



State of Working West Virginia

2023

The State Of
West Virginia's
Unemployed
And Those Outside
The Labor Force

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SECTION I

Introduction

This report is the 16th edition of the State of Working West Virginia,

an annual series that examines the state of West Virginia's economy through the lens of its workers — the people who power our state and our economy. Previous editions have examined data on employment, income, racial disparities, job quality, and the past decade's economic performance. While each year's report has a slightly different focus, one consistent theme is the need to ask this simple question: what about the people who do the work? This issue is an in-depth look at one specific economic measure — West Virginia's unemployment rate and those who are unemployed.

Who is counted as unemployed can be a confusing question. Is it simply those who are not working? Is it those who are receiving unemployment insurance benefits? Is it those who have been laid off?

A person must meet four criteria to be considered unemployed:

1. They must be a member of the labor force (which is all people age 16 and over who are either working or actively looking for work, or those who are classified as employed or unemployed).
2. They were not employed during the Current Population Survey reference week.
3. They were available to work during the reference week, except for temporary illness.
4. They have made at least one specific active effort to find a job during the 4-week period ending with the survey reference week or were temporarily laid off and expecting to be recalled to their job.

People starting a new job and new entrants to the labor market also must have actively looked for a job within the past four weeks.

If a person does not meet all of these requirements, they are considered “not in the labor force,” and are not counted as unemployed. The unemployment rate is the number of unemployed persons as a share of the labor force.^[1]

[1] U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, Concepts and Definitions (CPS)

Contrary to popular belief, classification as unemployed in no way depends upon a person’s eligibility for, or receipt of, unemployment insurance benefits. In other words, one does not have to be collecting unemployment insurance benefits to be considered unemployed.¹ While all workers collecting unemployment insurance are unemployed, not all unemployed workers are collecting unemployment insurance.

The conventional unemployment rate captures the share of the labor force that is unable to obtain employment in a given time period. A low unemployment rate indicates that those who want to work are able to find jobs. A low unemployment rate is a key driver of economic output, wage increases, and overall standard of living.

The number of individuals who are unemployed, including those who are collecting unemployment benefits, has fallen to record lows in recent months, both in West Virginia and nationwide. The unemployment rate, however, does vary across demographic characteristics such as age, gender, and race, and can be affected by numerous economic conditions and public policies. As such, recent state proposals to make unemployment insurance less generous or harder to access would cause unnecessary hardship to those who are unemployed.²

For this report the West Virginia Center on Budget and Policy analyzed American Community Survey microdata, combining five year estimates from 2017-2021 to achieve a relevant sample size.

1 Ibid.

2 Sean O’Leary, “Unemployment Reform Bills Are Another Attack on Workers,” (Charleston, West Virginia: West Virginia Center on Budget and Policy, January 2022).

Key Findings

On average, **UNEMPLOYED WORKERS ARE YOUNGER AND LESS EDUCATED** than employed workers.



UNEMPLOYED WORKERS ARE MORE LIKELY TO BE MEN THAN WOMEN. Men face higher unemployment rates than women.



BLACK WEST VIRGINIANS FACE HIGHER UNEMPLOYMENT RATES THAN WHITE WEST VIRGINIANS. West Virginians of two or more races face the highest unemployment rates.

Over half of unemployed West Virginians are either **LAI D OFF OR NEW ENTRANTS TO THE WORKFORCE.**



96% OF THOSE NOT IN THE **LABOR FORCE ARE RETIRED, DISABLED, IN SCHOOL, OR CARING FOR HOME OR FAMILY.** Only 4.2 percent are not in the labor force for another reason.

Weekly unemployment benefits for West Virginia workers **ARE BELOW THE NATIONAL AVERAGE.**



With a balance of **\$423 mil.** **WEST VIRGINIA'S UNEMPLOYMENT TRUST FUND IS HEALTHY AND AT A HISTORIC HIGH.**

THE UNEMPLOYMENT INSURANCE SYSTEM HAS FAILED TO ADAPT TO A CHANGING ECONOMY, leaving out gig workers, independent contractors, the self-employed, and other types of workers that are growing more prevalent in the 21st century.



Many of the federal government's temporary pandemic reforms to the unemployment system **HELPED ADDRESS ITS SHORTCOMINGS AND LEAD TO A FAST ECONOMIC RECOVERY.**

Permanently enacting some of those reforms and avoiding proposed damaging reforms would **STRENGTHEN BOTH THE UNEMPLOYMENT INSURANCE SYSTEM AND THE STATE'S ECONOMY.**



SECTION 2

Who Is Unemployed In West Virginia?

Thanks to a strong national recovery from the pandemic recession with a tight labor market, West Virginia has enjoyed historically low levels of unemployment.

The state reached an all-time low of 25,500 unemployed workers with an unemployment rate of just 3.3 percent in May of 2023. West Virginia wasn't the only state to enjoy a low unemployment rate. The state ranked 30th overall, with state unemployment rates ranging from 1.9 percent to 5.4 percent in May 2023.³

Age

The average age of an unemployed worker in West Virginia is 35, with over 50 percent of unemployed workers falling between the ages of 18 to 34 ([Figure 1](#)). In comparison, employed workers tend to be older, with an average age of 42, with over two-thirds falling between the ages of 35 and 55+.

³ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

FIGURE 1
UNEMPLOYED WORKERS ARE YOUNGER THAN THE EMPLOYED
SHARE OF UNEMPLOYED AND EMPLOYED WORKERS
BY AGE GROUP, WEST VIRGINIA, 2021

Source: WVVCBP analysis of 2017-2021 five-year American Community Survey microdata

