

An Update on Kentucky's Workforce and Labor Market

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Presentation Overview

1. Broad summary of Kentucky's current labor market with analysis of recent and long-term trends and comparisons to other states
2. A discussion of structural factors shaping our labor market
3. A discussion of public policy considerations



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Key Takeaways

1. Workforce participation and levels in Kentucky remain below where they were before the pandemic
2. Employer demand for workers remains elevated and continues to outpace worker availability
3. Kentucky has become a focal point for business investment and expansion
4. Competition for workers among states will likely intensify due to demographic challenges
5. State public policy will play a key role in success vs. failure



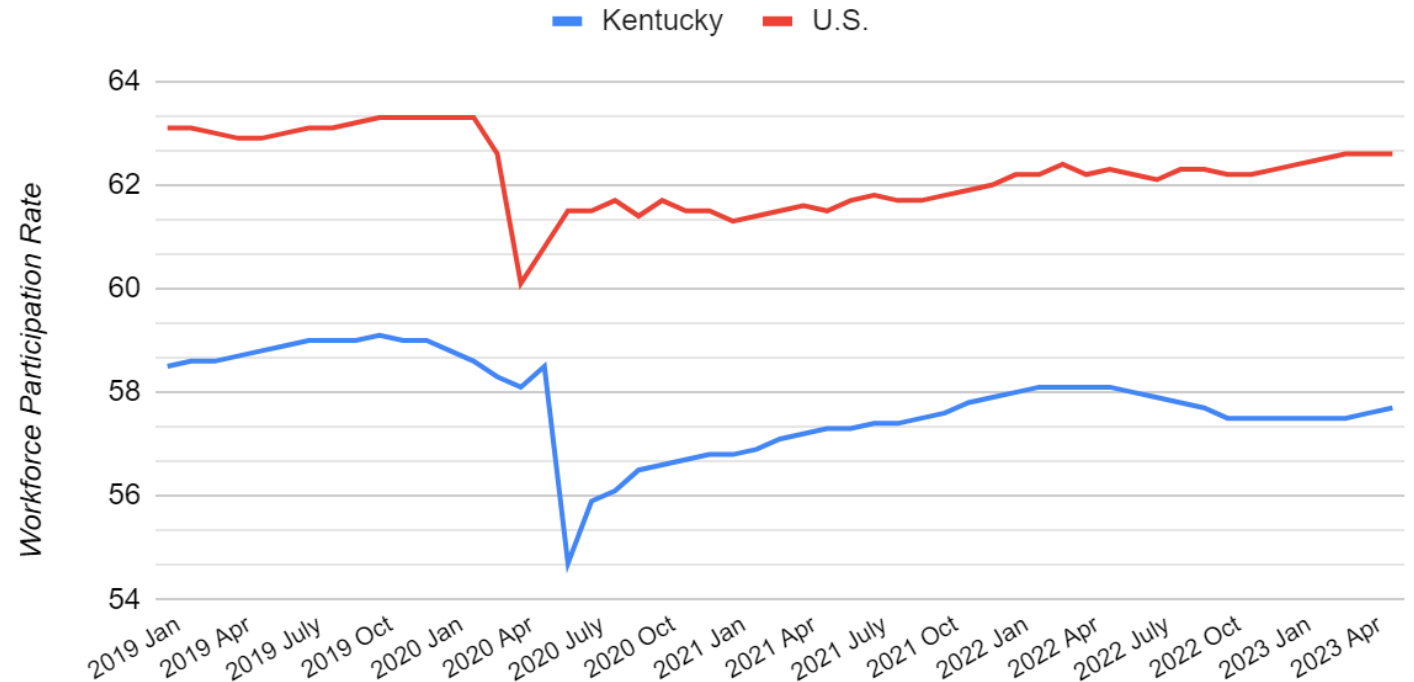
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Workforce Participation

- “Workforce participation” the percent of the population employed and unemployed (*i.e.*, looking for work)
- Workforce participation in the U.S. and Kentucky are below pre-pandemic rates
- The gap between U.S. and Kentucky workforce participation rates persists

Kentucky Workforce Participation January 2019 - May 2023



Source: BLS



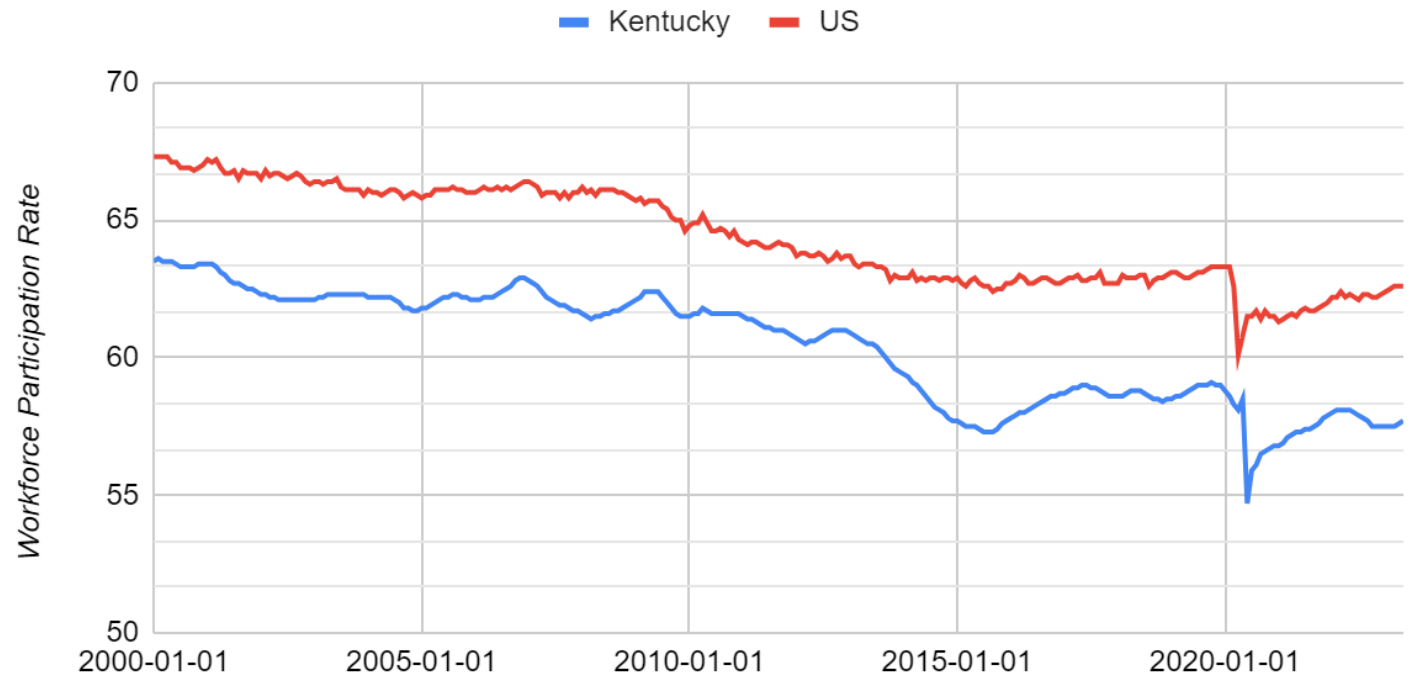
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Workforce Participation

- Following a steady decline since 2000, workforce participation rates stabilized and rebounded beginning in 2015
- The pandemic interrupted that trend, and it has struggled to restart in Kentucky

Kentucky Workforce Participation January 2000 - May 2023



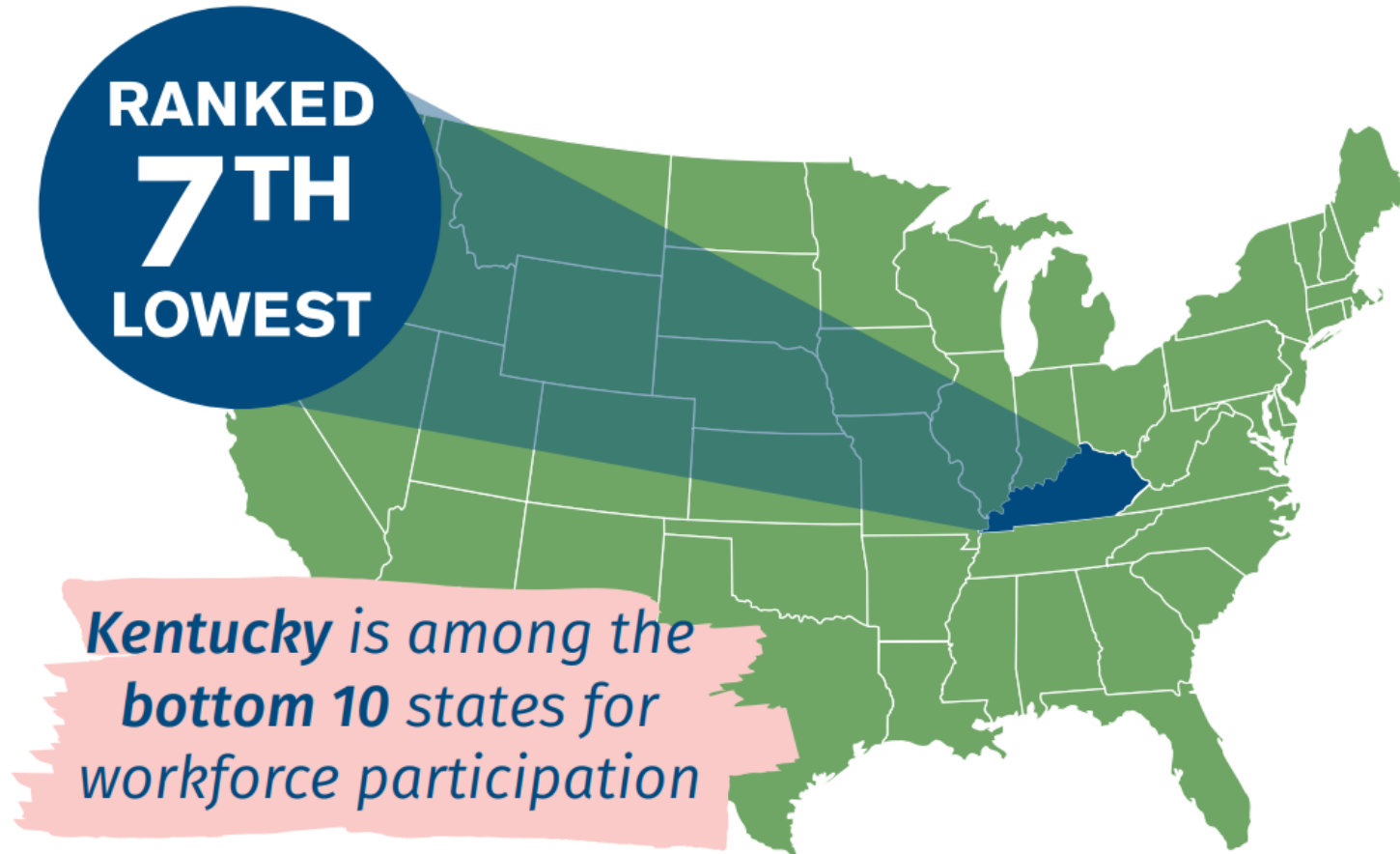
Source: BLS



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Workforce Participation in Kentucky Remains Below Most Other States



