

A Growing Divide: The State of Working Virginia



THE
COMMONWEALTH
INSTITUTE

The Commonwealth Institute for Fiscal Analysis

The Commonwealth Institute for Fiscal Analysis provides credible, independent and accessible information and analyses of state fiscal issues with particular attention to the impacts on low- and moderate-income persons. Our products inform state fiscal and budget policy debates and contribute to sound decisions that improve the well-being of individuals, communities and Virginia as a whole. The Commonwealth Institute is a program of the Virginia Interfaith Center for Public Policy.

Acknowledgments

This project would not have been possible without the tremendous work of our talented team of graduate research students: Cory Kaufman, David Sitcovsky, and Shannon White from the College of William and Mary's Thomas Jefferson Program in Public Policy. They analyzed tremendous amounts of data, drafted extensive assessments of the trends and endured rounds of edits from our staff. In addition, we would like to thank Professor David Finifter who provided supervision of the research team. Thanks to Liana Fox of the Economic Policy Institute (EPI) for providing technical assistance above and beyond the call of duty. Thanks also to Michael Ettlinger of EPI for his helpful insights into the State of Working project.

Support The Commonwealth Institute

The work of The Commonwealth Institute is supported by grants from charitable foundations and non-profit organizations as well as support from individuals. This research was partially funded by the Annie E. Casey Foundation. We thank them for their support but acknowledge that the findings and conclusions presented in this report are those of the author alone, and do not necessarily reflect the opinions of the Foundation.

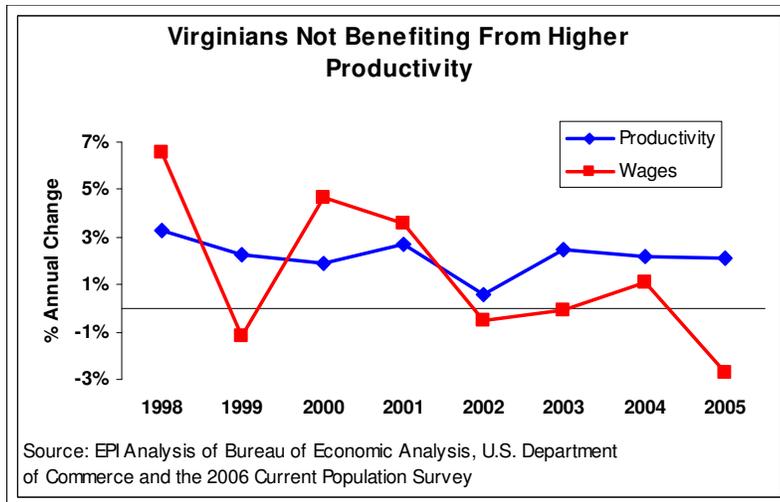
To learn more about how you or your organization can support The Commonwealth Institute, please visit our website, www.thecommonwealthinstitute.org or call us at 804-643-2474 extension 118.

Table of Contents

EXECUTIVE SUMMARY	6
Chapter 1: INTRODUCTION	8
<i>Assessing the State of Working Virginia</i>	8
<i>Assessing the Virginia Economy:</i>	9
<i>Assessing Individual Worker Prosperity</i>	11
<i>Virginia’s “Greatest Asset:” A Dynamic Labor Force</i>	11
<i>Median Household Income: Virginia Faces Important Challenges</i>	12
<i>Some Virginia Workers Still Lagging Behind</i>	13
<i>Declining Health Insurance and Pension Coverage for Virginia Workers</i>	13
Chapter 2: VIRGINIA’S EMPLOYMENT LANDSCAPE AND DIVERSE LABOR FORCE	16
<i>Overview</i>	16
<i>Impressive Record of Job Growth Historically Outperforms the National Average</i>	16
<i>A Closer Look at Virginia’s Performance Since the 2001 Recession</i>	17
<i>Sector Disparity: Not All Sectors Are Growing Equally</i>	18
Chapter 3: THE VIRGINIA LABOR FORCE	21
<i>Overview</i>	21
<i>The Composition of the Virginia Labor force</i>	21
<i>A More Educated Labor Force</i>	23
<i>The Aging Labor force</i>	24
<i>Overall Unemployment Levels are Low but Unequally Distributed</i>	25
Chapter 4: WAGES AND INCOME	27
<i>Overview</i>	27
<i>Virginia’s Wages Outperform National and Regional Standards</i>	27
<i>Wages Have Increased More for Higher Earners</i>	27
<i>Middle and Low Income Earners Hurt Most by the Recession</i>	29
<i>Wages Differ by Demographic Characteristics</i>	30
Chapter 5: VIRGINIA’S REGIONAL DIVERSITY	32
<i>Size of the State Creates Unique Challenges</i>	32
<i>Virginia’s Workforce Investment Areas</i>	32
<i>Regional Employment Growth Differs Greatly</i>	33
<i>Northern Virginia and Hampton Roads Continue to Generate Strong Employment Growth</i> ...34	34
<i>The Impact of Manufacturing Job Loss has Created Substantial Hardship for Particular Regions</i>	34
<i>Regional Demographics</i>	36
<i>Regional Unemployment and Unemployment Insurance</i>	37
<i>Regional Wages Vary Substantially</i>	39
<i>Northern Virginia, Alexandria, and Richmond: High income industries dominate growth</i>40	40
<i>West Piedmont, and Southwest Virginia: Still Falling Behind</i>	41
<i>Average weekly wages since the Recession</i>	43
Chapter 6: CONCLUSIONS	45

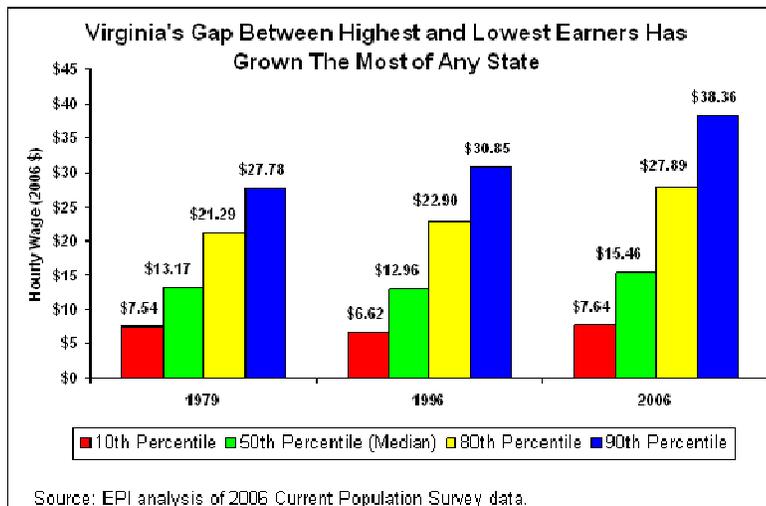
EXECUTIVE SUMMARY

Virginia's economy has experienced sustained and robust growth in recent years, yet not all Virginians are benefiting from the state's economic success. Wages have failed to keep pace with ever increasing worker productivity, and many working families have seen their incomes decline. From a bird's eye view, Virginia's economy appears to perform well compared to neighboring states and the nation-- yet closer inspection reveals that our increasing prosperity is not reaching all workers, industries, and communities.



Imbalanced Growth in Pay

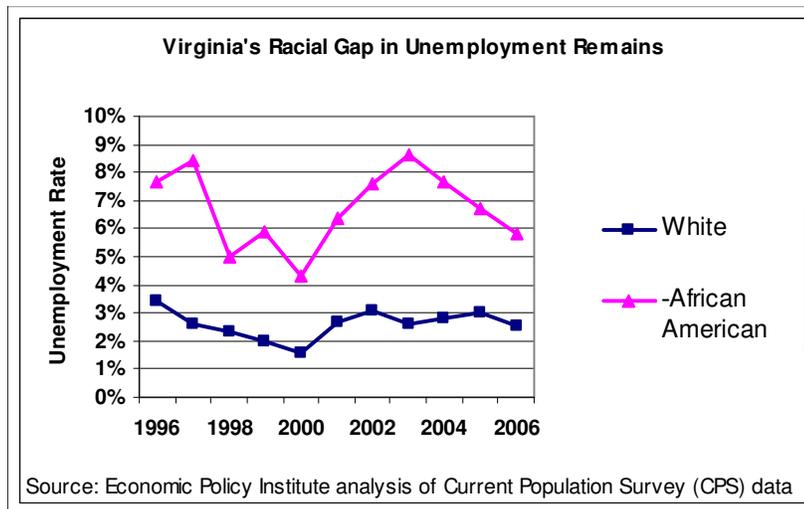
- The growing gap between the highest paid and the lowest paid workers was higher in real dollars in Virginia than in every other state.



- Virginia's median household income has declined since 2003 while the national average and our neighbors have seen increases.
- Median wages in Virginia have also declined substantially: the state experienced the 5th highest decline in the country since the recession.
- The gap in wages between whites and African-Americans in Virginia has been consistently higher than the U.S. and has not decreased substantially since 1979.
- Between 1979 and 2006 wages have grown for all income groups in our state. But, the rate at which wages have increased has not been the same for all workers. Over this period, the wages of the top 10 percent increased at a rate 28 times that of the bottom 10 percent.

Slowing Job Growth and Unequal Employment

- For the first time in almost a decade, employment expansion in Virginia fell below the national average in 2006.
- Since the early 1990's, all but the manufacturing and information sectors of Virginia's economy have increased in total employment. Between 1999 and 2006, 1 in 5 manufacturing jobs have been eliminated. During this same period, 1 in 9 jobs in the information sector have disappeared.
- While Virginia's unemployment rate in 2006 was well below the national average, a substantial gap still exists between the unemployment rates for African American and white workers.
- Among those with jobs, African American Virginians are twice as likely to be underemployed as white Virginians.



Declining Benefit Coverage

- Despite favorable economic conditions, the number of Virginians without health insurance has been on the rise since 2001.
- The percentage of the state's working population that obtains health insurance through their employer has decreased from its peak of 70 percent in 1979 to 57 percent in 2005.
- Private pension coverage has declined by almost 10% since 2001.
- In 2006, the share of unemployed Virginians receiving unemployment benefits was more than 25% below the national average.

Chapter 1: INTRODUCTION

Assessing the State of Working Virginia

Virginia continues to maintain a healthy economy that has generated strong economic growth in recent years. In fact, in recognition of this growth, Forbes and CNBC recently bestowed, for the second consecutive year, the honorable number one ranking for “Best State for Business” in 2007.

While economic growth and investment in attracting new businesses are important goals and an integral part of a vibrant economy, it is also important to maintain a strong labor force that not only contributes to the success of the economy, but also shares in the rewards. In general, overall state trends demonstrate many positives for Virginia workers. Economic growth continues to be robust, employment is at an all-time high and median income is among the highest in the country. Additionally, Virginia continues to boast one of the most highly educated and productive workforces in the nation.¹

Despite this encouraging picture, the benefits of an expanding state economy are not being shared by all workers since many are falling behind. A growing wage gap, stagnant wages for middle and lower income workers, unequal job creation and concentrated unemployment among particular parts of the labor force highlight the continued struggles that many Virginians face. Perhaps even more important are the regional disparities in Virginia. For example, while Northern Virginia continues to experience continued growth in high-wage employment sectors, other areas such as Southside’s West Piedmont² and Southwest Virginia are facing major job loss due to slower employment growth and continued declines in the manufacturing sector. As a result, these intrastate regional differences create unique challenges.

As Virginia’s first ever *State of Working Virginia* report, the following analysis provides both a current and historical assessment of the status of Virginia’s diverse workforce. This report examines trends in employment, labor force demographics, wages and incomes in detail. It is based largely on U.S. Census Bureau and other data compiled by the Economic Policy Institute, a non-partisan research organization based in Washington, DC in connection with its *State of Working America* report.

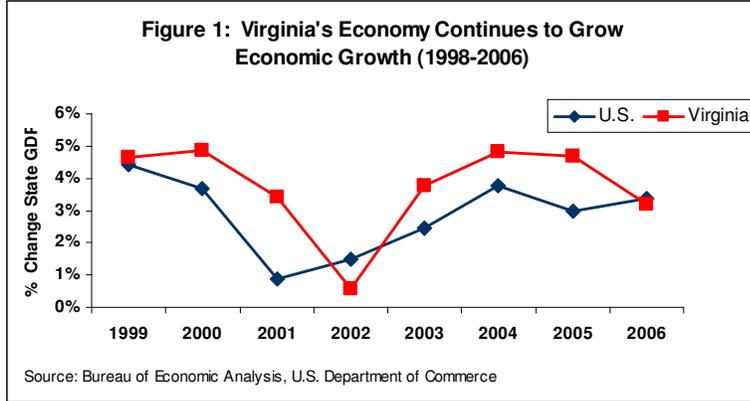
The goal of this report is to create a better understanding of the challenges currently facing the state’s working population and to provide this important information in an accessible way in order to identify problem areas within the state’s economy and labor market.

¹ Virginia Economic Development Partnership. http://www.yesvirginia.org/Virginia_Advantage/LaborForce.aspx

² West Piedmont refers to the Workforce Investment Area that contains Danville and Martinsville cities and Patrick, Henry and Pittsylvania counties.

**Assessing the Virginia Economy:
Strong Growth Continues to Expand the Resource Pie**

Virginia has a diverse and highly productive economy. Not only does the state often outperform the national average, but it also often excels when compared to its closest regional neighbors.³ One



indicator of this performance is the economic growth rate observed over time. As shown in Figure 1, the state has experience sustained, positive and robust economic growth since 1999. In fact, with the exception of 2002 following the 2001 recession, growth in state GDP has exceeded 3 percent in virtually every year⁴. Compared to the 1990s –which many often associate with strong economic gains throughout the entire country –

Virginia’s recent economic growth has actually been equally strong, which is different from what is happening in many other states throughout the country, particularly since the 2001 recession.

Furthermore, even when compared to the states with the highest average growth rates over the same period, Virginia still performs quite well, exhibiting much more consistent sustained growth. From the perspective of the labor force, this continuous economic growth is crucial for generating higher personal incomes, as well as spurring sustained employment growth. Given the positive trends observed since 1999, one would expect Virginia to perform quite well in both of these important areas. More specifically, all workers in the state should be able to share in the overall expansion of the economic pie.

Income and employment growth generated by the positive performance of the state’s overall economy, however, have not necessarily been evenly distributed, leaving important segments of the workforce behind.

As a relatively wealthy and productive state, expectations should be reasonably high for all Virginia workers. The size and productivity of the

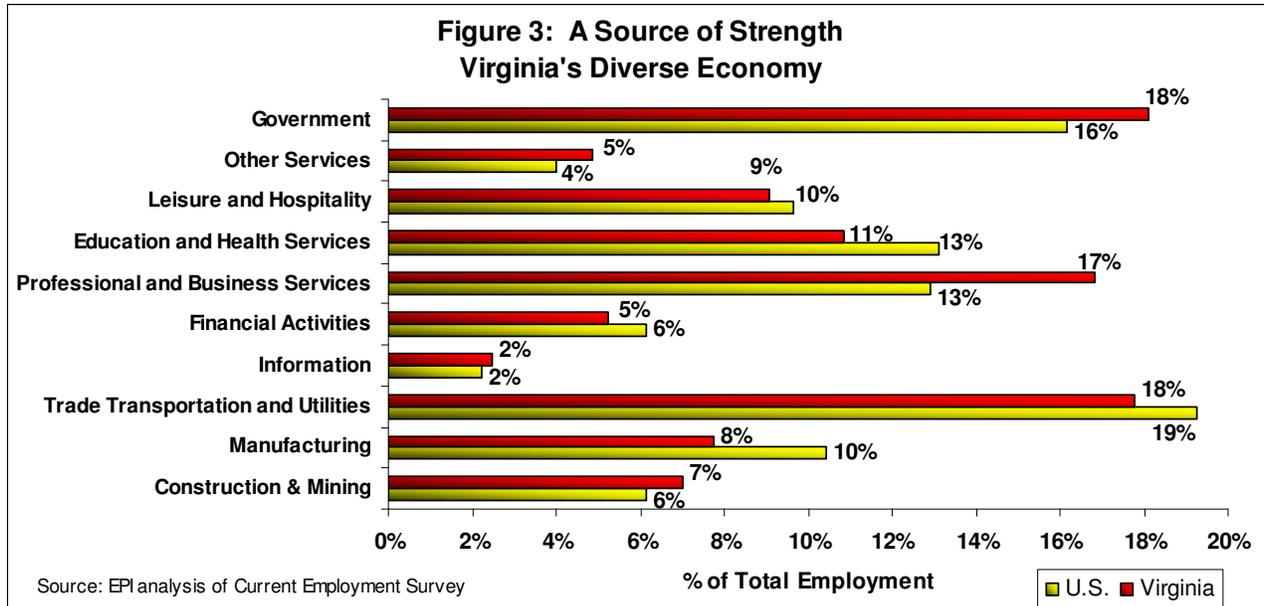
<u>Economic Indicator</u>	<u>2006</u>	<u>U.S. Rank</u>
Employment Level (thousands)	3,726.2	12
Median Household Income	56,277	9
State GDP (millions)	369,260	12
State GDP Per Worker (2005)	65,306	10
Productivity Growth Rate (2005)	2.10%	8

Source: EPI analysis of Current Employment Survey and Bureau of Economic Analysis, U.S. Dept. of Commerce

³ Based on the classification system used by the U.S. Census Bureau Virginia belongs to the South Atlantic Region which includes the states of Delaware, Maryland, D.C., West Virginia, North Carolina, South Carolina, Georgia and Florida.

