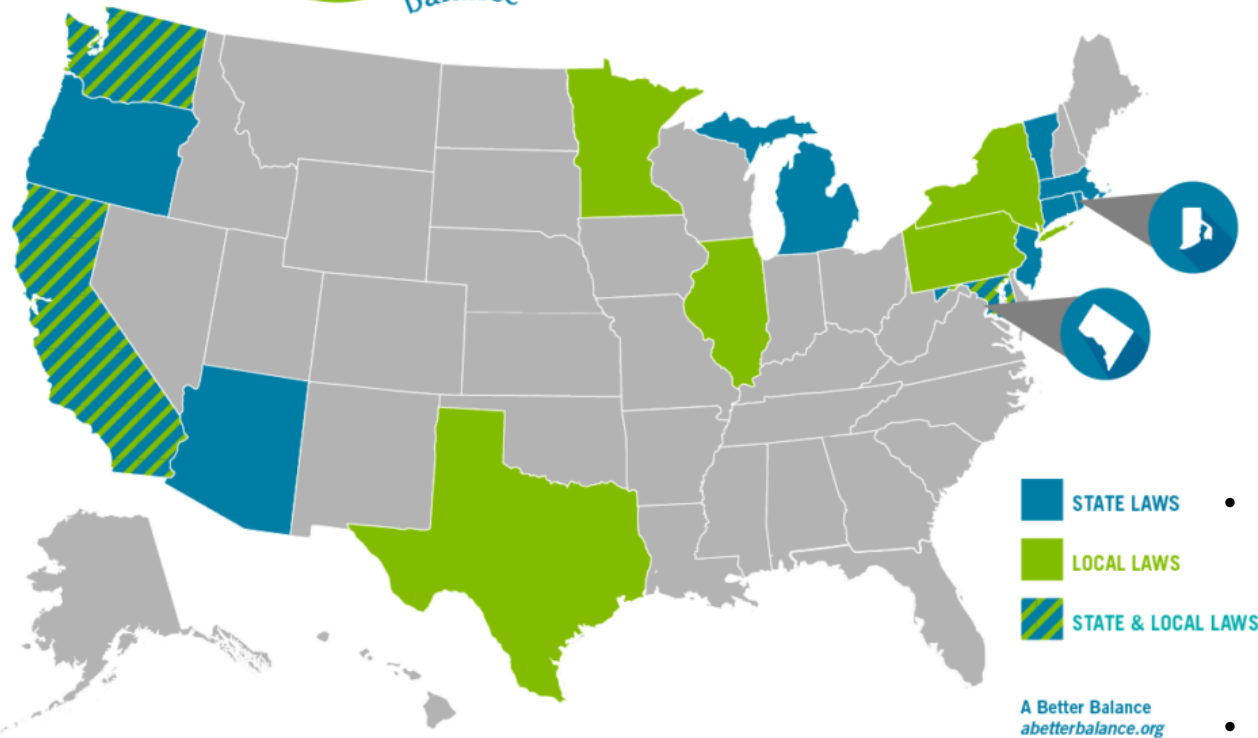
Source: O'Leary et al, "Strengthening West Virginia Families: Seven Policies to Build Shared Prosperity," WV Center on Budget and Policy, (August 2018)

The United States is the only developed country on the planet that does not guarantee paid family and medical leave for workers. Only 13 percent of private-sector workers in the United States have access to paid family leave. 25 percent of new mothers in the US return to work within two weeks of giving birth.



- ✓ A paid family leave program in West Virginia offering up to 12 weeks of paid leave with a partial wage replacement of two-thirds of the worker's usual weekly wage, with a maximum weekly benefit of \$1,000, would cost approximately \$102.3 million, including 5 percent administrative costs. This could be financed with a 0.36 percent payroll tax and would cost the average worker in West Virginia approximately \$3.00 per week .
- ✓ By keeping workers with caregiving needs attached to the workforce, paid family leave decreases reliance on public assistance and other government benefits which creates significant taxpayer savings.
- ✓ Paid family leave has been shown to increase employee retention, lower turnover, boost productivity, and improve morale.

