Feeling the Pinch: The State of Working Virginia

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A Strange Pinch
Virginia workers are in a strange pinch. While on one level the state’s economy looks prosperous, digging deeper reveals that its workers are not.

First, the good news: Virginia’s workers are among America’s most productive. The state ranks in the top 10 in terms of worker productivity. More Virginians are working and rates of participation in the labor force outstrip those of the United States as a whole and those of its nearest state neighbors.

Now, the bad news: Virginians are working harder and longer than ever, but are paid far less than they contribute. The growing gap between high and low wage earners in our economy has remained at the highest levels recorded since 1979. To make matters more challenging, coverage for health insurance and pensions has shrunk. And for those who do have health insurance, premiums in Virginia are among the highest in the country. Unemployment rates are on the rise, but the number of unemployed covered by the unemployment insurance system continues to lag.

The Work Doesn’t Pay
- Worker productivity has been steadily climbing in Virginia since 1999, and the state continues to outperform the nation on this measure.
- In 2006, each worker in the Commonwealth produced goods and services worth an average of $64,817.
- Despite being more productive than ever, not all working Virginians see the fruits of their labor returned to them. Growth in median wages has failed to keep pace with the increasing productivity of the state’s labor force.
- Complicating this situation of modest wage growth are spiking food and energy prices, which place further pressures on working Virginians’ household budgets.
The Gap Gets Wider

- The wage gap between Virginia's highest and lowest earners has been on the rise since 1979, and is currently hovering at record-high levels.
- In 2007, Virginia's highest paid workers earned, on average, five times what Virginia's lowest paid workers earned: $39.89 an hour vs. $7.97 an hour.

The Benefits Disappear

- The number of Virginians without health insurance continues to rise, and the percentage of working Virginians who receive health insurance through their employers decreased to just 61.9 percent in 2007.
- For those Virginians who do receive health insurance through their employer, the costs of doing so have increased. Virginia has the highest average single employee contributions in the nation.
- Private pension coverage has also declined by 5 percent in the past 6 years.
- In 2007, only seven other states extended unemployment benefits to fewer unemployed citizens than Virginia. Roughly one in four unemployed Virginians received unemployment insurance benefits in 2007.
The Workforce Grows Older

• The proportion of Virginia’s population active in the labor force far exceeds both neighboring states and the nation.
• The percentage of Virginians age 55 and older who participate in the labor force increased by 4 percent in 2007 — and exceeds the national participation rate of this age group by roughly 12 percent.

Virginia workers are working harder but for less.
Virginia is endowed with a thriving labor force, a diverse and balanced economy, and a highly educated population. In 2008, for the third consecutive year, Forbes awarded Virginia the coveted title of the “Best State for Business.” These attributes and accolades represent the successes of the Virginia economy. Yet, despite all that the state has to celebrate, disparities in employment and wage growth, a weakening safety net, and declining employer-sponsored benefits exist as significant challenges to the achievement of widespread prosperity and sustainable growth.

This report examines trends in employment, labor force demographics, wages and income, and employee benefits. It is based largely on U.S. Census Bureau data compiled by the Economic Policy Institute in Washington, D.C.

The goal of this report is to highlight aspects of Virginia’s economy that may not be making the headlines. How are the Commonwealth’s workers faring? Are wages and benefits keeping pace with economic growth? Is the wealth generated by the state’s economy reaching all workers, industries and communities? By drawing attention to both the state’s strengths and areas for improvement, this report aims to inform the public policy debate surrounding the state’s economy and labor market.

Feeling the Pinch
Brenda loves her new job as a home companion for a home health agency. She remembers what hospice meant to her when her husband was dying and is glad she can offer that compassion to others.

At age 61, Brenda is working to become a Certified Nursing Assistant (CNA). Her classes were being paid for by her unemployment benefits after she was laid off from Dan River Mills after 33 years. But when the benefits ran out, Brenda got a part-time job as a home health worker to finish paying for her certificate.

While the last couple of years have been difficult, especially without medical benefits, Brenda says she is excited to be earning her CNA and is thankful she hasn’t had trouble finding part-time work.

“I know a lot of people couldn’t get a job.”
Virginia’s Economy Slows Down
Despite robust and above-average economic growth in recent years, Virginia’s economy appears to be slowing. During the period of economic recovery following the last recession, Virginia rebounded more strongly than its neighbors and the nation (See Figure 1A). Yet, between 2005 and 2006, the state’s rate of growth declined to roughly 2.2 percent, almost a full percentage point below the growth rate of the nation. Between 2006 and 2007, both the state and the nation experienced a decline in growth, expanding at just about 2 percent. This compares to an average annual growth rate of 3.6 percent across the entire 1999-2007 period, and places Virginia 26th in the nation in terms of growth during the 2006-2007 period.

