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Workforce Summary Report

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Pursuant to the 2022 Budget Bill (HB1), the Education and Labor Cabinet (ELC) presents the findings of the University of Kentucky's Center for Business and Economic Research (CBER) Workforce study.

Background: The 2022 Executive Branch Budget (HB 1), provided for a study to be conducted by the University of Kentucky's Center for Business and Economic Research to evaluate the effectiveness of Kentucky's state-sponsored workforce development programs. For this report, ELC and CBER have defined state-sponsored workforce development programs as those receiving over 50% state funding.

The review is primarily focused on Kentucky Adult Education (KYAE), the Kentucky Community Technical College System (KCTCS) TRAINS program, and the Bluegrass State Skills Corporation (BSSC). While sufficient data was available to evaluate KYAE and TRAINS, the same level of data was not available for the BSSC. The appendix summarizes several components of the workforce development system and provides information on the types of services provided, populations served, and, where possible, expenditures by funding source.

The CBER Workforce Study does not describe all components of the Kentucky workforce development system. Significant programs remain across various agencies and Kentucky cabinets that play a role in workforce development, like funding made available through the CHIPS and Science Act and the Infrastructure and Jobs Act of 2023.

Executive Summary of the Workforce Study:

Chapter 1 Introduction: This study examines how state-sponsored workforce development programs influence salaries and employment. It also examines the demographics of labor outcomes of Kentucky's workforce programming. The findings are

encouraging, as effective workforce development has the potential to yield positive labor market results, reduce the demand for unemployment insurance, and increase tax revenue.

Chapter 2 Adult Education: KYAE offers General Education Development (GED) and GED preparation courses to various populations, including those in the justice system and individuals for whom English is a Second Language (ESL). It also provides other services like Integrated Education and Training (IET), workplace literacy, and family literacy through a diverse set of education and training partners. This study compares labor market performance of adults between 18 and 32 years old who participated in adult education programming and those who did not complete high school.

The study indicates that career outcomes are improved with KYAE involvement. Participants had higher employment rates than non-participants after enrollment. However, employment impact gains declined after four years. Male employment rate gains declined more quickly than females reducing by nearly half the initial difference of 14.6%. Specifically Black males lost their employment advantage 3–4 years after enrollment. Although further education may have temporarily lowered salaries due to classes and GED prep hours, wages increased after the initial decline.

Female wages rose gradually and significantly following enrollment. Compared to females, the wages of all men enrolled were slightly higher (2-3%). Like females, when studying males registered in adult basic education, wages experienced a short-term decrease upon enrollment during this period. In comparison to those who continued to attend, it took ESL learners longer to catch up on wages than those with uninterrupted attendance.

Chapter 3 TRAINS: This program was established to assist Kentucky companies in designing and funding employee training. Companies typically contribute 25% of training costs plus 10% of administrative fees, while the state covers the remaining costs, to aid in the creation of training programs for the employers' workers. KCTCS offers college-credit and multiple-day, non-credit training. For-credit courses often address specialized topics. Some of the most common for-credit courses are business administration services, computer information technology, electrical technology, industrial maintenance technology, engineering and electronics technology, mining technology, industrial safety, management, plumbing, and welding.

The study focused on how TRAINS credit courses affect labor market outcomes by identifying personnel who took the courses and those who did not. CBER compared the two groups' employment status and income before and after enrollment in TRAINS. The study found that TRAINS credit courses increase employment rates, both short and long term, but not wages. Specifically, it found 80% of female participants remained employed 16 quarters after enrollment, compared to 65% of non-participants. As for males, participants had as much as a 10% higher employment rate than non-participants after 12 quarters. However, this effect dissipated by the 14th quarter.

While participants did not experience initial higher wages due to TRAINS credit courses, many TRAINS participants were newly hired employees, demonstrating employment improvements and the success of the program.

Appendix of the CBER Report: This section provides an in-depth description of the publicly funded workforce development system via the Workforce Innovation and Opportunity Act (WIOA), including a comprehensive network of federal, state, and local agencies, private businesses, educational institutions, and other entities. This section outlines a wide range of programs that are delivered by the ELC, Kentucky Department of Education, KCTCS, Kentucky Higher Education Assistance Authority, Cabinet for Economic Development, Cabinet for Health and Family Services. The collective goal is to enhance the skills of Kentucky's emerging and existing workforce and facilitate connections between potential workers and employers.

Workforce development services cater to many populations, including veterans, people with disabilities, dislocated workers, youth, and the general workforce. These programs intend to improve employability, skills, and job prospects for Kentuckians and provide resources to support training, education, and employment initiatives. In essence, Kentucky's workforce development system comprises multiple components offering services tailored to different needs and demographics, collaborating across sectors to equip workers with the necessary skills and connect them to employment opportunities.

