Introduction
Thousands of West Virginians are struggling to make ends meet, particularly as growth in wages have continued to stagnate. More than 327,000 West Virginians are living in poverty, including nearly a quarter of the states children. A significant portion of those living in poverty are working, but are working for wages too low to lift them and their families out of poverty. As a result, many working West Virginians rely on government programs to make ends meet when their wages are not enough.

The impact of low wages doesn't end with the state's poverty rate. When employees are paid low wages, it results in less spending in their community, holding back state and local economies. Low wages make it harder for workers to save for retirement, or to send their children to college, creating a multi-generational problem. Further, when businesses pay low wages, government ends up subsidizing those businesses' labor costs through support programs, like food stamps. This means the state can't invest its limited resources in other areas that provide a foundation for economic prosperity.

Enacting a low-wage employee fee would create an incentive for large employers to pay their employees enough to achieve basic economic security, while requiring those who do not to pay their share of the public costs of low wages. Modeled after proposals in Connecticut and Illinois, a low wage employer fee would require businesses with more than 500 employees in West Virginia to pay a $1.00 fee for every hour their workers work while earning less than $15 per hour. This would not only help ensure that the businesses whose employees rely on public support programs are contributing to their costs, but also create a measure of fiscal relief for the state.

Key Findings

- Nearly 20 percent of West Virginians are living in poverty, and a significant portion of those in poverty are working.
- Wages have been stagnating for decades in West Virginia, for all but the highest earners. Between 1979 and 2015, the real median wage in West Virginia fell by 5.9 percent, while wages at for the bottom 10 percent fell by 6.0 percent.
- Since the recession, West Virginia has been gaining low wage jobs, but has lost mid- and high-wage jobs.
- Excluding the aged and disabled, 38 percent of West Virginia's spending on Medicaid/CHIP and TANF goes to working families. In FY 2014, that would be equal to $105 million.
- Workers who earn less than $15 per hour in West Virginia are three times more likely to receive welfare than workers who earn more, and are 10 times more likely to be living in poverty.
- A low wage employee fee on businesses with more than 500 employees in West Virginia, at $1.00 per hour worked at below $15.00 per hour would produce up to $45 million annually.

The Problem of Low Wages and Poverty

West Virginia has one of the highest poverty rates in the country. In 2014, West Virginia's poverty rate of 18.3 percent was nearly 3 percentage points higher than the national average, with more than 327,000 West Virginians living in poverty, including more than 89,000 children.[1]

Many of West Virginias who are living in poverty are working, but for wages too low to lift them out of poverty. According to the Bureau of Labor Statistics, 23.1 percent of those living in poverty nationwide are "working poor," meaning they spent at least 27 weeks per year in the labor force. While some of the working poor are in poverty due to factors like unemployment or involuntary part-time employment, over half of the working poor are poor at least in part because their wages are too low to bring their families out of poverty.[2] In 2014, 38 percent of adults living in poverty in West Virginia were in the labor force.[3]

Low wages and stagnant wage growth have been a persistent problem in West Virginia for decades. In 2015, West Virginia's median hourly wage was $16.01, the 14th lowest in the country and $1.18 below the national average (Table 1). While West Virginia's median wage is low compared to the rest of the country, its wages at the bottom are even lower. The bottom 20 percent of West Virginian workers earned less than $9.99 per hour, with only 4 states having a lower wage at that percentile.[4]