⁴ State GDP growth was analyzed in real terms, using 2000 chained dollars.

Virginia economy put the state among the top ten economies in the country based on several important indicators. In particular, as shown in Figure 2, based on the important economic measures of overall employment level, median household income, state GDP and worker productivity, Virginia ranks in or near the top ten across most of these important macroeconomic measurements.

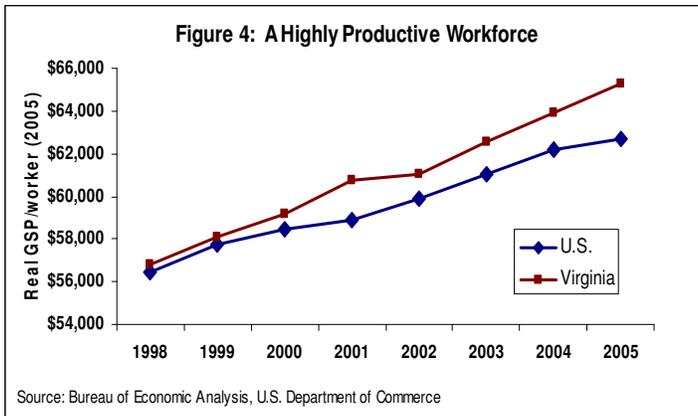


The success of the Virginia economy is partially attributable to the high level of diversification that exists in the economy, as illustrated in Figure 3. In particular, compared to the overall U.S. economy, employment in Virginia is evenly distributed across the major sectors of the economy,⁵ although the state is slightly more reliant on the government and professional and business services sectors than the national economy. Not only has this diversification helped stimulate substantial economic and employment growth, but it has also helped Virginia weather the ups and downs of the economic business cycle without severe interruptions. For example, whereas many states are still struggling to recover from the 2001 recession, especially regenerating the jobs that were lost during this period, Virginia has enjoyed a comparatively rapid recovery due to rebounds in the professional and business services and education and health services sectors.

Nevertheless, while the overall state economy is well diversified, the same is not true throughout the different regions of the state. As will be discussed more extensively in Chapter 4, the disparate industry composition in the different regions of the state has created adverse employment conditions. Areas such as West Piedmont and Southwest Virginia -- which rely on either lower paying sectors or sectors in which employment continues to decline -- are struggling compared to more diversified areas such as the Hampton Roads or Northern Virginia. These differences can lead to greater disparity among workers located in these different regions.

⁵ The sectors shown here represent the economy's "supersectors" as defined by the NAICS code prepared by the U.S. Department of Labor, Bureau of Labor Statistics.

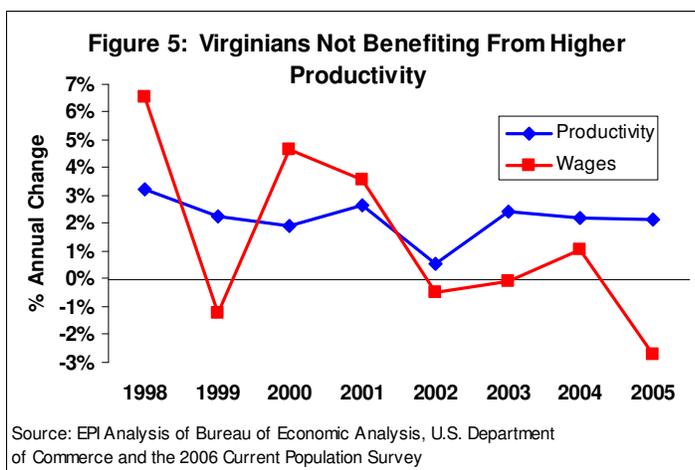
Assessing Individual Worker Prosperity Virginia's "Greatest Asset:" A Dynamic Labor Force



Although much attention is often placed on business investment and economic growth, when measuring the overall state of the workers in Virginia it is also important to assess the overall prosperity at the individual level: the productivity of the labor force. Labor force productivity has important implications for the share of economic prosperity that is shared with workers. Measured as the average economic output (state GDP) generated per worker, productivity represents the amount of total state economic income generated

per worker per year. From this perspective, higher levels of productivity indicate an expanding economy and represent the creation of greater wealth within a state. In particular, the expectation is that individual workers are rewarded for higher productivity through higher wages and income levels.

Virginia has one of the most productive labor forces in the country, with an average gross state product of over \$65,000 per worker in 2005 (See Figure 2). In addition, as illustrated in Figure 4, worker productivity has grown steadily since 1998, even outpacing the national average at an increasing rate over time. As a result, Virginia workers continue to be competitive and have performed well in recent years. This has led some to classify Virginia's labor forces as one of the state's "greatest assets."⁶



While the overall level of worker productivity is important, equally important is the actual annual growth rate over time. In fact, when one considers the average annual growth in worker productivity in Virginia an even more positive picture emerges. As shown in Figure 4, Virginia has historically fared quite well when compared to the rest of the country. More specifically, worker productivity has grown consistently since 1991, although throughout most of the 1990s this growth was relatively small. Beginning around 1998, however, a

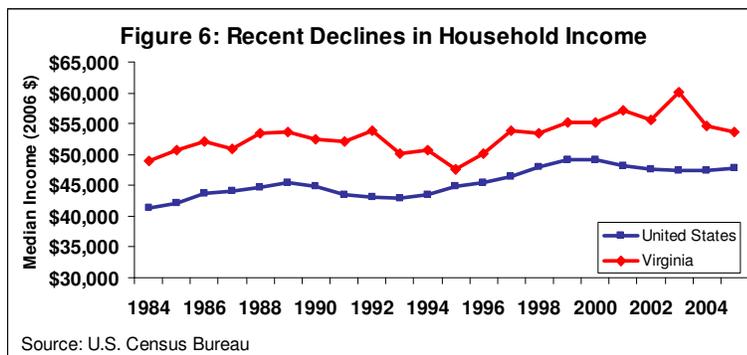
different pattern begins to emerge. Since 1998, annual growth in worker productivity in Virginia

⁶ Virginia Department of Economic Development. http://www.yesvirginia.org/Virginia_Advantage/LaborForce.aspx

has accelerated substantially, averaging around 3 percent per year through 2005. Additionally, during this same period Virginia’s labor productivity has generally outperformed not only the national average, but has even rivaled the highest performing state in several individual years.

Given this impressive growth in productivity, one would expect worker’s compensation to also be rising during this same time frame. Unfortunately, as Figure 5 shows, in Virginia that has not always been the case. Although productivity has been growing consistently over time, growth in real wages has been highly erratic. Even more alarming, since 2003, wages and productivity have been generally moving in opposite directions. As a result, not all workers in Virginia are being rewarded for their high productivity, which shows that many of the state’s workers are not sharing in the increasing prosperity being generated from the state’s successful economy.

Median Household Income: Virginia Faces Important Challenges



Despite the disparity between productivity and wages, overall income levels in Virginia have remained relatively high. Virginia ranked 9th in median income in 2006, with a median household income of just over \$56,000⁷. As shown in Figure 6, this income level puts Virginia substantially above both the national average as well as many of

its neighbors, which closely follow the U.S. average.

Over time, income levels in Virginia have outperformed many other states. While the Commonwealth lost some ground in the early 1990s, rapid growth between 1996 and 2003 substantially increased the gap between Virginia and the rest of the country, as household income grew at an average annual rate of 3 percent. During this same period the growth in the national average was less than 1 percent. Unfortunately, since 2003 a different story is emerging.

As shown in Figure 6, between 2003 and 2005 median household income in Virginia has fallen 11 percent from the all-time high of \$60,000 in 2003. In contrast, both the rest of the South Atlantic region and the national average have seen small increases during this same period. As a result, the downward trend that has continued through 2005 suggests that many workers within the state are actually beginning to see their incomes decline. Considering economic growth during this same period has continued to be positive, this trend is particularly disconcerting.

Although median household income is an important measurement of individual prosperity it also tends to mask other important disparities that exist across different income groups. As a result, it is also important to evaluate individual wages over time to get a more complete picture of how well individual workers are doing in the state. In particular, wage gaps are becoming increasingly wider

⁷ Throughout this report median income is measured in 2006 constant dollars. All nominal amounts were converted to real amounts using the CPI-URS calculated by the U.S. Bureau of Labor Statistics.

between the upper and lower segments of the labor forces. The disparity will be explored further in Chapter 3.

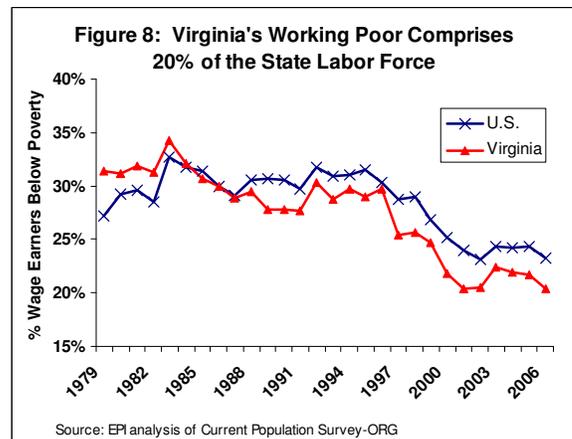
Some Virginia Workers Still Lagging Behind

Overall Poverty	9.60%
By Age:	
Under 18	12.20%
18 to 64	8.70%
Over 65	9.20%
By Race:	
White	7.50%
African-American	17.10%
Hispanic	13.40%
Source: 2006 American Community Survey, U.S. Census Bureau	

In 2006, 9.6 percent of Virginians, over 730,000 people, were living in poverty in the state. While this is lower than the national average of 13.3 percent, Figure 7 shows that poverty in the state is particularly concentrated within certain segments of the population, including children, African-Americans and Hispanics.

Despite the recent decrease in median income, household income still remains relatively high in Virginia, meaning that at least 50 percent of the state’s households currently enjoy incomes in excess of \$56,000 per year.

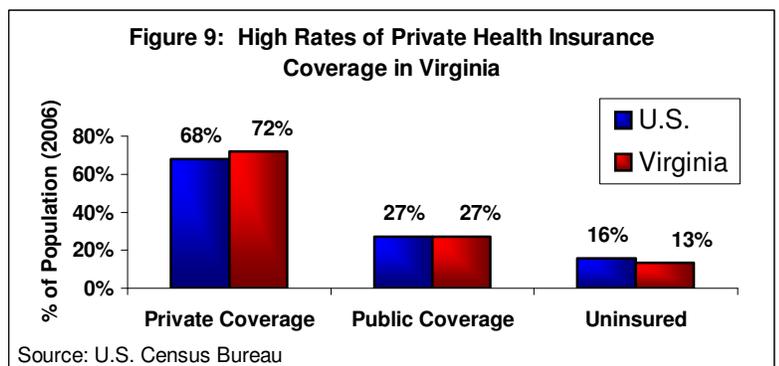
Nevertheless, it is important not to overlook the remaining 50 percent of the state that do not enjoy this level of income, particularly those working just to earn a subsistent income. As shown in Figure 8, in 2006 there was still 20% of the labor force that was earning below a poverty wage. Considering Virginia had a total labor force of 3.7 million, 20 percent represents approximately 740,000 workers, which is a substantial number of individuals that are continuing to lag behind. These individuals represent a segment of the population that are working, yet still do not earn enough to sustain an adequate standard of living.



So what does it mean to earn below a poverty wage? According to the federal poverty threshold, in 2006 the poverty wage for a family of four would have been \$9.91 per hour. In 2006, Virginia’s minimum wage was only \$5.15 per hour. Following recent legislation passed by the U.S. Congress in 2007, the minimum wage will eventually be raised to \$7.25. The increase, however, is being phased in over a two year period and will not reach \$7.25 until 2009. Even with this change, however, the minimum wage in Virginia will still be less than the federal poverty threshold.

Declining Health Insurance and Pension Coverage for Virginia Workers

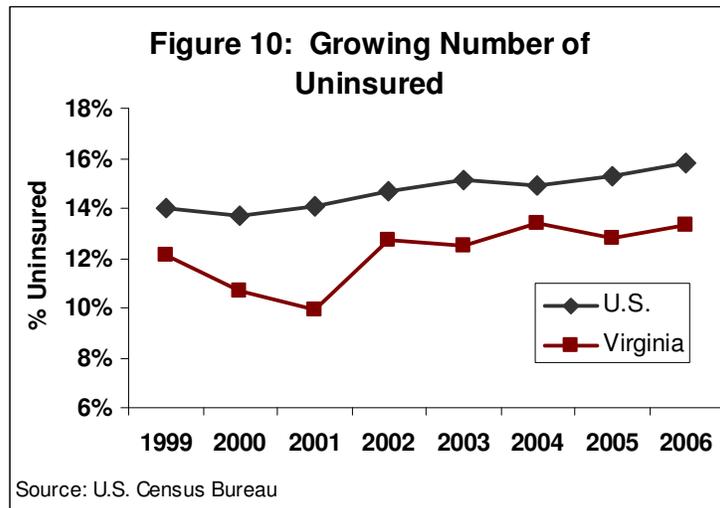
Another important aspect of job quality is health insurance coverage provided by employers within the state. Virginia has had high levels of insurance coverage. In fact, as shown in Figure 9, in 2006 approximately



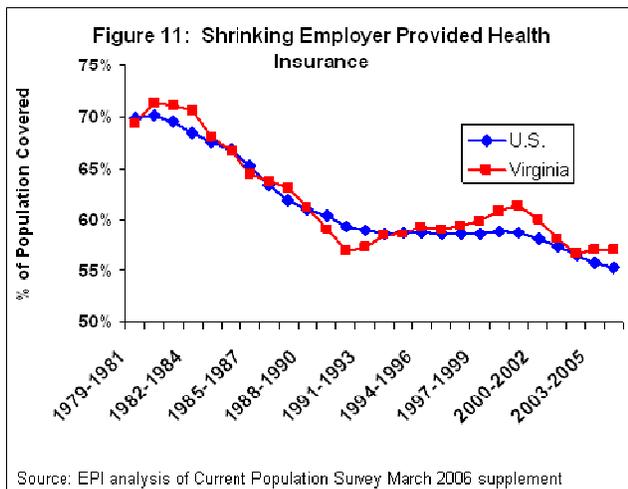
72 percent of Virginians purchased insurance coverage through the private market, which is higher than the average observed nationally.

The number of uninsured in the state has continued to rise since 1999 (as illustrated in Figure 10). Although Virginia continues to perform better than the national average, the gap has closed over time. Furthermore, following a major spike in 2001 –at a time when the number of uninsured had been falling for two consecutive years –Virginia’s number of uninsured has continued to rise despite favorable economic conditions.

Part of this increase may be attributable to fewer workers receiving health benefits through their employer. In an environment where health care costs are rising rapidly, often substantially outpacing inflation, employers are finding it increasingly expensive and therefore financially difficult to continue to provide the same level of benefits. In particular, small businesses have found it difficult to afford to provide coverage for their employees.