In addition to slower economic growth, there are other signs that suggest the Commonwealth’s economy is softening. Despite its low unemployment rate compared to neighboring states and the nation, Figure 1B shows that unemployment in Virginia has risen during the first two quarters of 2008. In June, 4.2 percent of the state’s workers were without a job and actively seeking work, which is up from 3.1 percent just a year prior. This increase translates into 46,412 more unemployed Virginians in June of 2008 than in June of 2007.

Our economic pie is expanding, but not all workers are getting their fair share.
The downturn in the housing market has also placed tremendous pressure on Virginia’s economy. Figure 1C shows the increase in monthly foreclosure filings throughout the state. Northern Virginia has been particularly hard hit, and has contributed to Virginia’s high foreclosure rate—the 11th highest in the nation as of June 2008.

Additionally, prices for food and energy have spiked. This places further pressure on the household budgets of Virginia’s workers. While “core inflation” is the most frequently cited measure of what is happening to prices in the United States’ economy, this measure often understates the pressures placed on consumers because it excludes both energy and food and beverages. As shown in Figure 1D, prices for food and energy have risen faster than overall inflation. In fact, core inflation was just 2.3 percent over the first six months of 2008, while the inflation in food was 6.6 percent, and the inflation in energy was 29.1 percent.

Discussion of a state’s economic vitality often revolves around measures of business investment and economic growth; however, the productivity of the labor force is an equally important indicator of an economy’s strength. Worker productivity is measured as the average economic output (state gross domestic product) generated per worker. In other words, it is the share of the state’s total income that is attributable to the average worker.
Virginia is home to one of the most productive labor forces in the country. As shown in Figure 1E, worker productivity in the state has been on a steady climb and continues to exceed that of the nation. In 2006, each of the Commonwealth’s workers produced an average gross state product of more than $64,800.

In an economy where growing prosperity is shared widely, worker productivity and wages should move together. That is, workers should be rewarded for increased productivity through higher wages. As Figure 1F shows, however, Virginia’s increasingly productive workers are not seeing proportional gains in their pay. Although productivity has been rising consistently over time, growth in real wages has been highly erratic. Since 2003, wages and productivity have tended to move in opposite directions. Workers endured two years of negative wage growth in 2005 and 2006. This trend suggests that while Virginia’s economic pie is expanding, not all workers are getting their fair share.
Virginia’s Employment Landscape and Labor Force

Growth: Slow and Unequal
Virginia boasts an impressive record of robust job growth. During much of the past 16 years, employment growth in the state has exceeded that of the nation; yet, in 2006 and 2007, Virginia’s job creation rate fell slightly below the national average. As shown in Figure 2A, job growth in Virginia was just under 1 percent in 2007, compared to 1.69 percent just a year before, and 2.25 percent in 2005.

Virginia is also endowed with a highly diversified employment landscape. Figure 2B illustrates the composition of the Commonwealth’s economy, as compared to that of the nation overall. The three largest sectors, in terms of employment, are 1) government, 2) trade, transportation and utilities, and 3) professional and business services.

Despite overall employment growth in the Commonwealth, not all sectors of Virginia’s economy have experienced equal growth. As shown in Figure 2C, the greatest job growth in the 1999-2007 period occurred in education and health services, followed by leisure and hospitality; whereas, manufacturing and

Feeling the Pinch
Hazel worked at Dan River Mills for 36 years as an inspector and folder before being laid off in 2005 with most of the mill’s workers who had held on through the company’s 2004 bankruptcy and eventual sale to Indian manufacturer Gujarat Heavy Chemicals Ltd. In the months preceding its closings, more than 3,000 workers lost their jobs.

Now a home health worker, Hazel works for minimum wage with no benefits. Her lack of insurance is especially difficult because of her high blood pressure, high cholesterol and eye problems.

Hazel, 59, is working to earn her GED. She’s tried before to go back and finish her education, but her parents became ill and she had to quit. She’s making her way through the GED program, but she said subjects such as geometry are really difficult for her.

“It’s hard because I never had any schooling much,” she said. Hazel added that every job today requires more education than she has.

“I feel for the people here because Dan River [Mills] was our backbone... I thought Dan River was going to be there forever.”
information are the only two sectors of Virginia’s economy that have experienced net job loss over this time. Nearly one in five of the state’s manufacturing jobs and one in nine of the state’s information jobs disappeared between 1999 and 2007.

