Indexing Unemployment Benefits Would Harm Small, Rural Counties in West Virginia

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Overview

During the 2024 legislative session, the West Virginia Senate introduced bills that would make major changes to the state's unemployment insurance system, to the detriment of workers. These changes include dramatically reducing the number of weeks of unemployment benefits available to the state's unemployed workers.[1] One bill (SB 840), would tie the maximum weeks of eligibility to the statewide unemployment rate via a practice known as indexing, while both bills (SB 840 and SB 841) place a hard cap on weekly benefits. Tying weeks of eligibility to the statewide unemployment rate is misguided, failing to account for regional variations in the economy and industries. As such, it would disproportionately harm the state's smaller, more rural counties, while the hard cap on benefits would result in a reduction in weekly benefits for roughly half of West Virginia workers.

Indexing Unemployment Benefits to the Statewide Unemployment Rate Ignores Regional Variations in the Economy

SB 840 would cut the number of weeks workers are eligible for unemployment benefits from the current level of 26 weeks to as little as 12 weeks, with the number of weeks available varying based on the statewide average unemployment rate, calculated via a practice known as indexing.

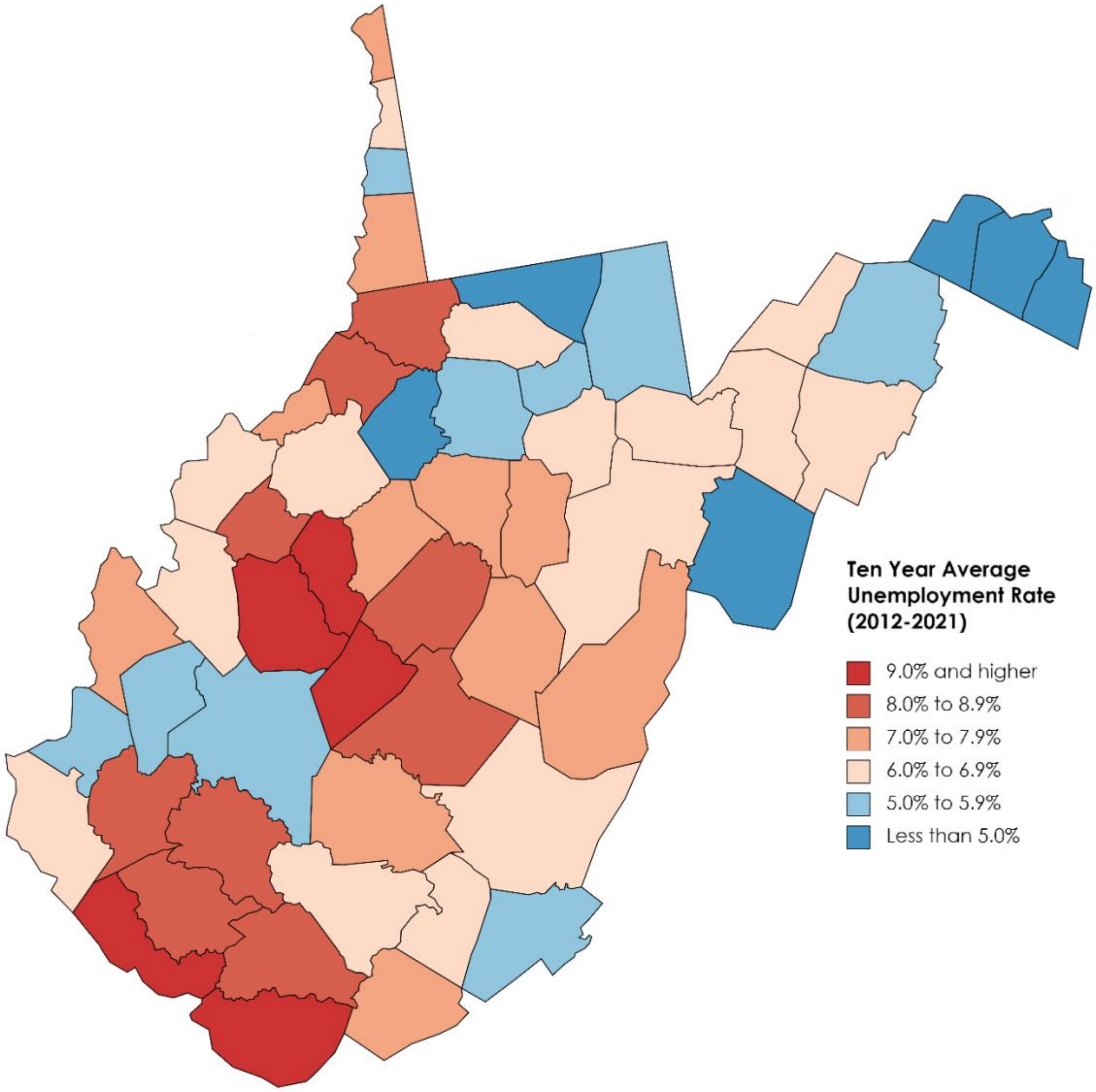
At the county level, reducing weeks of eligibility would create significant hardship for workers in rural parts of the state that tend to have much higher rates of unemployment than the state average. For example, while the statewide unemployment rate averaged 6.2 percent from 2012-2021, individual county unemployment rates averaged as high as 11.6 percent in Calhoun County. Indeed, 36 out of 55 counties had average unemployment rates above the state average (Figure 1). In counties undergoing disruptive economic shifts away from mining and manufacturing, indexing would be especially harmful. An unemployed worker in Jefferson County, which averaged an unemployment rate of 4.0 percent over the last decade, enjoys vastly different economic opportunities than an unemployed worker in Calhoun County, with its 11.6 percent average unemployment rate.[2]

