

20 YEARS IN THE MAKING:
KENTUCKY'S
WORKFORCE
CRISIS



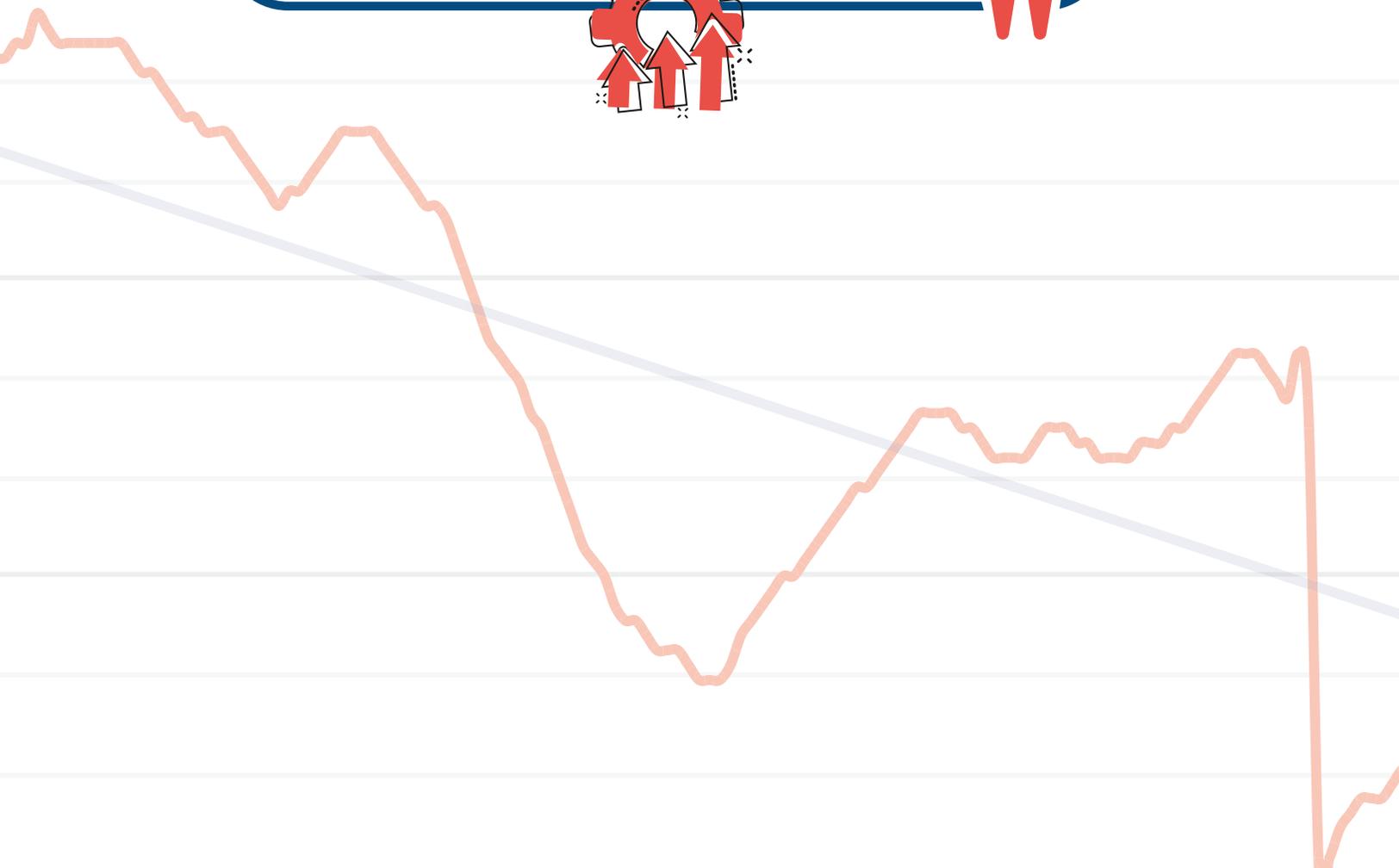
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The Commonwealth's long and short-term workforce struggles stress the urgency of building a strong workforce to drive a strong economy



This report was researched, written, and produced independently by the Kentucky Chamber Foundation.

Introduction

Workforce has been a topic of concern for business leaders and policymakers for years now, but interest in the issue has surged in recent months. Driving this surge has been the collapse in employment that took place with the onset of the pandemic in Spring 2020 followed by the nationwide struggle to find workers to help rebuild the U.S. economy. In April 2020, 23 million Americans were unemployed and the national unemployment rate soared to 14.8 percent (16.9 percent in Kentucky). One year later, surveys of employers showed a record number of businesses struggling to find workers, while the U.S. saw an unprecedented 9.2 million job openings.

No wonder workforce has been such a topic of interest lately. Something is amiss.

The truth is that something has been amiss for a long time. The pandemic and economic recovery have accelerated preexisting trends and magnified our weak points. This is especially the case in Kentucky, where the data tells us that since 2000 more and more Kentuckians have not been participating in the workforce. In fact, fewer adults in Kentucky participate in the workforce than in almost any other state in the nation. Perhaps what is more concerning is that even once Kentucky fully restores its workforce to pre-pandemic levels – which is not a certainty – we will likely still be far behind the nation and surrounding states.

Kentucky's workforce challenges are exceptional, but they did not suddenly emerge in the age of COVID-19. Rather, they have been building and holding back our economy for at least two decades. There is no one singular cause of these challenges. Instead, the causes are many, and the solutions must be, as well.

The Kentucky Chamber Foundation's new report, "20 Years in the Making: Kentucky's Workforce Crisis," details the Commonwealth's long and short-term workforce struggles and stresses the urgency of building a strong workforce to drive a strong economy. As this report will show, Kentucky's economic future depends closely on whether or not policymakers in the years ahead take the appropriate steps to solve the Commonwealth's longstanding workforce challenges and address these issues with the resolve they require.

Some of the highlights of the report include:

- The percentage of Kentucky adults working or actively looking for work has been trending downward since 2000 and has remained consistently below national averages and neighboring states both before and after the pandemic.
- The causes of Kentucky's weak workforce participation rate are many, including demographic change, poor health outcomes, substance abuse, incarceration, among many others.
- Policymakers must pursue multiple, bold solutions to build a stronger workforce and, in turn, a stronger Kentucky economy.

This report is intended to serve as a guide for understanding the magnitude and complexities of Kentucky's workforce struggles as well as the policy remedies available to state leaders. With so much focus on workforce issues brought on by the pandemic and the economic recovery, it is more critical than ever that decision-makers fully recognize the history of Kentucky's workforce crisis, the multitude of factors that led to it, and why addressing it must be a top priority.

WORKFORCE 101

What is a “workforce” and why does it matter?

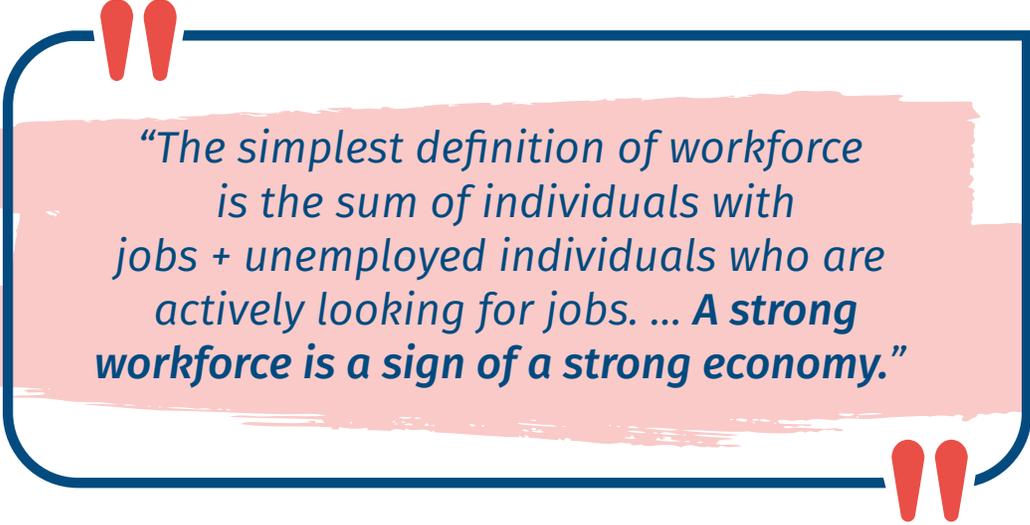
When most people think of a “**workforce**,” they think of individuals with jobs. This is partially true. But in the context of economic data, workforce is a more complicated term.