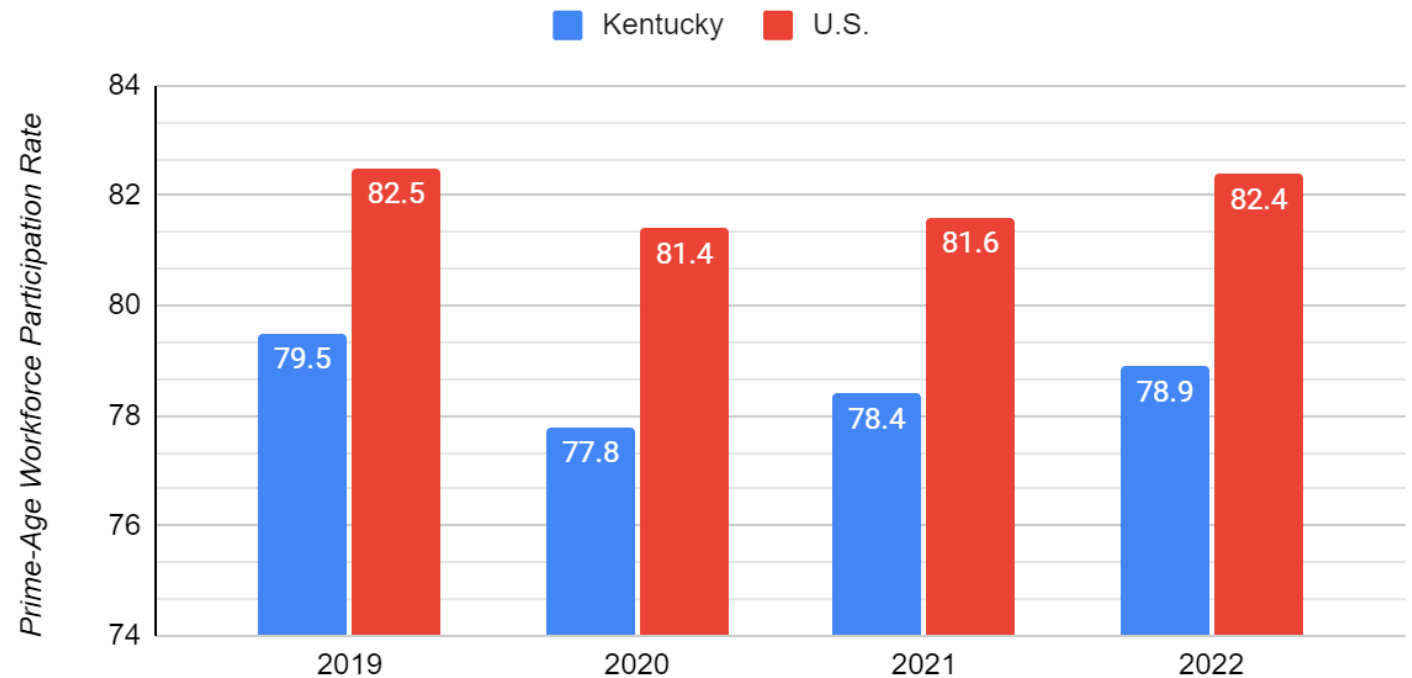
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Workforce Participation

- “Prime-age” workforce participation = 25-54 year-old individuals
- As of 2022, prime-age workforce participation was close to recovered*
- A gap between U.S. and Kentucky prime-age workforce participation rates persists

Kentucky and U.S. “Prime-Age” Workforce Participation



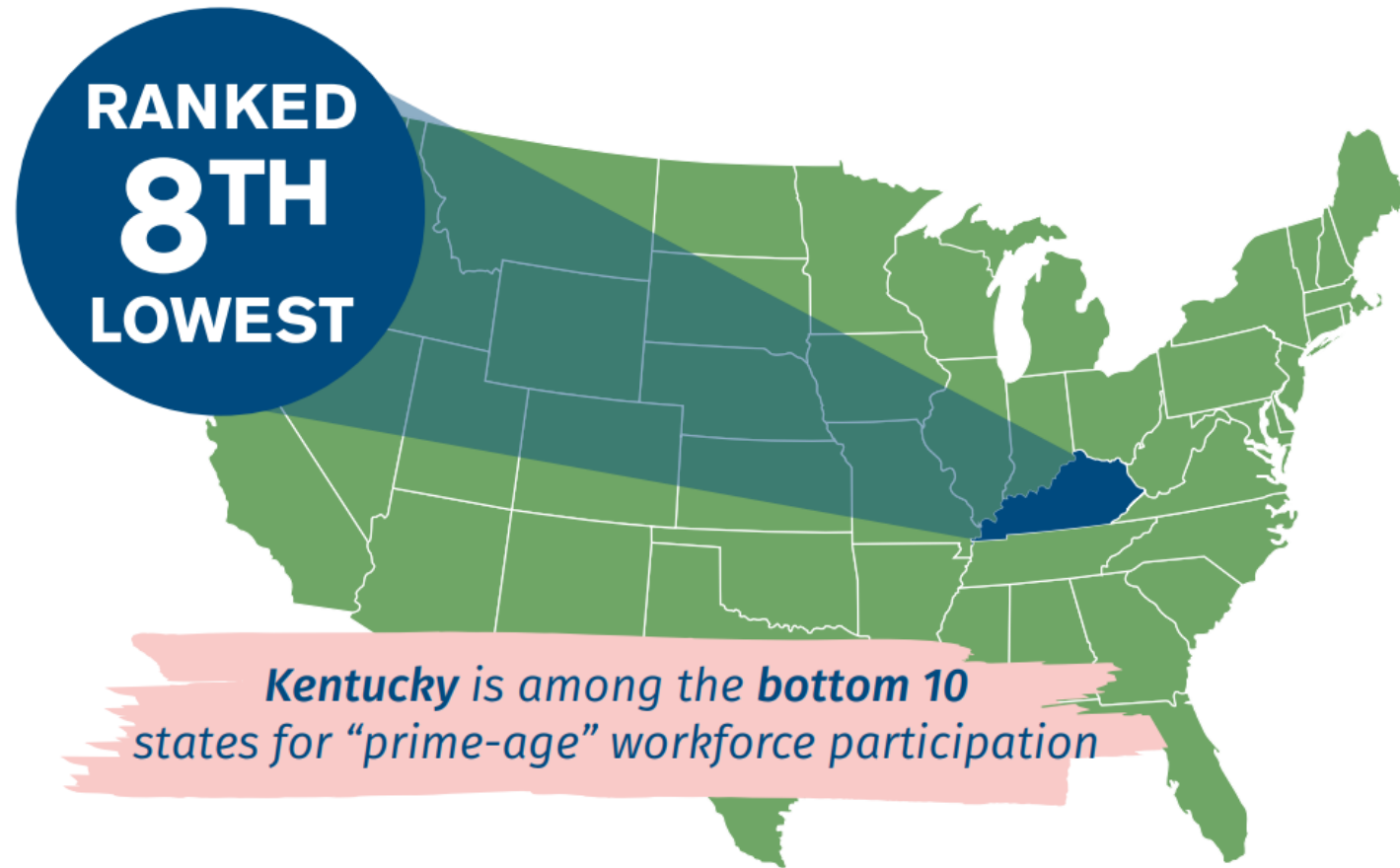
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Prime-age Workforce Participation in Kentucky Remains Below Most Other States

