

Layoffs mount in West Virginia

Naomi Spencer
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After six months of rising joblessness, West Virginia recorded an official unemployment rate of 7.4 percent in June, the highest rate in the country. Thousands of coal, rail, logging, construction, and metal workers have been laid off in the past few months, losses that have rippled through other sectors of the economy.

The official unemployment rate is a vast understatement of the economic and social crisis in the state. West Virginia is also the only state with a workforce participation rate under 50 percent. Nearly one in six working-age adults receive disability benefits, according to federal Labor Department data.

The situation reflects the long-term economic distress of the Appalachia, as well as the ongoing stagnation seen across the US seven years after the onset of recession. The integration of the West Virginia coal industry into the global energy markets—buffeted by falling demand from China and low energy prices—has been borne out in the wave of mine closures, mass layoffs, and bankruptcies across the coalfields region.

Since June 2014, 2,900 miners have lost their jobs in the state, according to WorkForce West Virginia data. Some 4,300 construction workers and 2,200 people working in leisure and hospitality have been laid off over the same period.

Last week, rail giant CSX announced a 1 percent reduction in its workforce, with most of the 600 jobs to be cut from the company's Huntington, West Virginia division. The company cited declining demand for coal exports, larger coal stockpiles at US power plants, and slowed oil and natural gas extraction because of low prices. Most of the furloughed employees are contract train operators working as conductors or engineers. The Huntington division serves West Virginia, Ohio, Kentucky, Tennessee, Virginia, and North and South Carolina.

The CSX cuts are not the first mass layoff this year to hit Huntington, a rail and Ohio River transport hub for the region. In March, metal fabrications company Precision Castparts Corp. announced 100 workers would be let go

at its Special Metals facility in Huntington. The layoffs, affecting the third shift crew, were effective immediately on March 29, when the company announced it was making “staffing adjustments” to maintain competitiveness in the aerospace, defense, and industrial markets. Special Metals is the largest nickel alloy production facility in the world.

The Appalachian region has historically been a center of coal mining. At its peak, hundreds of thousands of coalfields residents worked as miners. Thousands more worked in coal preparation, hauling, and on the railways and river transport system. Counties centered around coal have been devastated over the past quarter century as seams have been depleted and smaller mine operations have been shuttered.

The low cost of natural gas and introduction of fracking has further undercut the more labor-intensive coal industry in the domestic energy markets. A May 2015 report from West Virginia University's Bureau of Business and Economic Research estimates that by 2035, state coal production will fall 39 percent from the industry peak in 2008. Even in the unlikely event of an uptick in global demand, researchers state that in southern West Virginia, “some reserves would become too depleted or fragmented to recover at nearly any price.”

The southern coalfields have seen hundreds of jobs cut in the past few months, including the layoff of 439 workers at Alpha Natural Resource-owned facilities in Wayne County in May. Coal from the southern part of the state has long been prized for its metallurgical quality in steel production and other industrial use. This ties the local economy to fluctuations in the international commodities markets and international industrial demand.

Northern coalfields, which supply domestic power plants, have also been the scene of large-scale layoffs. On the same day the Alpha Natural Resource cuts were announced, Murray Energy announced it was laying off 1,400 miners, including 588 in Monongalia County.

Since the end of 2011, some 7,000 coal miners have lost their jobs in West Virginia. According to a special report

by West Virginia Public Broadcasting and SNL Energy in June, six of the state's counties are among the top 25 counties for mining job losses nationwide. (See "Coal and gas layoffs mount as prices continue to fall") Boone County, West Virginia has suffered 2,698 job losses—a 58 percent loss since fourth quarter 2011—the worst in the US.

Neighboring counties in eastern Kentucky have witnessed similar losses. Since 2011, the state's mining workforce has shrunk from 18,000 to 10,400.

Strained local budgets

For every mining job lost in these counties, between three to 11 additional jobs are cut. City and county budgets have been crippled by the decline in jobs, as well as the drying up of the coal severance tax funds from the state governments as the industry shrinks. Coal severance is allotted to counties based in part on the tonnage of coal extracted, and the price it garners on the market.

Local newspaper reports from city council meetings deliberating annual budgets before the July 1 fiscal year give an indication of the crisis that is unfolding in coal-producing counties.

- Boone County, West Virginia: The "ground zero" of coal layoffs was also the site of early budget cuts. On December 31, 2014, the county axed 11 public employee positions, including janitors and recycling center workers. The county lost nearly \$3 million in severance tax over the past five years.

- Mingo County, West Virginia: Coal severance payments are \$400,000 less than the \$1.2 million the county budgeted, prompting deep cuts to already barebones services. A county-owned ambulance service was terminated and two medics were fired. Ten other public employees were laid off. The public transit system was defunded. In addition to severance tax loss, the county is paralyzed by the grinding poverty of the population.

"People do not have the money to pay their taxes and it is approximately \$1 million short from this time last year," Commissioner Greg Smith told the *Williamson Daily News*. "People do not have the money, they are spending their money on groceries and prescription drugs which are more important." The county's circuit court judge has reportedly solicited private lawyers for

donations to renovate the courthouse.

- Nicholas County, West Virginia: 28 county employees were laid off and the remaining workforce was subjected to a 20 percent pay cut.

- Henderson County, Kentucky: Road Department, Parks and Recycling workers had their hours reduced to 32 hours a week, resulting in a \$489 a month drop in salary, to \$2,444. The county is considering cuts to ambulance service. The last coal mine in the county closed last year, drying up a source of tax revenue that once provided \$900,000 to the budget. "We fixed roads out of that, we funded the planning commission out of that, the airport out of that, our volunteer fire department out of that," Henderson County Judge Executive Hugh McCormick said.

- Letcher County, Kentucky: The sheriff's department has reduced hours and cut staff. Emergency calls will be handled by a regional call center. Seventy percent of coal miners in the county have lost their jobs, devastating the county tax base and throwing hundreds of residents into poverty.

- Pike County, Kentucky: First-quarter coal severance funds are below what the county treasurer budgeted for; the crisis follows a lawsuit last fall challenging the Kentucky legislature's decision not to grant Pike County, one of the largest coal producers in the region, any coal severance money for special development projects. The conflict reflects the competition local governments are forced into by the state, vying for an ever-shrinking pool of funds.

- Harlan County, Kentucky: Residents of Lynch complain that a March 6 mine explosion above the town created a "bump" measuring 40 feet by 20 feet in the Main Street of town, for which officials say there is no money to fix. "We are facing unbelievable, challenging and strenuous financial times in Harlan County and eastern Kentucky," Judge Executive Dan Mosley stated, introducing budget cuts to nearly every county service. In 2012, coal severance money accounted for 15 percent of Harlan County's budget; today it makes up 8 percent.



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