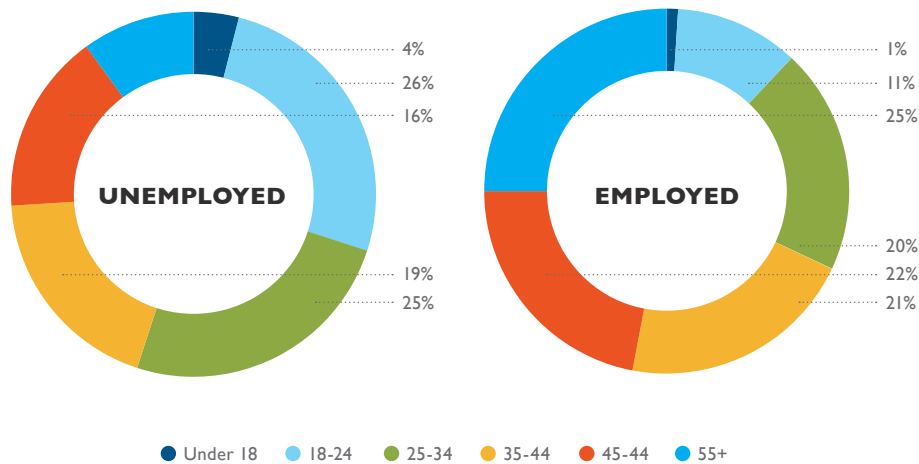
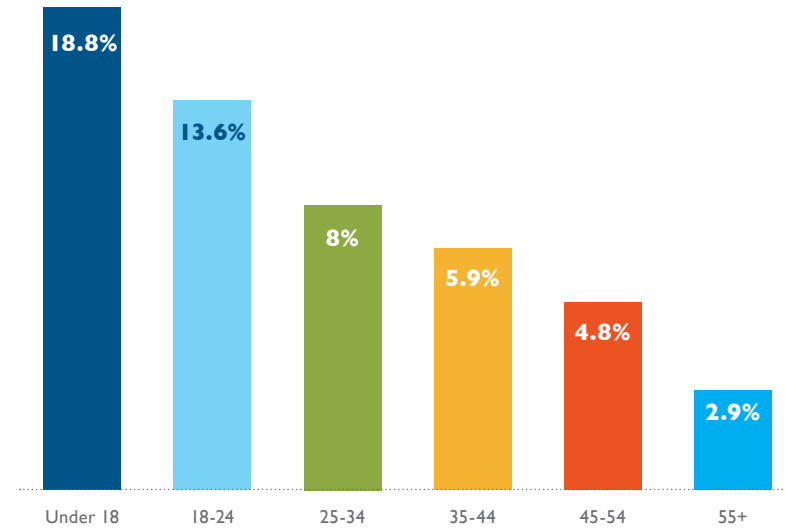


FIGURE 2
UNEMPLOYMENT DECREASES WITH AGE
UNEMPLOYMENT RATES BY AGE GROUP, WEST VIRGINIA, 2021

Source: WVVCBP analysis of 2017-2021 five-year American Community Survey microdata



Given that the average age of employed workers is higher than the average age of unemployed workers, it is no surprise that the unemployment rate goes down as age increases. The unemployment rate for those under 18 in 2021 was 18.8 percent, compared to 2.9 percent for those over the age of 55 (Figure 2).

Sex

Men face higher unemployment rates in West Virginia than women. In 2021, the unemployment rate for men stood at 7.3 percent, while the unemployment rate for women was 6.0 percent (Figure 3). Men make up 59 percent of both unemployed and employed workers in the state, with women making up 41 percent (Figure 4).

FIGURE 3
MEN MORE LIKELY TO BE UNEMPLOYED
UNEMPLOYMENT RATES BY SEX, WEST VIRGINIA, 2021

Source: WVCCBP analysis of 2017-2021 five-year American Community Survey microdata

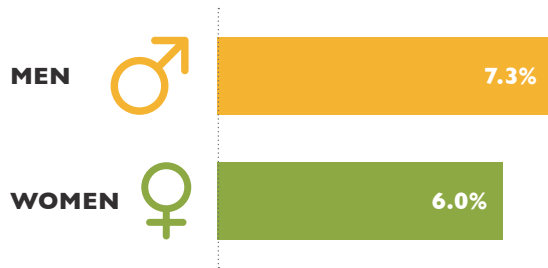
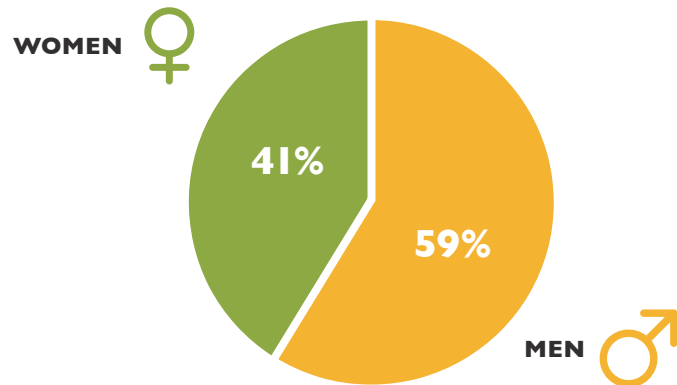


FIGURE 4
MEN MAKE UP MAJORITY OF UNEMPLOYED WORKERS
SHARE OF UNEMPLOYED WORKERS BY SEX, WEST VIRGINIA, 2021

Source: WVCCBP analysis of 2017-2021 five-year American Community Survey microdata



Race

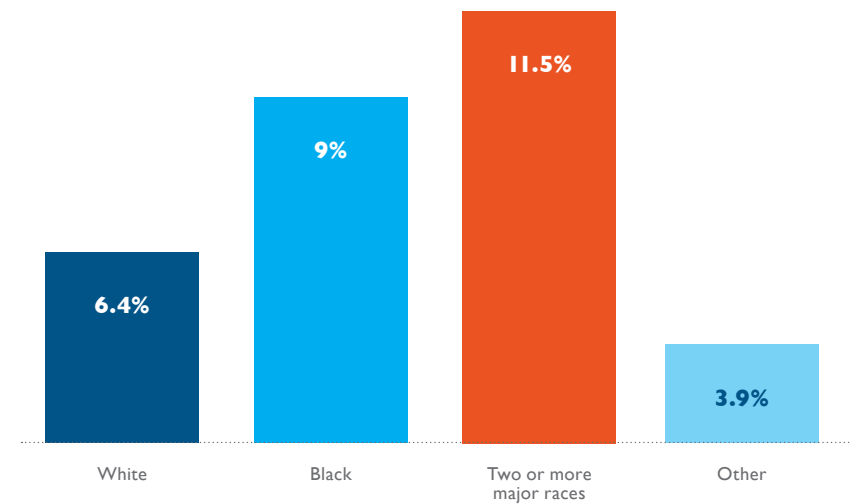
UNEMPLOYMENT RATES

2.5% ▲ FOR BLACK WEST VIRGINIANS
 THAN WHITE WEST VIRGINIANS

Black West Virginians face unemployment rates that are more than 2.5 percentage points higher than white West Virginians, while those who identify as two races face the highest unemployment rates. Other racial groups in the state have the lowest unemployment rates (Figure 5).