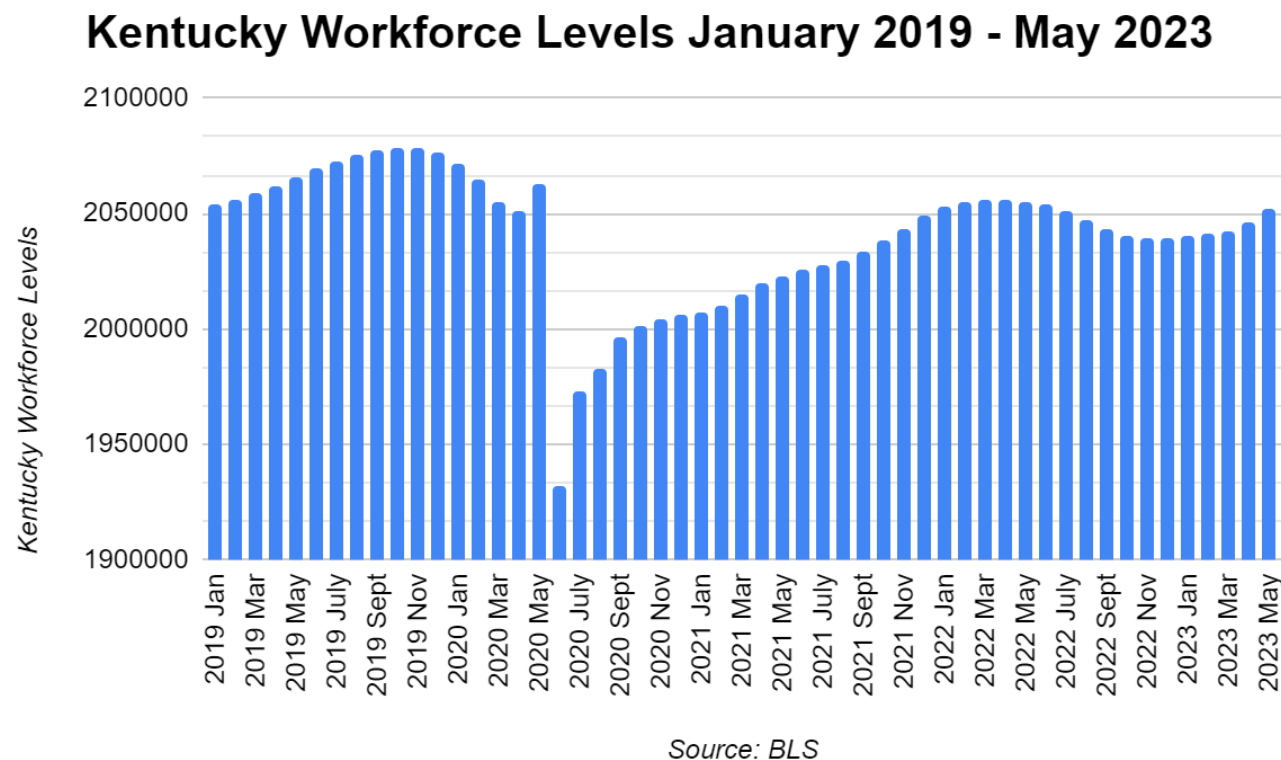


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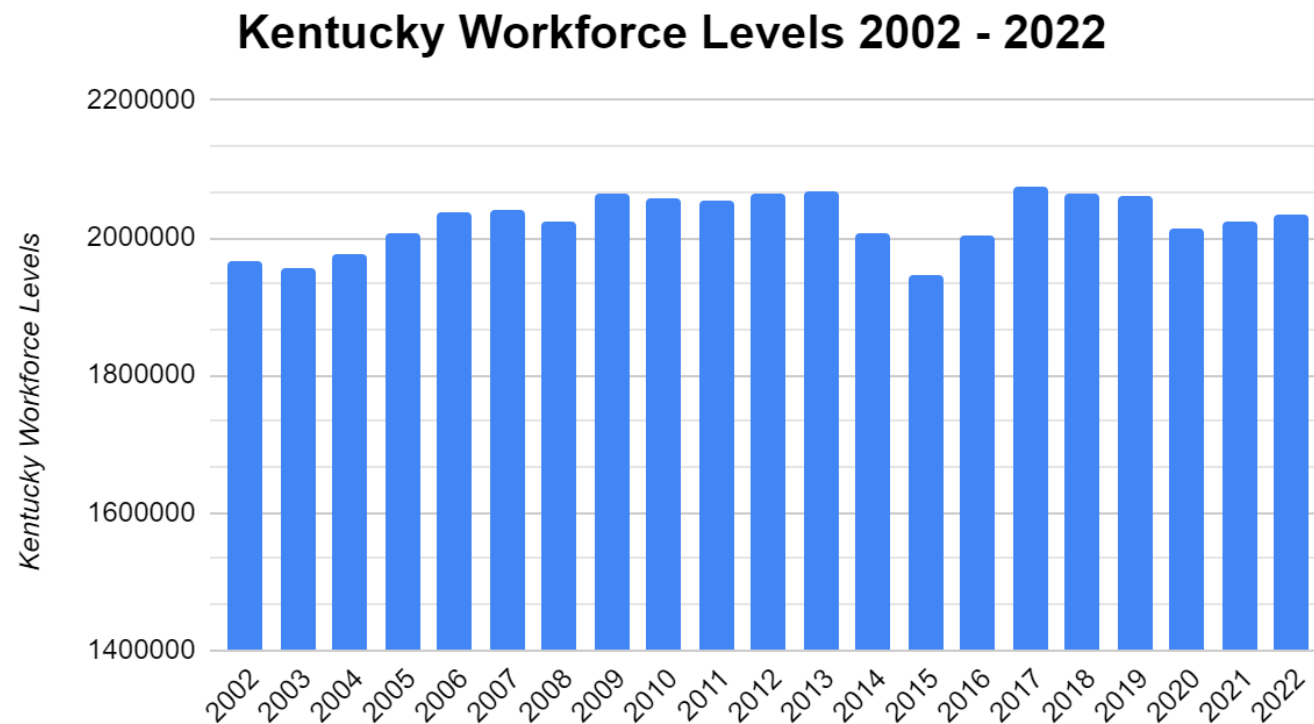
Workforce Levels

- “Workforce levels”= the actual number of individuals in the workforce (employed + unemployed)
- Kentucky saw a strong workforce recovery between June 2020 and June 2022, regaining approx. 122,000 workers
- Kentucky had approx. 20,000 fewer individuals in the workforce in May 2023 than it did in January 2020



Workforce Levels

- Workforce levels in Kentucky grew 3.5% between 2002 and 2022
 - 4.8% between 2002 and 2019
- Workforce levels in the US grew 13.4% between 2002 and 2022
- Workforce levels in Tennessee grew 14.4% between 2002 and 2022



Source: BLS

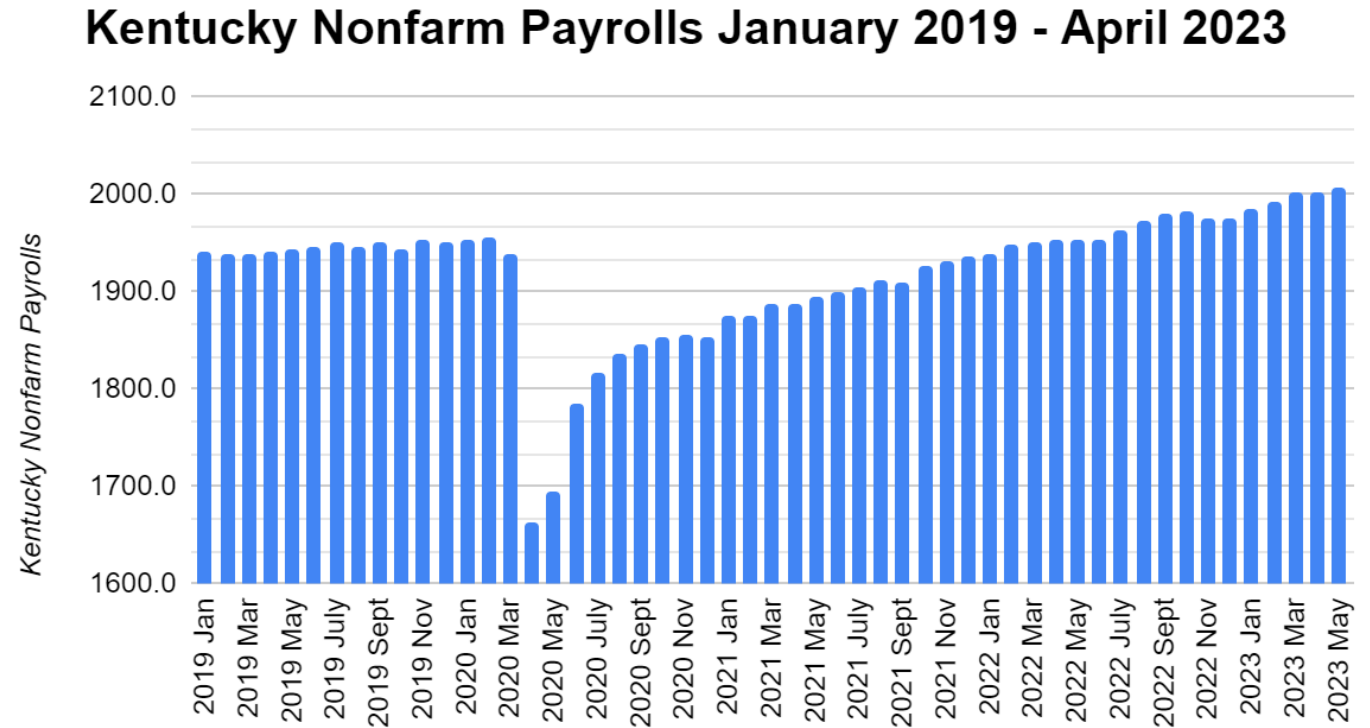


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Payroll Growth and Labor Demand

- Payroll growth has been exceptionally strong in Kentucky, adding 65k since January 2019 and 343k since April 2020
- Kentucky surpassed two million nonfarm payroll positions in March 2022



Source: BLS

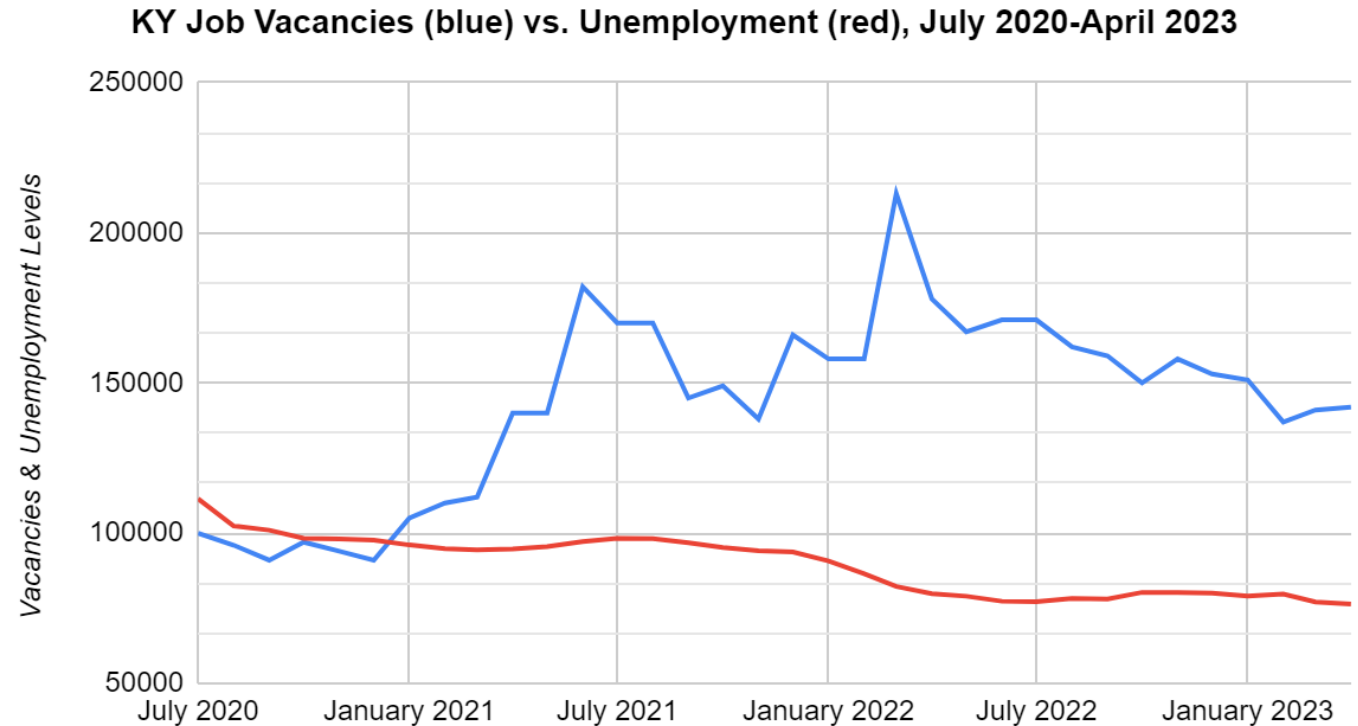


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Job Openings and Labor Demand