This disparate job growth creates important implications for Virginia’s workers. Those workers displaced by changes in the economy may need to invest in new skills in order to find new jobs. Furthermore, the jobs becoming more readily available may not pay as well or come with as many benefits as those jobs that are leaving the Commonwealth. In 2007, for example, the average weekly wage for a manufacturing job in Virginia was $956; it was $1,366 for a Virginian working in the information sector. The average weekly wage for someone working in education and health services, however, was just $808.

**More Virginians are Working**

Virginia’s population is substantially more active in the labor force than the populations of its neighboring states and the nation. The labor force participation rate is defined as the percentage of a population that is active in the work force, which includes all those Virginians who are either employed or unemployed. In 2007, 68.7 percent of Virginia’s working-age population was employed, or unemployed and actively seeking employment. Figure 2E shows Virginia’s labor force participation rate by gender, age, race, and education.

As shown in Figure 2D, Virginia’s labor force participation rate has exceeded that of the nation and the South Atlantic region since the late 1990s. In contrast to both regional and national trends, Virginia experienced an increase in the number of its residents who participated in the labor force in 2007. One exception to this trend occurred in 2006, when Virginia’s participation rate declined and that of the region and nation increased modestly.
As the economy struggles and young adults are faced with fewer employment opportunities, obtaining higher levels of schooling becomes relatively more attractive. As shown in Figure 2G, the number of students enrolled in Virginia’s public and private colleges and universities has been increasing steadily since 1999. This trend may partially explain the decline in the labor force participation of the Commonwealth’s young adults.

Furthermore, during the 2006-2007 period, the labor force participation of white Virginians increased by roughly 0.6 percentage points; whereas, the participation rate of African-American Virginians decreased by 1.9 percentage points.

As illustrated in Figure 2H, Virginians with a college education are consistently employed at higher rates than those with a high school diploma or less. In 2007, fewer than three out of every five Virginians with less than a high school degree worked. This compares to just under four out of every five Virginians with a college degree.

Unlike regional and national trends, Virginia’s labor force participation rate increased.

The participation rate of the 16-24 age group declined in the 2006-2007 period from 62.9 percent to 59.1 percent, while the 25-54 group increased only slightly from 84.5 percent to 85 percent. This decline in the participation of young adults may be the result of higher numbers of young Virginians continuing their education beyond the high school level.

One possible explanation for the uptick in Virginia’s labor force participation is an increase in the percentage of workers 55 years and older. In 2006, 41.4 percent of Virginia’s 55 and older population was either employed or unemployed and actively seeking employment. In 2007, this number rose to 43.1 percent, which is roughly 12 percent higher than the national labor force participation rate of this age group. Figure 2F illustrates how the labor force participation of this group has increased steadily since 2002. This trend suggests that older workers remain increasingly attached to the labor force. While some of this increase may be attributable to declining retirement benefits and/or better health, it is also possible that the 2006-2007 increase in the participation of this group is related to the recent downturn in the economy. In the face of rising food and energy costs, more and more Virginians may feel forced into working longer in order to meet their basic needs.

The public library offers Internet access, but the terminals are often full. “It’s just tough. A whole lot of these places, unless you have a college degree, they don’t want to give you a second look.”

He and his son applied to a new retail store coming to Danville, but only his son got a job. Robert said employers seem more open to hiring younger workers, and sometimes those workers have an advantage — technology.

He’s hoping for a security position that he just interviewed for, but he said during the interview he wasn’t even told how much he would be paid.

Robert is frustrated with his job hunt but also for the prospects for his two sons. He said most of the new jobs coming to the area are low paying retail positions.

“How you do things now, you got to do everything on the Internet,” Robert said about applying for jobs.

Robert recently put in seven job applications in two weeks. He’s been trying to find full-time work since he lost his job as a loom technician at Dan River Mills six years ago. Robert had worked there for 18 years.

If you don’t have a computer at home or you aren’t computer savvy, finding a job can be very difficult, he said.

“Feeling the Pinch”

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“If you ain’t a supervisor…it’s just minimum wage jobs.”
In other words, college educated Virginians are 1.2 times as likely to be employed as Virginians with only a high school diploma, and are more than 1.84 times as likely to be employed as Virginians with less than a high school diploma.