In macroeconomics, the simplest definition of workforce is the sum of individuals with jobs + unemployed individuals who are actively looking for jobs. Add these two numbers together and you get a total workforce number.

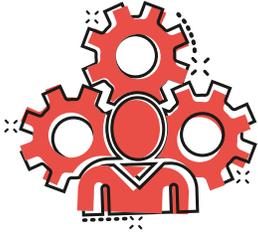
Getting a little further into the weeds, the Bureau of Labor Statistics (BLS) gathers information on the workforce through monthly surveys. It defines workforce - or labor force, which is BLS’s preferred term - as “all persons classified as employed or unemployed.”

“**Employed**” is not surprising to see included in the definition of workforce but it is a more expansive term under BLS guidelines than one might expect. It includes individuals who worked for pay for an hour or more in a given week (so, full-time and part-time paid workers are included here); ran their own business; or worked 15 hours or more unpaid in a family enterprise. Individuals temporarily absent from work at the time they are surveyed - whether due to an illness, child care conflict, maternity or paternity leave, or for other reasons - are considered employed.

“**Unemployed**,” in the world of BLS, means an individual aged 16 or older who does not have a job but is available for work and has made recent efforts to try to find work. Unemployed also includes individuals who have been temporarily laid off and are waiting to be called back to work. BLS uses this definition to compile the “unemployment rate.” It is important to remember that in the context of BLS, unemployed is a survey term and is unrelated to an individual’s eligibility for unemployment benefits. It is also important to note that an individual can exit “unemployed” status either because they found a job or because they quit looking, in which case they would be considered to have left the workforce. This is one reason many economists view the oft-cited unemployment rate – which measures the unemployed as a percent of the total workforce – as an imperfect measurement for economic health. A declining unemployment rate does not necessarily mean increasing employment. It could also reflect individuals leaving the workforce.



“The simplest definition of workforce is the sum of individuals with jobs + unemployed individuals who are actively looking for jobs. ... A strong workforce is a sign of a strong economy.”



STRONG WORKFORCE

A strong workforce is a sign of a strong economy. It means individuals have jobs and are working to support themselves and their families, purchase goods and services, and pay taxes. Unemployed individuals are actively applying for jobs, and the job market is strong enough to provide ample opportunities to keep people actively looking for employment until they find a good fit. It also means employers are able to find workers to meet the demands of their customers and grow their businesses. A strong workforce consistently ranks as one of the top factors in business location, relocation, and expansion decisions.



WEAK WORKFORCE

A weak workforce, on the other hand, means quite the opposite. Fewer individuals have gainful employment and are able to support themselves and their families. Fewer individuals are actively looking for work. Economic productivity and consumer satisfaction drop as employers struggle to find staff, grow their businesses, and fail to meet demand. New businesses and job opportunities bypass areas with weak workforces for areas where they are more likely to find talented workers.

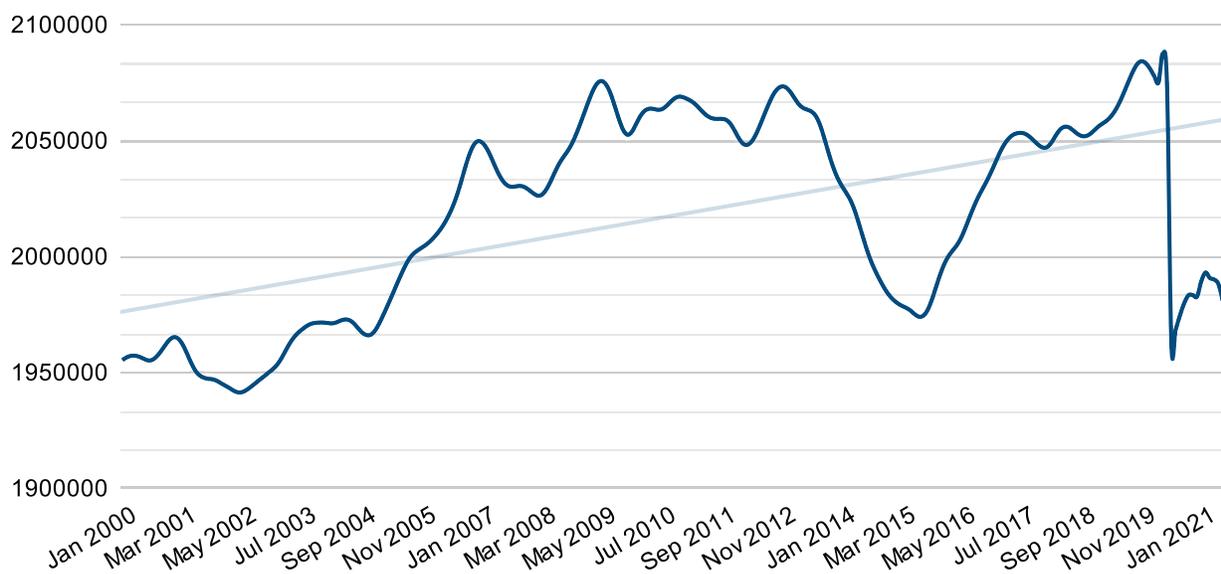


KENTUCKY'S WORKFORCE

How many Kentuckians “work?”

What do we know about Kentucky's workforce? Let's start with size. At any given time over the past two decades, about 2 million Kentuckians have been part of the state's workforce. The actual number, however, has fluctuated below and above 2 million in reaction to larger changes in the economy. In the first four months of the COVID-19 pandemic, for example, Kentucky's workforce shrank by 112,000 individuals. Kentucky's workforce stood at 1,980,926, as of June 2021. This is 94,186 less than at the start of the pandemic in March 2020. More than 95 percent of Kentucky's workforce is employed. The remaining 4.4 percent are unemployed but actively seeking work. To get back to pre-pandemic levels, more than 90,000 Kentuckians need to join or return to the workforce.

Kentucky Labor Force Levels, 2000-2021



Source: Bureau of Labor Statistics

Is 2 million workers a lot? While 2 million is a big number, economists prefer to study and compare workforce data through metrics like the **workforce participation rate**, often called the labor force participation rate. This metric measures the workforce as a percentage of the adult population. The workforce participation rate allows us to think about the size of the workforce in light of population growth and compare states to one another on a level playing field.

When studying Kentucky's workforce participation rate and comparing it to other states and the nation as a whole, troubling trends begin to emerge.

Kentucky's workforce participation rate has steadily declined since 2000 and plummeted during the pandemic. This means that, over time, a growing percentage of Kentucky's adult population has not been working or actively looking for work.

Workforce Participation Rate: The share of the adult population age 16 or older that is either employed or unemployed and looking for work. Active-duty military and institutionalized individuals are excluded.

In January 2000, 63.5 percent of adults in Kentucky participated in the workforce. Throughout the first two decades of the 21st century, that number trended downwards. In March 2020, it was 59.2 percent. When the pandemic hit, Kentucky's workforce participation rate collapsed, hitting an all-time low of 56 percent in June 2020. As of one year later, in June 2021, it stood a mere 0.3 percentage points higher at 56.3 percent. To flip this around, 43.7 percent of Kentucky's adult population was not participating in the workforce in June 2021. This equates to more than 1.5 million Kentucky adults.