- Job openings in Kentucky remain elevated at 142,000 openings reported in April 2023
- Openings continue to outpace Kentuckians looking for work by 1.9:1 ratio (U.S. ratio is 1.6:1)
- Unemployment remains historically low in Kentucky, below 4% since November 2022



Source: BLS

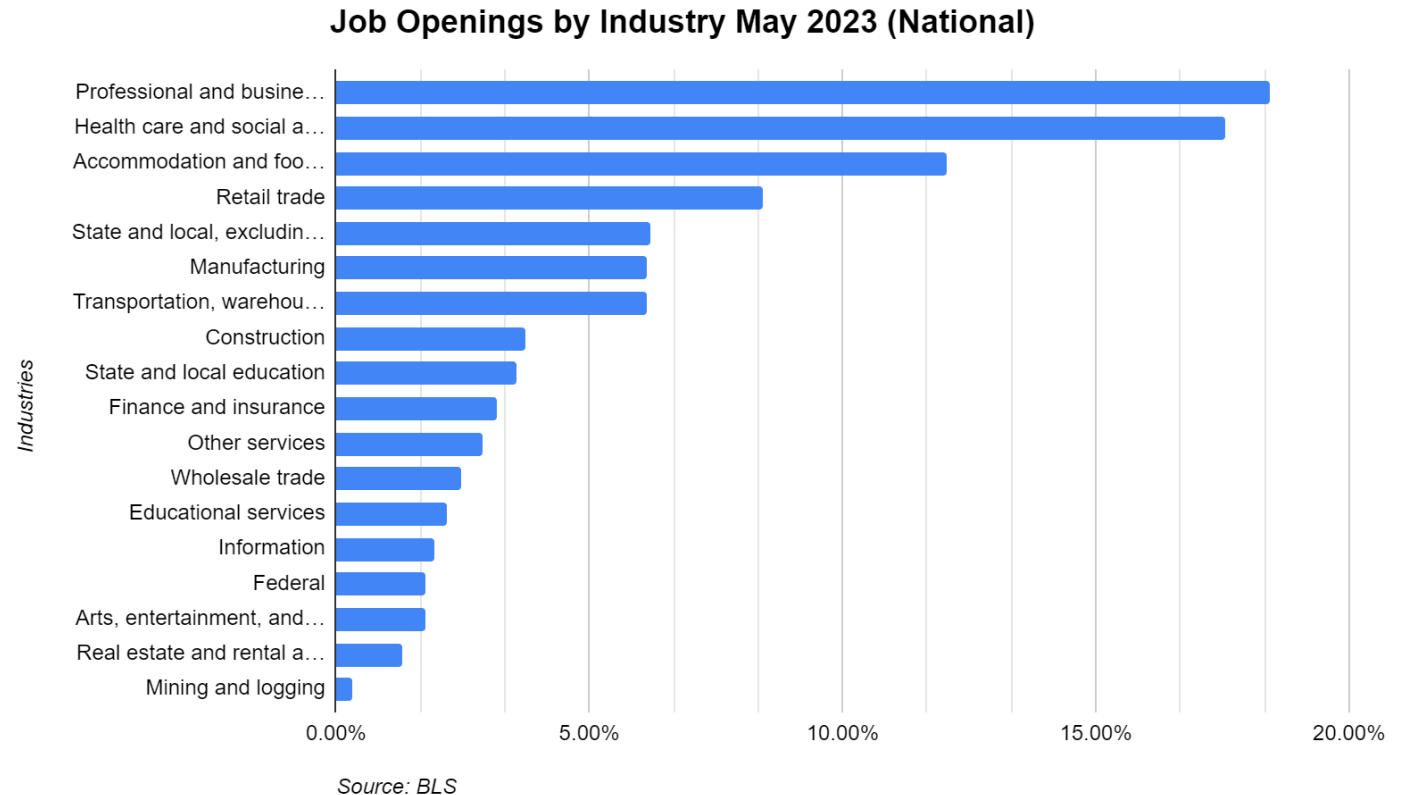


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Industries with the Highest Demand Based on Job Openings (National)

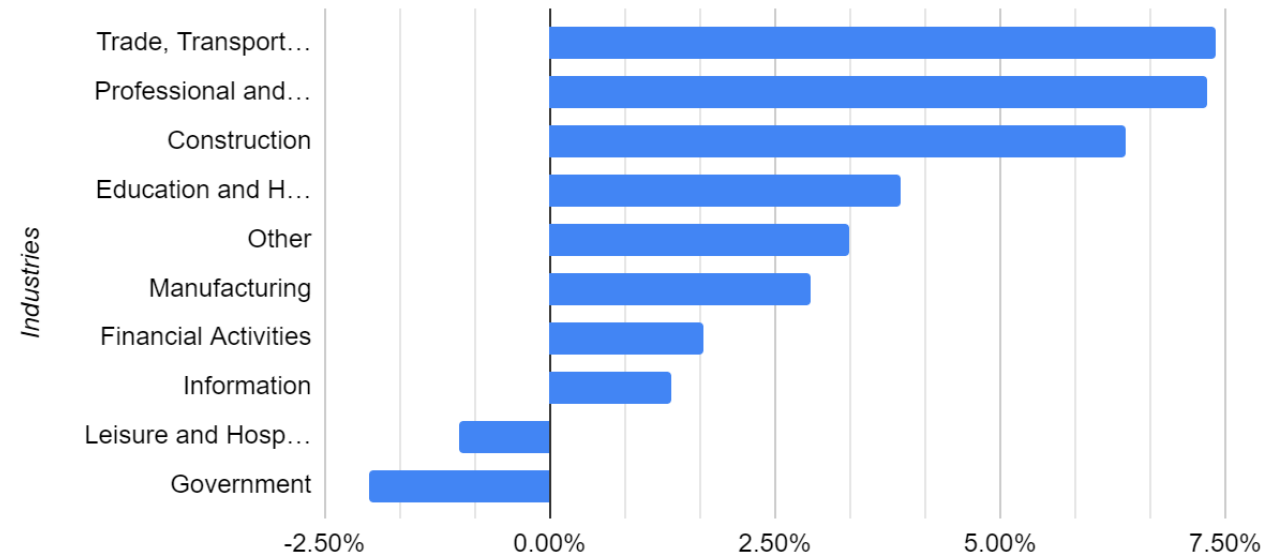
- **Professional & business services: 18.44%**
- **Health care & social assistance: 17.56%**
- **Accommodation & food services: 12.04%**
- **Retail trade: 8.44%**
- **State & local government (non-education): 6.20%**
- **Manufacturing: 6.15%**
- **Transportation, warehousing, & utilities: 6.13%**



Industries with the Strongest Growth Based on Payroll (Kentucky April 2019 – April 2023)

- **Transportation, warehousing, & utilities: 7.4%**
- **Professional and business services: 7.3%**
- **Construction: 6.4%**
- **Education and health services: 3.9%**
- **Manufacturing: 2.9%**

Industry Growth in Kentucky by Nonfarm Payroll Employment
April 2019 - April 2023



Source: BLS



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Future Workforce Demand in Kentucky

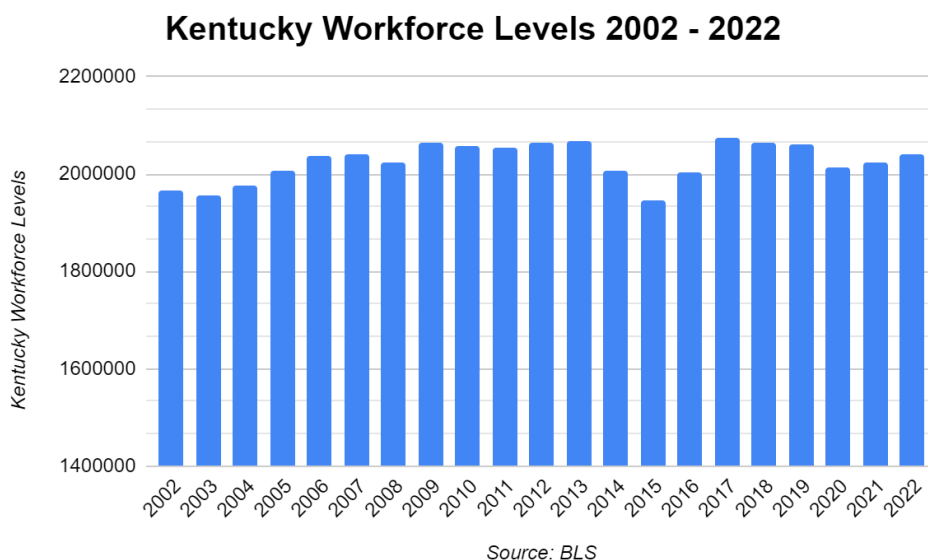
- Health care
- Construction, advanced manufacturing, energy, technology, and ancillary services
- Federal policy
- International affairs
- Reshoring and Foreign Direct Investment in Kentucky
(source: reshorennow.org)