**Unemployment Steady; Racial and Gender Gaps Closing**

In addition to Virginia’s high level of labor force participation, the Commonwealth is also able to boast a lower than average unemployment rate. As shown in Figure 2I, in the past 10 years, the overall pattern of unemployment in Virginia has mirrored that of the nation, but at a lower level. In reviewing these trends over time, it is worth noting that while the unemployment rate had been declining both in the state and nation since 2003, this progress was suspended in 2007 and the Commonwealth’s unemployment rate held steady at 3 percent.

Historically, a significant gap has existed between the unemployment rates of white and African-American Virginians. In the past 20 years, this gap was at its highest in 2003, when the difference between these rates equaled 4 percentage points. Since 2003, however, the racial gap in unemployment has been rapidly declining. As illustrated in Figure 2J, this narrowing of the racial gap is due predominantly to a downward trend in the unemployment rate for African-Americans. In 2007, the gap between these groups was reduced to just 1.8 percentage points.

In 2007, the unemployment rate for men in Virginia topped that of women by 0.4 percentage points. While in both 2000 and 2003, a similar relationship existed (see Figure 2K), the 2007 gap was the
This trend may be partially explained by job growth in education and health, a sector typically associated with more traditionally “female” positions, coupled with job loss in manufacturing and information, which are often regarded as more traditionally “male” positions (see Figure 2C). Another possible explanation for a higher rate of male unemployment relative to female unemployment is that women may be more willing to accept lower wages or certain types of work than men.

**Underemployment by Degree: College Grads Hit**

Not only are fewer of Virginia’s workers unemployed, but fewer are underemployed as well. Underemployment is defined as the underutilization of skills, underuse of economic capacity, and underuse of employed workers. A low underemployment rate is important because it suggests that a state’s economy is optimally employing...
its workforce—meaning those Virginians wishing to work full-time find full-time employment and jobs match individuals’ level and variety of skills. While Virginia’s underemployment rate has been consistently and substantially below both the South Atlantic region and that of the nation, in 2007 the rate increased slightly to 6.1 percent. As shown in Figure 2L, this compares to a national rate of 8.3 percent, and a regional rate of 7.8 percent.

Figure 2M shows that—similar to what is occurring with unemployment—the gap between white and African-American underemployment is narrowing. This trend is driven by a decline in the underemployment of African-American Virginians. Between 1999 and 2006, African-American Virginians were more than twice as likely to be underemployed than white Virginians. In 2007, this likelihood fell to 1.8.

The relationship between male and female underemployment rates also closely models the trends occurring in male and female unemployment. As illustrated in Figure 2N, in 2000, 2003, and 2007 the rate has been lower for females than males.

While overall underemployment in Virginia has been consistently low, what is happening to Virginia’s college-educated population raises some serious concerns. In 2007, Virginians with a bachelor’s degree or higher experienced an increase in underemployment to a rate of roughly 3 percent. Although this segment of the labor force has historically faced lower levels of underemployment, Figure 2O shows that it is the only group that did not experience a decline in underemployment between 2006 and 2007.
Virginia Bucks National Trend
After two consecutive years of negative wage growth in Virginia, median wages grew by more than 1.5 percent in 2007. This trend, shown in Figure 3A, is contrary to what occurred on the national level. In 2006, median wages increased nationally by a meager 0.4 percent, and in 2007, they declined by 0.85 percent. Yet in Virginia, the median wage declined by more than 1 percent in 2006 and then grew by slightly more than this amount in 2007.

A similarly optimistic trend is observed in Virginia's median household income. Figure 3B illustrates that Virginia has outperformed the nation on this measure in the past 25 years. Despite small losses in 2004 and 2005, median household income increased to $57,119 in 2006. This income is 18 percent higher than the national average.

Feeling the Pinch
John is a backhoe operator in Oilville. He was offered health insurance through his employer, but the plan included such limited coverage that none of the nine employees in his firm chose to purchase the plan. Though he has worked for his current employer for three years, he has seen very minimal raises, typically 50 cents or so an hour, each year. John's job doesn't include any paid holidays, vacation time or sick days. He works long hours and feels as though he is being “worked to death.”
The Wage Gap Grows
In looking at rates of growth across time, however, some important disparities emerge. While hourly wages have increased for all Virginians between 1979 and 2007, the gains vary greatly based on income level. For example, during the 1979-2007 time period, the lowest 10 percent of wage earners only saw their paychecks increase by 22 cents an hour, whereas the top 10 percent of wage earners witnessed an increase in their pay of nearly $11.32 an hour. This means that the wages of Virginia’s highest paid workers have grown at a rate almost 14 times that of its lowest paid workers. Figures 3C and 3D illustrate these differences in dollar and percentage terms.