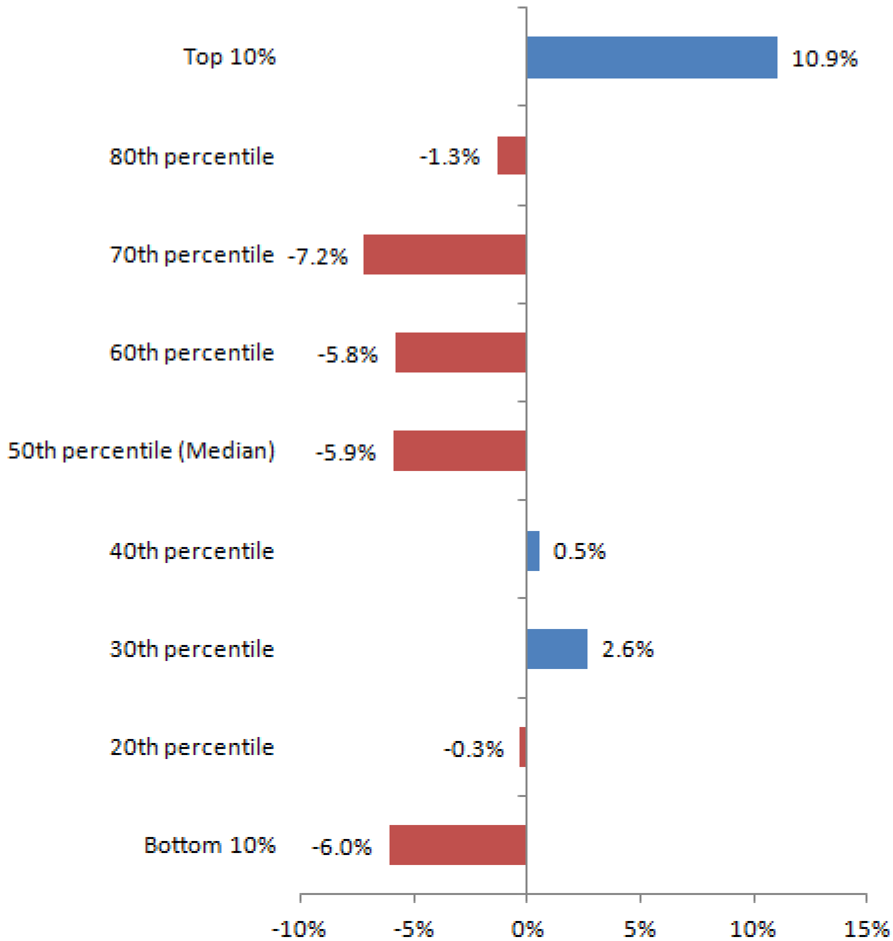
Table 1
Low Wages in West Virginia
Wages by Deciles, West Virginia and U.S. (2015)

Decile	**U.S.**	**West Virginia**	**West Virginia Rank**
Median (50th percentile)	$17.19	$16.01	38
40th percentile	$14.79	$14.11	36
30th percentile	$12.33	$11.98	35
20th percentile	$10.21	$9.99	42
10th percentile	$8.91	$8.39	47

Source: Economic Policy Institute analysis of Current Population Survey data

And while wages are low for many West Virginians, they have been stuck there for decades. The real value of the median wage in West Virginia declined by 5.9 percent from 1979 to 2015, while real wages for the bottom 20 percent saw no growth. Real wages for the bottom 10 percent declined by 6.0 percent. In fact, only the top 10 percent of workers have seen a substantial real wage increase in West Virginia since 1979 (Figure 1).

Figure 1
No Wage Growth for Most West Virginians for Decades
Percent Change in Real Wages by Deciles, 1975-2015