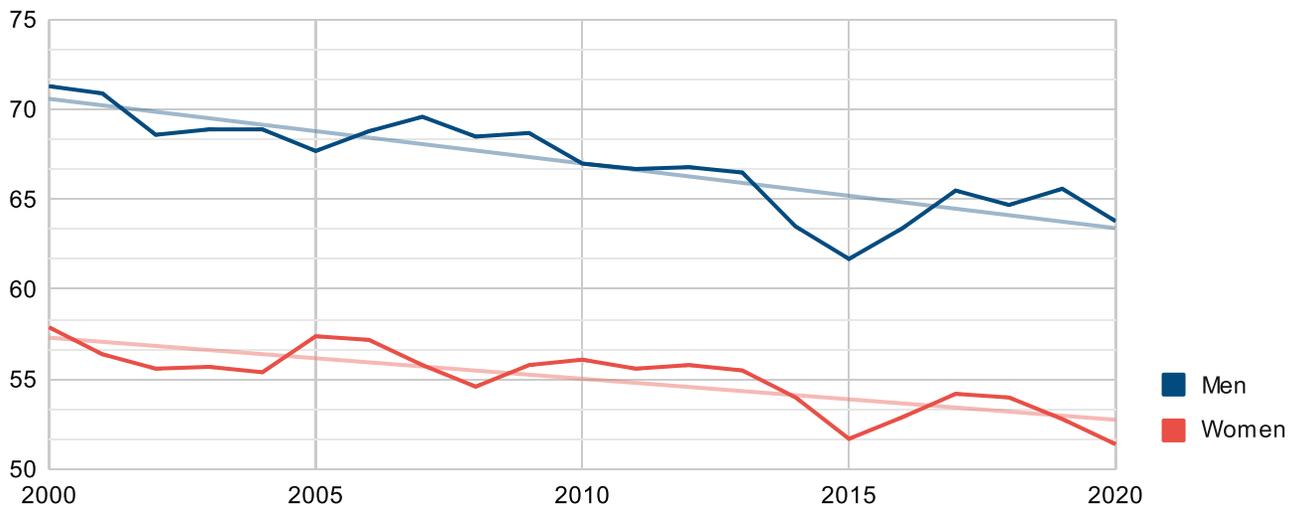
Kentucky Workforce Participation Rate, 2000-2021



Source: Bureau of Labor Statistics

The decline in workforce participation among Kentucky adults cuts across both sexes. Workforce participation rates for Kentucky male and female adults both declined during this period. The workforce participation rate for men in Kentucky in 2000 was 71.3 percent but fell to 63.8 percent by 2020. The workforce participation rate for women in Kentucky in 2000 was 57.9 percent and fell to 51.4 percent by 2020.

Kentucky Male and Female Workforce Participation Rates, 2000-2020



Source: Bureau of Labor Statistics

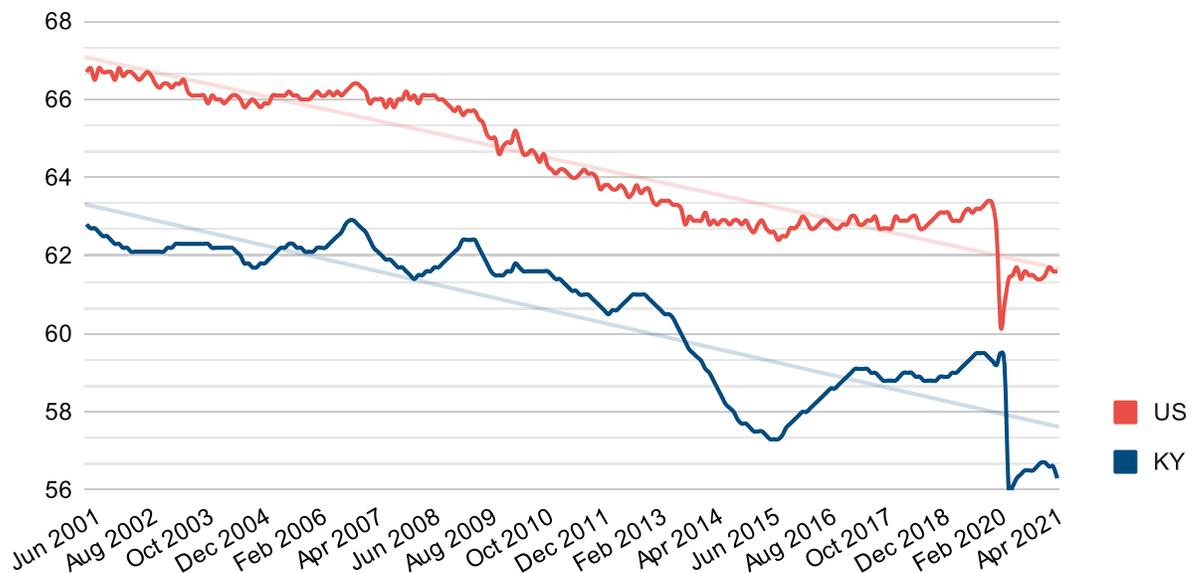
Overall, Kentucky's workforce participation rate in the 21st century mirrors a national trend. In January 2000, the national workforce participation rate was 67.3 percent. Just like in Kentucky, it has trended downward ever since, reaching 61.6 percent in June 2021.

“Kentucky’s workforce participation rate has steadily declined since 2000 and plummeted during the pandemic. This means that, over time, a growing percentage of Kentucky’s adult population has not been working or actively looking for work.”

But a closer comparison of the workforce participation rates of Kentucky and the nation as a whole reveals an alarming disparity: Kentucky's workforce participation rate has consistently trailed the national average. During the pandemic, this disparity worsened. In March 2020, the difference between the workforce participation rates of Kentucky and the nation was 3.4 percentage points (62.6 vs 59.2). In June 2021, the difference had grown to 5.3 percentage points (61.6 vs 56.3).

At current population levels, Kentucky would need to increase its workforce by 180,000 to be in line with the national workforce participation rate.

U.S. and Kentucky Workforce Participation Rate, 2001-2021

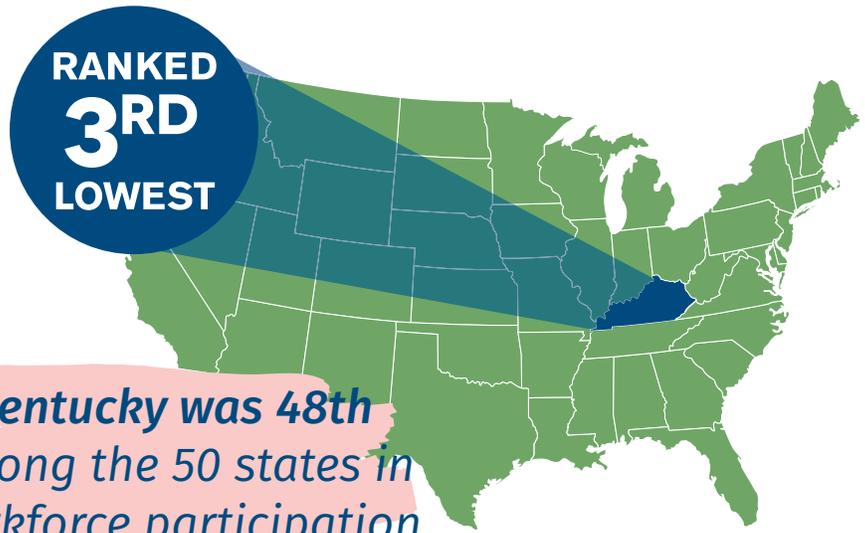


Source: Bureau of Labor Statistics

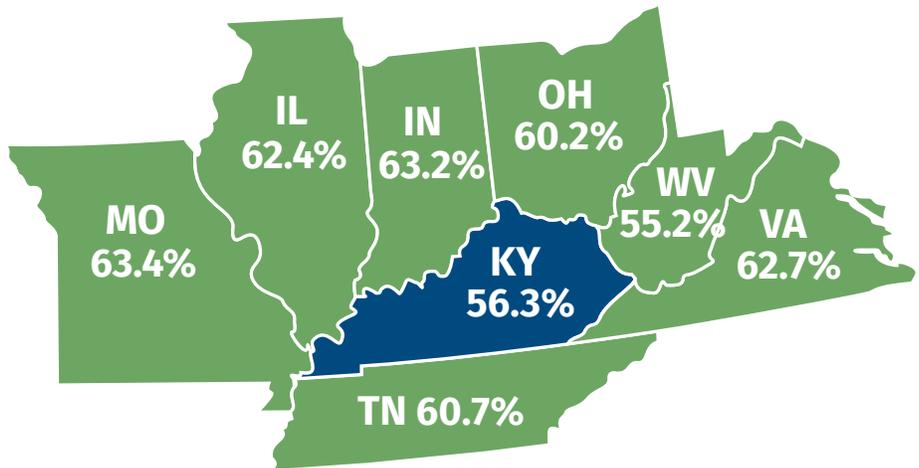
The situation becomes more alarming when comparing Kentucky's workforce participation rate to neighboring states. As of June 2021, Kentucky had the third lowest workforce participation rate in the nation, just slightly ahead of West Virginia and Mississippi, the two lowest.