Exhibit 8a Jobs by State, Top 10, 2021 Only									
	Reshoring			FDI			Reshoring + FDI		
Rank	State	Jobs	Companies	State	Jobs	Companies	State	Jobs	Companies
1	MI	17,299	70	KY	9,339	32	TX	21,671	105
2	TX	15,026	78	NC	7,619	47	TN	18,705	88
3	TN	13,649	62	GA	7,524	32	MI	18,694	88
4	AZ	11,273	30	AL	6,954	29	KY	17,787	59
5	NC	9,150	108	TX	6,645	27	NC	16,769	155
6	VA	8,994	46	SC	5,555	41	AZ	15,053	46
7	IL	8,843	46	TN	5,057	26	VA	11,680	73
8	KY	8,448	27	IN	4,853	15	GA	11,493	67
9	OH	7,827	38	MO	4,388	17	IL	9,960	52
10	CA	7,746	97	AZ	3,780	17	OH	9,236	56

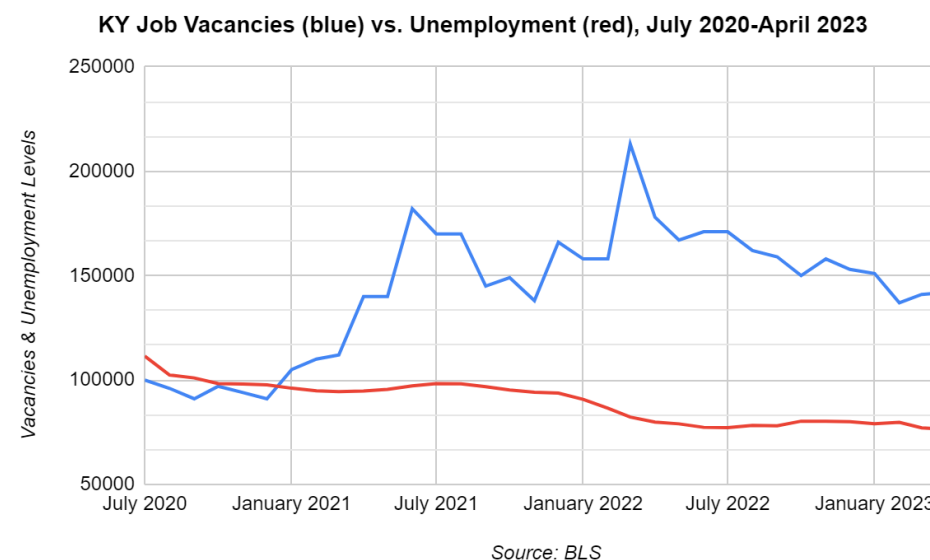


Key Takeaways So Far

Workforce challenges persist in Kentucky as workforce participation remains low and workforce growth remains stagnant.



Demand for workers remains elevated as new jobs are created at a rate that outpaces Kentuckians looking for work.



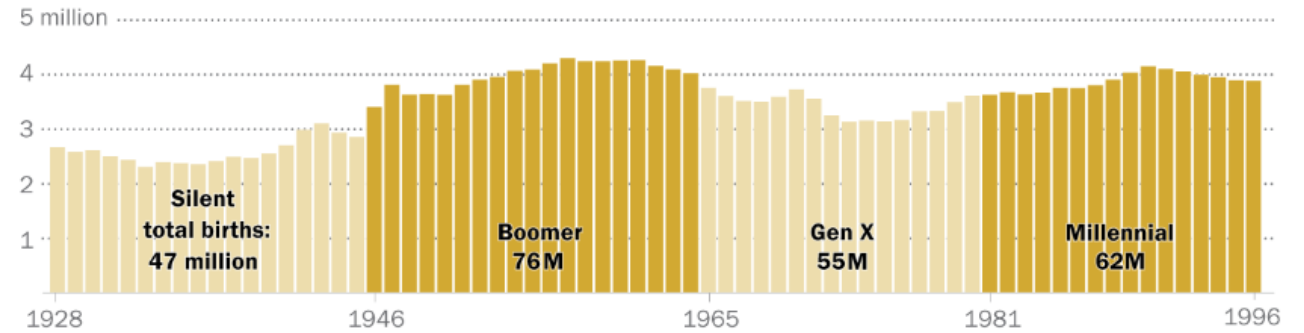
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The Structural Challenge of an Aging Population

Births underlying each generation

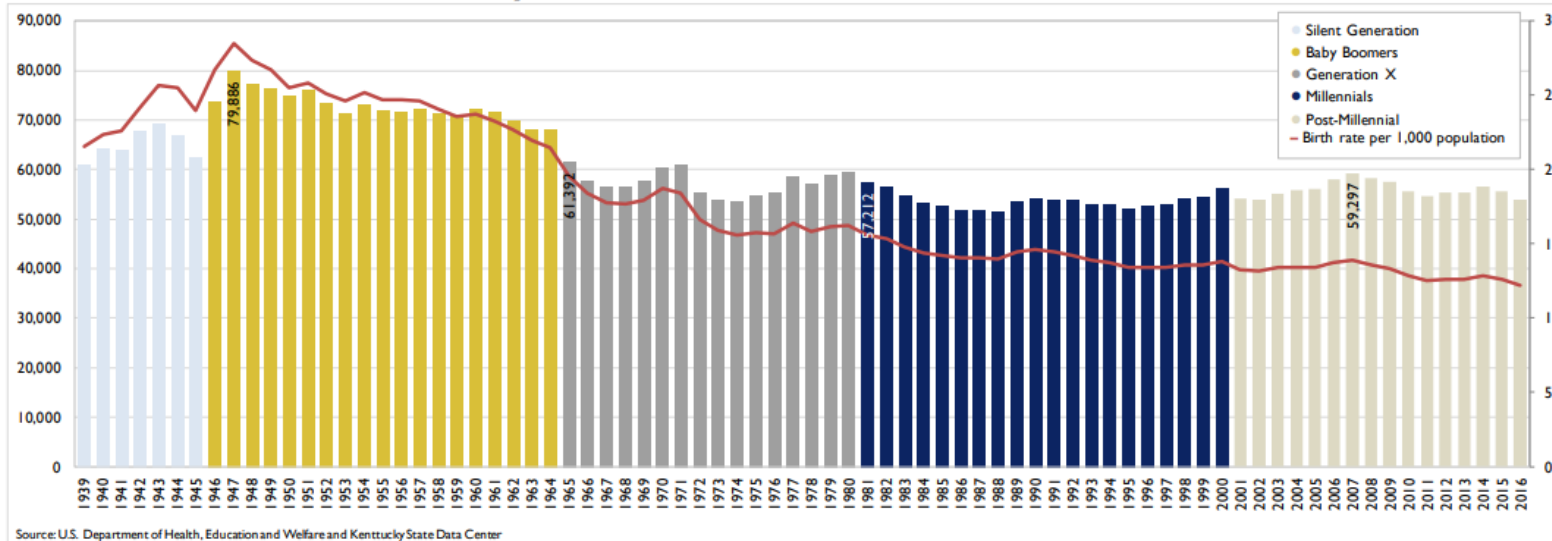
Number of U.S. births by year and generation



Source: U.S. Department of Health and Human Services National Center for Health Statistics.

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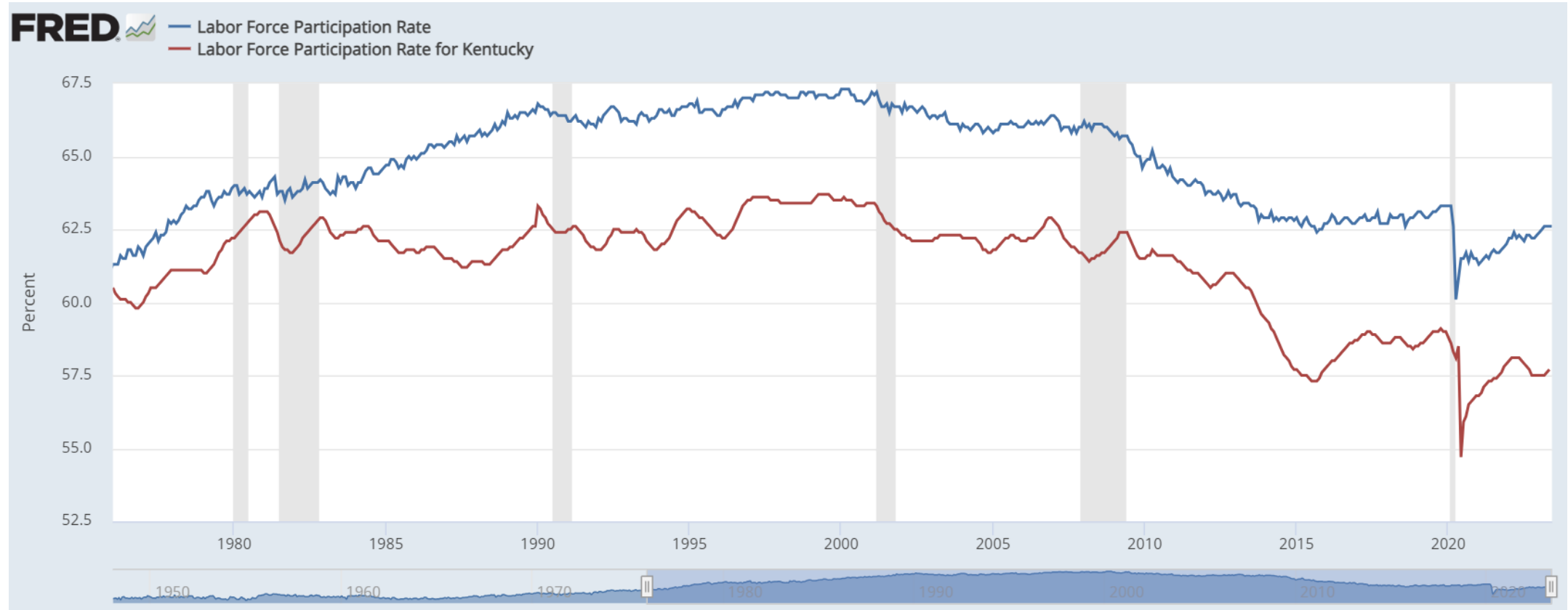
Births and Birth Rates in Kentucky, 1939-2016



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Boomers Drove a Surge in Workforce Participation