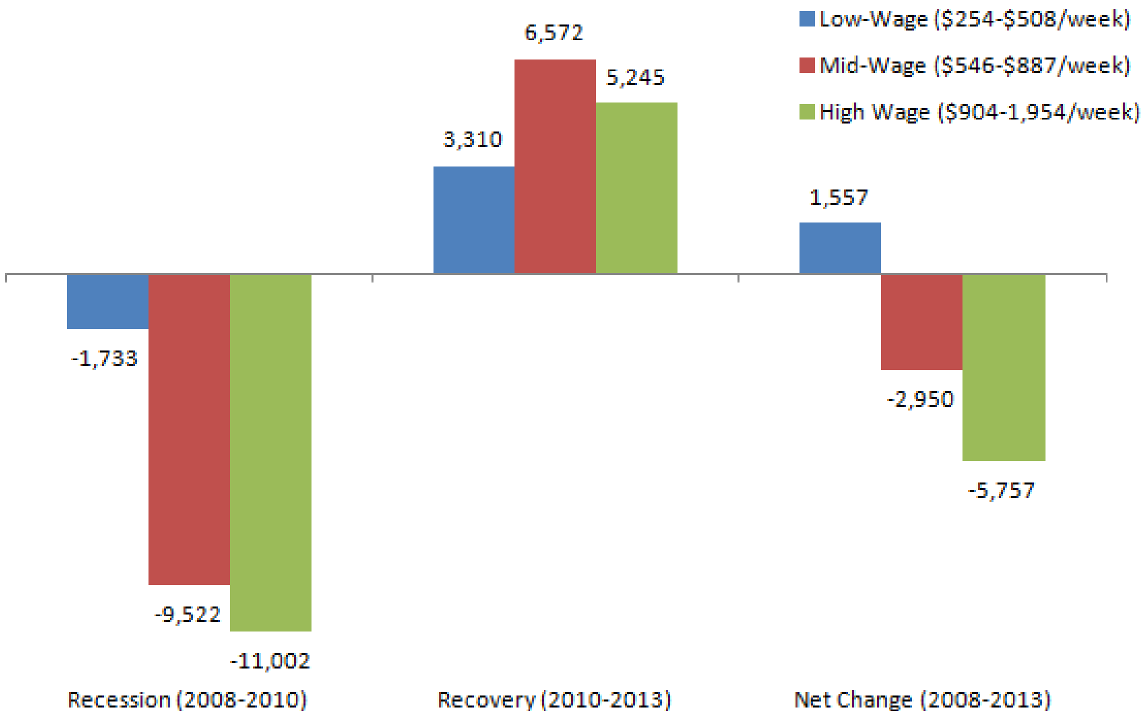


Source: Economic Policy Institute analysis of Current Population Survey data

Compounding the effect of persistently low wages are recent job trends in West Virginia. From 2008 to 2010, the state's economy lost more than 22,000 jobs, with more than half of the losses coming from high-wage industries, or those paying an average of $904 per week or more. During the state's recovery from the recession, from 2010 to 2013, more than nearly twice as many private sector low-wage jobs were added than were lost during the recession, while less than half of the high-wage job returned. The unbalanced recession and recovery in West Virginia's labor market has left fewer workers employed in good-paying jobs than before the recession.[5]

In 2013, there were nearly 3,000 fewer West Virginians employed in mid-wage industries than in 2008, and more than 5,700 fewer workers employed in high-wage industries. In contrast, in 2013 low-wage industries employed nearly 1,600 more workers than in 2008 (Figure 2).

Figure 2
West Virginia Gaining Low-Wage Jobs
Net Job Change, Private Sector, By Wage Category (2008-2013)



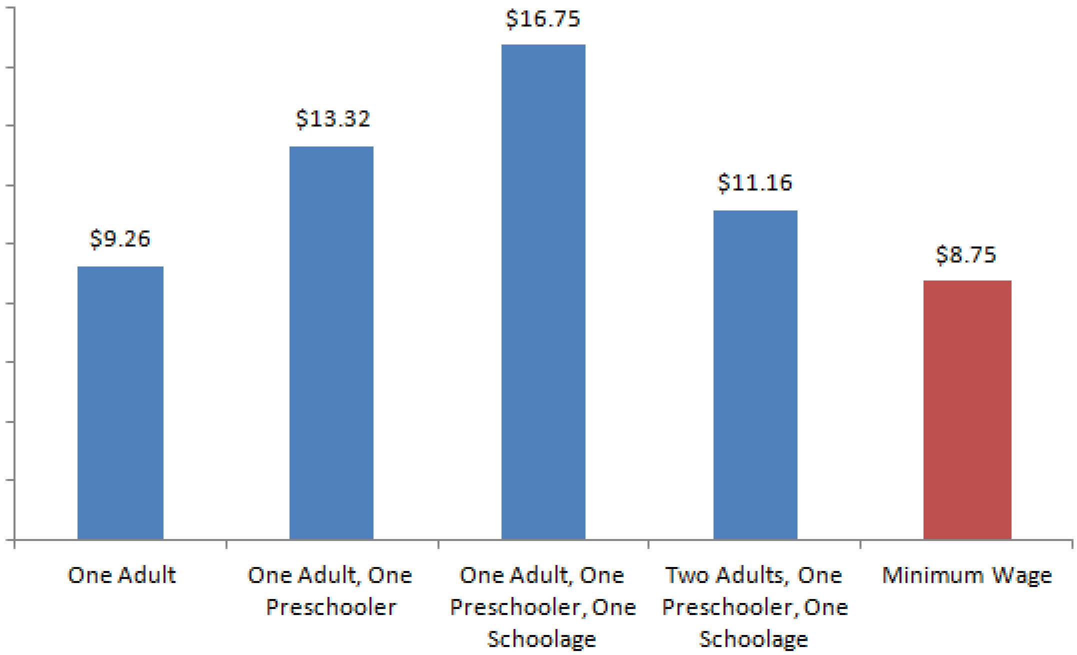
Source: WVCBP Analysis of Workforce West Virginia Data.