FIGURE 5
BLACK UNEMPLOYMENT RATES ARE HIGHER THAN WHITE UNEMPLOYMENT RATES IN WEST VIRGINIA
UNEMPLOYMENT RATES BY RACE, WEST VIRGINIA, 2021

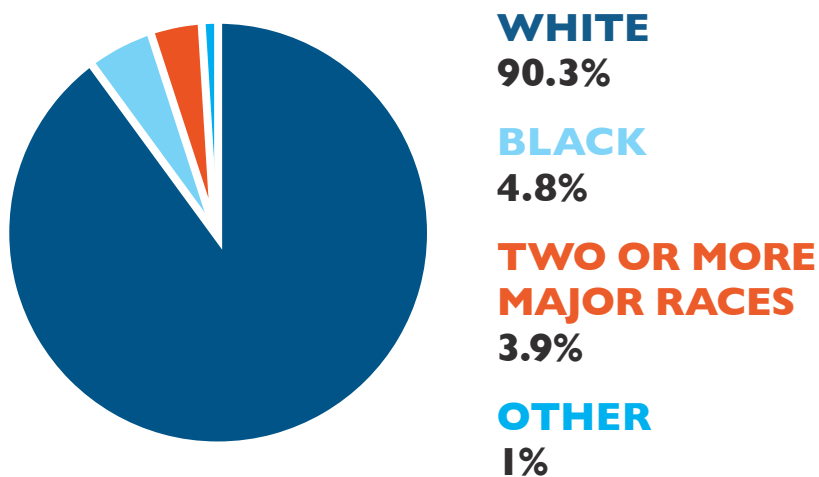
Source: WVCCBP analysis of 2017-2021 five-year American Community Survey microdata



The racial characteristics of unemployed workers mirror that of West Virginia’s population. More than 90 percent of the unemployed in West Virginia are white because over 90 percent of the state’s population is white. Black workers and other workers of color roughly make up their respective percentages of the overall population in the unemployment figures as well (Figure 6).

FIGURE 6
WHITE WEST VIRGINIANS MAKE UP MOST OF THE STATE’S UNEMPLOYED
SHARE OF UNEMPLOYED WORKERS BY RACE, WEST VIRGINIA, 2021

Source: WVCPB analysis of 2017-2021 five-year American Community Survey microdata



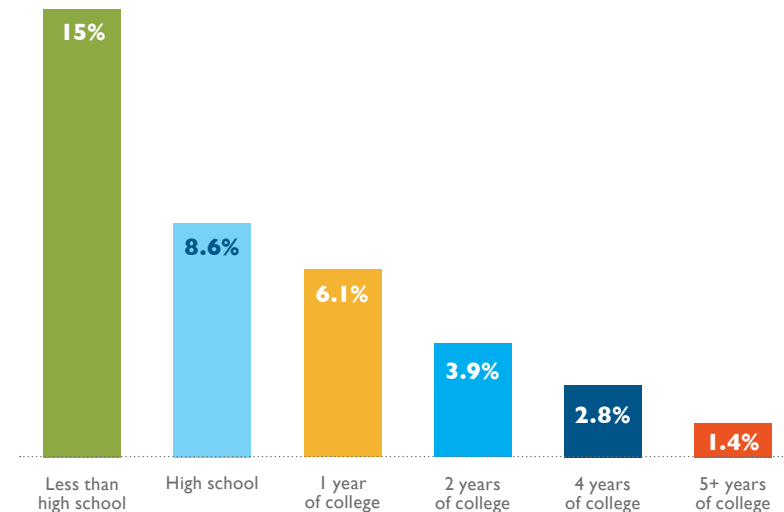
Educational Attainment

Educational attainment is a major determinant of employment status. Only 23 percent of the state’s population over the age of 25 has at least a four-year college degree, compared to the national average of 35 percent, ranking West Virginia last among the 50 states and D.C.⁴

Those without a high school degree have an unemployment rate nearly double the rate of those whose highest level of educational attainment is high school. College graduates and those with advanced degrees have the lowest unemployment rates in the state, with an unemployment rate of just 1.4 percent for those who have 5 or more years of college (Figure 7).

FIGURE 7
EDUCATIONAL ATTAINMENT A MAJOR DETERMINANT OF UNEMPLOYMENT RATE
UNEMPLOYMENT RATES BY HIGHEST LEVEL OF EDUCATIONAL ATTAINMENT, WEST VIRGINIA, 2021

Source: WVCPB analysis of 2017-2021 five-year American Community Survey microdata



⁴ WVCP analysis of 2017-2021 five-year American Community Survey microdata

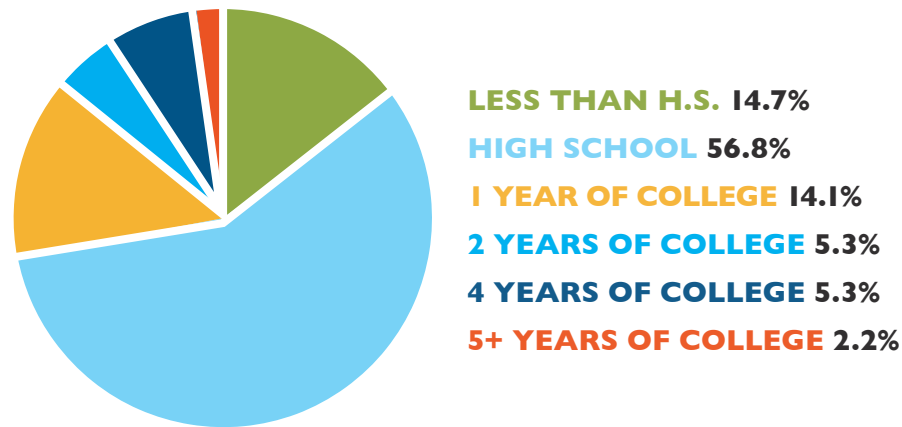
The share of those unemployed is dominated by those without any college education. Those with a high school degree or less make up 71.6 percent of the unemployed in the state. Those with at least 1 year of college make up 28.4 percent, with those with 4 or more years making up just 9.0 percent of the unemployed in the state (Figure 8).

3 OUT OF 4 UNEMPLOYED WORKERS LACK COLLEGE EDUCATION



FIGURE 8
NEARLY 3 OUT OF 4 UNEMPLOYED WORKERS LACK COLLEGE EDUCATION
SHARE OF UNEMPLOYED WORKERS BY HIGHEST LEVEL OF EDUCATIONAL ATTAINMENT, WEST VIRGINIA, 2021

Source: WVCBP analysis of 2017-2021 five-year American Community Survey microdata



Income

Those who are unemployed have significantly less income than those who are employed. The unemployed in West Virginia have an average personal income of just over \$14,000, compared to nearly \$51,000 for the employed. The average personal income of the unemployed in West Virginia is less than half the statewide average (Figure 9). As discussed later in the report, this points to both the low replacement levels and reciprocity rates of unemployment insurance in the state, or how many unemployed workers receive unemployment benefits and the percentage of their lost income that is replaced.