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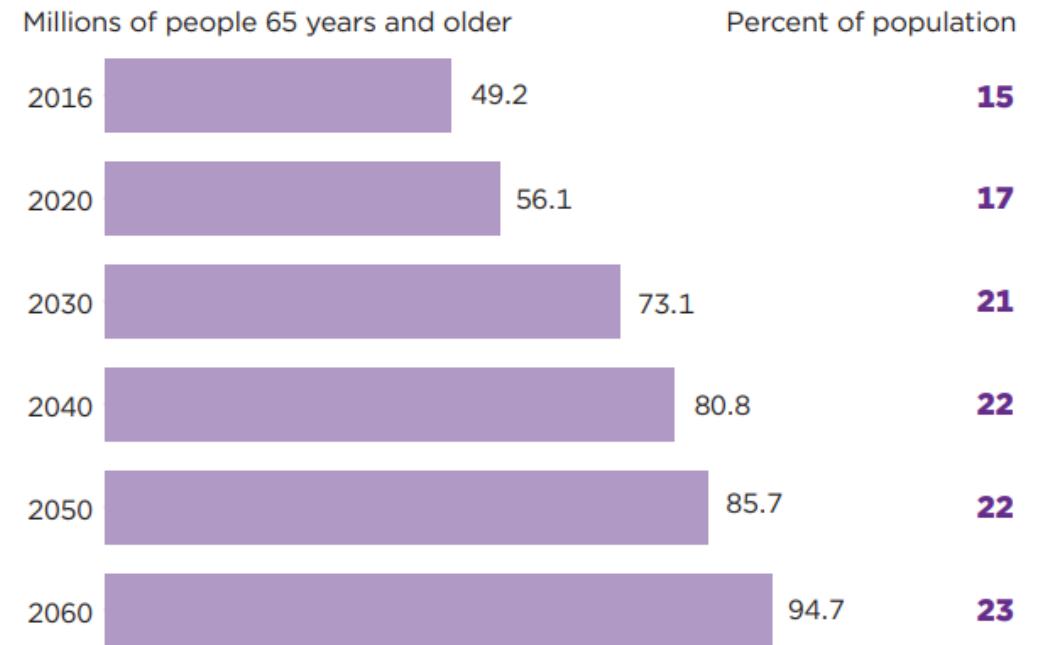
Key Moments for Our Aging Population

- U.S. Census 2017
- **2011:** Oldest Baby Boomers reached 65
- **2019:** All Baby Boomers reached 55+
- **2029:** All Baby Boomers will be 65+
- **2030:** International migration overtakes natural increases (births minus deaths)*
- **2034:** Older adults (65+) will outnumber children for the first time in U.S. history
- **2060:** Nearly 1 in 4 U.S. adults will be 65+; births narrowly outpace deaths

Figure 1.

Projections of the Older Adult Population: 2020 to 2060

By 2060, nearly one in four Americans is projected to be an older adult.



Source: U.S. Census Bureau, 2017 National Population Projections.

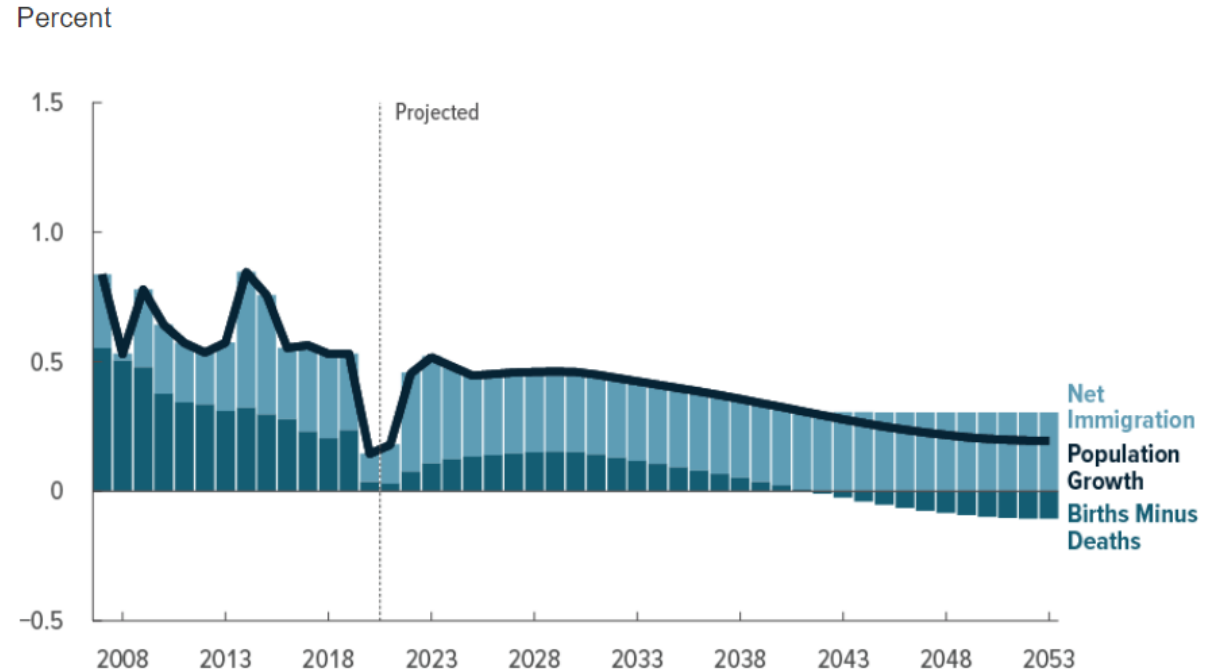


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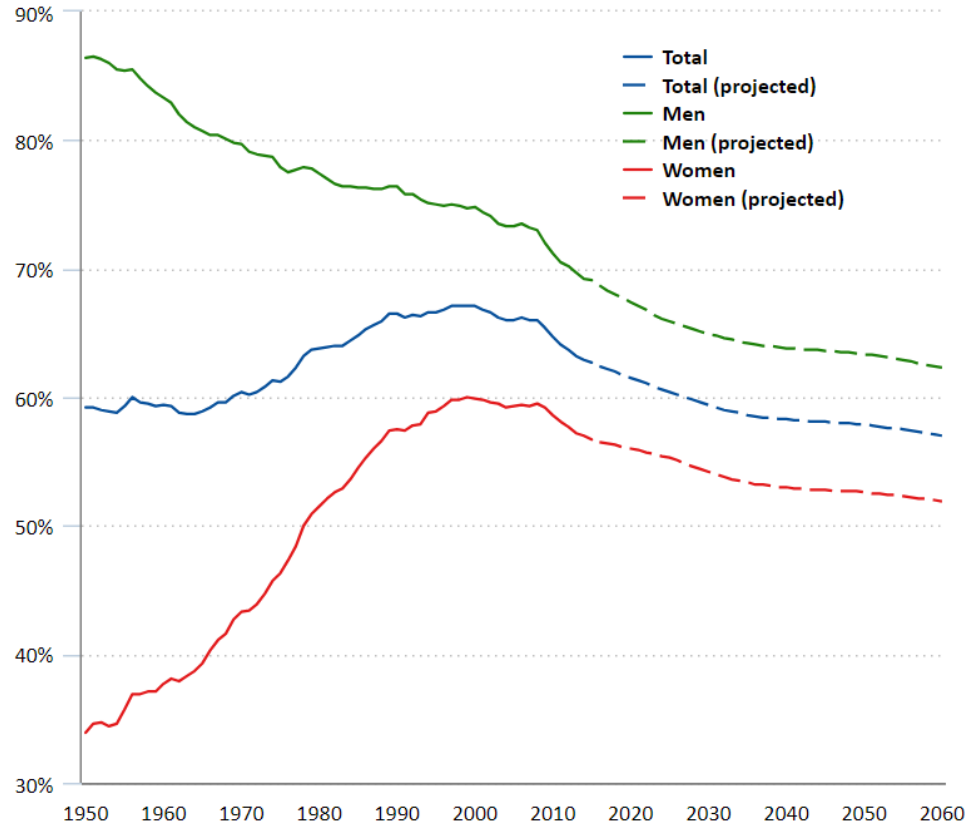
Key Moments for Our Aging Population

- Congressional Budget Office 2023
- **2042:** Deaths will outnumber births; growth will become fully dependent on net immigration
- **2023-2053:** 0.3% annual population growth instead of 0.8% (1983-2022)
- **2023-2053:** 0.2% annual prime-age population growth instead of 0.9% (1983-2022)
- **2023-2053:** Projected birth rate: 1.75 instead of 2.02 (1987-2007)

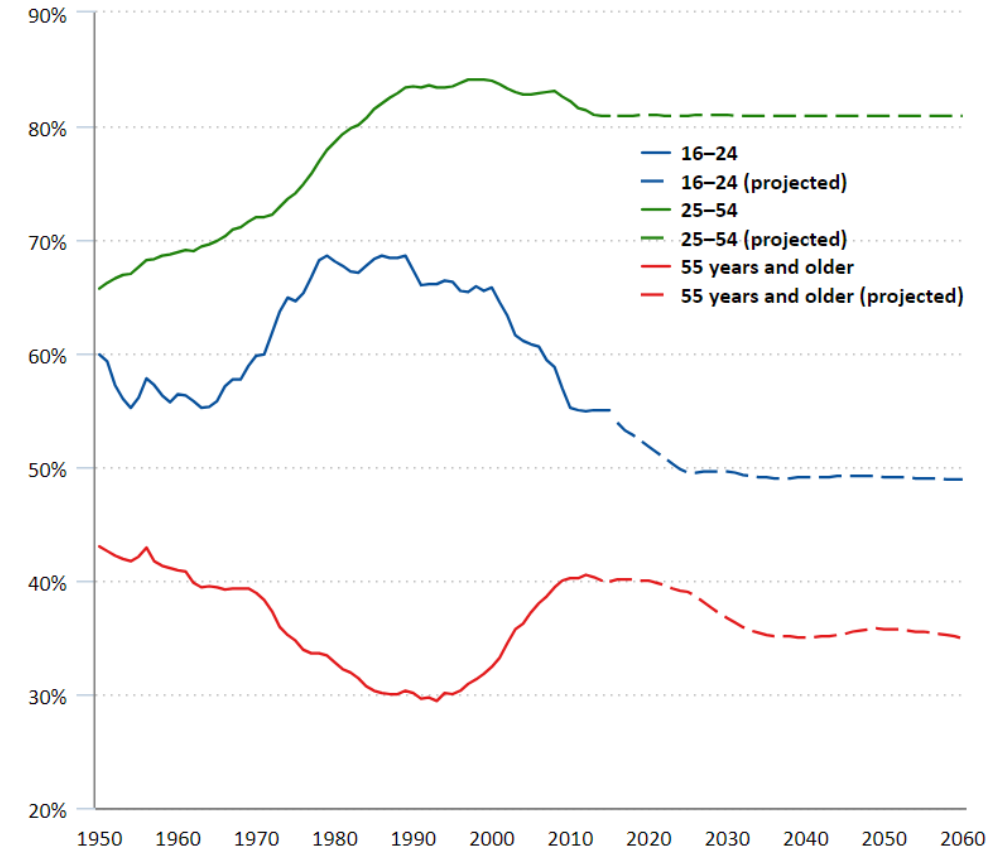


Projected Decline in Workforce Participation (BLS)