Looking at some of our neighboring states, Kentucky's workforce participation rate is:

- **7.1 points below Missouri**
- **6.9 points below Indiana**
- **6.4 points below Virginia**
- **6.1 points below Illinois**
- **4.4 points below Tennessee**
- **3.9 points below Ohio**
- **1.1 points above West Virginia**



Regional States Labor Force Participation Rate Map



With the exception of West Virginia, our neighboring states all have larger workforces when measured as a percentage of their populations. The average participation rate among neighboring states is 60.5 percent. For Kentucky to at least be in line with its neighbors, it would need to increase its labor force by 158,000, at current population levels.

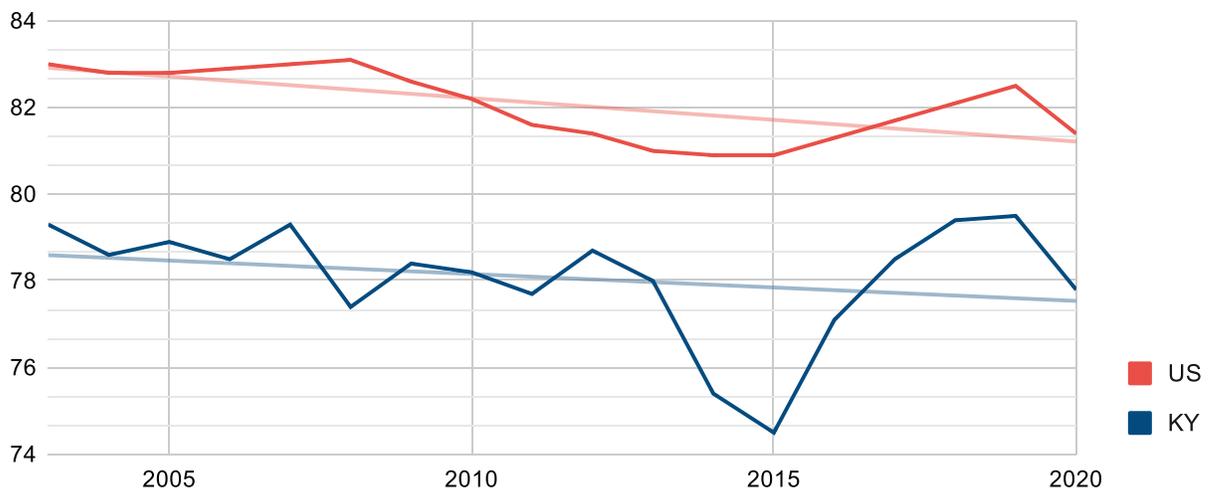
Top 10 states by workforce participation rate	Bottom 10 states by workforce participation rate
1. North Dakota – 68.8%	41. Michigan – 59.1%
2. South Dakota – 68.7%	42. Florida – 58.3%
3. Colorado – 68.5%	43. Louisiana – 57.9%
4. Nebraska – 68.4%	44. Arkansas – 57.3%
5. Minnesota – 67.9%	45. New Mexico – 57.2%
6. Kansas – 67.5%	46. South Carolina – 57.2%
7. Utah – 67.5%	47. Alabama – 56.8%
8. Iowa – 66.6%	48. Kentucky – 56.3%
9. New Hampshire – 66.4%	49. Mississippi – 56.0%
10. Wisconsin – 66.3%	50. West Virginia – 55.2%

Diving deeper into Kentucky's workforce participation rate, another concerning metric is Kentucky's work rate for **prime working-age adults**, who are generally viewed as between ages 25 and 54. These are individuals considered to be at an age where they are most likely to be working and building wealth – post-college but pre-retirement.

The workforce participation rate for prime working-age adults in Kentucky hovered fairly consistently around 78 percent between 2003 and 2020, with a slight downward trend. However, the rate at which prime working-age Kentucky adults worked during this time period consistently trailed the nation for this same age group by an average of 4 percentage points. The workforce participation rate for prime working-age adults in the U.S. averaged 82 percent during this time frame.

Perhaps even more troubling is that while the work rate for prime working-age adults in Kentucky remained consistent throughout the last decade, the actual number of prime working-age adults in the workforce did not. It declined by more than 5 percent. Nationally, we saw the opposite. The number of prime working-age adults in the workforce throughout the U.S. increased by about 1 percent. Kentucky adults who are in their prime working years, not only participate in the workforce at lower rates compared to the rest of the nation, but we also have fewer of them than we used to.

Kentucky and U.S. Prime Working-Age Workforce Participation Rates, 2003-2020



Source: Bureau of Labor Statistics

Another important workforce demographic includes workers between the ages 16 and 19, who often occupy entry-level positions and learn important skills that they can leverage later in their careers. The workforce participation rate for this group of Kentuckians has gradually declined from 52.7 percent in 2000 to 40.2 percent in 2019. This group's work rate in Kentucky is higher than the national average (35.3 percent in 2019) but follows a nationwide trend of decline over the past twenty or more years.

Kentucky workforce participation rate by age, 2019

Age group	Civilian noninstitutional population	Workforce participation rate (difference from national avg.)
16 – 19	219,000	40.2 percent (+ 4.9)
20 – 24	282,000	74.6 percent (+ 2.4)
25 – 34	580,000	80.8 percent (- 1.7)
35 – 44	532,000	81.4 percent (- 1.7)
45 – 54	536,000	76.3 percent (- 5.1)
55 – 64	584,000	54.8 percent (- 10.5)
65+	760,000	17.4 percent (- 2.8)

Source: Bureau of Labor Statistics

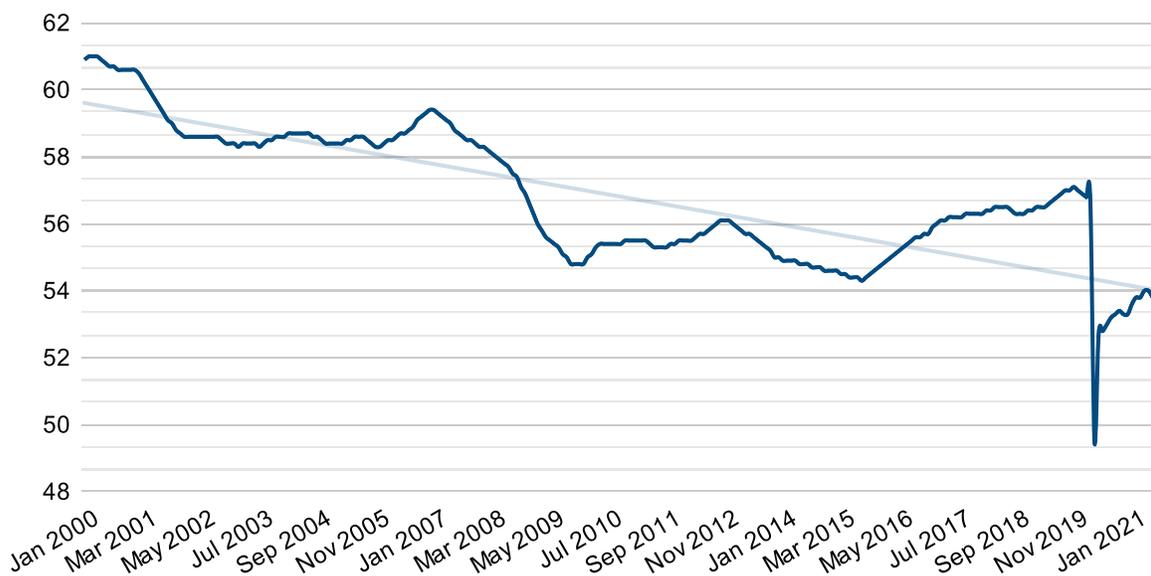
Within individual age groups, Kentucky differs most significantly from national averages among 55 to 64 year olds and 45 to 54 year olds. The national workforce participation rate for 55 to 64 year olds in 2019 was 65.3 percent, 10.5 percentage points higher than in Kentucky. The national workforce participation rate for 45 to 54 year olds in 2019 was 81.4 percent, 5.1 percentage points higher than in Kentucky.