FIGURE 9
INCOME IS LOWER FOR THE UNEMPLOYED
AVERAGE PERSONAL INCOME BY EMPLOYMENT STATUS AND STATEWIDE AVERAGE, WEST VIRGINIA, 2021

Source: WVCBP analysis of 2017-2021 five-year American Community Survey microdata

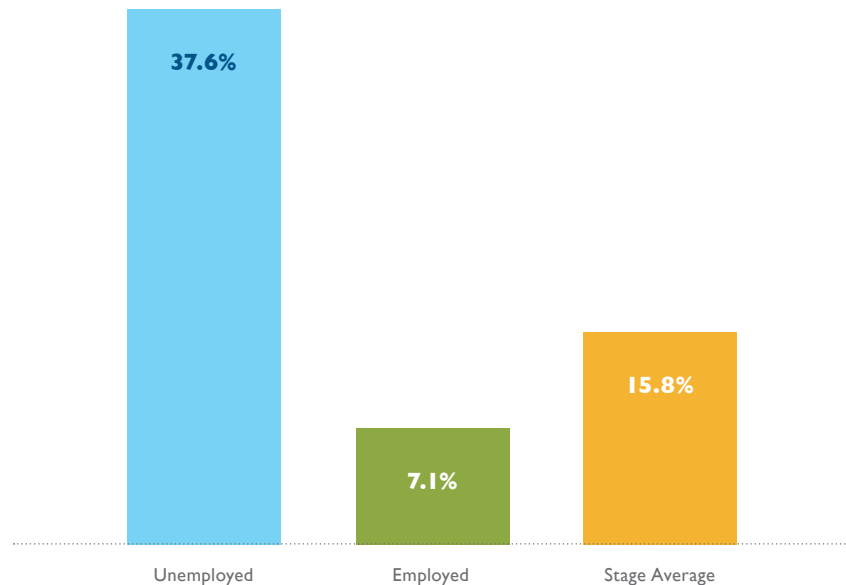


Poverty

With substantially lower incomes than those who are employed, the unemployed in West Virginia are much more likely to be living in poverty. The poverty rate for those who are unemployed is more than 30 percentage points higher than those who are employed, and more than double the statewide average (Figure 10). This once again points to the inadequacy of the state’s unemployment system, including limited eligibility and low replacement wages.

FIGURE 10
POVERTY RATES ARE DRAMATICALLY HIGHER FOR THE UNEMPLOYED
POVERTY RATE BY EMPLOYMENT STATUS, WEST VIRGINIA, 2021

Source: WVCCBP analysis of 2017-2021 five-year American Community Survey microdata

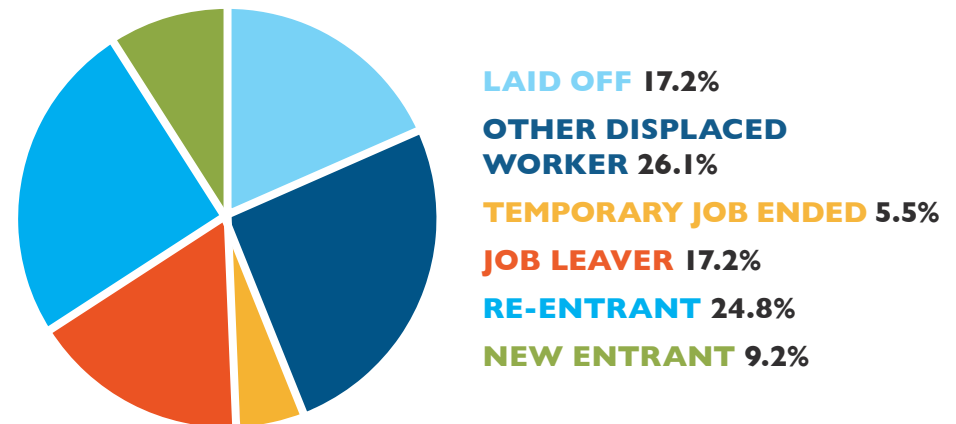


Why are workers unemployed?

There are several reasons why a worker may be classified as unemployed. Most of the unemployed are “displaced workers,” those who have been temporarily laid off or lost their job (due to firing, downsizing, business closing, etc.). Nearly one in four are re-entrants to the labor market, i.e. individuals who are re-entering the workforce after an extended absence. Finally, just under 10 percent of the unemployed are new entrants to the labor market, or those who are seeking their first jobs (Figure 11). With nearly half of the unemployed classified as having recently lost a job, those workers would also likely be experiencing a significant, unexpected loss of income and be at greater risk of slipping into poverty.

FIGURE 11
NEARLY HALF OF THE UNEMPLOYED LOST THEIR JOB
UNEMPLOYED WORKERS BY REASON OF UNEMPLOYMENT, WEST VIRGINIA, 2022

Source: WVCCBP analysis of 2022 Current Population Survey microdata

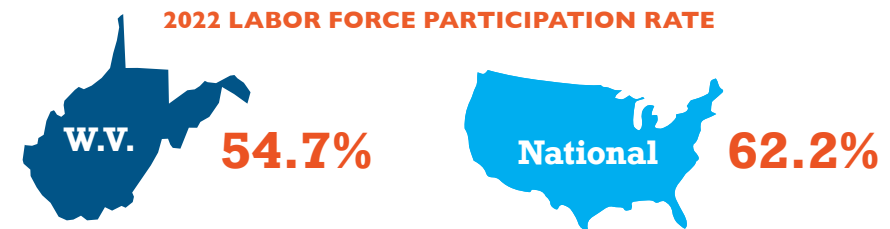


SECTION 3

Workers Not In The Labor Force

People 16 years or older who are neither working nor looking for work are classified as not in the labor force.

The labor force participation rate (LFPR) is the measure of people 16 years or older who are either working or seeking work, expressed as a share of the adult population. Labor force participation is a complementary measure of labor market conditions to the conventional unemployment rate, capturing the share of the adult population that is available to work, where the unemployment rate captures the share of the labor force that is unable to obtain employment at a given point in time.



