

# Study: Recession punishes West Virginia workers

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A recent report by the West Virginia Center on Budget and Policy details the deepening impact of the economic crisis on workers in West Virginia. “State of Working West Virginia 2012” demonstrates how the recession has exacerbated more than three decades of stagnation and decline faced by workers in the Appalachian state.

The recession wiped out 21,300 jobs in West Virginia, of which 18,000 have been recouped during the so-called economic “recovery” since 2010. However, due to population growth over this period some 27,000 new jobs would still need to be added just to reach pre-recession job levels.

The report points to two disturbing aspects of the unemployment crisis in West Virginia—the rise in long-term unemployment and the low labor force participation rate. Like that of the nation as a whole, “The challenge of long-term unemployment continued to plague West Virginia in 2011,” the authors note. After four straight years of increasing, the state’s long-term unemployment rate—the share of the unemployed out of work for six months or longer—reached 39.6 percent in 2011, only the second time it has reached such a level since 1979.

West Virginia has the nation’s lowest labor force participation rate—the share of workers 16 years or older seeking employment. At 54.3 percent, the state’s labor force participation rate stands nearly 10 percentage points below the national average. As the Center notes, “The labor force participation rate is a key component of long-term economic growth and is a good barometer of how well a state’s economy provides employment for those who are able to work.”

The youth are particularly affected by the state’s jobs crisis. The labor force participation rate for workers between the ages of 16 and 24 dropped from 56.6

percent in 2008 to just under 50 percent in 2011. Although this age group accounts for less than 15 percent of the workforce, they comprise one-third of the unemployed.

West Virginia is challenged with low educational levels and an aging population. With less than 24 percent of West Virginia’s workforce having a bachelor’s degree or higher, the state ranks 48<sup>th</sup> in the nation for average worker educational attainment. Moreover, the state has one of the nation’s oldest workforces as the youth either drop out of the workforce completely or move away in search of opportunities not available at home, while older workers are forced to delay retirement due to lack of resources.

The Center’s report dismisses the often repeated claims that the state’s high unemployment and low labor participation rate are due to a mismatch between the skills of available workers and those required by employers.

“The recession caused a severe drop in demand for goods and services, creating a job shortage and sustained rates of high unemployment,” the report explains. “There are plenty of willing and able workers with all skill sets, but not enough jobs for them all.” Indeed, in June there were 3.7 unemployed workers in West Virginia for every job opening as compared to 3.4 nationally. Moreover, the report notes that West Virginia workers of all educational levels were affected by the recession, indicating that “a job shortage continues to be the problem.”

These statistics reveal only part of the difficult conditions confronting West Virginia workers. Many of those who have jobs work in positions that offer poor pay and no benefits. “When viewed over several decades, job quality has declined in terms of work-

related benefits,” the report explains. “Jobs that provide pensions, health insurance, and good wages are harder to come by today than they were in the past.”

Over the last three decades the percentage of West Virginians working in the private sector with employer-provided health care plunged from 73 percent in 1979 to just 53 percent in 2010. The same is true for employer-provided pensions, which dropped from 57 percent to 45.9 percent over the same period.

The shifting of these costs onto the backs of the workers themselves, coupled with the state’s aging population, has led to an increased reliance on federal programs such as Medicare, Medicaid, and Social Security. In 2010, a full 28 percent of the state’s income came from payments from these federal programs, the highest percentage of any state in the country. This makes all the more ominous the bipartisan attacks being waged on the national level against these programs, above all the attack on health care leveled by the Obama administration’s Affordable Care Act.

The recession has also driven down wages. “Meanwhile, inflation-adjusted median wages declined between 2010 and 2011 and were over a dollar an hour below the national average, even though low-wage West Virginia workers are better educated than in the past,” the report reveals. The real median wage in West Virginia fell in 2011 to \$15.02. This is \$1.04 less than that earned by the state’s counterparts nationwide.

“West Virginia’s real hourly median wage remains below its 1979 level of \$16.14,” notes the report, “meaning middle-class workers in West Virginia have gained no wage growth in over 30 years.” This is despite the fact that nearly twice as many low-wage workers have at least some college education today as compared to three decades ago.

The Center concludes, “the lack of wage growth despite increases in education for low-wage workers reflects the erosion of the minimum wage in recent decades, which is well below its historical value relative to the cost of living, average wages, and productivity.”

West Virginia has also experienced the rapid growth of social inequality that has defined the past three decades of life in the United States as a whole. While the vast majority of the state’s workers have seen a stagnation and decline in their wages and living

standards, the state’s wealthiest residents have further enriched themselves: “wages at the 90<sup>th</sup> percentile [which] experienced a much smaller fall during the 1980s, have since fully recovered and are now 11 percent higher than they were in 1979.”

The report also points to the “serious social problems” income inequality is creating in the state: poor physical health, increased violence, higher levels of obesity and drug use, and poorer education.

While the Center calls for a modest increase in the minimum wage, which would “directly affect 141,323 West Virginia workers,” the drive of both political parties, and above all the Obama administration, has been to suppress wages, thereby maintaining and increasing the vast pool of low-wage workers so that American business is better able to compete on the world market with the super-exploited workforces of countries like China.

The report also warns against the increasing calls for slashing the state’s budget “which are due largely to tax cuts that did not pay for themselves.” While West Virginia’s economy is dominated by the natural resource extraction industry—coal, natural gas, and oil—over 20 percent of the state’s jobs are in the public sector. Thus, the brunt of any cuts would necessarily be borne by large sections of the state’s working class in the form of reduced social services and good-paying jobs, precisely at a time when both are needed more than ever.



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