Another way economists measure and study the size of the workforce is through the **employment-population ratio**. This looks at the percentage of the adult population that is employed. It differs from the workforce participation rate in that it excludes unemployed individuals actively looking for work.

Kentucky's employment-population ratio was 53.8 percent, as of June 2021. As with the workforce participation rate, Kentucky's employment-population ratio has been mostly trending downward since 2000.

Employment-Population Ratio: The share of the adult population age 16 or older that is employed. Active-duty military and institutionalized individuals are excluded.

Kentucky Employment-Population Ratio, 2000-2021



Source: Bureau of Labor Statistics

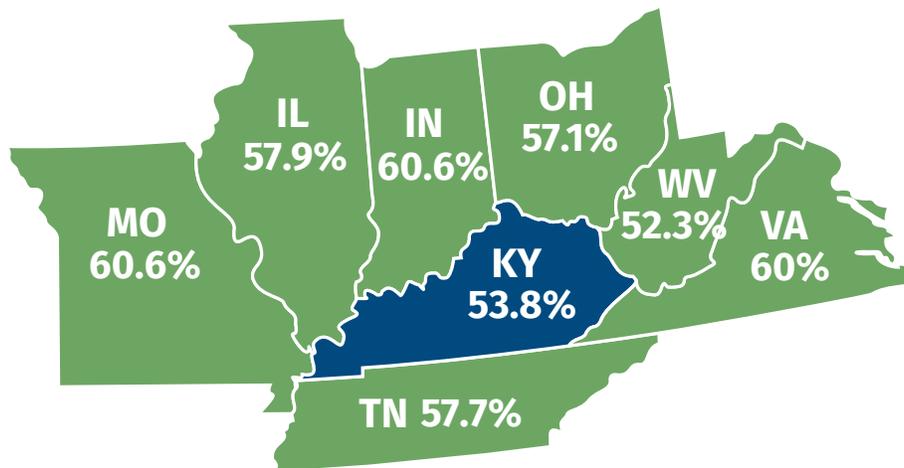
Kentucky's employment-population ratio is 4.2 points below the national ratio of 58 percent and, when compared to other states, has the fifth lowest employment-population ratio in the nation. Compared to neighboring states, Kentucky's employment-population ratio is:

- **6.8 points** below Missouri
- **6.8 points** below Indiana
- **6.2 points** below Virginia
- **4.1 points** below Illinois
- **3.9 points** below Tennessee
- **3.3 points** below Ohio
- **1.5 points** above West Virginia



"Kentucky has the fifth lowest employment-population ratio in the nation."

Regional Employment-Population Ratio Map



Source: Bureau of Labor Statistics

Kentucky also trails the nation and neighboring states when it comes to the employment-population ratio of prime working-age adults between the ages of 25 and 54. Based on analysis by economists at the University of Kentucky, Kentucky's share of employed prime working-age adults – at 77 percent – is below national and regional averages of 80.1 percent and 79.8 percent, respectively. It has consistently trailed national and neighboring state averages since the late 1970s.

Racial and Geographic Disparities

In most states, workforce participation rates tend to vary based on racial groups with a disparity between the workforce participation rates of white and Black workers. In Kentucky, however, economists with the Federal Reserve Bank of Cleveland have found the gap between Kentucky's white and Black workforce participation rates to be smaller than many other states. This is because the Commonwealth's white work rate is lower than average, while the Black work rate is higher than average.

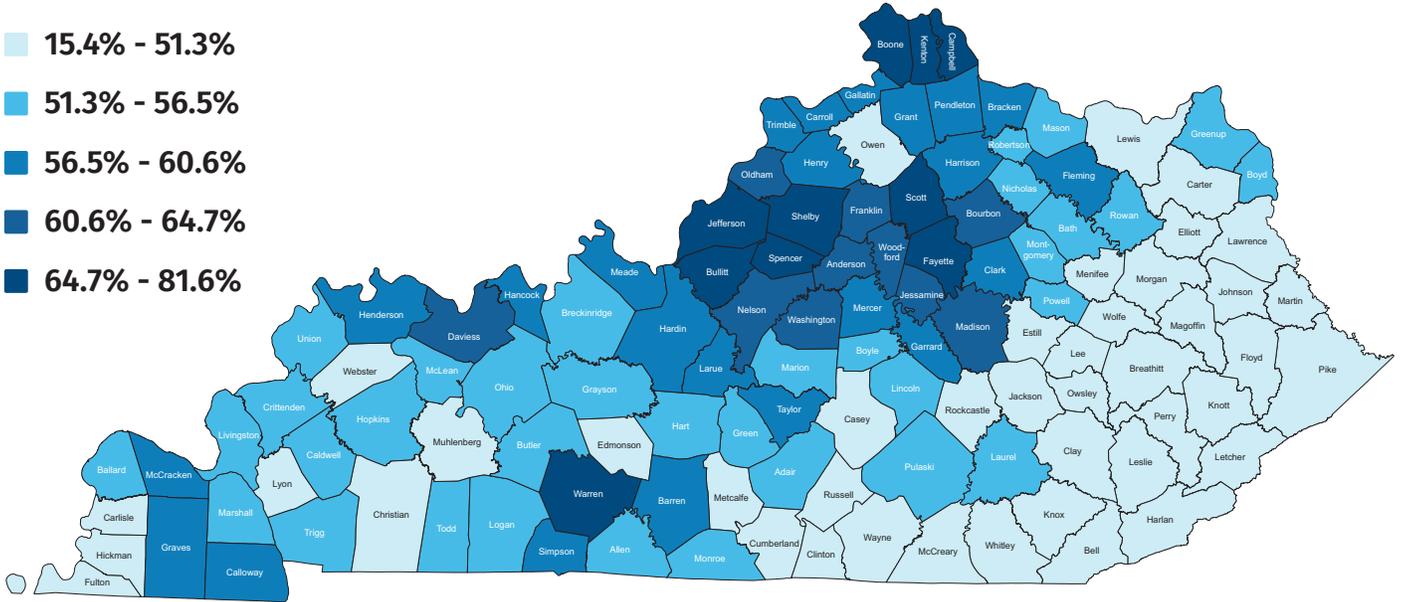
Geographically, on the other hand, employment and rates of participation in the workforce are far from even throughout Kentucky. Some regions have higher and lower workforce participation rates than others. Census Bureau data shows that Kentucky's urban areas have, in general, higher workforce participation rates than rural areas. Boone County in Northern Kentucky has the highest workforce participation rate in the Commonwealth at 70.1 percent, while Elliott County has the lowest at 27.6 percent.

Employment and workforce participation disparities between urban and rural areas are not uncommon throughout the country. Between 2008 and 2017, the urban-rural workforce participation gap nationwide usually hovered around 7 percentage points. Given the gap between urban counties like Boone and rural counties like Elliott, the urban-rural workforce participation gap in Kentucky may be more severe than elsewhere in the country.