Source: O'Leary et al, "Strengthening West Virginia Families: Seven Policies to Build Shared Prosperity," WV Center on Budget and Policy, (August 2018)

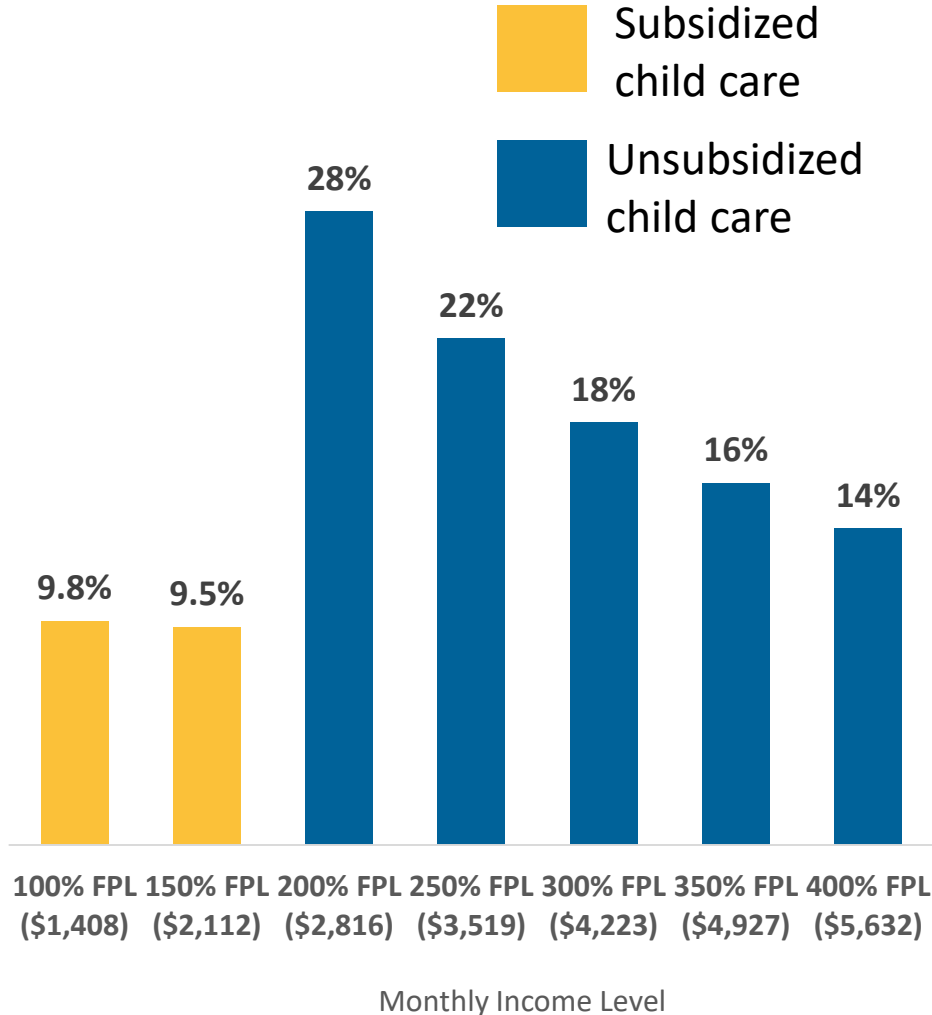


- The Problem:** The lack of access to paid sick days at work contributes to the spread of flu and other illnesses, exposes the public to diseases carried by sick workers in restaurants and nursing homes, results in workplace injuries and higher rates of job turnover, lowers productivity, makes it harder to balance work and family life, and prevents workers from staying home to care for a sick dependent.
- Nearly half of West Virginia’s private sector workforce – **254,270 workers or 46.1 percent** – lack paid sick days.
- Businesses benefit from greater workforce stability, increased productivity, and lower health care costs.
- Experiences in states has shown adopting a paid sick days law has not hurt profitability, employment, location decisions or discouraged new businesses.

Working sick costs the national economy \$160 billion annually in lost productivity.
 – Journal of Occupation and Environmental Medicine

Source: O’Leary et al, “Strengthening West Virginia Families: Seven Policies to Build Shared Prosperity,” WV Center on Budget and Policy, (August 2018)

Child care costs increase dramatically with loss of child care subsidy



Expanding access to affordable quality child care would:

- ✓ Stimulate economic growth by boosting labor force participation (especially for single moms), employment rates, and educational attainment.
- ✓ Improves long-term child outcomes, such as social and emotional wellbeing.
- ✓ Help businesses thrive by improving retention, reducing turnover, and a more educated workforce.