West Virginia has historically had the lowest labor force participation rate in the country, ranking last among the 50 states every year since 1976.⁵ In 2022, West Virginia's labor force participation rate was 54.7 percent, compared to the national average of 62.2 percent.⁶ In 2022, 683,000 West Virginians were not in the labor force.⁷

⁵ Bureau of Labor Statistics, Local Area Unemployment Statistics

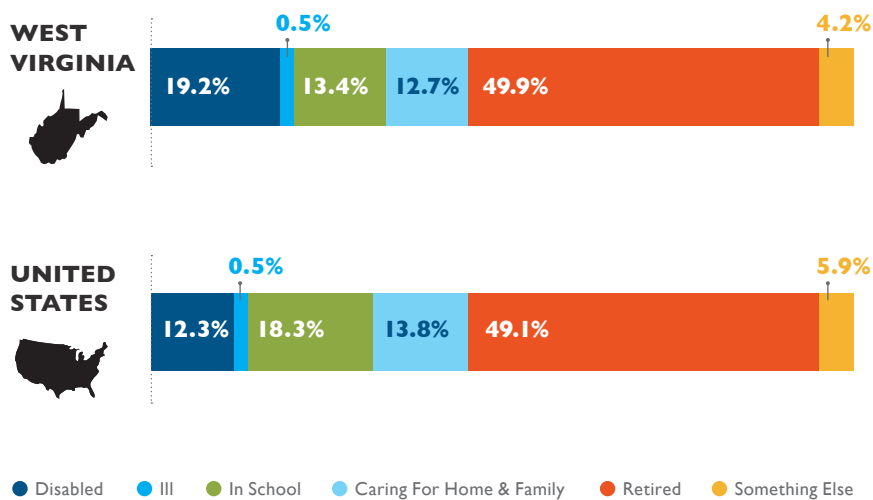
⁶ Bureau of Labor Statistics, Current Population Survey

⁷ WVCPB analysis of Bureau of Labor Statistics, Local Area Unemployment Statistics

Of those not in the labor force, the vast majority are unable to work because they are retired, in school, caring for family members, or disabled. In West Virginia half (or 341,000) of those not in the labor force are retired. Over one fourth are either in school (92,000) or taking care of their home or family (87,000). Just under 20 percent are disabled or too ill to work, while 4.2 percent report some other reason, such as being a discouraged worker, or being convinced they are unlikely to find employment (Figure 12).

FIGURE 12
OVER 95 PERCENT OF WEST VIRGINIANS NOT IN THE LABOR FORCE ARE RETIRED, DISABLED, ILL, IN SCHOOL, OR CARING FOR HOME AND FAMILY
REASON FOR NOT PARTICIPATING IN LABOR FORCE, WEST VIRGINIA AND UNITED STATES, 2022

Source: WVCBP analysis of 2022 Current Population Survey microdata



A previous analysis found that West Virginia’s low labor force participation rate is largely due to its high rates of disability and poor health, low levels of educational attainment, and older age in comparison to other states. When compared with the nation as a whole, West Virginia has a significantly older population with a larger percentage of residents with disabilities.⁸

In order to bring more of these workers into the labor force, policymakers would need to provide specific resources that address the barriers to work they face.

For example, West Virginians with disabilities who are outside the labor force might come into it with targeted job training and accommodation programs. Among West Virginians who are outside the labor force due to family caregiving needs, some might work if they had affordable access to child care or home health services.

The financial implications of not being in the labor force due to caring for home or family are significant. For example, if time spent on unpaid care were compensated at the far-too-low average wages paid to a child care worker or a home health or personal care aide, each man would receive roughly \$2,300 annually while each woman would receive roughly \$4,600 annually. **In wages alone, this unpaid care work is worth more than \$300 billion annually for men — and more than \$625 billion for women.**⁹

⁸ Sean O’Leary, Ted Boettner, and Mark Price, “The State of Working West Virginia 2015: Answers & Solutions to West Virginia’s Low Labor Force Participation,” (Charleston, WV: West Virginia Center on Budget and Policy, November 2015).

⁹ Katherine Gallagher Robbins, Jessica Mason, “Women’s unpaid caregiving is worth more than \$625 billion – and it could cost more,” (National Partnership for Women and Families, August 14, 2023).

SECTION 4

Unemployment Insurance

Created in 1935, the federal-state unemployment system helps workers who have lost their jobs by temporarily replacing part of their lost wages while they look for work.

Contributions to the system are paid by employers on behalf of working people so that they have income support if they lose their jobs. The system also helps sustain consumer demand during economic downturns by providing a continuing stream of dollars for families to spend.

States like West Virginia run their basic unemployment insurance program, with the program overseen by the U.S. Department of Labor. In West Virginia, as in most states, the basic program provides up to 26 weeks of benefits to workers. **In West Virginia, benefits replace about 40 percent of workers' previous wages, from a minimum of \$24 per week to a maximum benefit amount of \$630 per week.**¹⁰ In West Virginia, the maximum benefit amount is set at 66.67 percent of the average weekly wage, calculated once per year.¹¹

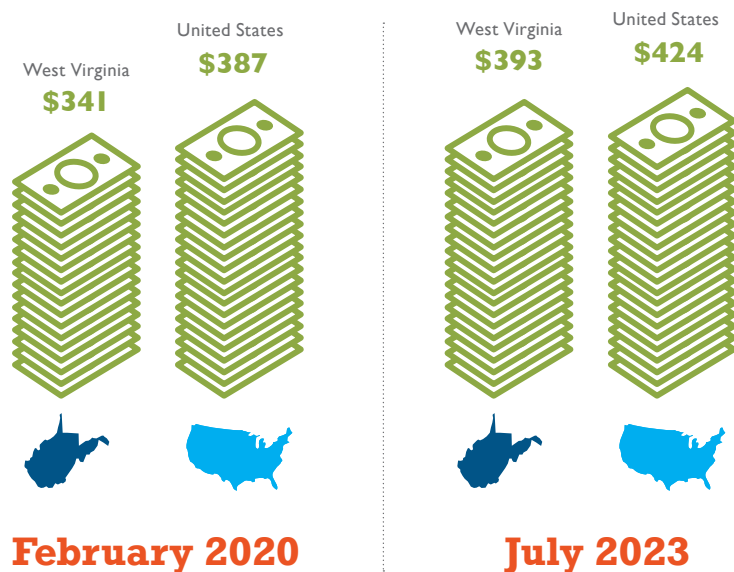
¹⁰ Workforce West Virginia, WV Bureau of Employment Programs, Benefit Table.