Consequently, as shown in Figure 11, this has contributed to substantially fewer workers receiving health insurance benefits through their employer compared to two decades ago. In fact, since 1979 the percentage of the working population that obtains health insurance coverage from their employer has decreased from a high of 70 percent to a near all-time low of 57 percent in 2006⁸. Although workers experienced a brief period where employer provided coverage expanded during the early 1990s, since 2001 coverage has dropped substantially.



While this trend is not unique to Virginia, it does suggest that workers are losing ground in the state. When one also considers the negative wage growth that has occurred during this same period, for many workers the loss in health insurance benefits is not being replaced with higher wages. As the cost of private insurance continues to rise, this puts Virginia’s workers at an increasing disadvantage. For example, in 2005 the average cost of employer provided health insurance for an individual was approximately \$3,700 per year and \$10,300 for family coverage. Of this amount, the employee was responsible for about 20 percent or \$750

⁸ Percentage of workers covered is shown as a three year moving average.

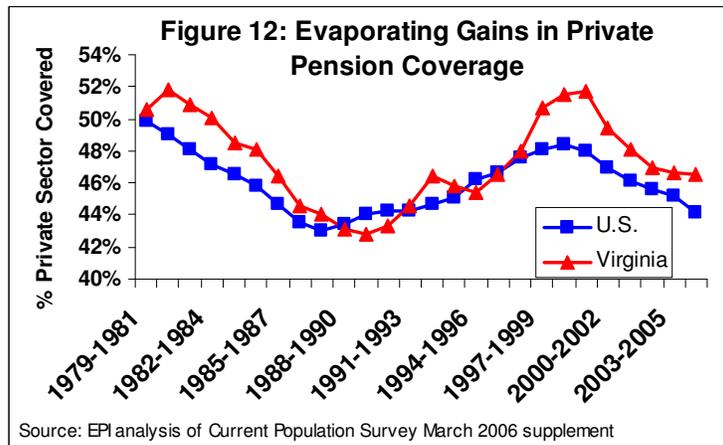
for the individual policy and 26 percent or \$2,700 for the family policy⁹. This system offers important financial benefits, especially considering the employer contribution is tax-free. With employer provided coverage rapidly declining, more workers face paying the full cost of these premiums, which can be even higher in the private market without the advantage of a group rate negotiated by their employer. Given that health costs are rising at a high rate and real wages are not growing to compensate for the loss of health benefits, the real value of employee compensation is on the decline.

In addition to declining health insurance coverage, Virginia’s workers have also seen declines in private pension coverage over time. As shown in Figure 12, following an eleven year surge in pension coverage through 2001, the state has seen steady decreases in the percentage of workers that are covered by these plans and was down to 46.5 percent in 2006, a decline of almost 10 percentage points in just five years.

Nevertheless, Virginia still has higher coverage than the nation, which was only 44 percent in 2006. Virginia has also seen a leveling off in coverage in the last couple years, following a period of rapid decline.

Overall, the quality of jobs, as measured by the median income, number of working poor and private pension and health

insurance coverage is relatively high in Virginia. On virtually every measure, Virginia has historically outperformed the national average. Yet, as much of the previous analysis shows, recent trends provide reason for concern in Virginia. In particular, Virginia’s workers have clearly lost important ground, especially over the last several years. These declines are especially worrisome considering the declines have occurred during a period of strong economic prosperity in Virginia, especially since the end of the 2001 recession.



⁹ Kaiser Foundation. “State Health Facts.” <http://www.statehealthfacts.org/profileind.jsp?ind=271&cat=5&rgn=48>

Chapter 2: VIRGINIA'S EMPLOYMENT LANDSCAPE AND DIVERSE LABOR FORCE

Overview

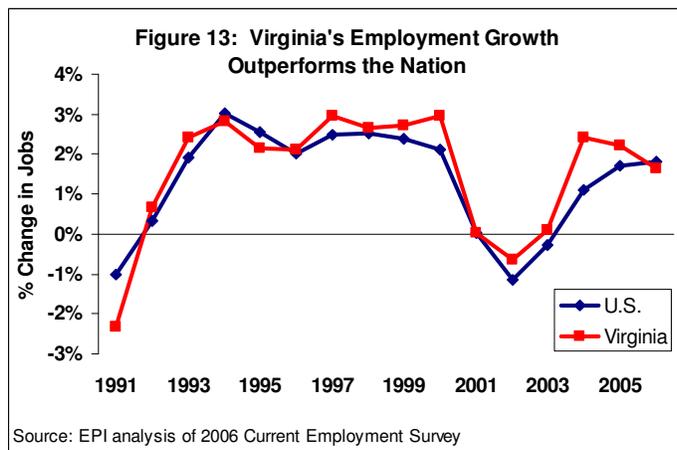
Virginia is endowed with a highly diversified, vibrant economy. As a result, the state has generally been characterized by robust and sustained employment growth over time that continues to create opportunities for the state's labor forces. In addition to these important opportunities, the state also boasts one of the most highly diverse, educated and productive labor forces in the country, which continues to make the Virginia economy competitive not only in the U.S., but throughout the world.

In 2006, employment levels in Virginia continued to grow, reaching an all-time high with a total labor force exceeding 3.7 million. At the same time, unemployment in the state continues to be one of the lowest in the nation and has been declining in recent years. While employment growth slowed slightly in 2006, as the economy fell into a "soft landing,"¹⁰ the state still managed to post a job growth rate of 1.6 percent, which generated more than 62,000 new jobs during the year.

However, while overall employment growth in the state has been positive, not all sectors of the economy have experienced equal growth. In particular, the manufacturing and information sectors continue to see decreases in employment despite the continued expansion of the state economy. Additionally, even within the industries that have been growing, the state's record regarding the number of higher paying jobs that have been created is mixed.

Along with employment changes, the Virginia labor force has also changed over time, becoming better educated, more diverse and older. While unemployment remains low, some parts of the labor force within the state have been more adversely affected than others. Understanding these changes and the key dynamics of the labor force participation is important for ensuring that workers in the state have the best opportunity for success.

Impressive Record of Job Growth Historically Outperforms the National Average



Between 1990 and 2006 employment growth in Virginia has outperformed the nation.¹¹ Additionally, with the exception of the 2001 recession period, which extended into 2002, employment growth in Virginia has generally been quite strong, exceeding 2 percent annually since 1993. This growth has resulted in employment growth totaling 232,000 new jobs since 2002.

¹⁰ Mezger, William F. 2007. *Virginia Economic Indicators: First Quarter Data, Second Quarter Preliminary Analysis, and Latest 2007-2008 Projections*. Virginia Employment Commission.

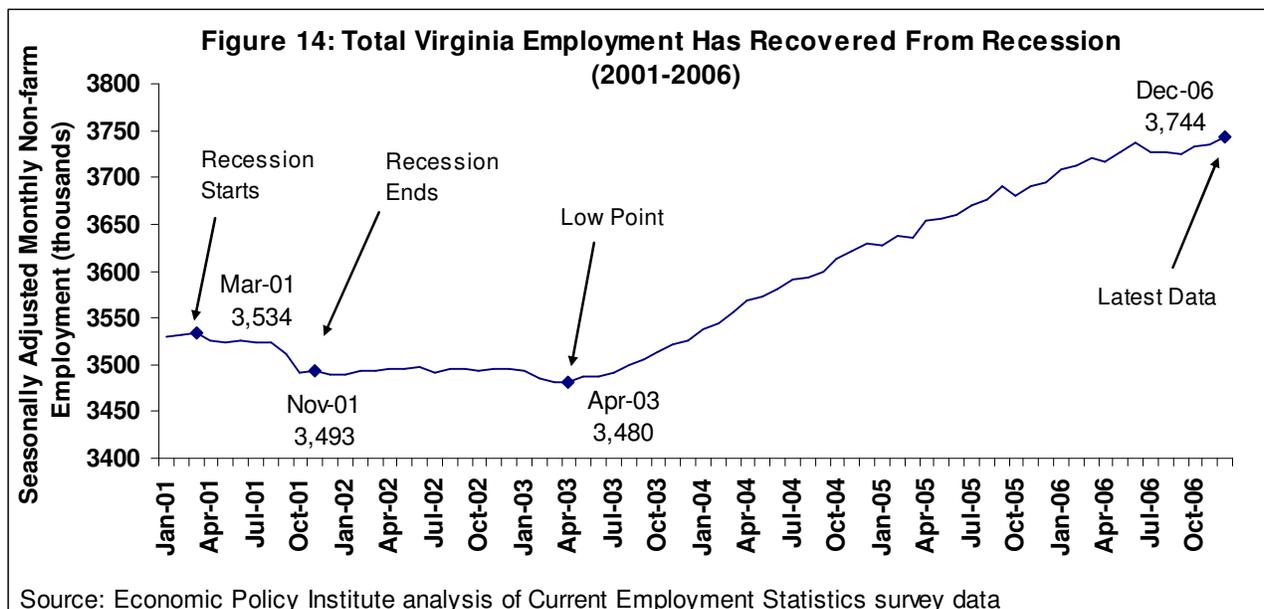
http://www.alex.vec.virginia.gov/lmi/pdfs/vei_2007_q1.pdf (accessed September 17, 2007).

¹¹ The South Atlantic region is not shown explicitly since it closely follows the U.S. average.

Despite this continued growth, however, employment expansion has begun to slow slightly since 2004 and was actually below the national average in 2006 for the first time in almost a decade. Perhaps even more troubling, employment growth since the recession also continues to be below the growth rates enjoyed by the state prior to 2001.

A Closer Look at Virginia's Performance Since the 2001 Recession

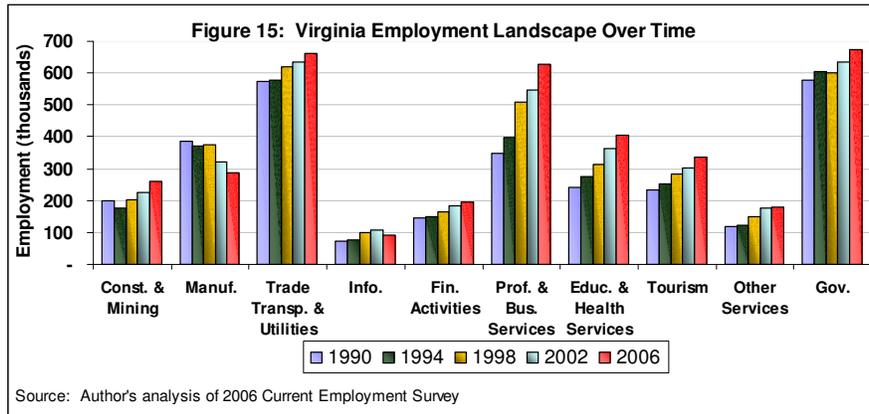
Since 2001, many states have continued struggling with rebounding from the economic losses that occurred as a result of the recession, leading many to describe the post-recession period as the “jobless recovery.” Many states still have not fully recovered in terms of pre-recession employment levels despite experiencing positive economic growth in gross state product. Fortunately, Virginia has not suffered from the same plight.



Between the pre-recession economic peak in March 2001 and the trough of the recession in November 2001 Virginia lost 41,000 jobs, which is large, but not nearly as substantial as many other states. Additionally, although Virginia continued to feel the effects of the recession into 2003, employment losses over this period were fairly minimal. By December 2003, Virginia had recovered in terms of overall employment levels. Since then the state has continued to experience substantial non-farm employment growth, as shown in Figure 14.

As a result, although the recession obviously had adverse impacts on the Virginia labor market, the state’s diversity helped minimize the negative influence created by the economic downturn. Instead, the challenges in Virginia revolve around the differences in employment growth across various sectors of the state’s economy.

Sector Disparity: Not All Sectors Are Growing Equally



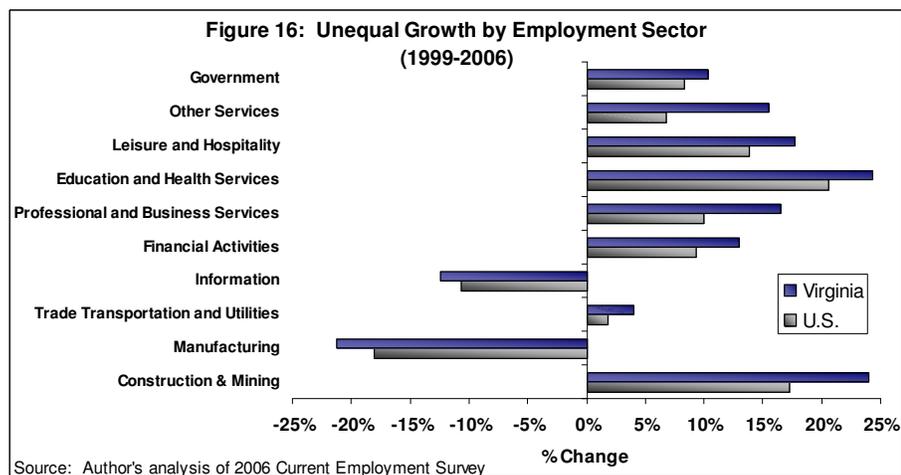
While Virginia's overall economy is diversified, employment is not necessarily distributed evenly throughout each industry. As measured by total employment, the major employers within the state that dominate employment trends tend to be more concentrated within the three major sectors of the

economy: trade, transportation and utilities, professional and business services, and government (See Figure 15). When compared to the national average, Virginia is slightly more reliant on the professional and business service and government sectors (See Figure 3).

Since 1990, the landscape of employment in Virginia has not changed substantially, as all but two sectors (manufacturing and information) have increased in total employment level over time.

Nevertheless, although the general employment picture in Virginia continues to be positive, not all sectors of the economy have shared equally in the gains. In particular, the manufacturing and information sectors have seen continuous job losses, manufacturing since 1990 and the information sector since 2001. As shown in Figure 16, these sectors decreased by 21 percent and 12 percent, respectively, between 1999 and 2006. These declines were even more severe than the employment loss experienced in these two sectors at the national level.

Manufacturing, in particular, has been hit disproportionately hard by major employment loss, especially since the 2001 recession. Since 2000, Virginia's manufacturing sector has lost over 74,000 jobs and close to 100,000 since 1990. To put these losses in context, the job loss



since the recession alone represents almost 21 percent of the total manufacturing jobs in the state. As a result, it is clear that while other sectors of the economy have been growing, Virginia's manufacturing sector has experienced substantial employment loss. Even though the rate of decline has slowed in recent years, as the manufacturing sector has begun to stabilize, Virginia still faces significant challenges in maintaining this important segment of the economy. In addition, these

deep losses have profound negative effects in areas of the state that rely more heavily on manufacturing employment, such as the Danville area, which has been hit particularly hard by manufacturing job losses. Further discussion of the regional patterns will be addressed in more detail in Chapter 4.

Since the burst of the dot-com bubble around 2001, the information sector in Virginia has experienced similar negative job growth, losing over 27,000 net jobs. This represented a total job loss of approximately 23 percent. Northern Virginia, known for its leadership in this employment sector, has experienced a disproportionate amount of these losses, with a total net job loss of over 19,000 jobs. Even through 2006, employment growth in this sector remains stagnant at levels well below the 2001 levels.