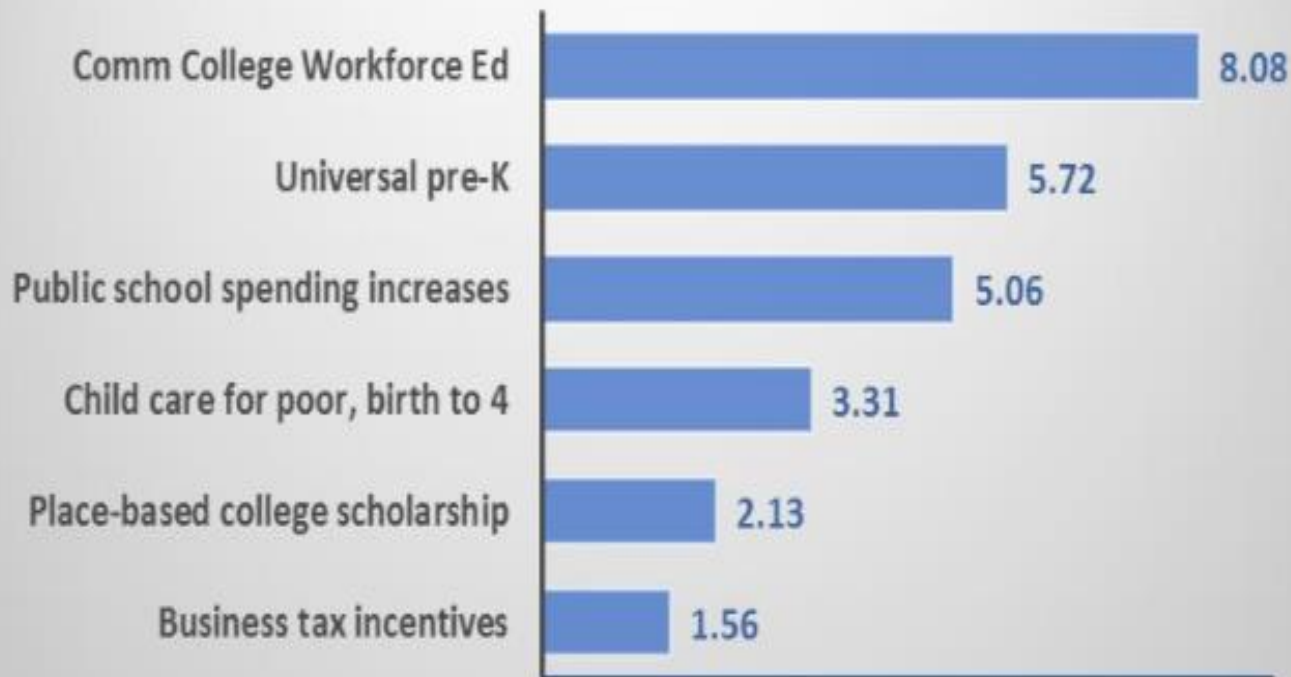
“By laying the crucial groundwork for tomorrow’s workforce and promoting a strong workforce today, high-quality childcare provides a powerful two-generation approach to building the human capital that a prosperous and sustainable America requires.”

The U.S. Chamber of Commerce Foundation

Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Child Care (June 21, 2017)

Source: O’Leary et al, “Strengthening West Virginia Families: Seven Policies to Build Shared Prosperity,” WV Center on Budget and Policy, (August 2018)

Ratio of Local Earnings Effects to Costs for Various Policies



Local Earnings Effects of Skills Development Programs

NOTE: These ratios assume that programs are financed by increased taxes on the top 10 percent local income group, which, based on Zidar (2017), have no negative effects on local growth. Sources are specified in Bartik (2018b), except for community college workforce education. These numbers take the ratios for community college workforce education programs from Hollenbeck and Huang (2014) and multiply by 50 percent to account for migration.