As shown in Figure 3E, the ratio of earnings of the highest 10 percent of wage earners in Virginia to that of the lowest 10 percent of wage earners in Virginia has been steadily increasing since 1979. In 2007, Virginia’s highest earners made more than five times the earnings of the Commonwealth’s lowest earners.

Figure 3F shows that these disparate gains in wages are even more pronounced for the period of economic expansion following the 2001 recession. For most workers earning at the median or below, wages have declined during the 2001-2007 period, while workers at the upper end of the earnings distribution have seen similarly sized gains.
Feeling the Pinch
Sherleen works as a personal care assistant for two older adults so that they can live independently and as active members of their communities. Sherleen provides the crucial personal assistance services and long-term care that enable her clients to live at home instead of in a nursing home. While she works 12 hours a day, she is paid for only eight- and the $8.60 she makes per hour comes with no health benefits, vacation days, or sick time. Over the course of the past three years, Sherleen has seen only one raise of 30 cents per hour. “The only way that is possible is to make this a better job, with better pay, health insurance, and vacation time. Otherwise, caregivers like me will be forced to find another job.”

For most workers, earnings have declined since 2001.
When Work Doesn’t Pay
In 2007, nearly one in every five Virginia workers earned a wage that was low enough to place them below the federal poverty threshold (see Figure 3G). These 900,000 individuals represent a segment of the population that is working, yet is still not able to earn enough to make ends meet.

According to the federal poverty threshold, in 2007 the poverty wage for a family of four would have been $10.28 per hour. In 2007, Virginia’s minimum wage increased from $5.15 to $5.85 per hour, and it is scheduled to increase to $7.25 by 2009. Even with this change, however, the minimum wage in Virginia will still be insufficient to place a minimum wage worker above the federal poverty threshold.

In 2007, 9.9 percent of Virginians — or over 742,000 people — lived in poverty. This compares to a national average of 13 percent. As shown in Figure 3H, poverty in Virginia is particularly concentrated within certain segments of the population. The rate is highest for children, African-Americans and Hispanics.
When Work Pays Less

While the overall picture of income and wages in Virginia looks promising, it is important to also examine what is happening to pay across different sectors of the economy. As shown in Figure 3I, compensation varies greatly based upon industry. There is also substantial variation within an industry based upon experience level. Virginia’s highest paying industry in 2006 was information, with an annual salary of $76,520 for experienced workers. This compares to the Commonwealth’s lowest paying industry, leisure and hospitality, with annual earnings of $24,483 for experienced workers. The leisure and hospitality sector includes workers in tourism, entertainment, and food service. Retail workers are captured in the trade, transportation and utilities category.

Figure 3J links the wages associated with each sector with employment growth in the 1999-2007 time period. The two sectors experiencing job loss during this period — manufacturing and information — are associated with a median hourly wage of $15.61 and $25.29, respectively. While losing fewer jobs than the manufacturing sector, the information category is Virginia’s highest paying sector. The category with the second highest employment growth, leisure and hospitality, is associated with a median hourly wage of just $8.21 and is Virginia’s lowest paying sector. This situation of job loss in high wage areas, coupled with job growth in lower wage areas, raises some serious concerns for workers, especially those displaced in Virginia’s shifting economy.

Feeling the Pinch

Rigoberto is a single-father raising his daughter in Sterling, Virginia. During the week, he has only two hours between jobs to spend with his nine-year-old daughter. He’d like to spend more time helping her with her homework, but he needs both incomes to cover their monthly expenses. Every hour - and penny - counts when he’s only earning $8 an hour at his evening job as an office cleaner in Tyson’s Corner for Continental Building Maintenance.
Health Insurance and Virginia’s Workers
With a large federal employee and military presence, Virginia has typically enjoyed comparatively high private health insurance coverage rates. Yet, the percentage of workers obtaining insurance through their employer has steadily eroded since 2001, leaving many workers without health insurance and others struggling to afford coverage amid rising premiums and increased cost sharing.

The Number of Uninsured Virginians Continues to Rise
Nationally, the percentage of uninsured Americans is declining, according to data from the United States Census Bureau. The uninsured rate in the United States fell from 15.8 percent in 2006 to 15.3 percent in 2007. In 2007, 45.6 million Americans were uninsured, a decrease of more than 1.3 million from 2006.

More than 1 million Virginians are uninsured.

However, the overall lack of health insurance is getting worse in Virginia. As illustrated in Figure 4A, more than 1.1 million Virginians, 14.8 percent of the population, were uninsured in 2007, according to Census Bureau data. This represents an increase of 1.5 percentage points from 2006. Since 2001, the percentage of Virginians without health insurance has increased from 9.9 to 14.8 percent, as more than 400,000 additional Virginians have become uninsured. This trend occurred during a period of economic expansion.