Figure 17: Major Employment Growth Drivers Since 2002

<u>Industry Sector</u>	<u>Jobs Created</u>
Professional and Business Services	80,400
Education and Health Services	42,900
Government	39,300

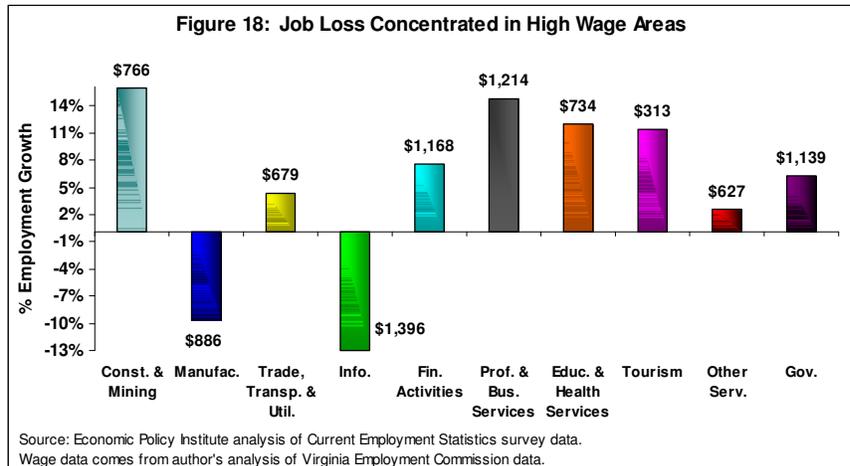
Source: Authors calculation using EPI analysis of Current Employment Statistics data

Nevertheless, while these two sectors continue to struggle, many of the other major sectors in the economy actually grew faster in Virginia than elsewhere in the U.S., particularly in the construction and mining sector and the professional and business services sector, both of which increased by approximately 24 percent between 1999 and 2006 (See

Figure 16). More recently, since 2002, Figure 17 shows the three sectors of the state economy that have been the key drivers of employment growth in Virginia, accounting for 70 percent of the total job growth during this period. In particular, the professional and business services sector alone represents 35 percent of the growth generating 80,000 new jobs in the state, with most of the growth concentrated in the Northern Virginia region.

While employment growth is important, the composition of that employment growth is also key. The types of jobs created –high wage versus low wage –is a critical component of economic growth. Figure 18 shows the percentage growth by sector that occurred in Virginia between 2002 and 2006 along with the 2006 average weekly wage associated with the typical job found within each employment sector. Based on the growth that has occurred within the state, results have been mixed.

As noted earlier, a substantial number of jobs have been lost in both the manufacturing and information sector. As shown in Figure 18, these jobs tended to be associated with higher average wages. During this same period, many of these jobs have been replaced with new jobs in the construction and mining, professional and business services, education



and health services and tourism sectors. Unfortunately, with the exception of the professional and business service jobs, the average weekly wages in these other sectors tend to be lower than the jobs lost in manufacturing and information. This implies that many workers that lost their job in these two sectors are now worse off despite the positive job growth in the state.

Chapter 3: THE VIRGINIA LABOR FORCE

Overview

Virginia continues to boast one of the most diverse, educated and highly productive labor forces in the country. With relatively higher participation rates, Virginia also exhibits one of the lowest unemployment rates, including the lowest rate among larger states. In fact, in 2006 Virginia ranked 5th only trailing smaller states such as South Dakota, Utah, Nebraska and Hawaii for the lowest unemployment rate in 2006¹². Despite many positives, however, there are important disparities that exist within the state with differences emerging across race, gender and education.

The Composition of the Virginia Labor force

The demographics comprising the Virginia labor force are similar to those of the U.S. as a whole (Figure 19). Virginia has a slightly higher proportion of women in the labor force, but men still

Figure 19: Virginia's Diverse Labor Force (2006)		
	U.S.	Virginia
Gender		
Male	53.7%	52.3%
Female	46.3%	47.7%
Age		
16-24	14.8%	14.5%
25-54	68.4%	67.6%
55+	16.8%	17.9%
Race/Ethnicity		
White	69.1%	68.5%
African-American	11.0%	18.8%
Hispanic	13.7%	6.9%
Asian/Pacific Islander	4.4%	4.7%
Education		
Less than HS	12.3%	11.6%
High School	29.7%	29.7%
Some College	28.5%	24.4%
Bachelor's Higher	29.5%	34.3%

Source: Economic Policy Institute analysis of Current Population Survey (CPS) data

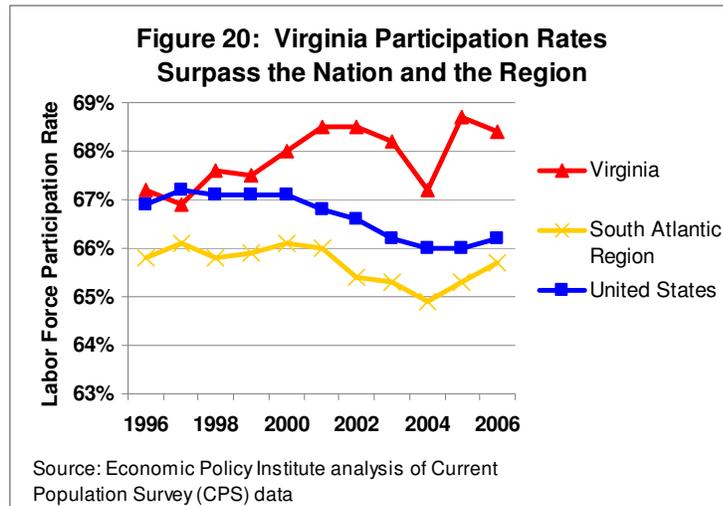
represent more than half of the labor force. Virginia workers aged 25 to 54 have a lower share of the labor force in comparison to the U.S. as a whole, while workers over 55 years of age represent a slightly higher proportion of the labor force in Virginia. The racial and ethnic minority composition of the Virginia labor force differs substantially from the U.S. For example, African-American's share of the Virginia labor force is 7.8 percent higher than their proportion in the labor force of the U.S. as a whole, while the share of Hispanics in the Virginia labor force is 6.8 percent less than their share in the U.S. labor force.

Virginia workers also tend to be more highly educated than workers in the rest of the country. For example, in 2006, 34.3 percent of Virginia workers had a bachelor's degree or an advanced degree

compared to 29.5 percent of the U.S. as a whole. At the same time, however, nearly 40 percent of the working population in the state has no more than a high school education, which is similar to the overall U.S. average.

¹² Based on the Economic Policy Institute's analysis of Current Population Survey data for 2006.

In addition to analyzing the share of the labor force by demographic, as described in Table 4,



perhaps an even more important component of the Virginia labor market is the participation rates observed across these various demographics. Since the late 1990's, the Virginia labor force has been faring much better as a whole than the South Atlantic region and the United States due to the state's high labor force participation rates and low unemployment rates (See Figure 20). The labor force participation rate for Virginia in 2006 was 68.4 percent, 2.7 percentage points higher than the regional participation rate, and 2.2 percentage points higher than the

national rate. However, the labor force participation rate in Virginia experienced a considerable decline in 2004 to 67.2 percent, down 1 percentage point from 2003 or roughly 35,000 workers leaving the labor force. Nevertheless, the labor force quickly rebounded in 2005 reaching 68.7 percent participation. The recovery coincided with a 5.3 percentage point increase in participation among African-American workers, a 4 percentage point increase among workers aged 18-24, and a 3.3 percentage point increase among workers with less than a high school education.

The labor force participation for workers in Virginia differs by gender, age, race, and education levels. Figure 21 shows the percentages of Virginia and U.S. workers who are currently in the labor force and the percentage of those employed. In each demographic category, the labor force participation rate and the employment-to-population ratio in Virginia are much higher than those for the U.S. as a whole, indicating the strength of Virginia's labor market.

Compared to the overall U.S. average, both men and women in Virginia are more likely to participate in the labor force and be employed. In particular, the labor force participation rate for women in Virginia is 2.9 percentage points higher than the rate among women nationally. Participation rates for minorities are also higher in

	<u>VA Labor force participation rate</u>	<u>U.S. Labor force participation rate</u>
Gender		
Male	75.2%	73.5%
Female	62.3%	59.4%
Age		
16-24 yrs	62.9%	60.6%
25-54 yrs	84.5%	82.9%
55 yrs and older	41.4%	38.0%
Race/Ethnicity		
White	67.4%	66.1%
African-American	69.8%	64.0%
Hispanic	75.1%	68.7%
Asian/Pacific islander	70.2%	66.1%
Education		
Less than high school	45.9%	44.7%
High school	69.1%	64.5%
Some college	71.6%	71.7%
Bachelor's or higher	78.4%	78.1%
Source: Economic Policy Institute analysis of Current Population Survey (CPS) data		

Virginia compared to the U.S. For example, African-Americans fare much better in Virginia than the U.S. as a whole, with labor force participation rates that were 5.8 percentage points higher in Virginia than the national average. Additionally, Hispanics and Pacific Islanders also do better in

the state, exhibiting participation rates that are 6.4 and 4.1 percentage points higher than the U.S. rate, respectively. Overall, Virginia has a highly active labor market with many in the state choosing to participate.

Figure 22: Underemployment, 2006

	<u>United States</u>	<u>Virginia</u>
Gender		
Male	8.1%	5.5%
Female	8.5%	6.4%
Age		
16-24 yrs	17.2%	13.3%
25-54 yrs	6.8%	4.8%
55 yrs and older	6.0%	4.3%
Race / ethnicity		
White	6.9%	4.7%
African-American	14.3%	10.1%
Hispanic	10.4%	8.0%
Asian/Pacific islander	6.0%	n/a
Education		
Less than high school	17.0%	11.7%
High school	9.7%	7.7%
Some college	7.3%	5.6%
Bachelor's or higher	4.0%	2.7%

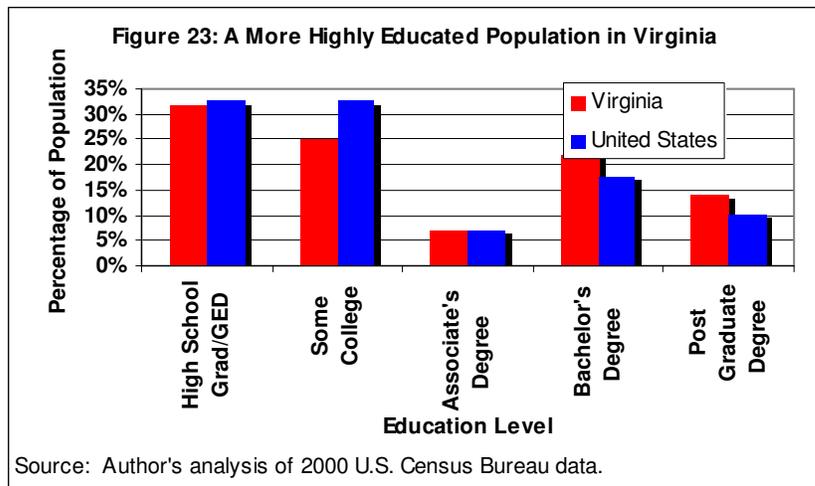
Source: Economic Policy Institute analysis of Current Population Survey data

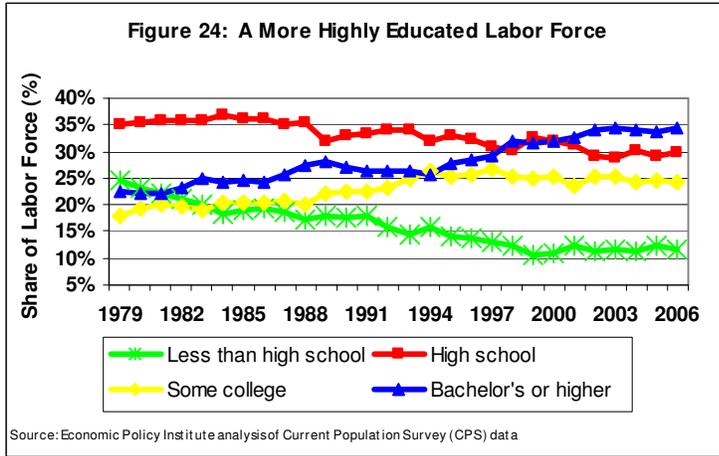
Underemployment, defined as the underutilization of skills, underuse of economic capacity and underuse of employed workers is an issue in many demographic segments. While the problem of underemployment is not as severe in Virginia as it is in the U.S. as a whole, Virginia is experiencing a substantial racial gap in this capacity (See Figure 22). African-Americans in Virginia have a higher labor force participation rate than whites, but they also have higher unemployment and underemployment rate. This means that although African-Americans are

participating more in the labor force, they are either not able to find employment or they are working part-time when they are in fact seeking full-time employment.

A More Educated Labor Force

Education level also has an important impact on labor participation in Virginia. In particular, as educational levels increase, a corresponding increase in labor force participation is observed. While only 43 percent of individuals with less than a high school degree are working, more than three-quarters of individuals with a bachelor's degree or higher are currently employed in the state.





Despite the relatively high number of workers that have no more than a high school education, the labor force in Virginia is highly educated and has become even more educated over time. Based on the 2000 U.S. Census, one-third of the Virginia population has the equivalent of a high school education, which is roughly equal to the nation.¹³ Virginians are more likely to graduate with a bachelor's or postgraduate degree than Americans as a whole. In fact, more than 36 percent of the

Virginia population has a bachelor's degree or higher compared to 28 percent of the U.S. population.

Since 1979, the share of the Virginia labor force with less than a high school education has declined from 24.7 percent of the labor force to 11.6 percent by 2006. This decrease corresponds with a simultaneous increase in the share of workers with a bachelor's degree or higher in the Virginia labor force. In 1979, workers with a bachelor's degree or higher represented 22.5 percent of the labor force, and by 2006 increased their share to 34.3 percent. The share of workers with a high school education or equivalent decreased 5.4 percent over the period from 1979 to 2006, while those with some college experienced an increase of 6.6 percent over the same period of time.

The Aging Labor force

At the same time that education levels are rising in the state, the labor force is also getting older. While the share of the labor force 18 to 24 years of age remained relatively constant over the period from 1996 to 2006 at 15 percent, the majority of the Virginia labor force is comprised of workers between 25 and 54 years of age. In 2006 they represented roughly 67.5 percent of the labor force. However, the share of workers in this age category has experienced a statistically significant decline of 5.67 percentage points from 1999 to 2006. This decline corresponds with a statistically significant increase of 5.3 percentage points in the share of the labor force comprised of workers 55 years of age and older in Virginia from 1999 to 2006. These changes follow the national and regional trends, thus reflecting "baby boomers" aging out of the 25 to 54 category and into the 55 years of age and older category. However, labor force participation rates for workers 55 and older in Virginia is 41.4 percent, nearly 3.4 percentage points higher than the U.S. as a whole. This has considerable implications because there could be labor shortages in some industries within the next 10 years. For example, many manufacturing industries, which tend to employ higher numbers of older workers, will most likely see double-digit deficits in the 35 to 44 age category.¹⁴

Two potential reasons partially explain this phenomenon. The first is that older workers are finding it necessary to work longer in order to pay for retirement. Changes in Social Security, a shift in

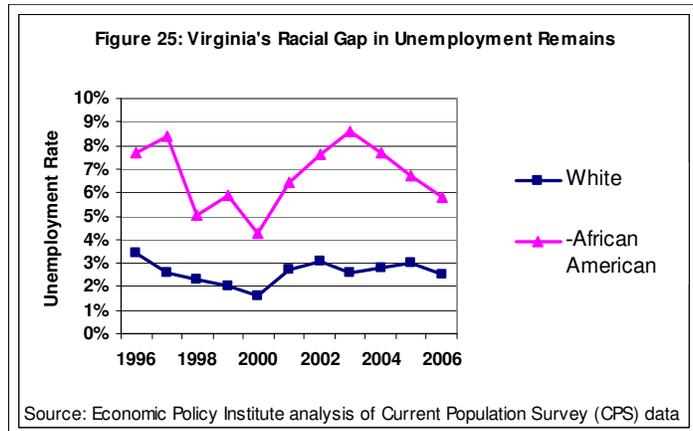
¹³ This figure has different percentages than shown in Table 4 because the Current Population Survey data only refers to the labor force, while the Census data refers to all of the adults over the age of 25 regardless of labor force participation

¹⁴ Virginia Economic Indicators. Vol. 38, No. 1

private pension and retirement savings plans from traditional private pension plans to defined contribution plans and the rapid growth in health care costs all may contribute to this perceived need to work longer.¹⁵ The second explanation is that individuals simply have a stronger desire to work longer based on job satisfaction than people have in the past. This trend has important policy implications especially if these people continue to work through their retirement years simply to make ends meet.

Overall Unemployment Levels are Low but Unequally Distributed

Finally, another important segment of the labor force is those individuals that are unemployed. Currently, the unemployment rate for Virginia was 3.1 percent in 2006 and was well below the regional and national unemployment rates, which are 4.1 percent and 4.6 percent respectively. However, Virginia's overall low rate of unemployment masks underlying issues such as racial unemployment rate gaps and regional disparities.