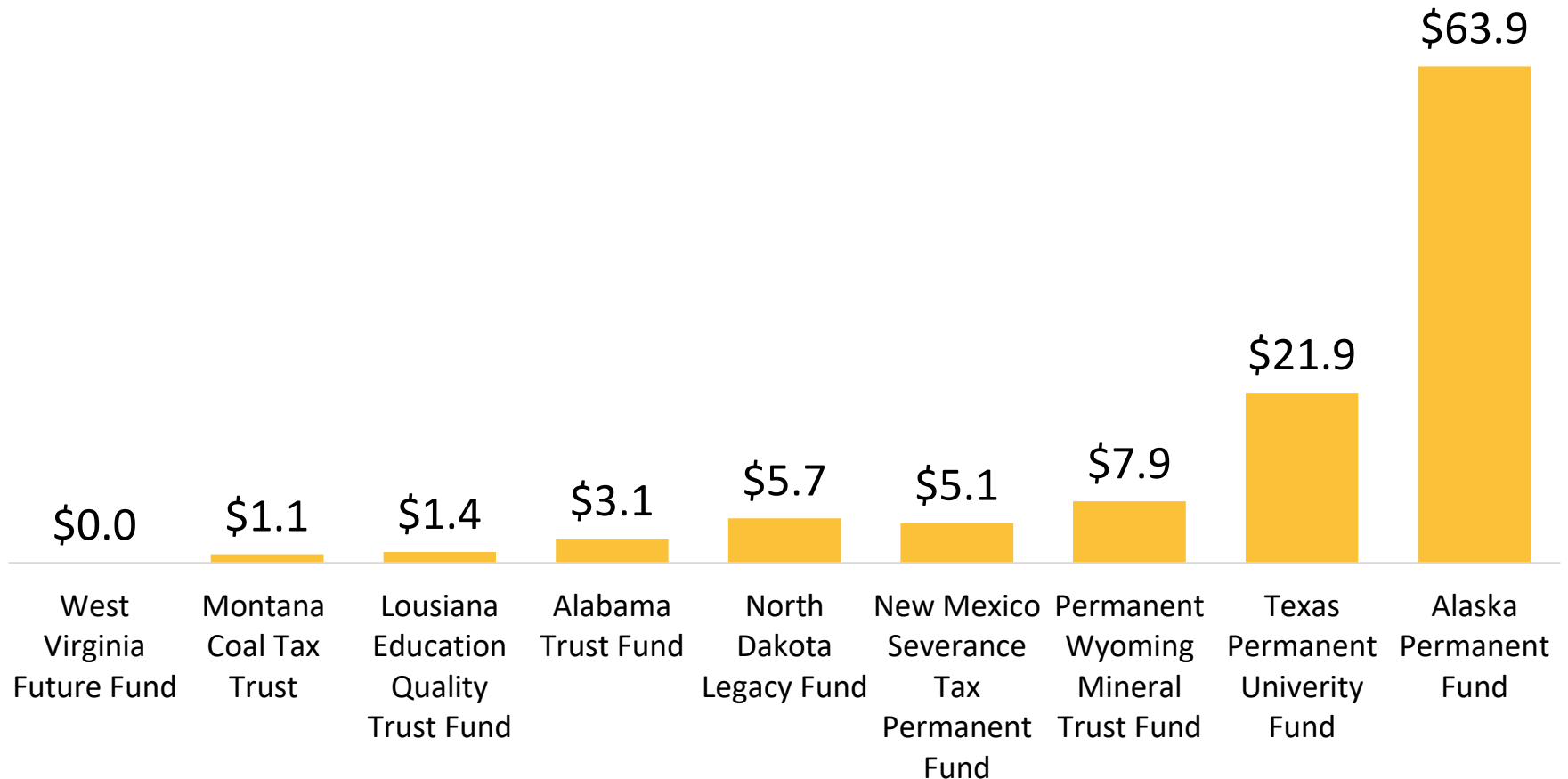
Source: Tim Bartik, "Helping Manufacturing-Intensive Communities: What Works?," Center on Budget and Policy Priorities, May 9, 2018

5 Ideas for Improving Health

- ✓ Expand Medicaid coverage to include vision and dental
- ✓ Medicaid Buy-In (state public option) on the WV Health Insurance Market Place
- ✓ Import Rx Drugs from Canada
- ✓ End Surprise Billing
- ✓ Get rid of IDD waiver wait list