The Cost of Self Sufficiency in West Virginia

A self-sufficient or living wage is the wage an individual of family would need to earn to meet their basic needs without relying on public assistance. A self sufficient wage is one that covers minimum costs of food, healthcare, transportation, housing, and other necessities, and can vary by family size and geographic location. Workforce West Virginia has developed a Self Sufficiency Standard for West Virginia, which calculates a living wage for various family structures throughout West Virginia.[6]

According to the 2013 Self Sufficiency Standard for West Virginia, a single adult no children in Charleston, West Virginia would have to earn $9.26 per hour, working full-time, to meet their basic needs without government assistance (Figure 3). The cost of self sufficiency increases sharply when workers are providing for children. The Self Sufficiency Standard in West Virginia for a single full time worker with one child ranges from $11.65 to $16.82 per hour. The Self Sufficiency Standard for a single full time worker with two children is over $20.00 per hour in some areas of the state. In contrast, the state's minimum wage is only $8.75 per hour, and was only 7.25 when the standard was calculated, while the median wage is only $16.01, meaning that thousands of West Virginians are working full-time for wages that aren't enough to meet their basic needs.

Figure 3
Thousands Working for Insufficient Wages in West Virginia
2013 Self Sufficiency Standard, Charleston, WV



Source: Workforce West Virginia

The Public Cost of Low Wages
Low and stagnating wages aren't just a concern for those workers who can't make ends meet; they also create issues for federal, state, and local governments. With wages for many workers far below what is needed just to get by, many workers and their families turn to public assistance programs for help. Employers who pay low wages are shifting labor costs onto the public through government programs, and are in effect receiving taxpayer subsidies for their low wages.

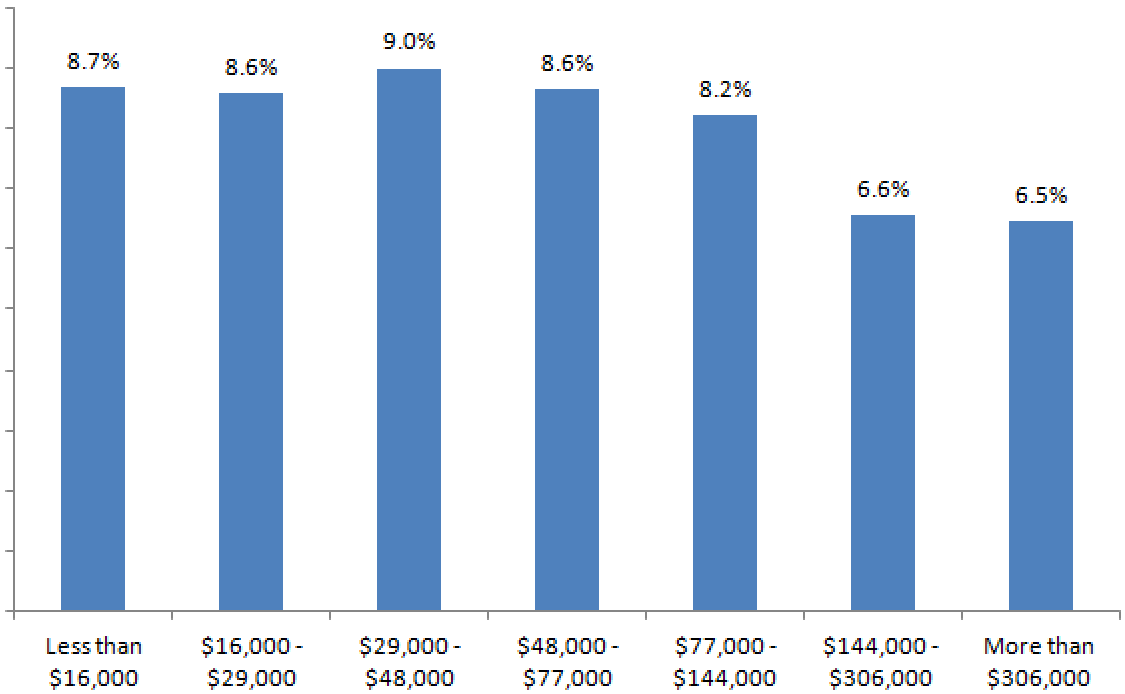
According to research from University of California at Berkeley and the University of Illinois at Urbana-Champaign, 73 percent of enrollees in the country's major public assistance programs (including SNAP, TANF, Medicaid/CHIP, and the EITC) are members of working families.[7]

More research from the UC Berkeley Labor Center found that states and the federal government are spending billions on public assistance programs for working families. Between 2009 and 2011, states spent an average of $25 billion per year on Medicaid/CHIP and TANF benefits for working families. During that time period, 38 percent of West Virginia's spending on Medicaid/CHIP and TANF went to working families, excluding spending on the disabled and the elderly.[8] That is the equivalent of $105 million for FY 2014.