¹¹ WV Code § 21A-6-10

Just before the start of the COVID-19 recession in February 2020, average weekly benefits were about \$387 nationwide, and were \$341 in West Virginia. As of July 2023, average weekly benefits were about \$424 nationwide and \$393 in West Virginia (Figure 13).

FIGURE 13
AVERAGE WEEKLY UNEMPLOYMENT BENEFITS ARE LOWER IN WEST VIRGINIA
AVERAGE WEEKLY UNEMPLOYMENT BENEFITS, WEST VIRGINIA AND UNITED STATES, 2020 AND 2023

Source: U.S. Department of Labor, Employment and Training Administration, Monthly Program and Financial Data



During COVID, despite losing tens of thousands of jobs, West Virginia's average weekly wage actually increased, as most of the job losses were concentrated in low wage occupations. The

remaining jobs tended to be in higher wage occupations. Since low wage jobs were lost, this actually drove the average weekly wage up, despite the job losses. **In 2020, despite private sector employment falling by 7.6 percent, the average weekly wage increased by 3.0 percent.**¹² Every year since then wages have outpaced employment growth, as low wage workers returned to work taking higher paying jobs, while inflation also pushed up wages. Because average wages were growing due to inflation and the loss of low paying jobs, the maximum and average weekly benefit increased.

Unemployment benefits are paid out of the state's unemployment trust fund. Despite the increase in average benefits being paid, the state's trust fund is healthier than ever. **As of the end of July 2023, West Virginia's Unemployment Trust Fund had a balance of \$424 million, one of its highest balances on record.**¹³

In September of 2021, Governor Justice deposited \$445 million of CARES Act federal aid into the state's unemployment trust fund.¹⁴ This not only bumped the trust fund balance to above historical levels, but it also triggered a tax cut for businesses. Prior to Governor Justice's deposit, most businesses paid a tax of 2.7 percent on the first \$12,000 of wages for each employee, or \$324 per employee, with some businesses paying more or less depending on their utilization of the unemployment system.¹⁵

¹² Bureau of Labor Statistics

¹³ United States Department of Labor, Treasury Direct Trust Fund Reports

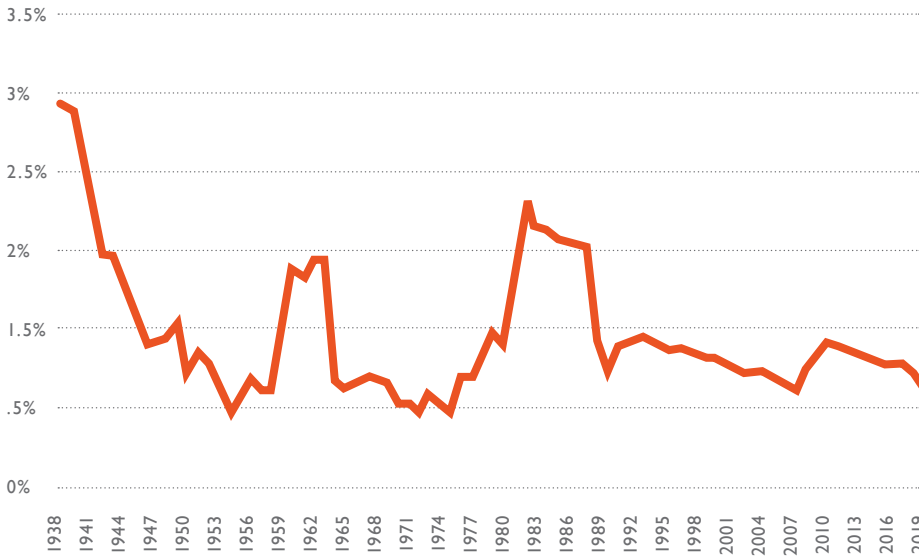
¹⁴ Office of the Governor, "Gov. Justice leads the way: Businesses' unemployment premiums to decrease by up to 25% next year," September 9, 2021

¹⁵ West Virginia State Code §21A-6-10

By artificially increasing the balance of the trust fund, Governor Justice triggered a reduction in the tax based on a state law passed in 2009, which stated that if the trust fund exceeds \$220 million, businesses would only have to pay the 2.7 percent tax on the first \$9,000 of wages for each employee, or \$243 per employee, a 25 percent reduction.¹⁶ Even before the reduction, employers were paying historically low levels of unemployment insurance taxes (Figure 14).

FIGURE 14
EMPLOYERS WERE PAYING LESS IN EMPLOYMENT TAXES EVEN BEFORE THE BASE WAS LOWERED
AVERAGE EFFECTIVE STATE UNEMPLOYMENT INSURANCE TAX RATE AS A SHARE OF TOTAL WAGES

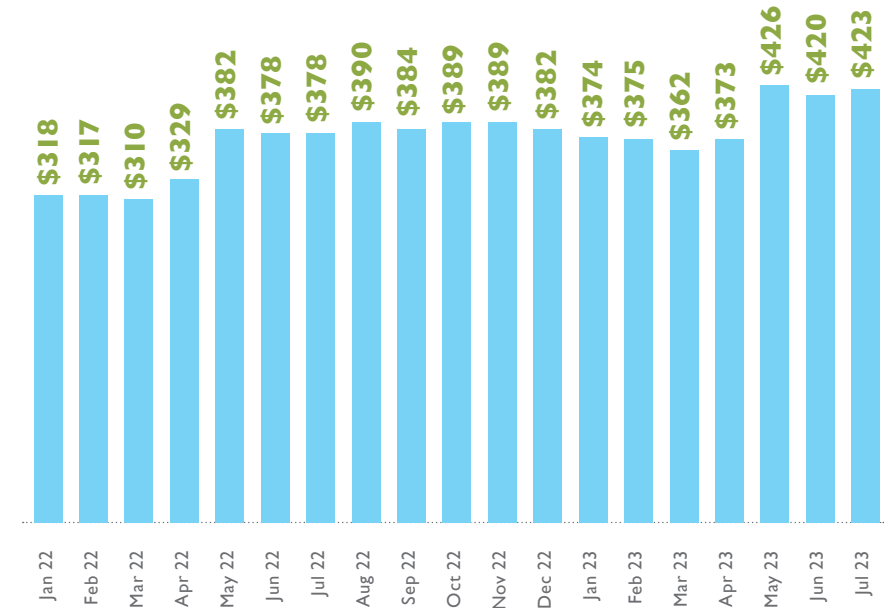
Source: U.S. Department of Labor, ET Financial Data Handbook 394 Report



The balance of the trust fund has continued to grow despite both lower unemployment taxes and higher benefit amounts, as contributions are outpacing payments. Since January 2022, \$270 million has been deposited into the trust fund, largely from employer contributions, while \$171 million has been withdrawn in benefits. The trust fund had grown from \$318 million in January 2022 to \$424 million in July 2023 (Figure 15). That is \$106 million more than it started 2022 with, and \$246 million more than it had in the month before the pandemic began.