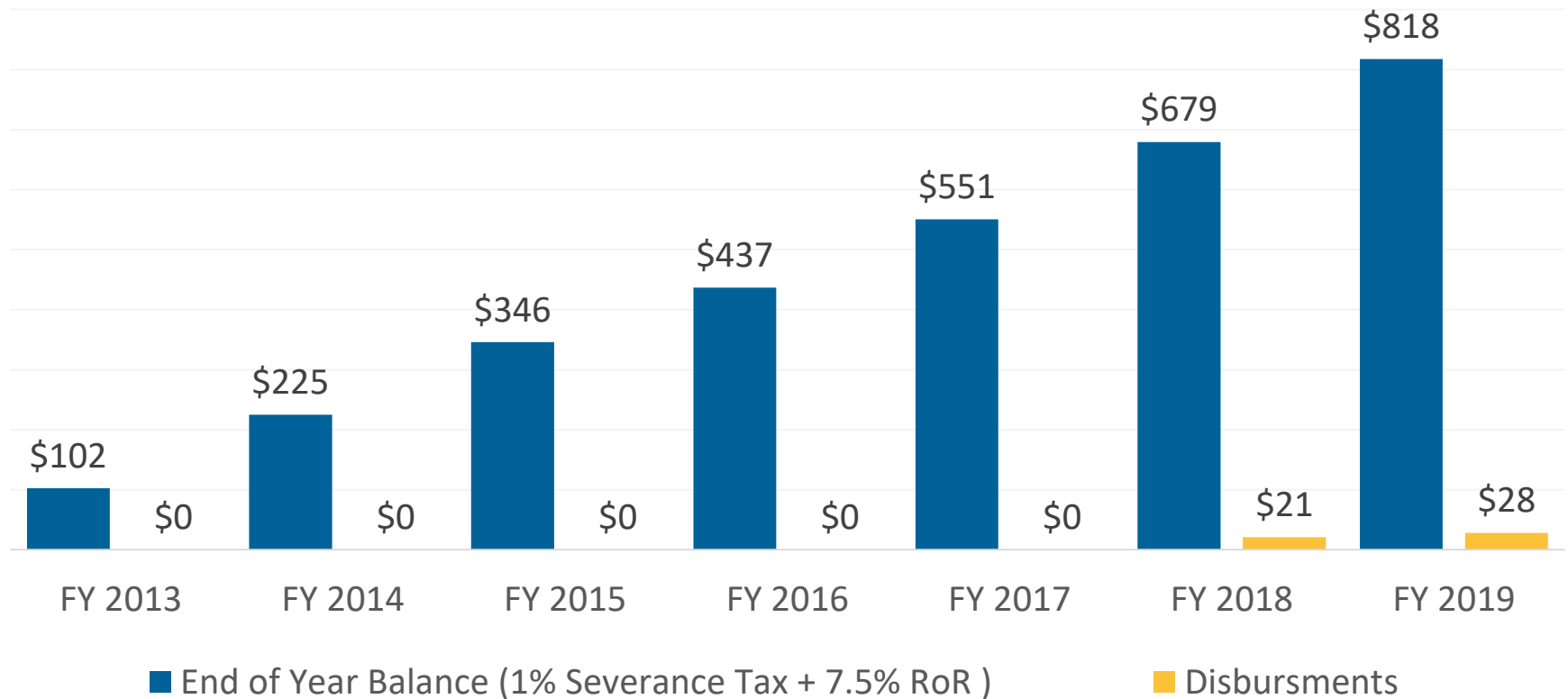
U.S. States with Permanent Natural Resource Funds

Natural resource funds by size (in billions)



Fund the West Virginia Future Fund

Estimated Balance of Proposed WV Economic Diversification Fund
(in millions)