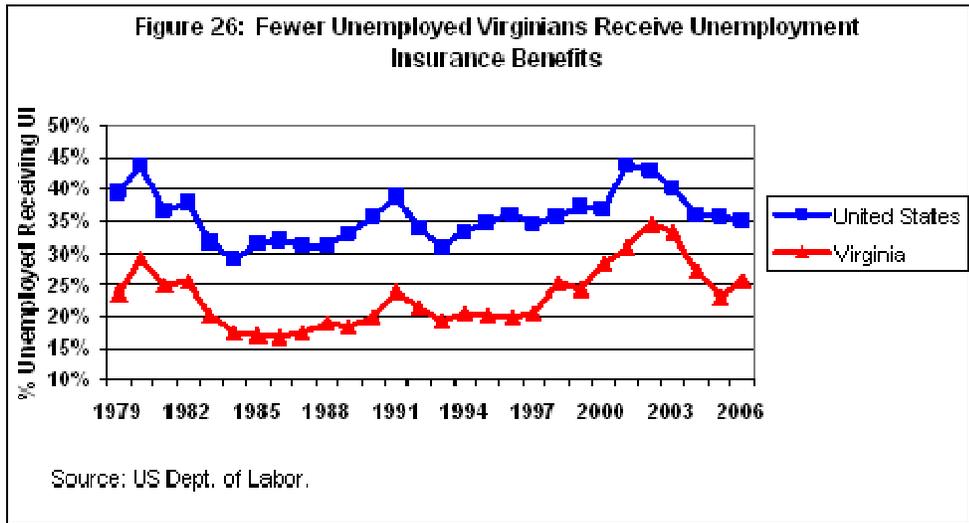
In particular, there is a substantial unemployment rate gap between African-American and white workers, as shown in Figure 25. Over the period from 1996 to 2006, the year 2000 marked where the gap between these two groups was at its narrowest point: 2.7 percentage points. This declining disparity did not last long. In 2003, the African-American labor force experienced a spike in unemployment to 8.6 percent, while the white unemployment rate increased one percentage point to 2.6 percent. In 2006, the gap once again began to decrease with African-American unemployment at 5.8 percent and white unemployment at 2.5 percent. African-Americans in Virginia are faring much better than in other parts of the country. In 2006, the unemployment rate for African-Americans in the South Atlantic region was 1.6 percentage points higher and 3.2 percentage points higher nationally than in Virginia.

To help alleviate some of the burden created by unemployment, Virginia provides unemployment insurance to those who qualify. Currently, unemployment insurance provides protection against the loss of wages to individuals who become unemployed through no fault of their own. In 2006, the Virginia Employment Commission paid \$326,949,485.00 in total benefits to 260,630 individuals. On average, Virginians received 12.6 weeks of benefits, with average weekly payments of \$252.69. Actual payment amounts are calculated at approximately 50 percent of an individual's previously earned wages. Benefits can be drawn for a maximum of 26 weeks, but require that the unemployed individual must be physically able to perform work, be available for work and must be actively seeking employment.

The share of unemployed Virginians receiving unemployment insurance benefits has been declining since its peak of 34.5 percent in 2002 (See Figure 26). In 2006, over 25 percent of unemployed

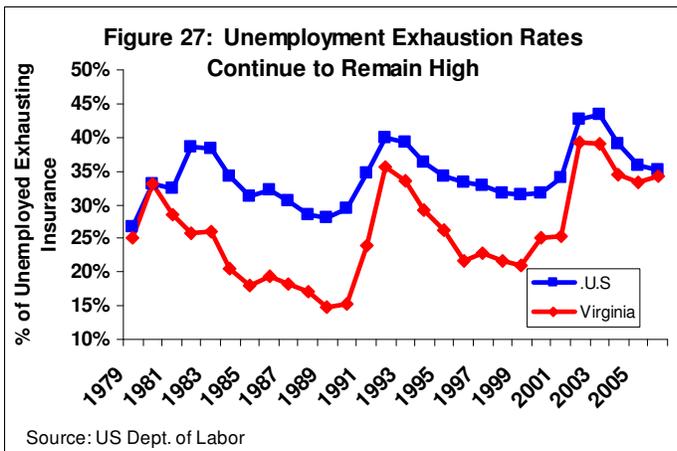
¹⁵ Gendell, Murray. "Full-Time Work Among Elderly Increases ." Population Reference Bureau April 2006. 26 November 2007 <<http://www.prb.org/Articles/2006/FullTimeWorkAmongElderlyIncreases.aspx>>.

Virginians qualified for and received unemployment insurance. This is well below the 35 percent and 30 percent in the U.S. and the South Atlantic region, respectively.



While Virginia has historically been well below the U.S. unemployment insurance exhaustion rate, by 2006 they were nearly equal, as shown in Figure 22. Over 35 percent of workers with unemployment insurance in the U.S. were receiving payments the

maximum duration, while 34 percent of unemployed Virginia workers ran out of benefits before they were able to find employment. Exhaustion rates in Virginia declined by 4.5 percent from 2003 to 2004, however, they have remained relatively steady in subsequent years.



Chapter 4: WAGES AND INCOME

Overview

Virginia continues to have one of the highest median incomes in the country, despite the recent decline over the last two years. At least 50 percent of Virginians made more than \$56,000 in 2006. This generally implies that workers in the state are faring quite well, at least relative to workers in other states. Although encouraging, a closer examination reveals that not all workers in the state are doing well, especially when wage trends in the state are evaluated over time. As a result, median income, while important, paints an incomplete picture of worker well-being in Virginia.

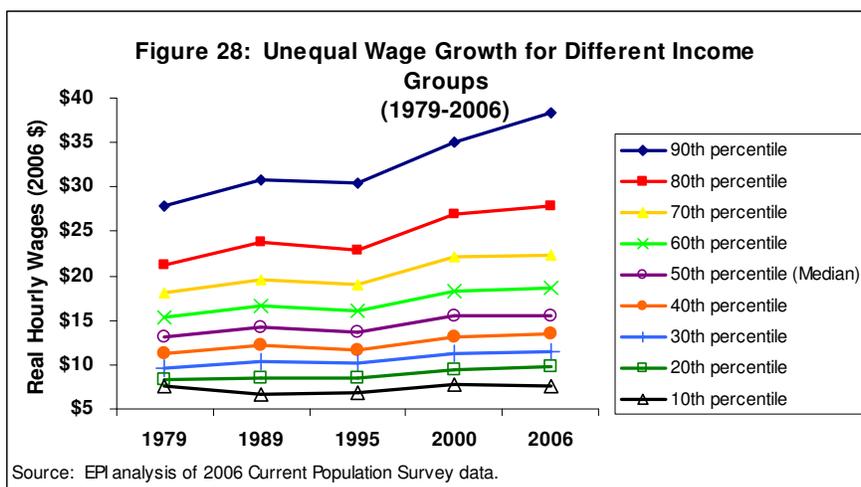
While most trends in the state have improved over time, substantial disparities still exist across the various income groups in the state, with workers in the middle and lower income categories not keeping pace with the rising wages enjoyed by those in the upper income brackets. Also, substantial wage gaps exist both by gender and by race, some of which have experienced only minimal improvement.

Virginia's Wages Outperform National and Regional Standards

Nearly every year since 1988, median wages in Virginia have exceeded the national and regional standards.¹⁶ In 2006, the median wage for workers in the Commonwealth was \$15.46, which is 65 cents higher than the national median and approximately one dollar more than the South Atlantic region. Equally encouraging, wages for women, African Americans, and Hispanics were also greater in Virginia than both the national and regional median. Finally, for every category of educational attainment, workers in Virginia earned more than the average worker in the South Atlantic region or the U.S.

Wages Have Increased More for Higher Earners

When broken down by income level, wages in Virginia have been increasing more at the highest levels than for those earning at or below the median level. As a result, in Virginia, the highest income level, those workers in the 90th percentile, earn over \$100,000 per year, on average,



compared to approximately \$16,000 per year for the lowest level, or those in the 10th percentile.

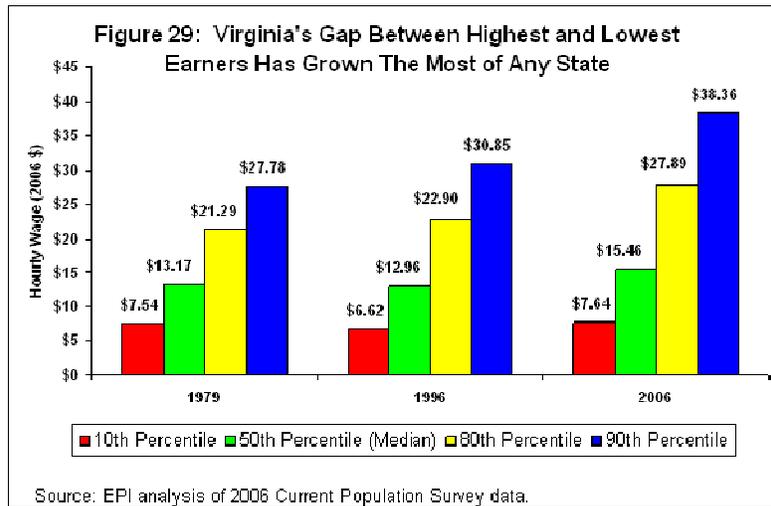
Nevertheless, at every percentile of income, wages have grown in Virginia since 1979. Yet, as Figure 28 illustrates, it has grown *the most* for those earning at the 80th and 90th percentile of income, representing the top 20 percent of wage earners.

¹⁶ All Wage information presented in this chapter is adjusted for inflation in 2006 Real dollars using the CPI-U-RS.

Wages at these levels have increased by 31 and 38 percentage points, respectively, far outpacing the growth observed nationally. For the entire U.S., wages for these respective income groups increased by 15 and 27 percentage. In contrast, middle and lower income groups have not fared as well. For example, those in the 50th percentile, which represents the middle income earners in the state, the real wage has only increased by 17 percent.

The lowest earning workers experienced even slower wage growth, increasing by only 1 percent in the last 27 years. The corresponding national growth for these two income groups was an increase of 9 percent for middle income workers and a decrease of 2 percent for the lowest income group. Furthermore, since 1979, this has resulted in an increasing wage gap between the highest percentile wages and the middle percentile wages. Wages for middle income earners in the state have not been keeping pace with those in the highest income brackets.

While this trend has been consistent over time, the gap has increased much more quickly since 1996 (See Figure 29). Between 1996 and 2006, wages grew substantially at every percentile level. However, this growth was enjoyed much more by the highest earners in the state than those who are middle or low income earners. While the gap between the highest earners (90th percentile) and middle earners (50th percentile) grew by 22

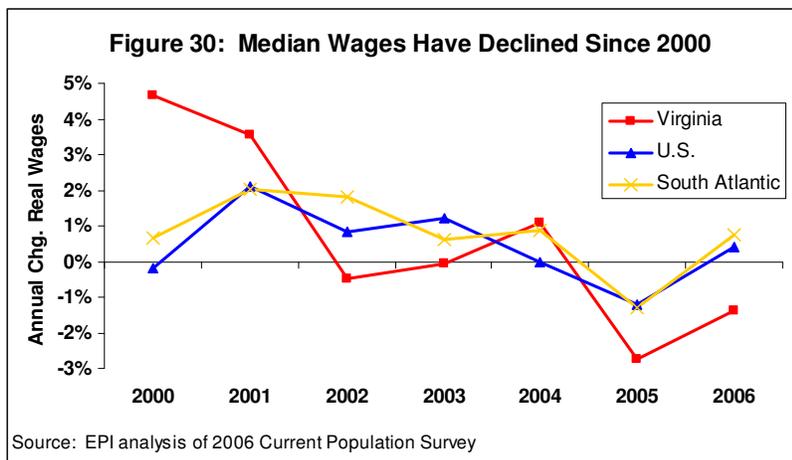


percent over the 17 year period between 1979 and 1996, between 1996 and 2006 this gap grew by 28 percent. The difference was even more pronounced when looking at high earners (80th percentile) and low earners (20th percentile). In real wage terms, the gap increased by only \$1.75 between 1979 and 1996. However, in the ten year period from 1996 to 2006, the wage gap increased by \$3.51. Finally, the most striking difference over the past decade is the gap in wages between the highest and lowest earners in the state. Between 1979 and 1996, the gap in wages only increased by \$3.99. Yet, since 1996, the wage gap has increased by \$6.49. In sum, while wages have increased for everyone over the past decade, the gains in wages have benefited the wealthiest in the state the most.

While the gaps between high and middle earners have been growing across the country since 1996, the growth in these wage gaps has been higher in Virginia than in most states. In fact, the growth in the gap between the highest (90th) and lowest (10th) percentiles was higher in real dollars in Virginia than in every other state. For the gap between the 80th and 20th percentiles and the 50th and 90th percentiles Virginia had the fifth highest increase in the gap between each respective group. This suggests that although the gap between the highest wage earners and the middle and low earners is growing throughout the nation, this trend has been far more pronounced in Virginia.

Middle and Low Income Earners Hurt Most by the Recession

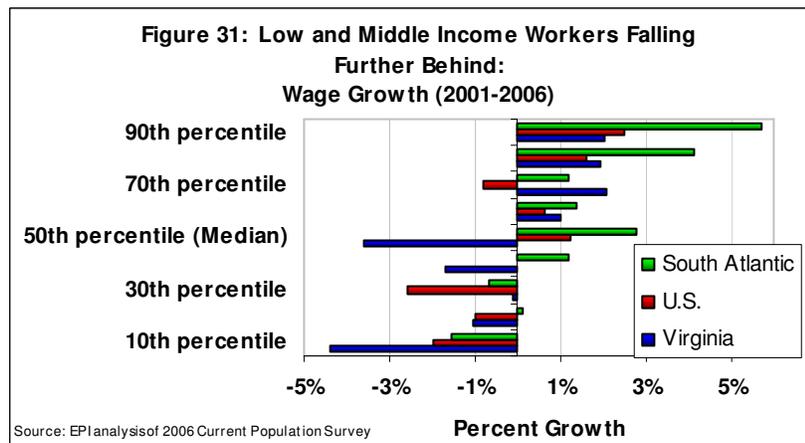
Much of the observed wage gap increases can be attributed to the recession. For four years prior to the recession, Virginia had experienced year to year wage growth in every year except 1999. Between 1999 and 2000, median wages grew by 4.7 percent, and between 2000 and 2001, wages grew by 3.6 percent. However, since 2001, median wages in Virginia have not experienced year to year growth with the exception of 2004 when they grew by only a little more than 1 percent (See Figure 30). Essentially, Virginia wages have stagnated and even declined since the recession. For example, while a worker making the median wage in Virginia earned \$15.49 in real wages in 2000, that same worker earned just \$15.46 in 2006.



As shown in Figure 31, the results since the recession have differed substantially across the different income groups in the state. In fact, every percentile wage group below the median in Virginia has seen a decline in wage growth since the recession. While this mirrors the national and regional trend, the impact on the lowest income wage group has been more pronounced in Virginia. In fact, since the recession, only 9 other

states experienced a decline in wages for the 10th percentile wage group that was more severe than in Virginia. Wages for the middle income group have also not fared well in Virginia since the recession. While median wages have grown 6 percent regionally and 2.5 percent nationally, Virginia median wages have experienced a decline of 3.6 percent. This is the fifth highest decline in the country since recession. Even at the highest wage levels, growth since the recession has not been as high in Virginia as it has been for the South Atlantic region and the nation as a whole.

Based on recent trends, Virginia faces some serious challenges ahead. While wages for the wealthiest in the Commonwealth continue to increase, those earning middle and low wages are not



seeing sustained growth in earnings. While we have seen growth since 1996 in wages for those earning middle and low incomes, recent trends reflects larger gains for the wealthiest workers and little to no gains for the poorest workers.

Wages Differ by Demographic Characteristics

Education

As higher education continues to be valued more in the workplace, so have wages for those with a college degree. Between 1979 and 2006 in Virginia, wages for those with a Bachelor's degree or higher have increased by 28 percent. They have seen a similar trend in the South Atlantic region and the U.S. as a whole, with wages increasing by 21 and 20 percent respectively. In addition the value of having a college degree versus just a high school degree has changed substantially since 1979. For example, in that year the median wage for workers with a college degree was only 54 percent higher than the wage for someone with only a high school education. By 2006, the median wage for college educated Virginians was 92 percent higher than the median wage for those with only a high school education. A similar gap persists for those who have only some college versus those that have earned a degree. In 1979, median wage earners with a college degree earned 48 percent more than those who had some college, and had increased to over 78 percent by 2006.