Low Wage Workers Pay the Most
Low wage employers shift their labor costs onto the state's budget through the public assistance programs West Virginia offers. But the taxes that pay for those programs are a heavier burden on those same workers affected by low wages, rather than the low-wage employers.

Most state and local tax systems are regressive, with a reliance on sales tax and relatively flat income tax brackets leading to the poor paying more of their income in state and local taxes than the wealthy. West Virginia is no different, with West Virginia families which earn less than $16,000/year paying an average of 8.7 percent of their income in state and local taxes, while those earning above $306,000 paying only 6.5 percent (Figure 4).[9]

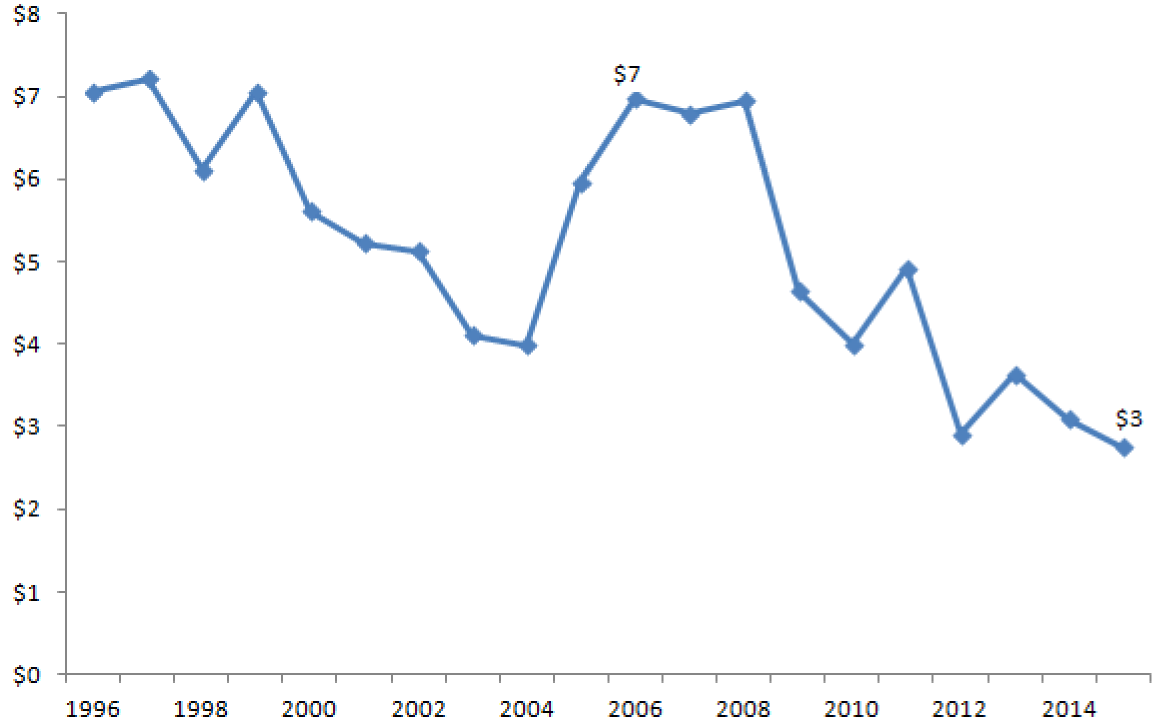
Figure 4
West Virginia Low- and Middle-Income Families Pay More in State and Local Taxes
West Virginia state and local taxes as a share of non-elderly family income, 2015