Feeling the Pinch
Wanda appreciates her job as a cashier and manager at a Danville service station, but has no health benefits. In her nine years at the service station, she’s found it hard to get any other work because of her health. She suffers from asthma, heart and liver ailments.

Even without benefits, the service station has many applicants. “It’s a whole lot of people who come to us because they can’t find a job,” Wanda said.

She sees a difficult situation for the unemployed in Southside Virginia.

“If you don’t get paid more than minimum wage, you can’t survive.”
The vast majority of the uninsured in Virginia live in households with at least one full-time (70 percent) or part-time (12 percent) worker. This fact underscores that without attention to lowering health care costs and improving the health care safety net in the Commonwealth, the erosion of coverage is likely to continue in future years.

**Rising Costs Put Pressure on Workers and Employers**

Employer-sponsored health insurance continues to decline in Virginia. While Virginia is still performing better than the national average, workers have faced substantial declines in this key job benefit. According to Census Bureau data, 61.9 percent of Virginia’s workers received health care through their employer in 2007, a substantial decline from the 66.7 percent of Virginians with employer provided insurance in 2006.

Various factors help explain the problems in the employer-sponsored market. A changing workforce, the decline of union membership and the rise of a more service-centered economy, have all contributed to the declining insurance coverage rates for workers. Fewer employees are being offered coverage, especially in smaller businesses.

Furthermore, the cost of health insurance has increasingly become more expensive for both the worker and their employees. Workers not only have to finance their share of the premiums, but also face rising co-payments and deductibles when they access health care. Businesses offering health insurance as a benefit to their employees also must deal with higher premium costs while still remaining profitable. The premiums in Virginia for individual coverage rose, on average, from approximately $3,700 in 2005 to almost $4,100 in 2006. For family coverage, average premiums rose from about $10,300 in 2005 to approximately $11,400 in 2006.

It appears these rising premium costs, coupled with a slowing state economy, may be resulting in Virginia businesses shifting more of the cost of health insurance coverage to their employees. For instance, Virginia workers’ share of the total premium cost for individual health insurance coverage rose, on average, from 20.1 percent in 2005 to 24.0 percent (an average of $982 a year) in 2006 (see Figure 4B). Virginia employees now pay the highest percentage in the country after ranking 18th in 2005. Workers with family coverage paid 31.3
percent of the total premium costs, the third highest percentage in the country.

Additionally, the cost-shifting increase in the state is largely occurring among large employers with more than 100 employees. Typically, small businesses have required a greater level of cost sharing, since they have fewer workers to pool risk. However, in 2006, the cost sharing required by firms in Virginia was virtually equal between small and large employers for the first time in the 11 years of available data.

This dramatic one-year cost shifting suggests that businesses are having difficulty financing health insurance coverage and are asking workers to pick up a greater share. In addition to the premiums, Virginia workers also face average deductibles of $600 a year and 19.5 percent co-insurance costs. If healthcare costs continue to rise and businesses shift more costs to the worker, it is likely to move employer-sponsored health insurance out of reach for more and more working Virginians. More workers will be faced with choosing between health insurance coverage and other necessities such as food, transportation and education.

Fewer Virginians Have Pensions
In addition to declining health insurance coverage, fewer and fewer Virginians are covered by private pensions. As shown in Figure 4C, pension coverage surged from 1989 through 2001—yet since 2001, the state has seen steady decreases in the percentage of workers who are covered by these plans. Over the 2004-2006 period, just 46.5 percent of private employees in Virginia had pension coverage. This represents a decline of almost 5 percentage points in just 6 years.

Holes in the Safety Net
Virginia’s unemployment insurance system is a critical component of the state’s safety net for workers. By temporarily replacing
part of the wages of workers who lose their jobs through no fault of their own, the system provides a financial cushion to families, and works to maintain stability in struggling communities during tough economic times. Although Virginia has a relatively low unemployment rate, those Virginians who are unemployed are less likely to receive benefits than workers in other states (see Figure 4D).

In 2007, 27 percent of unemployed Virginians received unemployment insurance benefits. This is the lowest recipiency rate of any state in the South Atlantic region, and 27 percent below the national average. In 2007, only seven other states extended benefits to fewer unemployed citizens than Virginia. Such a low recipiency rate suggests that a substantial number of unemployed Virginians are being left behind by the state's unemployment insurance system.