Figure 32: Median Wages By Demographic Characteristics 2006

	<u>Virginia</u>	<u>U.S.</u>	<u>South Atlantic</u>
All	\$15.46	\$14.81	\$14.67
Gender			
Male	\$17.95	\$16.11	\$15.82
Female	\$13.84	\$13.24	\$13.23
Race / ethnicity			
White	\$17.27	\$15.99	\$16.13
African American	\$12.67	\$12.49	\$12.47
Hispanic	\$11.93	\$11.16	\$11.21
Education			
Less than high school	\$10.04	\$9.61	\$9.82
High school	\$13.01	\$12.54	\$12.27
Some college	\$14.00	\$13.94	\$13.88
Bachelor's or higher	\$25.01	\$23.03	\$22.80

Source: EPI analysis of CPI data

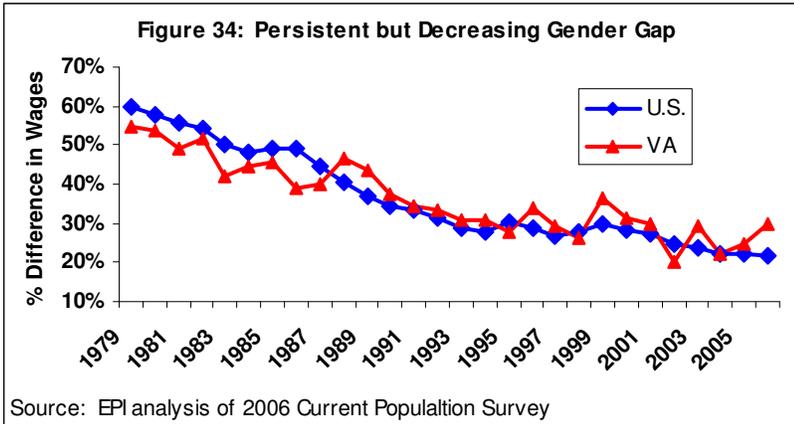
Figure 33: Education Plays an Important Role in Wage Growth

	<u>Less than High School</u>			<u>High School Degree</u>			<u>Some College</u>			<u>Bachelor's or Higher</u>		
	<u>1979 Wage</u>	<u>2006 Wage</u>	<u>% Change</u>	<u>1979 Wage</u>	<u>2006 Wage</u>	<u>% Change</u>	<u>1979 Wage</u>	<u>2006 Wage</u>	<u>% Change</u>	<u>1979 Wage</u>	<u>2006 Wage</u>	<u>% Change</u>
Virginia	\$9.89	\$10.04	<i>1.52%</i>	\$12.62	\$13.01	<i>3.09%</i>	\$13.11	\$14.00	<i>6.79%</i>	\$19.46	\$25.01	<i>28.52%</i>
U.S.	\$11.28	\$9.61	<i>-14.80%</i>	\$13.00	\$12.54	<i>-3.54%</i>	\$13.62	\$13.94	<i>2.35%</i>	\$19.19	\$23.03	<i>20.01%</i>
South Atlantic	\$10.00	\$9.82	<i>-1.80%</i>	\$11.75	\$12.27	<i>4.43%</i>	\$12.65	\$13.88	<i>9.72%</i>	\$18.77	\$22.80	<i>21.47%</i>

Source: EPI analysis of Current Population Survey

Figure 33 shows that for Virginians at every level of educational attainment, wages have increased over time. Yet, in terms of real wages these increases have not been particularly substantial across all education levels. For example, for those who have had “some college,” real wages have only increased by 20 cents between 1986 and 2006. The change in wages is even worse for those with less than a high school degree. While wages in 1979 were \$9.89, they were only \$10.04 in 2006, an increase of only 1.52 percent. What these changes collectively show is that wages have been relatively stagnant for those that have less than a Bachelor's degree despite being better than national and South Atlantic averages. In contrast, higher education levels have seen substantial growth in wages over time. This has strong policy implications because nearly 40 percent of the labor force has a high school education or less.

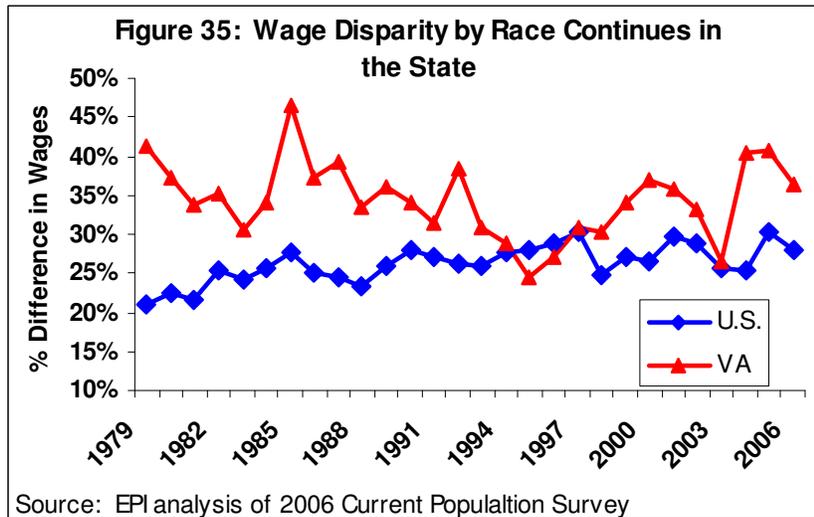
Gender and Race



While the gap in wages by education levels has been increasing, the gaps between different demographic groups have been decreasing. There is still a substantial difference between wages for men and women both nationally and in Virginia. However, the gap appears to be declining; in 1979 men made 54 percent more than women, while in

2006 the gap was down to 30 percent. Although the decrease in gender gap has been fairly constant over time, a considerable increase occurred in both 2005 and 2006.

Unfortunately, the same cannot be said for the gaps in wages between whites and minorities in Virginia. For example, the gap between whites and African-Americans in Virginia has been consistently higher than the U.S. and has not decreased substantially since 1979. In fact, in 1980, white wages were 37 percent higher than African-American wages. By 2005, the difference still had not changed much, as whites made 41 percent more than African-Americans, although the number dropped back down to 36 percent in 2006. Additionally, the gap was even larger between white and Hispanic wages, as whites in 2006 made nearly 45 percent more.¹⁷



¹⁷ Due to a lack of data, wage data for Hispanics is only available for 2005 and 2006.

Chapter 5: VIRGINIA'S REGIONAL DIVERSITY

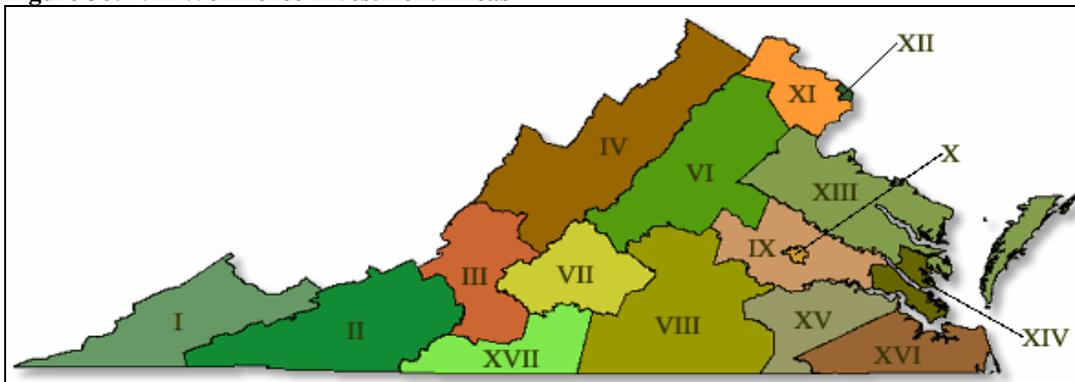
Size of the State Creates Unique Challenges

In a state as large as Virginia, overall trends tend to mask the regional disparity that exists throughout the state. While on the whole the state economy is well-diversified, not all regions of the state are equally endowed. For example, particular regions such as Northern Virginia, Hampton Roads and Shenandoah Valley continue to exhibit strong, positive economic trends, including robust job growth, higher wages and lower levels of unemployment. Other areas of Virginia, particularly Southside's West Piedmont, Richmond and Southwest Virginia, struggle with negative job growth, higher unemployment and lower wages. Due to these regional differences, workers in particular areas are not sharing in the growing prosperity of the state as a whole.

Virginia's Workforce Investment Areas

One way to evaluate Virginia's various regions is to use the workforce investment system that has been specifically developed to administer development and training programs to workers located throughout the state. As shown in Figure 36, Virginia is currently subdivided into 17 separate workforce investment areas (WIAs). More specifically, each of these regions represents an individual labor market area, which is defined as an "economically integrated geographic area within which individuals can reside and find employment within a reasonable distance or can readily change employment without changing their place of residence."¹⁸

Figure 36: VA Workforce Investment Areas



Source: Virginia Employment Commission

In assessing Virginia's regional performance, eight of these workforce investment areas were carefully selected from around the state to illustrate the disparity that exists across Virginia's regions. Figure 37 lists the particular areas selected and the corresponding WIA number indicating its location in the state. While not exhaustive, these selected regions are meant to provide a representative cross-section of Virginia's diverse regional differences.

¹⁸ Workforce Investment Act of 1998. <http://www.doleta.gov/dinap/cfml/wialarge.cfm>

Figure 37: Selected Regional Analysis

Workforce Investment Area (WIA)	WIA No.
Northern Virginia	XI
Alexandria	XII
West Piedmont	XVII
Richmond City	X
Hampton Roads	XVI
Southwest Virginia	I
Greater Peninsula	XIV
Shenandoah Valley	IV

Based on these selected regions, a wide spectrum of worker conditions can be observed throughout the state. In general, the Northern Virginia, Alexandria¹⁹, Hampton Roads, and Greater Peninsula regions represent areas of the state where workers are faring quite well. Alternatively, workers located in West Piedmont, Southwest Virginia and Richmond continue to struggle, particularly due to the major job losses occurring in these regions. Finally, the Greater Peninsula and Shenandoah Valley regions tend to fall

in between with some workers doing well, whereas others continue to struggle.

Regional Employment Growth Differs Greatly

As might be expected in a state the size of Virginia, the employment landscape can vary greatly across Virginia’s individual regions. In particular, not all segments of the state are equally endowed with a diversified economy, which has important ramifications for sustaining long-run employment growth, maintaining low unemployment rates and achieving overall economic resiliency.

For example, the professional and business employment sector comprises over 25 percent of the labor force in the Northern Virginia and Richmond regions compared to only 18 percent at the state level. Likewise, manufacturing comprises only 8 percent of total employment at the state level, but employs a much higher 25 percent of the labor force in West Piedmont. While these are just a few examples, similar differences can be observed across many of the other sectors of the economy at the regional level. This lack of diversification creates many important challenges for Virginia’s regions, particularly in areas where the dominant sector is experiencing substantial job loss or is characterized by creation of lower paying jobs.

As might be expected, employment growth has also not been uniform across the various regions of the state over time. While overall state employment growth has been robust, a more unequal story emerges at the regional level. In particular, Northern Virginia, Shenandoah Valley and Hampton Roads have all had strong employment growth, both before and after the 2001 recession (See Figure 38). A different story emerges in West Piedmont and Richmond where annual employment growth has been negative. Additionally, it is also important to note that in five of the eight WIAs selected, employment growth has been noticeably slower since the recession, with Alexandria, Southwest

Figure 38: Average Annual Employment Growth

	1990-2000	2000-2006
Northern Virginia	3.69%	2.97%
Shenandoah	2.23%	1.22%
Hampton Roads	1.74%	1.25%
Greater Peninsula	1.32%	0.85%
Alexandria	0.75%	0.77%
Southwest Virginia	0.15%	0.71%
West Piedmont	-0.91%	-2.21%
Richmond City	-1.31%	-0.29%

Source: Author’s analysis of Virginia Employment Commission

¹⁹ The Alexandria workforce investment area also includes Arlington County and is not included in the Northern Virginia WIA. The Alexandria WIA was included in this analysis because of its contrasts to the Northern Virginia WIA in terms of employment composition and growth.

Virginia and Richmond city (average job growth was still negative, but not as large) being the three exceptions. Thus, although new jobs continue to be generated in many areas throughout the state, the rate of growth in most areas has not been equal or as high as before the recession.

Northern Virginia and Hampton Roads Continue to Generate Strong Employment Growth

Although most of the regions, with the exception of West Piedmont and the city of Richmond, have experienced some level of positive employment growth during this period, as shown in Table 10 the rate of growth has clearly differed substantially by region. Measured in terms of total jobs created, Northern Virginia and Hampton Roads have led the way since 1991, generating over 341,000 and

108,000 new jobs, respectively, with close to one third of these jobs created since 2002 despite the slower growth rates. For both of these regions a large portion of the new jobs created have been a result of rapid growth in the professional and business services, education and health services and tourism sectors (See Figure 39). Combined these three sectors are responsible for over 70 percent of all employment growth in these regions since 1990. More importantly, for workers in these areas this has been good news, considering professional and business service jobs also tend to be associated with

Figure 39: Strong Employment Growth in Northern Virginia and Hampton Roads

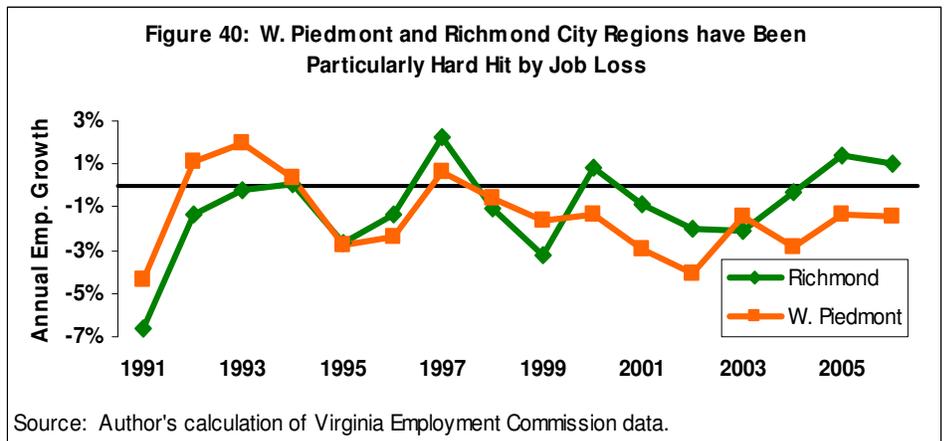
	<u>Northern Virginia</u>	<u>Hampton Roads</u>
Total Employment Growth	341,399	108,984
Concentration of Growth by Sector:		
Professional & Business Services	42%	31%
Education & Health Services	20%	32%
Tourism	<u>10%</u>	<u>15%</u>
Total	<u>72%</u>	<u>78%</u>

Source: Author's analysis of Virginia Employment Commission data.

higher-paying positions. As shown in Figure 39, professional and business service jobs alone accounted for 42 and 31 percent of the total jobs created in Northern Virginia and Hampton Roads, respectively. Not surprisingly, these regions also tend to have higher average weekly wages and lower rates of unemployment.

The Impact of Manufacturing Job Loss has Created Substantial Hardship for Particular Regions

Conversely, the West Piedmont and Richmond regions have had almost the exact opposite experience, continually losing jobs during most of the same time period since 1991. In both regions, the substantial job loss in the manufacturing sector that has occurred statewide has had a particularly devastating impact on the employment outlook in these two regions, especially since the



manufacturing sector accounts for a larger portion of the labor force. In 1990, manufacturing comprised 44 percent of the

Figure 41: Negative Employment Growth has Resulted in Net Job Loss

<u>Employment Sector</u>	<u>1990</u>	<u>1999</u>	<u>2006</u>	<u>Total Change</u>
Manufacturing	41,558	33,105	18,499	(23,059)
Trade Transp. & Utilities	18,020	17,268	15,086	(2,934)
Const. & Mining	4,328	4,331	3,765	(563)
Gov.	3,241	2,501	2,708	(533)
Fin. Activities	2,879	2,366	2,446	(433)
Other Services	2,235	2,290	1,886	(349)
Info.	1,056	949	972	(84)
Tourism	5,115	5,470	5,799	684
Educ. & Health Services	13,179	14,340	16,100	2,921
Prof. & Bus. Services	<u>2,557</u>	<u>5,641</u>	<u>7,184</u>	<u>4,627</u>
Total	<u>94,168</u>	<u>88,261</u>	<u>74,445</u>	<u>(19,723)</u>

Source: Author's analysis of Virginia Employment Commission data.