FIGURE 15
WEST VIRGINIA'S UNEMPLOYMENT TRUST FUND IS HEALTHY
WEST VIRGINIA'S UNEMPLOYMENT TRUST FUND BALANCE, LAST DAY OF THE MONTH JANUARY 2022 – JULY 2023 (MILLIONS)

Source: U.S. Department of Labor, Treasury Direct Trust Fund Reports



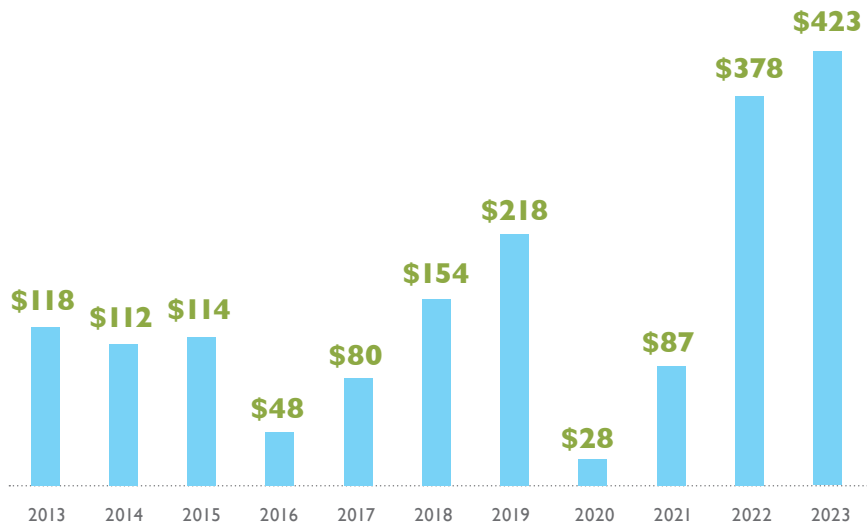
Even with lower tax contributions and higher payments, the trust fund not only remained healthy, but also has grown throughout the past two years. In fact, as of July 2023, the trust fund is healthier than at this point in the year than in any year of the past decade (Figure 16).

TRUST FUND GROWTH FROM JULY 2022 TO JULY 2023

\$45 million ▲

FIGURE 16
WEST VIRGINIA'S UNEMPLOYMENT TRUST FUND AT A HISTORICAL HIGH
WEST VIRGINIA'S UNEMPLOYMENT TRUST FUND BALANCE, LAST
DAY OF THE MONTH OF JULY 2013 – 2023 (MILLIONS)

Source: U.S. Department of Labor, Treasury Direct Trust Fund Reports



Unemployment Insurance Shortcomings

While the unemployment trust fund remains healthy, most unemployed workers do not receive unemployment insurance benefits.

In July 2023, there were 26,500 unemployed workers in the state¹⁷, but only 6,762 workers collecting unemployment benefits.¹⁸ With low reciprocity rates, it is clear that the unemployment insurance system has significant shortcomings. When the unemployment insurance system was designed, the typical job loser was a married male breadwinner laid off from a full-time job to which he could expect to return when business picked up. In the 21st century labor market, the program's outdated eligibility requirements in many states, including West Virginia, exclude people such as unemployed workers looking for part-time work and those who leave work for compelling family reasons, like caring for an ill family member.¹⁹

In addition, the economy is seeing a growing number of gig-economy workers and independent contractors who are ineligible for unemployment insurance benefits in West Virginia.²⁰ These factors prevent large numbers of unemployed workers, many of whom are women and people of color, from receiving unemployment insurance benefits.

¹⁷ Workforce West Virginia, Labor Market Information

¹⁸ U.S. Department of Labor, News Release, Unemployment Insurance Weekly Claims, August 17, 2023

¹⁹ Center on Budget and Policy Priorities, "Policy Basics: Unemployment Insurance," October 2021.

²⁰ Andrew Garin, Emilie Jackson, Dmitri K. Koustas & Alicia Miller, "The Evolution of Platform Gig Work, 2012-2021," National Bureau of Economic Research, May 2023

Other shortcomings include low replacement rates, which make it challenging for workers to meet basic needs when unemployed, administrative hurdles, which make the process of applying for unemployment insurance complex and burdensome, underfunding, which can lead to insufficient benefits, and inconsistent state policies.²¹

Pandemic Response Overcame Many of the Unemployment Insurance System's Shortcomings

The federal government's response to the pandemic at least temporarily addressed many of these shortcomings. The March 2020 CARES Act took bold actions to combat the COVID-19 pandemic's economic damage and included several pandemic emergency unemployment provisions that were in place until September 6, 2021.

The CARES Act included measures providing additional weeks of federally-funded benefits, a federal supplement to weekly benefit payments, and an expansion of eligibility to receive unemployment assistance for people not eligible for regular state unemployment insurance.

Pandemic Emergency Unemployment Compensation (PEUC) provided extra weeks of emergency federal benefits beyond the 26 weeks offered by West Virginia. At its peak, over 22,000 workers in West Virginia collected PEUC benefits, with over 15,000 workers collecting benefits when the state withdrew from the program in July of 2021.²²

The CARES Act also created a new federally-funded program, Pandemic Unemployment Assistance (PUA), for workers who were not normally eligible for regular state unemployment insurance. This included the self-employed, contract workers, those seeking part-time work, those who did not have a long enough work history, usually based on earnings during the past several quarters, and those who had to leave work for compelling family reasons. At its peak, 35,000 workers in West Virginia collected PUA benefits, with over 14,000 workers collecting benefits when the state withdrew from the program in July of 2021.²³

The CARES Act provided a Pandemic Unemployment Compensation (PUC) payment of \$600 a week to supplement the weekly benefit determined under state unemployment insurance laws for all programs (including regular unemployment insurance, PEUC, and PUA) through July 31, 2020. A \$300 weekly supplement was subsequently added for a handful of weeks after July 31, and legislation passed in December 2020 and March 2021 extended that \$300 federal supplement until September 6, 2021.²⁴