Kentucky Workforce Participation Rates by County, 2019

- 15.4% - 51.3%
- 51.3% - 56.5%
- 56.5% - 60.6%
- 60.6% - 64.7%
- 64.7% - 81.6%



Source: Census Bureau

"Boone County in Northern Kentucky has the highest workforce participation rate in the Commonwealth at 70.1%".



"Elliott County has the lowest workforce participation rate in the Commonwealth at 27.6%".



Job Growth Projections

Kentucky's historic and current employment levels and workforce trends should be examined in the context of job growth projections. To meet future demand, Kentucky will need to increase the size of its workforce and the percent of its adult population that participates in the workforce. The Kentucky Center for Statistics has projected 2.4 million job openings in Kentucky between 2018 and 2028 and expects the employment base to grow by more than 6 percent.



The chart below shows how employment is projected to grow in specific industries in Kentucky.

Kentucky Projected Job Openings

Occupational Title	2018 Estimated Employment	2018 Projected Employment	Change	Percent Change
Total, all occupations	1,995,952	2,119,925	123,973	6.21%
Office and administrative support	293,373	292,017	-1,356	-0.46%
Production	200,680	203,021	2,341	1.17%
Sales and related	189,318	193,061	3,743	1.98%
Transportation and material moving	184,484	201,980	17,496	9.48%
Food preparation and serving related	177,036	197,279	20,243	11.43%
Healthcare practitioners and technical	128,418	141,772	13,354	10.40%
Management	105,217	114,476	9,259	8.80%
Education, training, and library	94,157	100,372	6,215	6.60%
Installation, maintenance, and repair	91,066	96,027	4,961	5.45%
Construction and extraction	81,685	82,980	1,295	1.59%
Business and financial operations	81,511	88,370	6,859	8.41%
Personal care and service	71,931	85,236	13,305	18.50%
Building and grounds cleaning and maintenance	59,853	64,471	4,618	7.72%
Healthcare support	54,419	60,666	6,247	11.48%
Protective service	38,841	40,575	1,734	4.46%
Computer and mathematical	33,562	38,685	5,123	15.26%
Community and social service	29,374	32,797	3,423	11.65%
Architecture and engineering	29,247	31,453	2,206	7.54%
Arts, design, entertainment, sports, and media	23,270	24,021	751	3.23%
Legal	12,161	13,357	1,196	9.83%
Life, physical, and social science	9,206	9,991	785	8.53%
Farming, fishing, and forestry	7,143	7,318	175	2.45%

What Does This All Mean?

All this data paints a distressing picture. During the past two decades, a growing percentage of Kentucky's adult population has been neither working nor actively looking for work. This is true across America, but it is worse in Kentucky. Kentucky's workforce participation rate is not only declining; it also trails the national average and nearly all our neighboring states.

“During the past two decades, a growing percentage of Kentucky’s adult population has been neither working nor actively looking for work. This is true across America, but it is worse in Kentucky.”



Why Does Low Workforce Participation Matter?

Low levels of workforce participation are problematic on numerous economic and social levels. It holds back economic growth and productivity and discourages investment. It places strains on social safety nets and government finances. It makes it harder for employers to grow their businesses and meet the demands of their customers and clients. It harms social well-being and erodes the Commonwealth's larger social fabric. See how leading experts describe the challenges that accompany low rates of work:

- Economists at the Federal Reserve Bank of Philadelphia view a shrinking workforce participation rate as bad for society at-large: “The effects of nonparticipation on society are potentially severe ... This slows the growth of GDP, because fewer people are contributing to the nation’s output of goods and services. In addition, the economic returns generated by fewer workers must be spread more thinly via transfers through government programs such as Social Security and Medicare, or through family assistance or charity, to support the growing fraction of the population out of the labor force. As a result, a society with a lower participation rate is also burdened with higher tax rates because the government has a narrower tax base from which to draw revenue.”
- The Committee for Economic Development of The Conference Board notes how low workforce participation levels impact economic competitiveness and growth: “A growing labor force has been a significant contributor to past US economic growth. More workers can lead to more production, more wages, and more consumption. By contrast, slower labor force growth will pose a challenge for American businesses dependent on the talent available to them when they compete in the global marketplace. And, with fewer workers to support a growing number of retirees, an aging population and slowing labor force growth will also place more strain on the nation’s ability to meet its commitments to seniors while also supporting younger families and funding investments that bolster future economic growth.”
- Economists at The Brookings Institution point to a wide range of negative consequences of declining workforce participation rates for the economy and individuals: “This steady decline in prime-age male participation rates and recent stagnation of prime-age female rates has adverse implications for national economic growth and individual well-being. ... A low work rate is an important reason for low incomes and high poverty rates. ... There are consequences for the social well-being and physical health of men and women without work. Employment provides structure to life, a source of identity, and an opportunity to engage with other members of society outside of one’s family.”

WHAT ARE THE CAUSES OF

Kentucky's Struggling Workforce Participation?

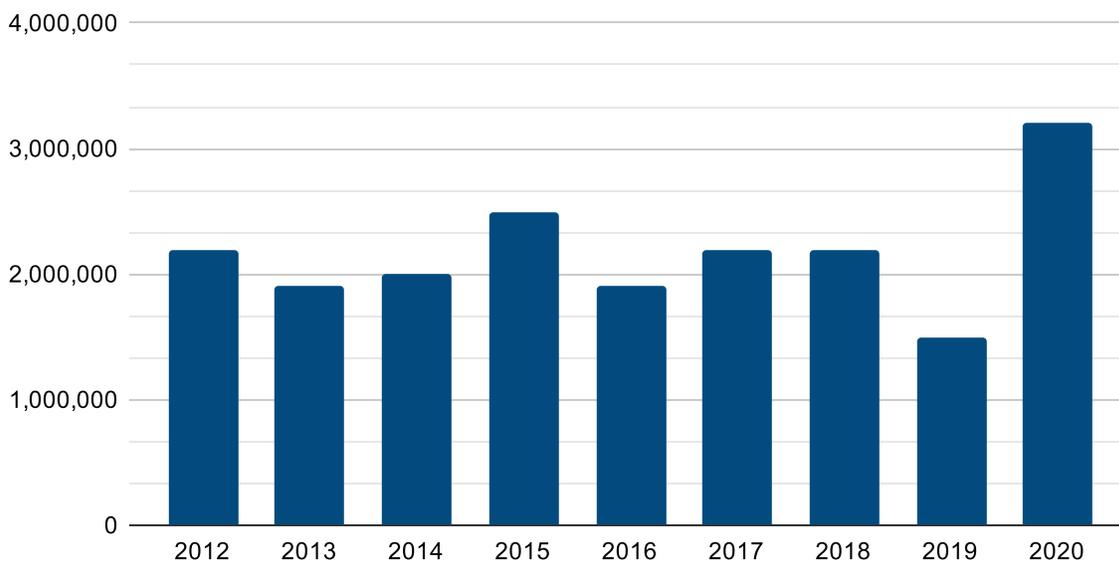
Why is the share of Kentucky adults who participate in the workforce shrinking and so far below average? A problem as complex as Kentucky's workforce cannot be explained by simple or singular causes. Numerous factors contribute to Kentucky's weak workforce and employment levels.

The Retirement Boom

Over the past decade, millions of the Baby Boomer Generation – those born between 1946 and 1964 – entered into retirement age and left the workforce. Since 2011, about 2 million Baby Boomers have been retiring every year. This rate appears to have accelerated during the pandemic, with an estimated 3.2 million retiring in 2020. Retirement levels are expected to continue rising in the coming years, which will pull more and more individuals out of the workforce. Retirement is certainly a major contributor to declining workforce participation rates in Kentucky and nationwide, though it does not explain Kentucky's lower-than-average workforce participation rate.