Kentucky Career Centers are cornerstone of the workforce system which are certified by Local Workforce Development Boards. These Boards are employer-led, understand the regional labor market and invest in preparing the emerging and existing workforce to fill high demand occupation or upskill to advance on a career path. Career center offices are the focal point of Kentucky's workforce system where workers and employers connect. Specifically, these centers can help Kentuckians:

- find job openings;
- screen and test for jobs that match their skills;
- fund eligible on-the-job training and customized training needs;
- arrange space for job interviews, and in some areas, schedule interviews via video conferencing;
- provide access to detailed labor market information for the local area, Kentucky and the nation;
- provide services to help both employer and employees when facing layoffs or other major issues;
- offer unemployment insurance information and contacts; and
- make connections with vocational rehabilitation services.

The Kentucky Career Centers also help Kentucky businesses develop their workforce, serving the critical need of increasing employee retention and finding qualified candidates for hard-to-fill jobs. It grows talent through work-based training initiatives, combining on-the-job training with first-hand experience.

Observations:

The three state-sponsored workforce development programs provide essential services to both individuals obtaining the necessary skills for employment and business customers employing a 21st century workforce. Adult Education seeks to provide the large and diverse population of adults who lack basic skills, a high school credential, or English language skills with the competencies they need to be productive workers in Kentucky's growing economy. KCTCS TRAINS is designed to help companies offset the cost of workforce training so that their employees can meet the business's specific needs.

Adult Education:

Improving literacy skills is essential to developing academic skills, educational progression, employment, and earnings. ELC celebrates the positive outcomes for adult education learners in the areas of placement and outcomes, which are especially significant for females overall and minority populations. The study indicates there was a particularly significant impact on wages for Hispanic females and males.

The diminishing impact on employment after 4 years demonstrates the need to expand the emphasis on developing literacy skills, continually adding skills in adult education services, and further integration with other workforce programs and services. This is often achieved through evidence-based career development and transition instructional models like Integrated Education and Training (IET) programs and bridge classes.

IET is an educational model designed to provide adult learners with training for an in-demand occupation or occupational cluster while simultaneously strengthening their basic skills and building essential employability skills needed for workforce success. These three components are integrated into a single set of learning objectives.

Bridge classes are designed to help learners transition from basic skills programming to postsecondary education and occupational training. Support services, such as social services, basic and life skills training, cohort tutoring, career coaching, and/or job placement and retention support, are essential elements of a comprehensive adult learner service strategy.

TRAINS:

TRAINS is a postsecondary workforce development effort designed to meet the needs of Kentucky businesses and allow them to remain competitive in their respective industries. A key component of TRAINS is upskilling the workforce, which will encourage

businesses to stay and expand in the Commonwealth by helping offset the cost of workforce training for current and future employees.

An example would be an employer introducing new technology or a new piece of equipment to a company process and requiring employees to be trained to use the technology and/or operate a new piece of equipment efficiently and safely. This program allows the employee to gain new or better skills that can be essential to retaining employment and provides opportunities for career advancement internally or externally.

The positive outcomes around TRAINS underscores the importance of sectoral training programs and work-based learning (WBL). Sector-based training provides workers with the necessary skills to obtain employment in well-paying jobs in high-demand sectors without requiring a four-year college degree. These programs often prove particularly effective for disadvantaged populations. Sector partnerships help produce the curricula in which students or workers are trained, and workers are referred to the partners for employment after completing the program.

Work based learning is an educational strategy that provides students with real-life work experiences where they can apply academic and technical skills to develop their employability by obtaining industry recognized credentials and certificates. It provides structured learning experiences through a continuum, including mentorship, internship, pre-apprenticeship, and registered apprenticeship. For success, the work-based learning system must be designed and implemented with the employer at the center through industry partnerships that drive the development of these experiences along the education and training process.

General Notes:

ELC outlines additional observations worthy of note.

- *Data Limitations and Range of Data Used:* There was not sufficient data to analyze the Bluegrass State Skills Corporation program, one of three state-sponsored workforce programs identified. Data constraints also led the study to focus on how TRAINS credit courses affect labor market outcomes. Further, the use of other data like Medicaid, TANF, SNAP, childcare, etc., could provide additional benefits for these programs, such as reducing the reliance on safety net programs beyond income tax revenue.
- *Capturing the Evolution of the Workforce Development System:* The study and analysis did not take into account the policy and organizational shifts at the federal and state levels, the distinguishing characteristics of various programs, etc. A few examples include: 1) the change in law and policy implications and service strategies from the Workforce Investment Act to the Workforce Innovation and Opportunity Act in adult education, such as, a greater emphasis on career pathways and postsecondary transition; and, 2) who is the primary

customer for various programs and initiatives like TRAINS, which is focused on the employer as the customer.

- *Labor Market Dynamics Consideration:* The analysis included minimal references and overall effects on labor market conditions, such as the Great Recession and the COVID-19 pandemic, during the study period from 2009 through 2022. Labor market conditions often have a positive or negative impact on enrollment, completion, and labor market outcome data, such as wages. The COVID-19 pandemic, in particular, had an impact on individual participation and program outcomes in adult education and the wages of TRAINS program completers.