Labor force participation rates are projected to decline



Labor force participation rates of all age groups are projected to decline



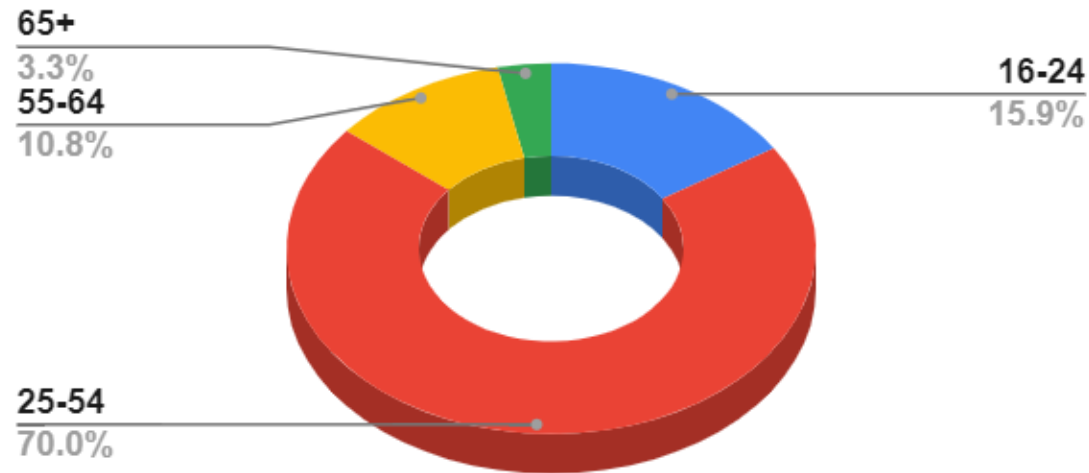
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Retirement is “Imminent” for Almost 1 in 4 Kentucky Workers

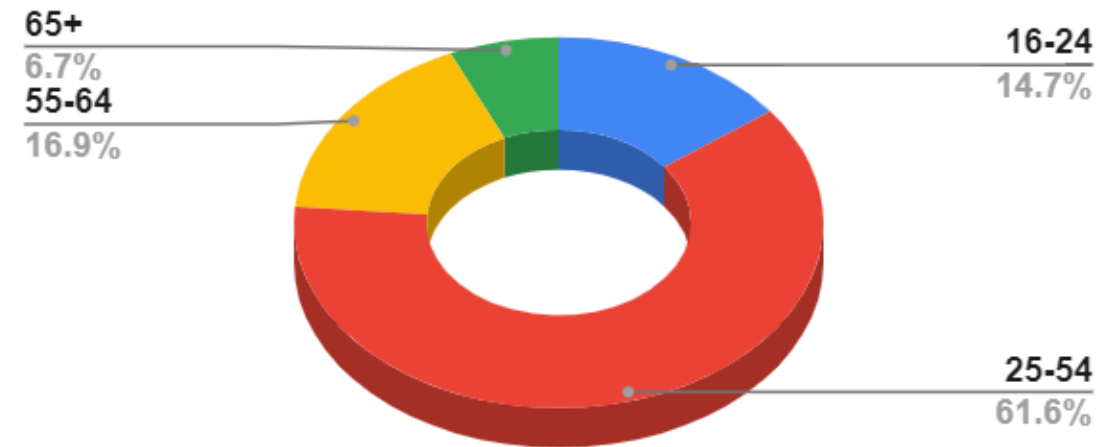
2002 Age Composition of Kentucky's Workforce

Source: BLS



2022 Age Composition of Kentucky's Workforce

Source: BLS

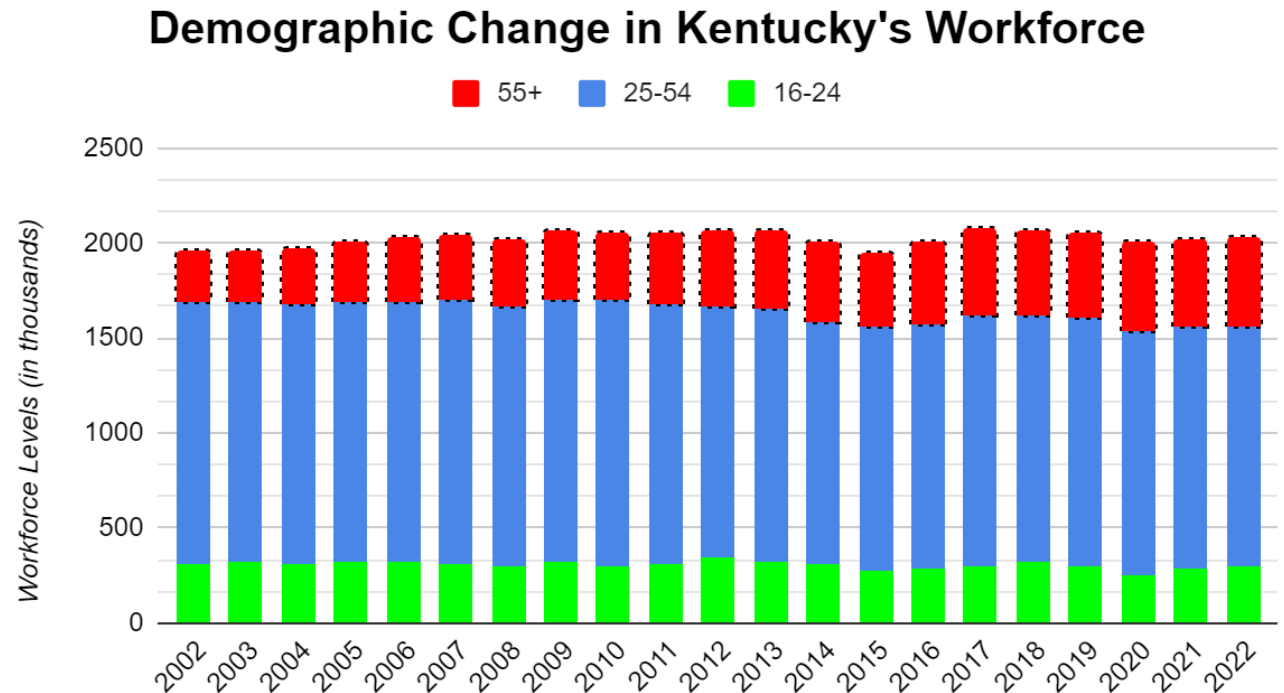


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Kentucky's Fastest Growing Workforce Group is 55+

- Demographic change from 2002 to 2022
 - **16-24:** -4.1%
 - **25-45:** -8.7%
 - **55+:** 73.2%
- Kentucky's fastest-growing workforce group is 55+
- The pool of new workers and prime-age workers is stagnant or shrinking



Source: BLS

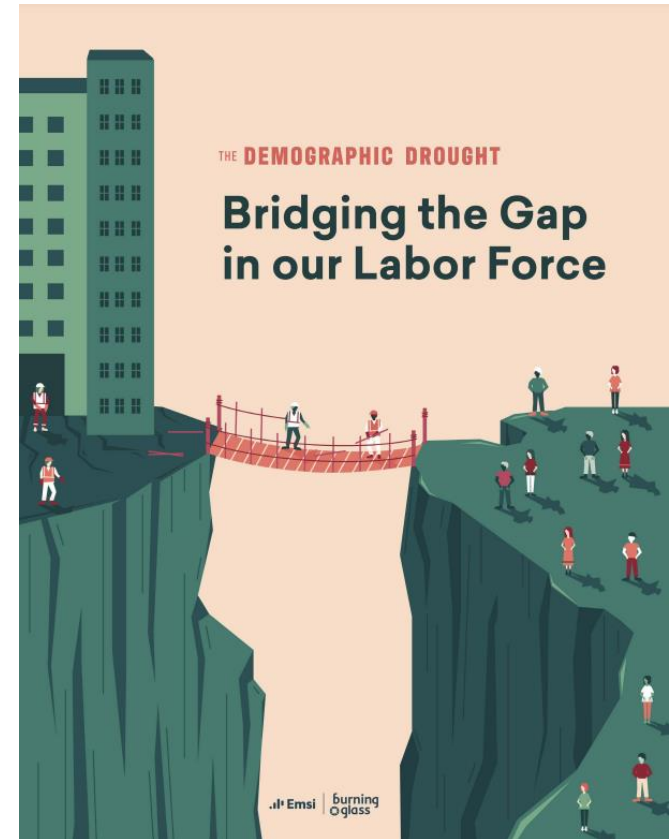


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Emsi-Burning Glass: The Demographic Drought

“Fifty years of birth rates below replacement levels, combined with a recent precipitous drop in immigration, has left us with fewer and fewer young, working-age people. This decline is happening as a record number of Americans are reaching retirement age... *This trend is not projected to turn around any time this century.*”



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Additional Factors

- Substance use disorder and incarceration
- Skills gaps and discouraged workers
- Jobs and geographic misalignment
- Public assistance programs (SSDI)
- Social/cultural attitudes toward work
- Health outcomes



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How Should State Policy Respond to These Dynamics?