Figure 4E illustrates the share of unemployed workers who exhaust their unemployment insurance benefits. Although Virginia has a track record of lower exhaustion rates than the nation, by 2006 these rates were nearly equal. In 2007, more than 35 percent of workers with unemployment insurance in the United States were receiving payments the maximum duration, while 33 percent of unemployed Virginia workers ran out of benefits before they were able to find employment.
In a state as large and economically diverse as Virginia, statewide economic trends do not tell the whole story of what is happening to Virginia’s workers. Because different areas of the state are associated with higher concentrations of jobs in certain sectors, shifts in Virginia’s economy have affected regions in different ways — producing both winners and losers. For example, particular regions such as Northern Virginia and Hampton Roads continue to exhibit 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 job loss, higher unemployment and lower wages. Due to these regional differences, workers in certain parts of the state may be facing different challenges and rewards than those in other parts.

**Overview of Regional Variation**

One of the most meaningful differences in Virginia’s local economies lies in the employment opportunities available to workers. Figure 5A illustrates how much...
the unemployment rate varies by region—ranging all the way from 2.3 percent in the Northern Virginia region to 6.3 percent in Danville. This means that Danville’s workers are almost three times as likely to be unemployed as workers in the Washington-Arlington-Alexandria area.

Employment growth also varies dramatically by region. Figure 5B shows the net increase in jobs by region in the 2001-2007 time period. As to be expected with such a high unemployment rate, Danville is the only of Virginia’s metropolitan statistical areas to have lost jobs during this period. While the Northern Virginia region has seen the greatest gains in terms of the number of jobs created, the growth rate is highest in Winchester — topping 20 percent.

Another, less direct, measure of the job opportunities within a region is the average wage. Figure 5C shows the average weekly wage for each of Virginia’s metropolitan statistical areas in 2007. While workers in the Washington, D.C. area made an average of $1,163 per week, workers in the Kingsport-Bristol area made slightly under half as much. Other higher wage regions include Richmond and Charlottesville, while Danville and Lynchburg are associated with lower average weekly wages.

Shifts in Virginia’s economy have affected regions in different ways. 

Source: Author’s analysis of Virginia Employment Commission data
Northern Virginia: The Washington-Arlington-Alexandria MSA

Northern Virginia is often regarded as the economic engine of the Commonwealth due to its size, growth and wealth. This region has the state’s largest civilian labor force, greatest total employment, lowest unemployment rate, and highest income of any of Virginia’s metropolitan statistical areas (see Figure 5D).

As shown in Figure 5E, employment in the Northern Virginia economy is heavily concentrated in the professional and technical services and government sectors. The professional and technical services sector employed more than a quarter of a million workers in 2007 — and paid these workers an average of just under $2,000 per week.

Of Northern Virginians working for the government, more than half are employed at the local level, 36 percent at the federal level, and just under 9 percent at the state level. This high percentage of federal government jobs, which are associated with higher weekly wages than the state and local level jobs, drives up the average weekly wage of the government sector in Northern Virginia to $1,165. This is at least $150 above the government average weekly wages of any other region of the state.

Even the lowest paying of Northern Virginia’s high employment industries — the accommodation and food services sector — is associated with an average weekly wage of $388, which is also substantially higher than the average weekly wage for this industry in other regions of the state.

Northern Virginia boasts the Commonwealth’s most educated population, and this characteristic is a major contributor to the region’s economic vitality. Figure 5F shows that in 2006, 1 in every 2.2 individuals in the region
age 25 and older held a bachelor's degree or higher. This compares to a statewide average of 1 in every 3 Virginians.

**Hampton Roads: The Virginia Beach-Norfolk-Newport News MSA**

The Hampton Roads economy is Virginia’s second largest and among its fastest growing metropolitan statistical areas. In 2007, the area employed roughly three quarters of a million Virginians and paid these workers an average weekly wage of $727 (see Figure 5G).

While the employment landscape of the region is diverse, nearly one in five workers in the Hampton Roads economy is employed by the local, state, or federal government. Like Northern Virginia, a large proportion of government workers in the Hampton Roads area work at the federal level, as the Department of Defense is the area’s largest employer. As shown in Figure 5H, the retail trade is the local economy’s second largest employment sector, followed by health care and social assistance.

Figure 5I shows that more than 26 percent of the Hampton Roads population 25 years and older is college educated. While this number is on the rise, it still falls below the statewide average.