Source: Institute on Taxation and Economic Policy

While low-income families in West Virginia are facing a heavier tax burden, businesses in West Virginia have seen substantial tax relief in recent years. Even as the number of low wage workers in the state grows and businesses shift their labor costs onto the state budget, tax cuts have dramatically lowered the amount that businesses contribute to the state budget. Since 2007, the state has phased out the business franchise tax and reduced the corporate net income tax rate, lowering the state's business taxes by millions of dollars per year. In 2006, the state collected $348 million in business taxes compared to just $186 million in 2015. Businesses taxes a share of the economy have been cut by more than half, from $7 dollars per $1,000 in personal income in 2006 to just $3 dollars in 2015 (Figure 5).[10]

Figure 5
West Virginia Businesses Paying Less in Taxes
Corporate Net Income and Business Franchise Taxes per $1,000 of WV Personal Income



Source: WVCBP analysis of WV State Budget Office and U.S. Bureau of Economic Analysis data

Recouping the Costs of Low Wages
When low wage workers are forced to turn to public assistance programs to support their families, those programs become a public subsidy for businesses paying low wages at a cost to state and local governments. In that way, the growth of low wage work in West Virginia has implications for both the workers whose wages aren't enough to meet their needs and the fiscal problems that the state is facing. Some state and local governments have proposed a way to offset the public costs of low wages by enacting a fee on low wage employers. For example, Cook County, Illinois has proposed the Responsible Business Act, which would enact a $750 fee on large businesses for each dollar each employee was paid less than $15.00 per hour[11], while Connecticut's proposed low-wage employee fee would charge businesses with 500 or more employees $1.00 for every hour an employee worked earning less than $15.00 per hour.[12]

The proposals address the costs of low wages in a number of ways. First, they create an incentive for businesses to improve the pay low-wage jobs, which benefits the thousands of working families in West Virginia who are struggling with low wages and help boost the economy. Next, create a way for businesses that do pay low wages to offset the public costs those low wages create. These proposals also level the playing field for businesses that do not pay low wages, and are not subsidizing their labor costs in the form of public assistance programs. Finally, these proposals can potentially create hundreds of jobs, both by allowing government to put more resources towards investments that promote broad economic growth while also increasing consumer spending through higher wages.

Analyses of both the Cook County Responsible Business Act and the Connecticut low-wage employer fee show the proposals result in both a net increase in revenue and a net increase in jobs. A study by the University of Illinois at Chicago Center for Urban and Economic Development found Cook County's proposal would increase the pay of about 16,000 workers, generate about $100 million per year in revenue, and increase employment in Cook County by about 128 jobs per year from 2015 to 2019.[13] Results were similar in an analysis of Connecticut's proposal done by the University of Connecticut School of Social Work, which found the proposal would increase state revenue by between $183 and $189 million per year while net state employment would increase by 532 to 1,388 jobs.[14]

A Low-Wage Employee Fee for West Virginia

Approximately 37 percent of private sector workers in West Virginia earn less than $15.00 per hour. These workers are more than 3 times a likely to participate in public assistance programs like TANF and SNAP, and are more than 10 times as likely to be living in poverty as workers who earn more.[15] When these workers turn to public assistance programs to make ends meet, their employers are shifting the costs of their labor onto the public. Enacting a low wage employee fee would help offset that public cost of low wages, while incentivizing higher wages which could boost the state's economy.

Modeled after the proposal in Connecticut, a $1.00 per hour fee for workers earning less than $15.00 per hour for employers with 500 or more employees in West Virginia would generate approximately $45 million.[16] The fee would be paid by an estimated 71 large employers in the state, who collectively employ more than 25,000 workers who earn less than $15.00 per hour. Table 2 provides a breakdown of the estimate by industry.

Table 2
Estimated West Virginia Low-Wage Employee Fee Fiscal Impact

Industry	Employers with 500+ Employees	Total Average Employment	Percent of Workers Earning Less than $15/hour	Number of Workers Earning Less than $15/hour	Average Yearly Hours Worked	Annual Fee Amount
Mining, Quarrying, and Oil and Gas Extraction	6	3,618	17.9%	647	2,448	$1.6
Manufacturing	14	14,042	27.0%	3,798	1,978	$7.5
Retail trade	7	8,015	53.9%	4,317	1,652	$7.1
Transportation and Warehousing	3	3,312	29.8%	986	2,322	$2.3
Information	3	2,556	37.2%	950	1,754	$1.7
Finance and Insurance	5	3,980	34.4%	1,368	1,932	$2.6
Administrative and support and waste management services	8	5,736	48.8%	2,799	1,764	$4.9
Health Care and Social Assistance	17	17,357	34.0%	5,899	1,825	$10.8
Accommodation and Food Services	8	7,376	61.0%	4,501	1,462	$6.6
Total	71	65,992	38.3%	25,265		$45.1

Source: WVCBP analysis of 2014 American Community Survey Microdata and Workforce West Virginia data. Data not available for all industries.