Annual increase in retired U.S. Baby Boomer Population, 2012-2020



Source: Pew Research Center

Workforce Demand and the Skills Gap

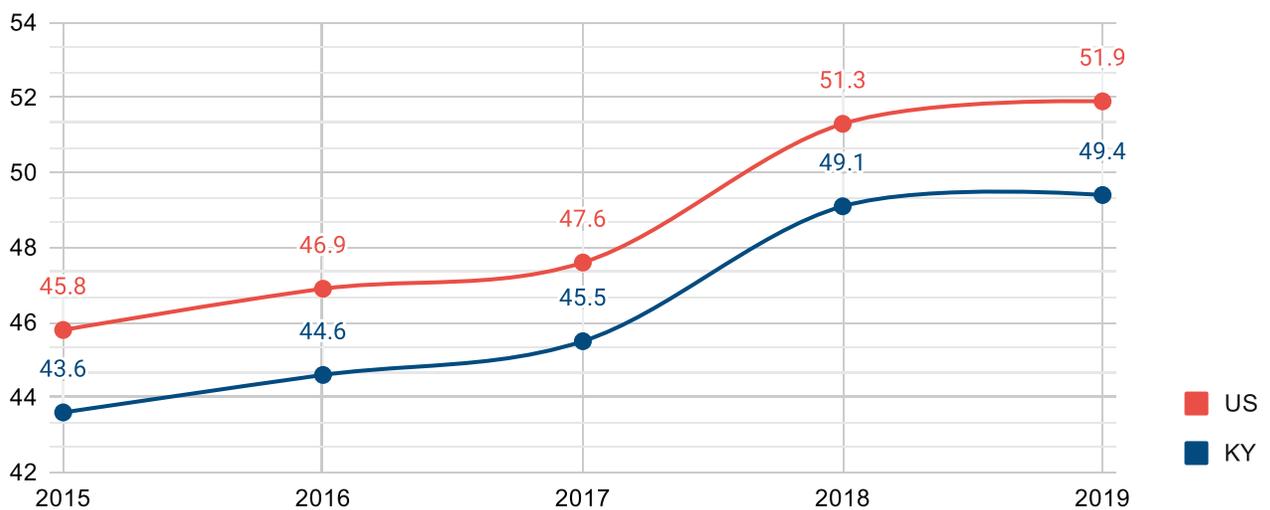
Demand for workers is strong and has been for the past several years. In any given month, Kentucky generally has 90,000 to 100,000 open jobs. More and more of these jobs, however, require skills and training beyond a high school degree. Estimates suggest that between 65 and 85 percent of jobs today require training, credentialing, or degrees beyond a high school degree or GED. This corresponds closely with data gathered by the Kentucky Chamber Workforce Center's Talent Pipeline Management (TPM) program, which shows that roughly 30 percent of jobs require a high school degree or less. TPM is a partnership between the business community and education and workforce development agencies aimed at aligning workforce programming with the talent needs of employers.



In 2016, The White House Council of Economic Advisers released an extensive study arguing that decreased demand for low-skilled workers may have resulted in permanently displacing many workers from the labor force. Simply put, either unable to find jobs that fit their skills or outcompeted by higher-skilled workers, some low-skilled workers stop looking for work instead of seeking out more education or training opportunities to improve their competitiveness in the job market.

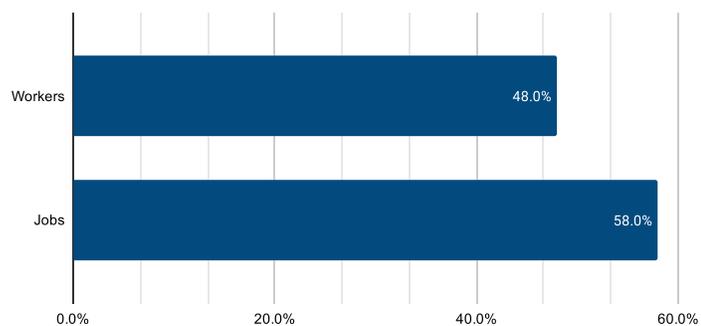
The gap between the skills that workers have and the skills that employers need may be exceptionally wide in Kentucky. Of Kentucky adults between the ages of 25 and 64, 49.4 percent have some level of credentialing or degree beyond a high school diploma. This compares to 51.9 percent nationally. The good news on this front is that Kentucky has made steady progress toward increasing post-secondary educational attainment and has set a goal of reaching 60 percent by 2030. The National Skills Coalition has also assessed the needs of Kentucky employers vs. the skills of Kentucky's workforce, finding that only 48 percent of Kentuckians have skills training beyond a high-school degree vs. the 58 percent of jobs that require skills training beyond a high-school degree.

Percent of 25-64 Year Olds With a Postsecondary Degree or Credential



Source: Lumina Foundation

Kentucky Adults with Skills Training Beyond a High School Degree vs. Jobs in Kentucky that Require Skills Training Beyond a High School Degree

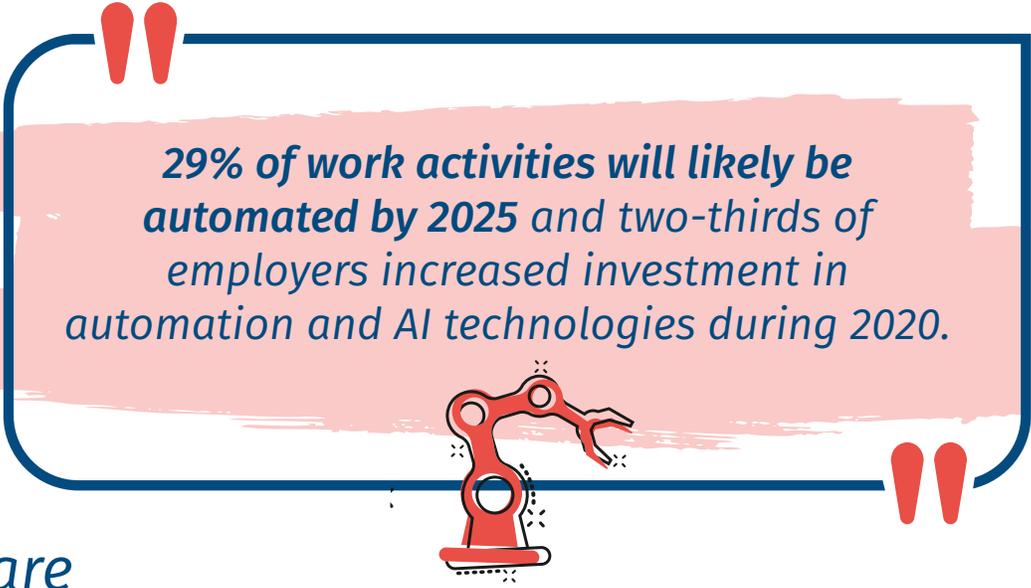


Source: National Skills Coalition

Postsecondary attainment is not uniform across Kentucky but varies among different racial groups and counties throughout the state. For example, 28.6 percent of Black Kentuckians have at least an associate's degree vs. 36.1 percent of white Kentuckians. Both groups are below national averages. Similarly, Oldham County has the highest attainment rate, as measured by at least an associate's degree, at 53.2 percent vs. Clay County, which has the lowest attainment rate at 14.1 percent. Overall, Kentucky's urban and suburban counties have higher postsecondary attainment rates than rural counties.

Kentucky is also behind in the production of STEM workers. Fewer Kentuckians obtain science and engineering degrees compared to people in other states. According to the Center for Business and Economic Research at the University of Kentucky, the Commonwealth has made progress on the number of STEM degrees conferred, rising from 8.1 degrees per 1,000 individuals in 1997 to 15.5 in 2019. Meanwhile neighboring states awarded, on average, 22.9 per 1,000 individuals in 2019, while the nation awarded 24.3 per 1,000.

Data from the Southern Regional Education Board suggests that an acceleration in the adoption of automated technologies could serve to further depress the need for low-skill workers. They estimate that 29 percent of work activities will likely be automated by 2025, which will disproportionately affect workers with lower education and skill levels. Automation is expected to most significantly impact industries such as food preparation and serving, sales, production occupations, office and administrative, and transportation and material moving. Many anticipate that the pandemic has further accelerated automation in the workplace. A survey of senior executives by the McKinsey Global Institute in June 2020 found that two-thirds of employers were increasing investment in automation and AI technologies.