Source: WVCBP analysis of WV Tax Department data

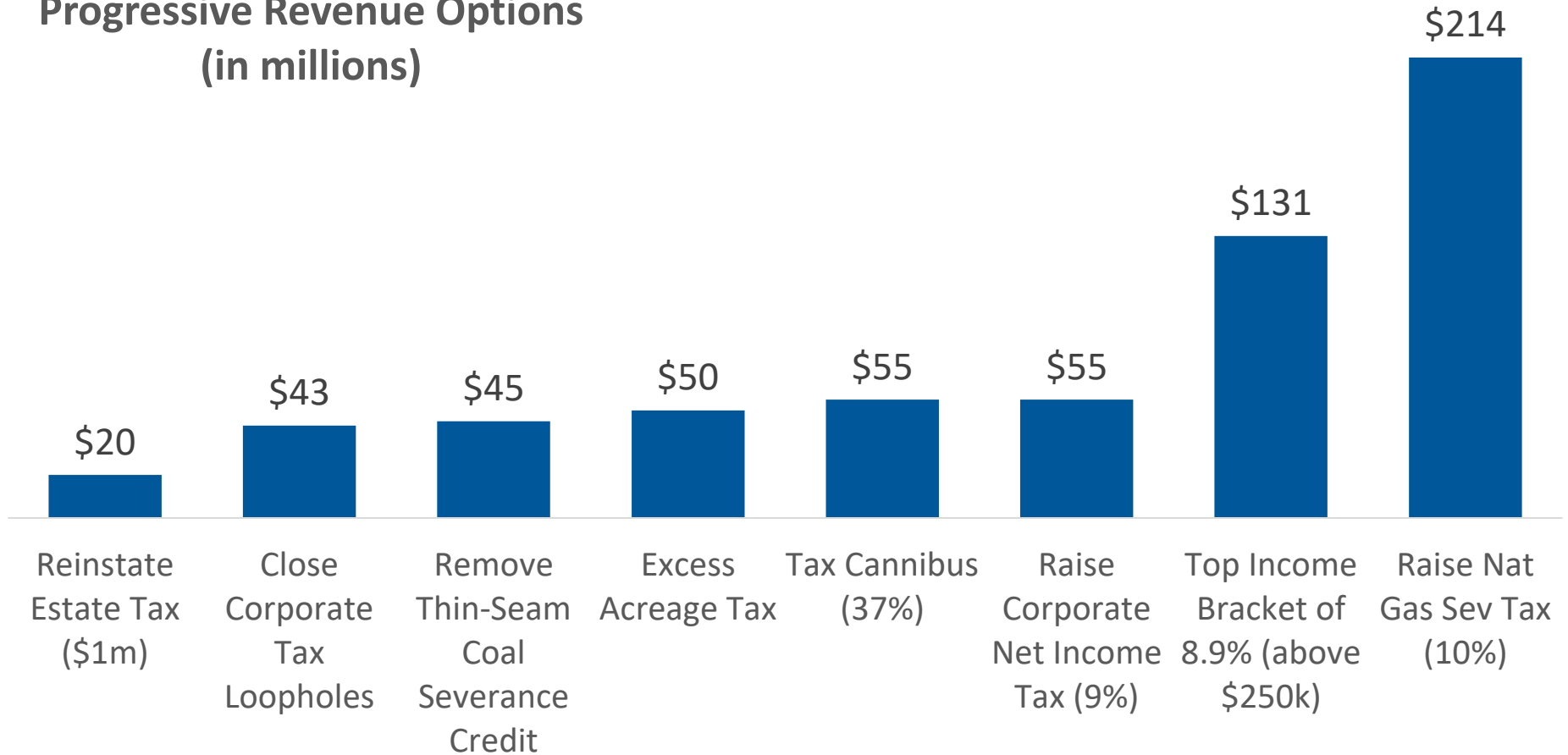
Additional \$207 million could provide tuition-free college in West Virginia

Total Cost of Tuition and Fees for In-State Undergraduate Students in West Virginia, 2016

| | Estimated Resident Undergraduate Students | Total Resident Tuition and Fees | Total Cost |
|--------------------------------|---|---------------------------------|----------------------|
| Bluefield State College | 769 | \$6,408 | \$4,927,342 |
| Concord University | 1,269 | \$7,080 | \$8,986,814 |
| Fairmont State University | 2,223 | \$6,950 | \$15,450,462 |
| Glenville State College | 802 | \$7,344 | \$5,888,272 |
| Marshall University | 5,625 | \$7,154 | \$40,243,682 |
| Potomac State College of WVU | 753 | \$4,056 | \$3,056,115 |
| Shepherd University | 1,897 | \$7,170 | \$13,603,096 |
| West Liberty University | 1,322 | \$7,038 | \$9,305,165 |
| West Virginia State University | 1,460 | \$6,996 | \$10,213,796 |
| West Virginia University | 14,019 | \$7,992 | \$112,036,587 |
| WVU Institute of Technology | 713 | \$6,648 | \$4,739,412 |
| Blue Ridge CTC | 5,153 | \$3,864 | \$19,910,547 |
| BridgeValley CTC | 1,957 | \$4,120 | \$8,060,990 |
| Eastern WV CTC | 664 | \$3,270 | \$2,172,709 |
| Mountwest CTC | 1,915 | \$3,744 | \$7,170,494 |
| New River CTC | 1,492 | \$3,966 | \$5,915,436 |
| Pierpont CTC | 1,776 | \$4,684 | \$8,320,784 |
| Southern West Virginia CTC | 1,544 | \$3,336 | \$5,150,517 |
| WV Northern Community College | 1,657 | \$3,504 | \$5,805,977 |
| WVU at Parkersburg | 2,360 | \$3,384 | \$7,986,213 |
| Total Cost | | | \$298,944,411 |

How do we pay for prosperity?

Progressive Revenue Options (in millions)



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