West Piedmont economy and almost 13 percent of the Richmond economy compared to only 7 percent statewide. By 2006, due to the continued job loss in these sectors, the manufacturing sector had fallen to 25 percent and 6 percent of each respective regional economy. As a result, workers in both of these regions have faced substantial hardship.

As shown in Figure 40, West Piedmont has had only four years of positive employment growth in the last sixteen years. Even during the mid 1990s when state economic growth exceeded 4 percent and much of the rest of the state was experiencing strong job growth, West Piedmont only had one year, 1997, where employment growth was positive. Since then the region has seen continuous employment loss, although the rate of job loss has gradually slowed in recent years.

Much of the negative employment growth is directly related to the manufacturing job losses that have occurred in this region. Since 1991, 23,000 jobs in the West Piedmont region have been lost in the manufacturing sector alone. While this job loss is substantial, Figure 41 shows that job loss in this region has spilled over into other sectors as well. However, thanks to job growth in other sectors, such as education and health services and professional and business services, some of these losses have been partially offset. While these trends are encouraging, total job loss in this region has still resulted in a net job loss of just under 20,000 jobs, representing 27 percent of the total 2007 labor force.

The city of Richmond has experienced similar job loss over the last decade. Between 1990 and 2006, this region lost over 28,000 jobs, 14,000 of which were concentrated in the manufacturing sector (See Figure 42). In addition to these large manufacturing losses, Richmond has also been particularly hard hit by job loss in the trade,

Figure 42: Manufacturing & Trade Have Particularly Hurt Richmond City

<u>Employment Sector</u>	<u>1990</u>	<u>1999</u>	<u>2006</u>	<u>Total Change</u>
Manuf.	24,421	16,617	10,109	(14,312)
Trade Transp. & Utilities	30,151	24,748	21,163	(8,988)
Fin. Activities	17,111	10,188	9,622	(7,489)
Gov.	21,314	18,241	17,128	(4,186)
Other Services	7,966	6,841	5,971	(1,995)
Info.	5,557	3,748	4,410	(1,147)
Const. & Mining	8,653	8,125	8,819	166
Tourism	10,552	11,076	11,740	1,188
Prof. & Bus. Services	29,066	30,193	31,344	2,278
Educ. & Health Services	35,679	35,300	41,606	5,927
Total	190,470	165,077	161,912	(28,558)

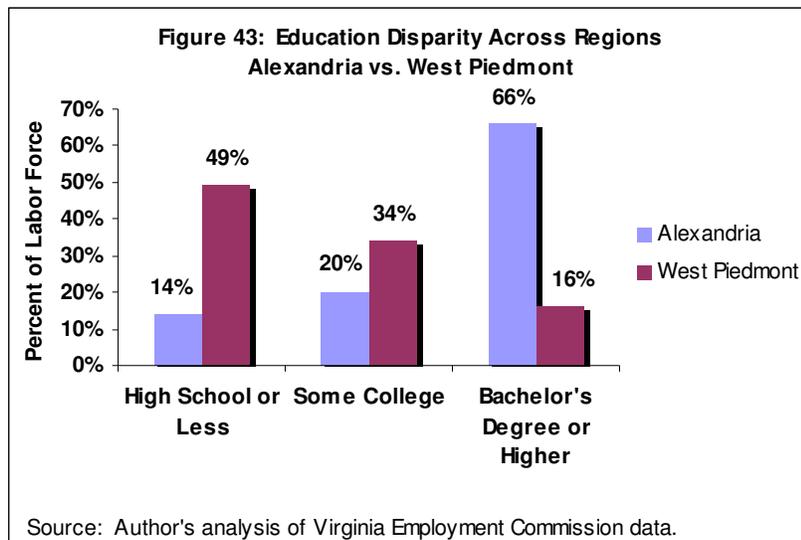
Source: Author's analysis of Virginia Employment Commission data.

transportation and utilities sector, some of which have been relocated to Northern Virginia. Employment loss in this sector resulted in an additional 8,900 workers losing their job since 1990. Similarly, thousands of jobs have also been lost in the financial activities, government, other services and information sectors. As shown in Figure 42, the only sectors to gain jobs since 1990 have been in the professional and business services, education and health services and tourism industries. Unfortunately, the increases in these industries have clearly not sufficiently the jobs lost in other sectors of the region's economy. Even despite the positive employment growth in 2005 and 2006 –the first positive growth period since 1999 –Richmond still continues to struggle to generate sustained employment growth.

While West Piedmont and Richmond have struggled to replace declining manufacturing jobs, the Shenandoah Valley region has actually been able to successfully weather the substantial number of manufacturing job losses despite having a substantial share of the labor force employed in this sector. Like the other two regions, Shenandoah Valley employs a high proportion of its labor force in the manufacturing sector, comprising almost 29 percent in 1990. By 2006 this percentage had fallen to just under 19 percent, losing over 6,000 jobs. Unlike the other regions, however, the Shenandoah Valley region has actually seen a net job gain, largely due to increases in the trade, transportation and utilities and education and health services sectors, which have generated over 13,000 and 18,000 new jobs, respectively. Thus, while most regions in the state with large manufacturing labor forces have struggled to create jobs, the Shenandoah Valley region proves to be an unusual exception.

Regional Demographics

Virginia is a highly diverse state in many respects. In particular, the composition of the labor force differs in important ways across the various regions of the state. While the state as a whole is outperforming the South Atlantic region and the nation in many aspects, an analysis of various Workforce Investment Areas (WIAs) within the Commonwealth shows the difficulties facing some



areas in comparison to the economic success of others. Background and demographic information regarding the workers found in the selected WIAs helps paint a fuller picture of these disparate labor forces.

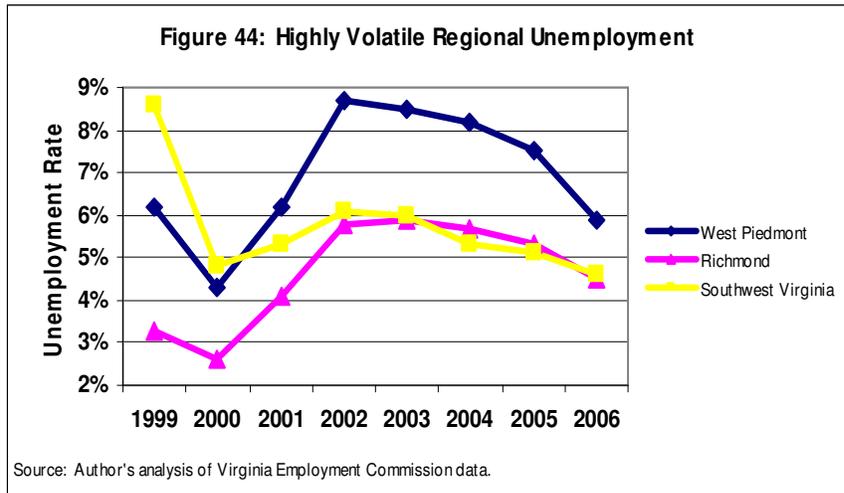
Work Force Investment Areas not only differ by ethnic and racial composition, but also educational attainment, which has important ramifications on employment opportunities and wages in a particular region. Figure 43 shows the disparity

among educational attainment between Alexandria and West Piedmont in 2006. These two regions, representing polar extremes, illustrate the education gap that exists across some regions in the state.

Approximately 45 percent of the Alexandria workforce is employed in government and professional and business services sectors, which require higher levels of education. Similarly, Northern Virginia –also highly concentrated in professional and business services –saw high rates of the labor force with a bachelor’s degree or higher. In contrast, Figure 43 shows the declining proportion of West Piedmont’s labor force with higher levels of education. The industry composition within West Piedmont is heavily comprised of lower skilled jobs. Nearly 25 percent of the labor force is employed in manufacturing, while roughly only 10 percent are employed in professional and business services. Other WIAs with similarly high concentrations of lower skilled jobs, such as Southwest Virginia, tend to have a less educated labor force.

Regional Unemployment and Unemployment Insurance

While the state of Virginia as a whole is experiencing a low rate of unemployment, disparities among unemployment rates across the state show workers fare differently according to which region of the state they are in. One explanation for the disparity observed throughout the state is largely a result of the unequal industrial composition found in each region. Shenandoah Valley



and West Piedmont tend to be more heavily concentrated with manufacturing industries, which have been experiencing heavy layoffs due to closing of facilities. As a result, between 2002 and 2004, West Piedmont has experienced unemployment rates of over 8 percent, before they finally began to decline (See Figure 44). As was the case in West Piedmont, Richmond also experienced a corresponding spike, increasing unemployment rates over 3 percentage points between 2000 and 2002. While still the highest in the state, West Piedmont’s unemployment rate dropped to 5.9 percent in 2006.

Not surprisingly, Northern Virginia and Alexandria have historically had the lowest unemployment rates in the state. In 2006, Northern Virginia’s unemployment rate of 2.2 percent and Alexandria’s rate of 2 percent were well below that state average of 3 percent and the national average of 4.6 percent. The highly educated population, an industrial composition dominated by professional and business services and positive job growth have helped keep unemployment rates low. The Northern Virginia and Alexandria regions have some of the lowest unemployment rates, given the highly populated area, in comparison to other cities across the U.S.

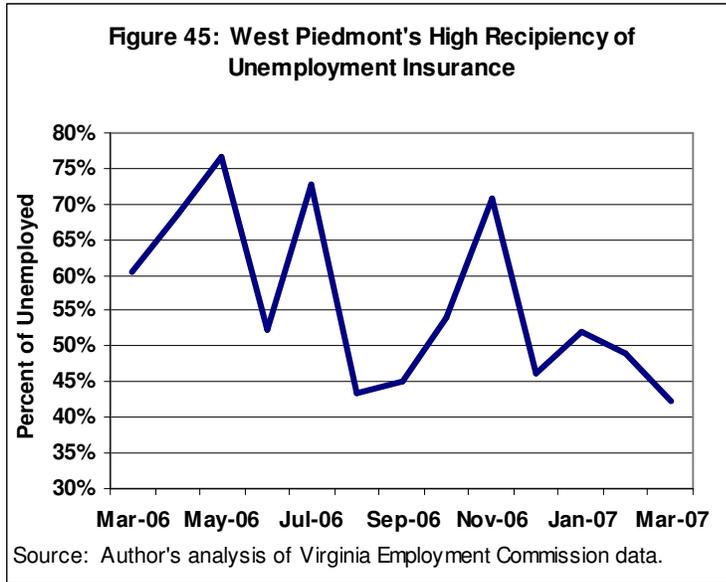
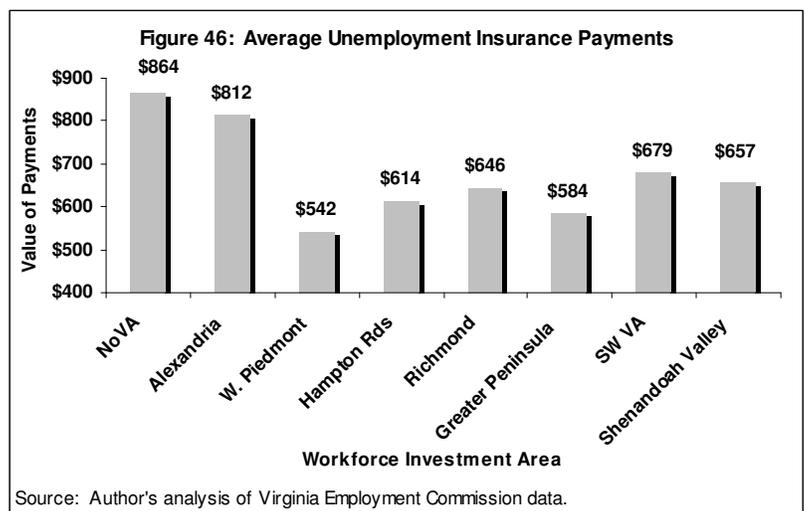


Figure 45 shows the percentage of the unemployed in the West Piedmont WIA that is receiving unemployment insurance (UI) payments. West Piedmont has one of the highest rates of unemployment in the state and also has one of the highest rates of UI reciprocity. In May 2006, more than three quarters of unemployed workers were receiving this financial assistance, although by March 2007 it had declined to approximately 42 percent. This decline, however, is not consistent. Throughout the one year period, fluctuations in reciprocity rates occurred in July 2006 and November 2006, before continually declining

through March 2007. In contrast, the low rates of unemployment in Alexandria and Northern Virginia correspond to low rates of unemployment insurance payments received by unemployed workers. From March 2006 to March 2007, reciprocity rates in Alexandria and Northern Virginia remained relatively consistent at 20 percent –less than half of West Piedmont rate.

Figure 46 shows the average monthly unemployment insurance payments for each of selected Workforce Investment Areas over the period from March 2006 to March 2007. Unemployed Virginian workers as a whole receive on average \$665.93 per month in benefits. Nevertheless, payment amounts differed substantially across the state's regions. For example, despite Northern Virginia and Alexandria's low rate of unemployment insurance beneficiaries, unemployed workers in these regions receive the highest monthly payments of \$864.47 and \$812.28, respectively, well above the state average. On the other hand, West Piedmont, which has the highest concentration of unemployment insurance recipients, has the lowest average payments of \$542.20 per month. The disparities of unemployment insurance between Workforce Investment Areas throughout the state display the difference in wages and industry composition.

In every Workforce Investment Area, the majority of those receiving the benefits were between the ages of 25 and 54 years of age. Alexandria and Southwest Virginia had the highest share in this age category, with approximately 79 percent, while West Piedmont had the lowest at 70 percent. West Piedmont, however, also had a substantial share of unemployment insurance recipients who were 55 years of age or older;



they represent 23 percent of recipients. Unemployed workers with only a high school education represent the largest share of workers receiving payments, although this is not the case in Northern Virginia and Alexandria, where recipients who have a bachelor’s degree or higher represent 35 percent and 39 percent of the total number of recipients, respectively. This is not surprising, since nearly two-thirds of the entire population in these areas have a bachelor’s degree or higher and therefore would logically represent a higher proportion receiving unemployment benefits.

Figure 47: Disproportionate Sharing of Unemployment Insurance			
		White	African American
West Piedmont	% Labor Force	70.59%	26.42%
	% Receiving UI	47.16%	49.99%
Hampton Roads	% Labor Force	63.93%	28.17%
	% Receiving UI	36.63%	55.44%
Richmond City	% Labor Force	44.84%	49.29%
	% Receiving UI	20.08%	68.42%
Greater Peninsula	% Labor Force	63.51%	29.69%
	% Receiving UI	33.38%	57.04%
Source: Author's analysis of Virginia Employment Commission data			

While the recipients of unemployment insurance in some parts of the state are representative of the racial and ethnic demographic composition of the WIA, there are some exceptions, as well. Figure 47 illustrates the disparities within certain regions where the minority of the labor force constitute the majority receiving UI payments. In West Piedmont, African-Americans are roughly one quarter of the labor force yet receives half of the UI payments. Although African-Americans comprise the majority of the labor force in Richmond, they still represent a disproportionate share of the recipients of unemployment insurance, with more than 68 percent receiving payments. The share of the labor force and UI recipients in Hampton Roads and Greater Peninsula are very similar. Roughly two thirds of the labor forces in these regions are comprised of white workers, yet, only one third receive UI benefits. These imbalances emphasize the racial disparities within these regions.

Regional Wages Vary Substantially

It is no secret that where a person lives can play an important role in how much money a person makes. In Virginia, the cost of living and types of industries vary by region and thus, so do wages and income. There are also substantial differences depending on the industry in which individuals are employed.