**Richmond**

The Commonwealth’s capital is home to the third largest labor force in the state. During the course of the 2001-2007 time period, the region added more than 67,000 new jobs, and in 2007, paid the second highest average weekly wages in the state (see Figure 5J). While the unemployment rate in Richmond was slightly higher than the statewide rate in 2007, Richmond had the fourth lowest rate of the state’s metropolitan statistical areas.

As illustrated in Figure 5K, roughly 18 percent of Richmond’s jobs fall under the government sector. Of these
government jobs, 37 percent are at the state level. Retail is the capital's second highest employment sector, followed by health care and social assistance, construction, and accommodation and food services. Of these high employment sectors, government is associated with the highest average weekly wages — nearly 3.3 times those of accommodation and food services, the region’s lowest paying employment sector.

Figure 5L shows the educational attainment of the Richmond area’s population. While nearly 30 percent of Richmond residents have college degrees, the area has fewer residents with post graduate degrees than the state overall. The region also has fewer residents with associate’s degrees than both Virginia and the nation.
Virginia’s Southwest region — comprised of the Blacksburg-Christiansburg-Radford MSA, the Kingsport-Bristol MSA, and the Roanoke MSA — has not experienced the same levels of employment growth as other regions of the state. During the 2001-2007 period of economic expansion, the number of jobs across all three metropolitan statistical areas only increased by 12,574. This growth accounts for just 6.5 percent of the total job growth in the Northern Virginia region in this same time period.

As shown in Figure 5M, Kingsport-Bristol had an unemployment rate of 4.7 percent in 2007, the second highest rate in the state. Blacksburg fared only slightly better with an unemployment rate of 3.9 percent, while Roanoke’s unemployment rate was just 3.1 percent. In terms of compensation, Kingsport-Bristol’s average weekly wage of $578 is the lowest in the Commonwealth.

Figure 5N shows the major employment sectors in each of the three Southwest MSAs. While government employment is high in each of the three MSAs, manufacturing plays a relatively more important role in Blacksburg-Christiansburg-Radford and Kingsport-Bristol than in Roanoke. For every industry, Roanoke’s average weekly wages are higher than those of both Blacksburg-Christiansburg-Radford and Kingsport-Bristol.

The educational attainment of the residents of this region varies slightly from one MSA to another, as illustrated in Figure 5O. While Blacksburg has an above average percentage of its population 25 years and older with a post graduate degree, both Kingsport-Bristol and Roanoke lag in this category. All three MSAs have fewer college graduates than the statewide average.
Southside: The Danville MSA
Of all of the Commonwealth's regions, Danville has been most directly and negatively affected by Virginia's shifting economy. As shown in Figure 5P, the Southside region has experienced a decline in employment of more than 3.5 percent in the course of the 2001-2007 post-recession period of expansion. Its unemployment rate of 6.3 percent in 2007 is the highest in the state and its average weekly wage of $582 is second only to Kingsport-Bristol.

As demonstrated in Figure 5Q, despite the loss of many jobs in this sector, the Danville area is still largely dependent upon manufacturing. Roughly 16 percent of Danville's jobs were concentrated in this sector in 2007. While government is the region's second highest area of employment, these jobs pay lower wages than any other region in the state.

Adding to the region's challenges, Danville lags both the state and the nation in terms of the proportion of its population that is college educated. As shown in Figure 5R, just 17 percent of the area's population that is 25 or older has some college, 7.8 percent has an associate's degree, and 14.1 percent has a bachelor's degree or higher.
Working families in Virginia are facing significant challenges. Although Virginia’s overall economy remains strong, the robust and above-average economic growth of recent years has drawn to a close. Participation in the labor force remains high, but the unemployment rate has increased. Worker productivity continues to outpace that of the nation as a whole, but median wages have continued their decline.

On top of this, working families face stiff inflation in everyday expenses like gas, heating oil, and food. Health care and pension coverage through employers has continued to decline. This trend has forced more and more working families to either pay for health insurance and retirement plans on their own or go without. With a continued decline in wages for large segments of the labor force, however, this trade-off is increasingly difficult to meet.

Even for those workers who do get coverage for health insurance through their employer, costs are increasing substantially. Virginia now has the highest average employee contribution costs for single health insurance plans in the nation.

For the growing number of Virginians who are unemployed, the state’s safety net is not robust. Virginia’s unemployment insurance system does not extend benefits to large portions of the labor force. Only seven other states extended benefits to fewer unemployed residents than Virginia. Only one in four unemployed Virginians received unemployment insurance benefits in 2007.

As recession looms, the pressures on workers in the state will increase. The underlying strength of the economy should prompt policymakers and stakeholders to address these pressures in constructive ways that help deliver on the promise of Virginia’s economy.