[1] Senate Bill 840, 2024 Legislative Session.
[2] WVCBP analysis of Bureau of Labor Statistics, Local Area Unemployment Statistics data.

Figure 1

County Unemployment Rates Vary Greatly Across the State

Ten-year average annual unemployment rate by West Virginia county (2012-2021)



Source: WVCBP analysis of Bureau of Labor Statistics data
Note: State average over this period was 6.2 percent

Indexing Would Allow More Populous Counties to Determine Weeks of Unemployment Available in Rural Counties

Indexing the available weeks of unemployment benefits to the statewide average unemployment rate disadvantages small, rural counties in another way as well. Because the statewide unemployment rate is determined by using the size of the total labor force in the state, a handful of counties with large populations have an outsized influence in determining the statewide rate—and again, those counties tend to have lower unemployment rates.

The 10 counties with the lowest ten-year average unemployment rates make up 31.6 percent of the state's labor force. In contrast, the counties with the highest ten-year average unemployment rates make up just 6.1

percent of the state's labor force (Table 1). That means when the statewide unemployment rate is calculated, the counties with the lowest unemployment rates, which tend to have larger populations, play a much more significant role in determining the statewide rate, while counties with higher unemployment rates, which tend to have smaller populations, have far less influence. So because counties like Jefferson, Monongalia, and Berkeley have low unemployment rates, smaller counties with higher unemployment rates will see their available weeks of unemployment cut as a result of statewide indexing.

Table 1

Counties with Low Unemployment Rates Have a Greater Influence on the Statewide Average

Top 10 highest and lowest unemployment rates by county (2012-2021) and county share of state labor force

Highest Unemployment Counties	Ten-year Average Unemployment Rate	Share of Statewide Labor Force		Lowest Unemployment Counties	Ten-year Average Unemployment Rate	Share of Statewide Labor Force
Calhoun	11.6%	0.3%		Cabell	5.3%	5.3%
McDowell	11.0%	0.5%		Monroe	5.3%	0.8%
Mingo	10.4%	0.8%		Putnam	5.3%	3.4%
Clay	10.1%	0.4%		Hampshire	5.1%	1.4%
Roane	9.9%	0.6%		Morgan	5.0%	1.1%
Wirt	9.0%	0.3%		Doddridge	5.0%	0.5%
Logan	8.9%	1.4%		Berkeley	4.7%	7.6%
Braxton	8.6%	0.6%		Pendleton	4.4%	0.5%
Wetzel	8.6%	0.8%		Monongalia	4.4%	7.1%
Tyler	8.5%	0.4%		Jefferson	4.0%	3.9%
Total	**9.7%**	**6.1%**		**Total**	**4.9%**	**31.6%**

Source: WVCBP analysis of Bureau of Labor Statistics data

Capping Benefits Would Affect Approximately Half of West Virginia Workers

In addition to drastically reducing the number of weeks of unemployment benefits available via SB 840, both SB 840 and SB 841 would cap the maximum weekly benefit an individual can collect. Current law sets the maximum weekly benefit at 66.67 percent of the state's average wage and is recalculated on an annual basis. SB 840 and SB 841 would lower that maximum weekly benefit to 55 percent of the state's average wage, with a permanent cap of $550 dollars per week.[3]

West Virginia's average wage in the fourth quarter of 2021 was $1,051.[4] Fifty-five percent of that average wage is $578.05, meaning West Virginia has already surpassed the cap of $550 per week. Given this reality, if these bills pass then approximately half of West Virginians would receive a smaller benefit amount if they were to become unemployed and claim unemployment insurance.

[3] Senate Bills 840 and 841, 2024 Legislative Session.

[4] Workforce West Virginia, Employment and Wages.

Conclusion

The past two years have shown in multiple ways how unemployment insurance reduces hardship but doesn't reduce labor force participation or harm the state's economy. However, indexing the weeks of unemployment benefits available based on the statewide average unemployment rate would allow West Virginia's more populous and economically strong counties to determine the number of weeks of benefits available in some of the state's smaller, more economically distressed regions. This would reduce benefits in these counties when displaced workers need them the most and continue to allow these areas to fall behind the rest of the state.

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