The fee would have an overall small impact on the economy and in the industries it is levied on. Overall, the fee amounts to only 0.07 percent of private sector state gross state product (GDP). Even in the accommodation and food service industry, which has the highest concentration of workers earning less than $15.00 per hour, the fee is less than one-third of one percent of private state GDP for the industry (Table 3).

Table 3
Low-Wage Employee Fee as a Share of Private Sector State Gross State Product, 2014

Industry	Low Wage Fee Amount (Millions)	Private State GDP (Millions)	Low Wage Fee as a Percent of Private State GDP
Mining, Quarrying, and Oil and Gas Extraction	$1.6	$12,988	0.01%
Manufacturing	$7.5	$7,324	0.10%
Retail trade	$7.1	$4,863	0.15%
Transportation and Warehousing	$2.3	$2,218	0.10%
Information	$1.7	$1,599	0.10%
Finance and Insurance	$2.6	$2,127	0.12%
Administrative and support and waste management services	$4.9	$1,768	0.28%
Health Care and Social Assistance	$10.8	$6,732	0.16%
Accommodation and Food Services	$6.6	$2,213	0.30%
Total	$45.1	$62,480	0.07%

Source: WVCBP analysis of 2014 American Community Survey Microdata, Workforce West Virginia, and Bureau of Economic Analysis data. Data not available for all industries.

Conclusion

Tens of thousands of workers in West Virginia are working for poverty wages in West Virginia, and are turning to public assistance programs just to meet their families' basic needs. In the recent past, West Virginia has enacted costly businesses tax cuts in an effort to improve the state's business climate and attract more and better paying jobs for its people. Instead, the tax cuts deprived the state of much needed revenue, while failing to create new jobs. Now low-wage jobs are on the rise in the state, and the trend of stagnating wages has continued.

Workers, their families, their communities, and taxpayers all share the cost of low wages, while the companies that pay them benefit from reduced labor costs and have been rewarded with tax cuts. A low-wage employee fee would ensure that large businesses that are shifting the costs of their labor onto the public are compensating taxpayers for the cost of low-wage jobs while encouraging them to pay a living wage. Enacting such a policy in West Virginia would be a step in the right direction to addressing the state's personal and public problems of low wage work and poverty.

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[1] 2014 American Community Survey
[2] Bureau of Labor Statistics (2015), "A Profile of the Working Poor," http://www.bls.gov/opub/reports/cps/a-profile-of-the-working-poor-2013.pdf
[3] WVCBP analysis of 2014 American Community Survey microdata
[4] Economic Policy Institute analysis of Current Population Survey data
[5] SWWV 2014
[6] http://lmi.workforcewv.org/SelfSufficiency/SelfSufficiencyDefault.html

[7] Sylvia Allegretto, Marc Doussard, Dave GrahamSquire, Ken Jacobs, Dan Thompson, and Jeremy Thompson (October 2013). Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry. University of California, Berkeley, Center for Labor Research and Education and the University of Illinois at Urbana-Champaign Department of Urban & Regional Planning. laborcenter.berkeley.edu/pdf/2013/fast_food_ poverty_wages.pdf

[8] Ken Jacobs, Ian Perry, and Jenifer MacGillvary (April 2015). The High Public Cost of Low Wages. University of California, Berkeley, Center for Labor Research and Education

[9] http://www.itep.org/whopays/states/west_virginia.php

[10] Confronting the Fiscal Gap

[11] http://www.responsiblebusinessact.org/

[12] Connecticut Senate Bill 1044 https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=SB01044&which_year=2015

[13] http://www.iiron.org/wp-content/uploads/2016/02/RBA-Econ-Analysis-for-Cook-County1-1.pdf

[14] http://ssw.uconn.edu/wp-content/uploads/sites/258/2015/05/CTReport-Final.pdf

[15] WVCBP analysis of 2014 American Community Microdata

[16] WVCBP analysis of 2014 American Community Microdata and Workforce West Virginia data. Estimate derived from methodology in UConn report.