In particular, Virginia’s increasingly diversified economy has led to shifts that have impacted different parts of the state both positively and negatively. While some of the difference may be

explained by cost of living differences, there are still parts of the state that continue to lag behind despite overall increases in employment.

Northern Virginia, Alexandria, and Richmond: High income industries dominate growth

Northern Virginia and Alexandria have driven much of the economic and employment growth that has occurred in the state over the last twenty years. In general, the largest growth in these areas has been concentrated in high income industries. This growth has particularly had important impacts on the average wages observed in these regions.

Figure 48: Northern Virginia's Workforce

High Income Industries	Percent of Jobs	Avg Weekly Wage	Wage Growth since 1990
Prof.l & Business Services	28.52%	\$1,555.00	65.05%
Financial Activities	5.27%	\$1,527.00	76.66%
Information	4.88%	\$1,942.00	81.12%
Government	<u>4.43%</u>	\$1,413.00	59.88%
Total	43.10%		
Middle and Low Income Industries			
Trade, Transp. & Utilities	17.53%	\$815.00	14.73%
Educ. and Health Services	16.02%	\$851.00	10.50%
Tourism	8.94%	\$410.00	22.39%
Construction	8.33%	\$994.00	25.65%
Other Services	<u>3.49%</u>	\$736.00	22.43%
Total	54.31%		

Source: Author's analysis of Virginia Employment Commission Data

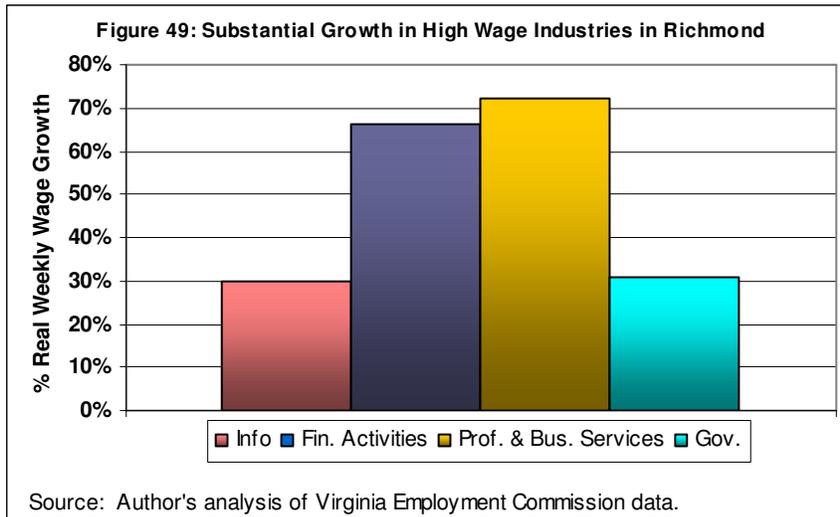
Figure 48 displays the 2006 composition of the Northern Virginia workforce divided into categories based on their average weekly wages. It shows that while Northern Virginia has enjoyed a substantial amount of prosperity, not everyone has shared equally.

Since 1990, of the 341,000 jobs that have been created in Northern Virginia, the majority have been in the Professional and Business Services, Financial Activities, and Information industries. As these jobs have grown in number, so have their wages. In 1990, the average weekly wages for a worker in Professional and Business services in Northern Virginia was \$942.²⁰ By 2006, it had nearly doubled to more than \$1,555. However, not every industry has experienced the same growth in pay as in Northern Virginia. For example, as illustrated in Table 15, the combination of employment growth in the Education and Health Services and Trade, Transportation, and Utilities industries contributed to about one third of the growth in jobs in Northern Virginia. Yet, since 1990 the average weekly wage has increased only by about 10.5 percent and 15 percent, respectively. This represents less than 1 percent annual growth in real wages within these industries.

Although the Alexandria region has not experienced the same job growth across all industry sectors as Northern Virginia, the growth it has witnessed has also been concentrated primarily in high-skill service positions. Unlike other parts of Northern Virginia, however, the highest paid workers are not in private business or technology firms, but government employees. On average, government workers in Alexandria make approximately \$1,680 in weekly wages, which is \$110 more than the

²⁰ Average weekly wage data were obtained from the Virginia Employment Commission. All average weekly wage data are expressed in Real 2006 Dollars. To obtain the real dollar figure, the weekly wages were adjusted for inflation using the CPI-U-RS. Also, it should be noted that the average weekly wage does not take into account full time

corresponding wages of Professional and Business Services and Information sector workers. In total 53 percent of those employed in Alexandria earn an average weekly wage of \$1,500 or more.



In Richmond, wages have grown across every industry sector. However, for Professional and Business Services and Financial Activities, this growth has been particularly substantial, with average weekly wages increasing by 72 percent and 66 percent respectively. In real wage terms, this has meant an increase in professional and business services from \$776 to \$1,137 and from \$840 to \$1,397 in

Financial Activities. However, the industry sector that employs the most workers in Richmond, education and health services has seen a comparatively modest increase in wages of 8 percent.

These trends represent a changing employment landscape for Northern Virginia, Alexandria and Richmond. For example, since 1990, wages in four industry sectors in Northern Virginia have increased by 60 percent or more, while most others have struggled to keep pace. This has resulted in a substantial gap in average weekly wages between the fast-growing, high wage industries and those that pay middle or low wages. While the Northern Virginia and Alexandria regions are characterized by some of the highest-paying jobs in the state, not every industry sector has seen robust growth.

West Piedmont, and Southwest Virginia: Still Falling Behind

As opposed to Northern Virginia and Alexandria, the West Piedmont and Southwest Virginia WIAs have traditionally had a less diverse industry composition. All three of these regions are considered rural areas of the state, traditionally with higher poverty rates. While all three have undergone major transformation in terms of employment trends by industry, most industry sectors in these WIAs have not seen the same kind of dynamic wage growth that has occurred in Northern Virginia and Alexandria.

Manufacturing, while continuing to be the dominant sector of employment in West Piedmont, has declined substantially since 1990. However, it still boasts the highest weekly wage in the WIA, increasing by 20 percent over the 16 year period (See Figure 50). Interestingly, while professional and business services has been the sector creating the most jobs since 1990 in West Piedmont, average weekly wages in this sector have actually decreased. This stands in stark contrast to the trend observed in Northern Virginia and Alexandria where increases in employment in this industry coincided with substantial increases in pay. The two other major employment sectors in this region: Education and Health Services and Trade, Transportation, and Utilities, have seen only marginal

changes in weekly wages since 1990. While wages in the Trade, Transportation and Utilities sector increased by about 7 percent, wages in the Education and Health Services actually have declined by 1 percent.

In Southwest Virginia, the Education and Health Services sector has become the largest employing sector in the region. Yet, despite increasing in overall numbers of employment the real average weekly wage has decreased by about 1 percent since 1990. The same trend has also been seen in the Professional and Business Services sector, which despite being the second largest industry in terms of growth, has experienced a decline in average weekly wages by almost 10 percent.

Figure 50: Nearly Half of Industry Sectors in West Piedmont Had Negative Wage Growth Since 1990

Industry Sector	1990 Weekly Wages	2006 Weekly Wages	Change
Prof. & Bus. Services	\$503.97	\$427.00	15.27%
Info.	\$669.96	\$611.00	-8.80%
Const.	\$524.90	\$513.00	-2.27%
Mining	\$469.57	\$465.00	-0.97%
Educ. & Health Services	\$589.21	\$585.00	-0.71%
Tourism	\$219.83	\$231.00	5.08%
Trade Transp. & Utilities	\$426.20	\$455.00	6.76%
Gov.	\$581.73	\$656.00	12.77%
Fin. Activities	\$521.91	\$589.00	12.85%
Other Services	\$318.53	\$375.00	17.73%
Manuf.	\$562.29	\$689.00	22.53%

Source: Authors' analysis of Virginia Employment Commission data

In sum, the fruits of Virginia’s economic and employment growth have not led to the same benefits for the average worker in the Southwest and West Piedmont regions of the state. While income has increased in many of sectors of employment, it has not increased at the staggering levels seen in Northern Virginia and Alexandria.

Shenandoah Valley, Greater Peninsula and Hampton Roads: Sustained Growth Since 1990

The Shenandoah Valley, Greater Peninsula and Hampton Roads WIAs have all experienced sustained wage growth since 1990. In Shenandoah Valley, the two largest sectors of industry employment, Education and Health Services and Trade, Transportation, and Utilities have seen a growth in wages of 12 and 15 percent respectively. Tourism, which employs approximately 11 percent of the workforce in the Shenandoah Valley, has only seen an increase of 6.5 percent, with real average weekly wages increasing from \$247 to \$263.

In the Greater Peninsula region, every industry sector’s wages grew by 10 percent or more, with the lone exception being the Tourism sector (7 percent increase). In addition, despite a substantial decline in manufacturing jobs, weekly wages in the Greater Peninsula have actually increased by \$200 since 1990, marking a 22 percent increase.

Similarly, Hampton Roads has experienced wage growth across every industry sector. In fact, nearly every industry sector has seen a growth in real wages of over 20 percent since 1990. The lowest growth of any industry wage was in education and health services, which grew by 9.5 percent. Over this period wages have increased the most for jobs in the professional and business services, financial activities, and government.

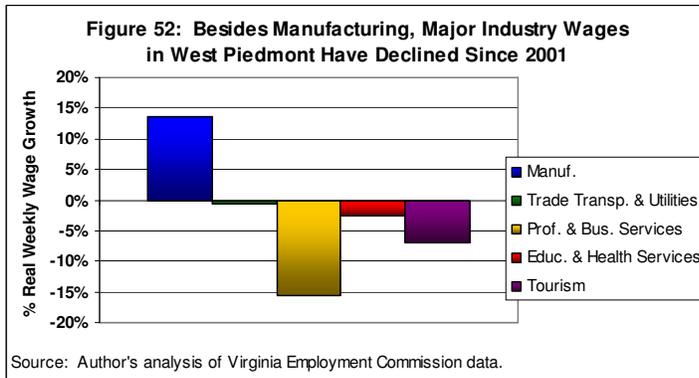
Average weekly wages since the Recession

Figure 51 displays the breakdown of average wage growth (and decline) by industry across each selected region. Overall, income increased for nearly every industry sector in each WIA, with the exception of West Piedmont. In addition, average wages for workers in the information sector declined in four of the eight WIAs examined, yet in none of these regions did information account for more than 8 percent of employment in either 2001 or 2006.

Figure 51: Unequal Wage Growth Since the Recession (Wage Growth 2001-2006)

Region	Total Wage Growth
Alexandria	11.42%
Hampton Roads	7.87%
Richmond City	6.42%
Southwest Virginia	3.04%
Shenandoah	2.69%
Northern Virginia	2.61%
Greater Peninsula	2.27%
West Piedmont	-0.29%

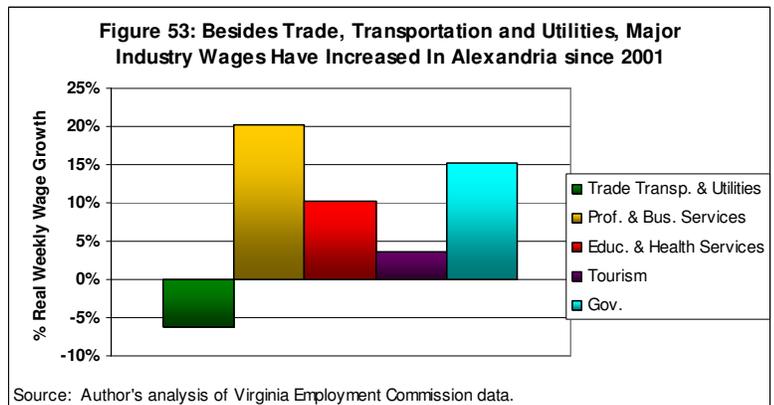
Source: Authors' analysis of Virginia Employment Commission data



For every industrial sector of employment (except manufacturing), West Piedmont experienced a decline in wages. The four other industries displayed on Figure 52 employ nearly 60 percent of the labor force in the WIA. In addition, although manufacturing wages did increase in West Piedmont, this corresponded with a loss of 41 percent of jobs in this sector.

On the other hand, the WIA that experienced the largest growth in wages since 2001 was Alexandria. It has seen sharp increases in wages and income in the sectors that employ the most workers since the recession. As Figure 53 show, this includes a 20 percent increase in pay for Professional and Business Services, a 15 percent increase in Government, and over a 10 percent increase in education and health services.

On the other hand, the WIA that experienced the largest growth in wages since 2001 was Alexandria. It has seen sharp increases in wages and income in the sectors that employ the most workers since the recession. As Figure 53 show, this includes a 20 percent increase in pay for Professional and Business Services, a 15 percent increase in Government, and over a 10 percent increase in education and health services.



Since the recession, the information sector in particular has not fared well, as it has experienced declines in wages in half of the WIAs observed. Northern Virginia's information sector was particularly hit hard, with wages declining by about 14 percent.

However, despite these decreases it still remains the WIA's highest paying industry sector. Putting

this in perspective in terms of income, the average yearly income in 2001 for an employee in Northern Virginia’s Information sector was \$116,959. Since the recession this number has declined to \$100,984 in 2006.²¹ In Southwest Virginia, which experienced the second highest decline in information sector wages in the WIAs examined, wages were not quite as high preceding the recession. However, only 2 percent of the Southwest Virginia labor force was employed in the information sector in 2006.

Despite the losses in wages incurred in West Piedmont and the Information sector as a whole, average weekly wages and Virginia generally increased across all industry sectors and WIA regions since the recession.

Figure 54: Half Of WIAs Had Negative Wage Growth in Information Sector (2001-2006)

<u>Region</u>	<u>2001 Wage</u>	<u>2006 Wage</u>	<u>Wage Growth</u>
Northern Virginia	\$2,249.22	\$1,942.00	-13.66%
Southwest Virginia	\$644.59	\$561.00	-12.97%
Alexandria	\$1,617.16	\$1,564.00	-3.29%
West Piedmont	\$621.81	\$611.00	-1.74%
Shenandoah	\$711.78	\$752.00	5.65%
Richmond	\$989.66	\$1,058.00	6.91%
Hampton Roads	\$816.55	\$892.00	9.24%
Greater Peninsula	\$640.03	\$741.00	15.78%

Source: Authors' analysis of VEC Data

²¹ Average yearly income was calculated by multiplying the inflation-adjusted real wages by 52, assuming full time/year-round employment.

Chapter 6: CONCLUSIONS

The state of Virginia generally has a robust and growing economy. Employment in the state is at an all-time high and continues to generate thousands of new jobs each year. Nevertheless, certain regions and sectors have not been sharing equally in the prosperity, as some workers are falling behind. In particular, despite positive overall trends some workers throughout the state continue to face declining employment opportunities, stagnant wages and higher unemployment levels.

In particular, while job growth has been positive across many employment sectors, the manufacturing and information industries have not been as fortunate, experiencing substantial job losses over the last twenty years. Regionally, these losses have had a disproportionate impact on workers in areas where these two sectors are the primary source of employment. For example, the closing of manufacturing facilities in the West Piedmont region have resulted in a loss of over 23,000 jobs since 1990. Not surprisingly, this region also maintains the highest unemployment rate in the state.

Despite faring well when compared to the national and regional averages, wages in the state have also had a mixed impact, with higher income groups performing quite well, while middle and lower income groups have seen only minimal wage growth, especially since the 2001 recession. As a result, the wage gap has increased substantially in the state compared to the rest of the nation. Furthermore, this wage disparity is also present across gender and race.

Declining trends in benefit coverage have also hit the middle and lower income earners the hardest. While the number of Virginians without health insurance is below the national average, the percentage continues to grow. Private pension coverage has had a similar experience, with coverage rates eroding since 2000. The reciprocity rates of unemployment insurance benefits are well below the nation, thus suggesting that not all unemployed Virginians are obtaining sufficient financial relief.

Based on these trends, many challenges face the state's labor force. Expectations for improving the well-being of all Virginia's workers should be high considering the expanding wealth in the state and increasing worker productivity. Policymakers and stakeholders throughout the economy should work together to ensure that the divide documented by this report does not continue to grow.