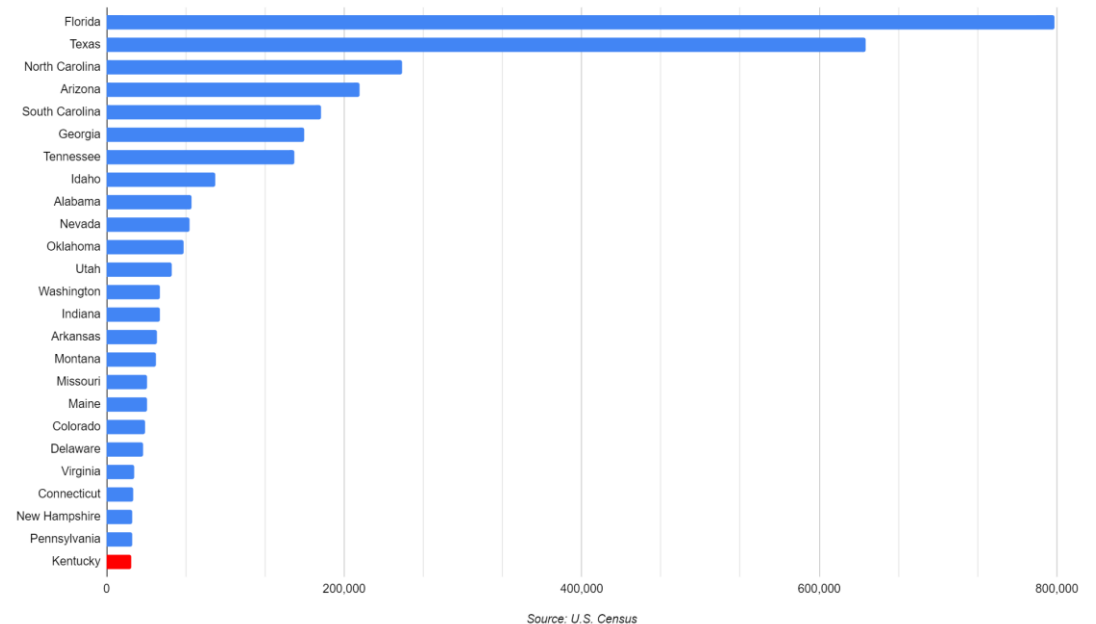
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Attract More Workers

- Kentucky has struggled to attract new workers and population, netting just 22k new residents between April 2020 and July 2022 (6.3k international, 14.1k domestic)
- **Tennessee:** 157k (11.4k international, 146k domestic)
- **Indiana:** 44.5k (21k international, 22k domestic)
- **Georgia:** 166k (38k international, 128k domestic)
- **North Carolina:** 248k (37k international, 211k domestic)

Total Net Migration (Domestic and International) April 2020 - July 2022



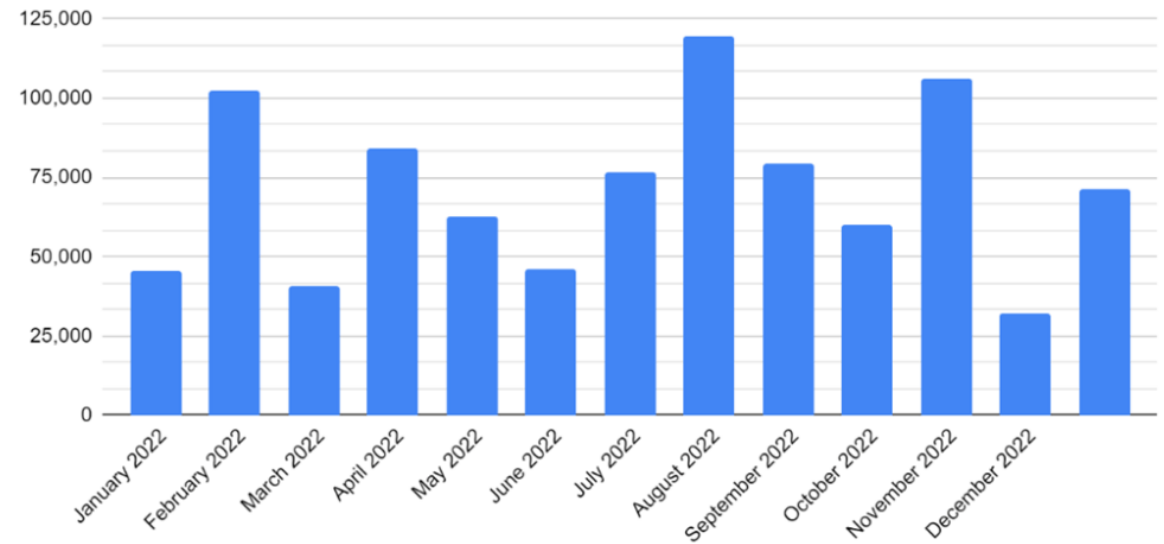
Optimize Our Homegrown Workforce

Kentucky has also struggled to optimize its homegrown workforce.

Examples:

- Throughout 2022, 70k Kentucky adults may have been sidelined from the workforce due to child care challenges (Census)
- Opioid abuse may have reduced Kentucky's labor force by up to 55k (UK CBER)

KY Adults NOT WORKING because of "caring for children not in school or daycare," 2022



Source: US Census Bureau Household Pulse Survey



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Examples of Pro-Active State Policy Solutions

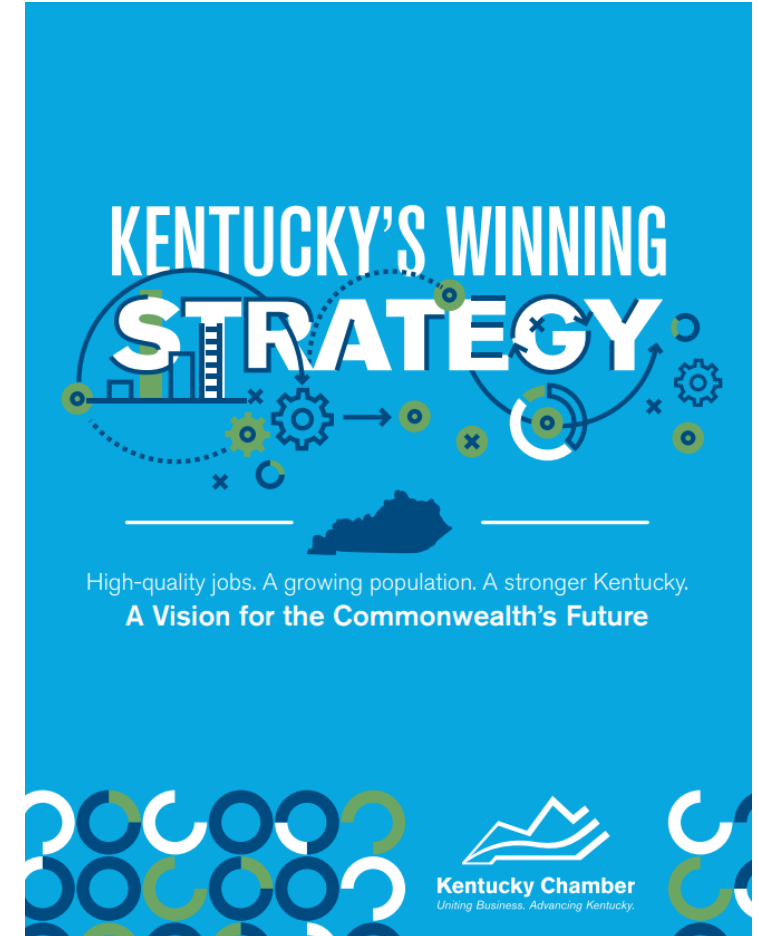
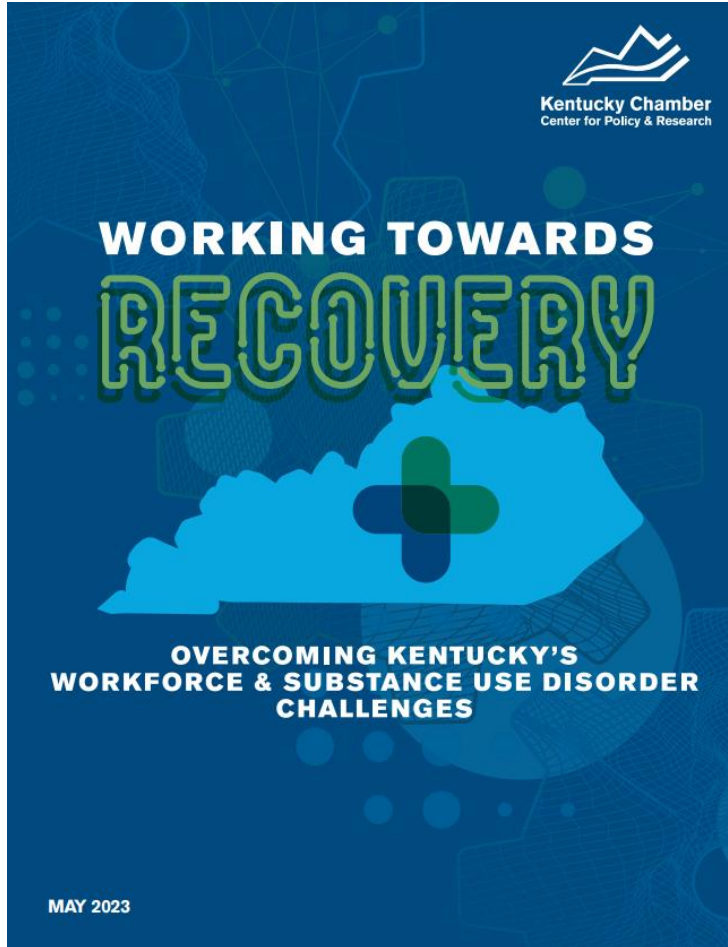
- A **competitive tax environment** for workers
- Abundant access to affordable quality **child care**
- Work-focused **re-entry support** for Kentuckians leaving incarceration (expungement, second-chance liability, job training in jails)
- Incentives and public-private partnerships to help Kentucky employers offer **unique and robust incentive packages** (education benefits and paid family leave)
- Reduce the prevalence of **substance use disorder** and facilitate employment for individuals in recovery
- Connecting Kentuckians in **high unemployment areas** to jobs through reliable infrastructure, transportation, and broadband, while strategically partnering with local communities on **quality-of-life and talent attraction and retention projects** (See Indiana for an example)
- Target **state financial aid programs** to respond to workforce needs and demand with more precision
- Developing a statewide strategy to **optimize underutilized** or “**untapped**” **talent** such as refugees, immigrants, and individuals with disabilities



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Resources: Kychamber.com



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