21 Bryce Covert, An Unemployment System Frozen in Amber, *The American Prospect*, May 31, 2023

22 Sean O'Leary, "Tracking the Coronavirus Economic Impact," (West Virginia Center on Budget and Policy, April 2020)

23 Ibid.

24 Center on Budget and Policy Priorities, "Policy Basics: Unemployment Insurance," October 4, 2021

The enhanced pandemic benefits lifted millions out of poverty, pushed people into better jobs, and led to one of the fastest economic recoveries in history.²⁵ The enhanced benefits pumped nearly \$1.7 billion into the state's economy,²⁶ boosting state tax revenue,²⁷ and sustaining jobs and reducing hardship.²⁸ In fact, rather than discouraging workers from finding work, as some claimed,²⁹ the more generous benefits led workers to find better, higher paying jobs.³⁰ The enhanced pandemic benefits led to such rapid wage growth for low wage workers that a quarter of wage inequality was erased.³¹ States that withdrew from the federal pandemic benefits early did not see unemployment insurance claims fall faster³², nor did they see a boost in employment.³³

ENHANCED BENEFITS ADDED

\$1.7 billion

- ²⁵ Laura Wheaton, Linda Ginnarelli, and Ilham Dehrey, “2021 Poverty Projections: Assessing the Impact of Benefits and Stimulus Measures” (Urban Institute, July 2021).
- ²⁶ U.S. Department of Labor, Families First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding to States through July 31, 2023, accessed from https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html
- ²⁷ Sean O’Leary, “Signs of Caution in West Virginia’s FY 2021 Surplus,” (West Virginia Center on Budget and Policy, July 27, 2021)
- ²⁸ Sean O’Leary, “Ending Enhanced Unemployment Benefits Failed to Increase Employment and Instead Increased Hardship in West Virginia,” (West Virginia Center on Budget and Policy, August 12, 2021)
- ²⁹ Jeff Jenkins, “Justice considering eliminating \$300 extra unemployment benefit early,” *West Virginia MetroNews*, May 12, 2021
- ³⁰ Gordon Dahl & Matthew M. Knepper, “Unemployment Insurance, Starting Salaries, and Jobs,” (National Bureau of Economic Research, June 2022)
- ³¹ David Autor, Arindrajit Dube, and Annie McGrew, “The Unexpected Compression: Competition at Work in the Low Wage Labor Market,” (NBER Working Paper No. 31010, March 2023)
- ³² Sean O’Leary, “Ending Enhanced Unemployment Benefits Failed to Increase Employment and Instead Increased Hardship in West Virginia,” (West Virginia Center on Budget and Policy, August 12, 2021)
- ³³ Arindrajit Dube, “Early impacts of the expiration of pandemic unemployment insurance programs,” July 18, 2021, accessed from <https://arindube.com/2021/07/18/early-impacts-of-the-expiration-of-pandemic-unemployment-insurance-programs/>

SECTION 5

Conclusion and Recommendations

There are many misconceptions about unemployment and people not in the labor force.

Those who are unemployed often find themselves in this difficult situation, having lost their jobs through no fault of their own. The unemployed already have significant incentives to find new work given the low replacement rates of unemployment insurance and the lack of benefits like health insurance and retirement that are often lost when someone loses a job. Those who are outside the labor force and not trying to find work often cannot work, either due to disability, age, or responsibilities at home or at school.

The enhanced unemployment benefits during the pandemic taught us much about the unemployment system. First, giving extra time with more generous benefits keeps unemployed workers out of poverty, and allows them to find better quality jobs with higher wages. Further, there was no benefit to ending the enhanced benefits. Employment grew no faster in the states that ended the enhanced benefits than in the states that kept them.

With those factors in mind, there are several policy recommendations that could benefit unemployed workers and strengthen the unemployment system.



Benefit Time Limits Should Be Expanded, Not Cut

Recent legislative efforts to cut the number of weeks of unemployment insurance from 26 are misguided. As the pandemic showed, additional weeks of unemployment insurance beyond 26 weeks, as well as the extra amount of benefits, helped workers and the economy during the downturn. Further, states that withdrew from the enhanced benefits early, like West Virginia, saw no benefit in doing so. With that recent evidence, along with the high numbers of unemployed workers living in poverty, expanding unemployment insurance, particularly during economic downturns, makes much more sense than cutting benefits.



Expand Eligibility

As mentioned before, only a small fraction of unemployed workers collect unemployment insurance benefits. The unemployment system does not cover all types of workers, including gig workers, freelancers, the self-employed, and independent contractors, all of which have become more prevalent in the decades since the unemployment system was first enacted. During the pandemic, the Pandemic Unemployment Assistance program helped thousands of West Virginia workers who otherwise would not have been eligible for assistance. The unemployment system should adapt to include this growing number of workers.



Boost Benefit Amounts

At less than \$400 per week in West Virginia, the unemployment benefits provided by the system often do not replace a sufficient portion of a worker's lost income, making meeting basic needs difficult to impossible. It is not surprising that poverty rates are much

higher for the unemployed compared to the rest of the state. Again, during the pandemic, the federal government stepped up with the Pandemic Unemployment Compensation which added an additional \$600 per week to regular unemployment benefits. The extra benefit kept thousands of workers out of poverty and helped lead to a fast economic recovery. In addition, the more generous benefits allowed workers to find better, higher paying jobs, and did little to discourage workers from finding work. There is very little downside to more generous benefits, while the upside is clear and compelling.



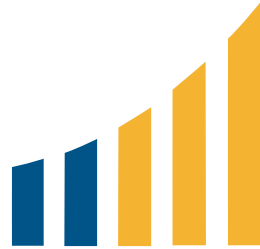
Restore Business Tax Threshold

While past legislation allowed for a cut to the tax businesses pay into West Virginia's unemployment system, it was accomplished through a one-time gimmick that infused the trust fund with federal dollars, rather than growing the trust fund naturally through a strong, healthy economy. While the trust fund has continued to grow, it would be prudent to restore the tax threshold to its original amount, boosting revenue, shoring up the trust fund naturally, and allowing for other reforms, such as boosting benefit amounts and expanding eligibility.



Expand Access to Higher Education

Participation in the labor force and unemployment rates are largely determined by educational attainment, with West Virginia having one of the lowest levels of educational attainment in the country. Therefore, it is imperative that the state moves toward increasing the share of people in the state who complete high school and go on to two- or four-year colleges. This could include boosting support to the state's two- and four-year colleges which has been reduced in recent years, and expanding the Promise Scholarship so it serves more people with lower incomes.



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