29% of work activities will likely be automated by 2025 and two-thirds of employers increased investment in automation and AI technologies during 2020.

Childcare

A lack of access to child care services negatively affects the ability of parents – mothers in particular – to participate in the workforce. Analysis shows that during the pandemic the workforce participation rate for mothers fell more sharply than for fathers and nonparent men and women and has struggled to recover. Thousands of child care centers were forced to close during the pandemic, which required many working parents to leave the workforce.

According to another study, due to difficulty finding child care, parents experience an average of \$3,350 per year in lost income from lower workforce participation. The workforce participation of 11 million parents is impacted by lack of access to child care every year. Conversely, increased access to affordable child care has been directly linked to higher female workforce participation and employment rates. According to a June 2021 survey by the U.S. Chamber of Commerce, 24 percent of Americans not in the workforce cited care for children or other family members as a key reason for not looking for work. The survey showed that more women than men highlighted this issue as a barrier to workforce participation.



Based on analysis by the Prichard Committee, lack of access to child care may be exceptionally acute in Kentucky but even more so in rural areas. Even before the pandemic, the number of regulated child care providers in the state had been declining since 2013. Consequently, close to half of the state's population reside in "child care deserts," areas with at least 30 children under the age of 5 with either no or not enough licensed child care providers. A total of 1.3 million rural Kentuckians reside in child care deserts.



"A total of 1.3 million rural Kentuckians reside in child care deserts."

Substance Use Disorder

Accurately quantifying the full extent of the impact that the substance use disorder crisis is having on America's workforce is a difficult task, but economists believe it could be severe. Some research has estimated that the opioid epidemic alone may have been responsible for 20 percent of the decline in workforce participation for prime working-age men between 1999 and 2015.

Kentucky has some of the highest opioid abuse rates in the nation, as measured by drug overdoses. New data suggests the problem got significantly worse during the pandemic. The Kentucky Office of Drug Control Policy reported a 49 percent increase in drug overdose deaths in 2020, rising from 1,316 in 2019 to 1,964. Consequently, the impact of substance abuse on Kentucky's workforce could be disproportionate compared to the rest of the nation. An analysis by economists at the University of Kentucky found that the opioid epidemic may be responsible for a staggering 1.3 to 3.1 percentage point reduction in Kentucky's workforce participation rate, representing an estimated total loss of 23,100 to 55,200 workers. With this loss of workers, Kentucky also loses \$63 million to \$169 million in state tax revenues each year. Analysis suggests that the opioid crisis may disproportionately affect male workers. Opioid abuse may also contribute to decreased productivity levels for individuals with substance use disorders who do have jobs.



“The opioid epidemic may be responsible for a staggering 1.3 to 3.1 percentage point reduction in Kentucky’s workforce participation rate, representing an estimated total loss of 23,100 to 55,200 workers.”

Health

Kentucky has an unfortunate history of lagging the nation and neighboring states in health quality and outcomes. According to America's Health Rankings, Kentucky ranks 46th in the nation for overall health outcomes with low rankings for physical and mental health. Researchers have noted a clear connection between poor health outcomes, low rates of workforce participation, and higher rates of dependency on government programs. For example, one estimate suggests that up to 40 percent of prime working-age men who are not in the workforce have a health condition that may prevent them from working. Diabetes alone is believed to reduce employment in Kentucky by 15,700 workers. A survey of unemployed individuals conducted in July 2021 found that personal health issues ranked as a top reason for why an individual was not working at the time. That same survey noted that health issues ranked significantly higher for individuals without college degrees vs. individuals with college degrees.



“Up to 40% of prime working-age men who are not in the workforce have a health condition that may prevent them from working.”

- Depression: 49th
- Multiple Chronic Conditions: 49th
- Cancer: 48th
- Cardiovascular Disease: 48th
- High Cholesterol: 49th
- High Blood Pressure: 46th
- Obesity: 45th
- Diabetes: 44th

High rates of smoking likely contribute to poor health outcomes for many Kentuckians. 23.4 percent of Kentucky adults are smokers – second only to West Virginia. Research has drawn a direct link to smoking and low workforce participation. An estimate from economists at the University of Kentucky suggest smoking may keep as many as 28,500 Kentuckians from participating in the workforce.

Incarceration and Criminal Backgrounds

BLS does not include individuals in prisons and jails as part of the adult population against which it compares employment and unemployment to calculate the workforce participation rate. Nonetheless, incarceration does remove potential workers from the workforce, both directly and indirectly. Nationally, an estimated 2.3 million individuals are incarcerated. In Kentucky, an estimated 36,000 to 41,000 individuals are incarcerated. Individuals living in rural areas tend to experience higher levels of incarceration than urban individuals. According to the Vera Institute of Justice, incarceration in Kentucky increased by 287 percent between 1983 and 2015 and the Commonwealth ranks number one for total incarceration within the region.

Most incarcerated individuals eventually leave prison or jail but too few succeed in finding employment. The unemployment rate of formerly incarcerated individuals is estimated at 27 percent. Depending on how long an individual spent in prison or jail, any skills they had prior to incarceration may have become outdated. More problematic, formerly incarcerated individuals must overcome numerous challenges to finding employment, such as stigmas associated with hiring individuals with criminal backgrounds, barriers to accessing financial aid for education, and occupational licensing restrictions as well as logistical challenges such as obtaining proper identification, stable housing, reliable transportation, and broadband access.

Slow Population Growth

While the total population of the United States has been steadily growing for the past several decades, the past three decades have seen the rate of growth trend downwards. Simply put, the U.S. is growing slower than it used to, and growth is even slower in Kentucky. Between 2010 and 2020, the U.S. as a whole grew by 7.4 percent., while Kentucky grew by just 3.8 percent. Neighboring states such as Tennessee, Virginia, and Indiana grew at much faster rates at 8.9 percent, 7.9 percent, and 4.7 percent, respectively. In addition, most population growth is occurring in urban areas, while rural areas are growing more slowly or even losing population. Contributors to Kentucky's slower-than-average population growth include low birth rates, increases in deaths due to an aging population, and low inbound migration. Slow population growth exacerbates the retirement boom mentioned above. As more Baby Boomers retire, there are fewer younger workers to take their place.

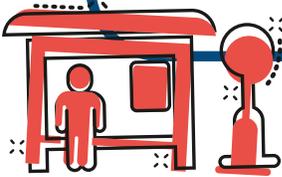
Transportation, Infrastructure, and Broadband

While remote work is on the rise and will likely be the future for many industries, the vast majority of Americans workers will still need to commute to a physical location to do their jobs for the foreseeable future. In many parts of Kentucky – especially suburban and rural areas but urban core areas too – limited access to transportation and failing roads and bridges can be a serious barrier to job training, interviewing for a job, finding a job, and being able to reliably and consistently show up for work. Kentucky has well-documented challenges with its infrastructure. The American Society for Civil Engineers designate the quality of Kentucky's bridges as “mediocre” and its roads as “poor” and “at risk.” A 2017 report by the Chamber found that Kentucky spends less on public transportation on a total and per capita basis in comparison to most other states in the nation.

Lack of access to broadband can also contribute to low workforce participation and employment rates. Not having broadband removes the option for an individual to pursue and hold a remote job. Even worse, it robs them of a powerful job search tool. While networking and leveraging personal contacts remain the best strategies for landing a job, online job searches are playing an increasingly greater role in the labor market.



"In many parts of Kentucky – especially suburban and rural areas but urban core areas too – limited access to transportation and failing roads and bridges can be a serious barrier to job training, interviewing for a job, finding a job, and being able to reliably and consistently show up for work."



Government Assistance Programs

How government assistance programs affect work and workforce participation is a complicated issue and tends to elicit a range of opinions from economists and policymakers. Due to design features such as income eligibility thresholds, some government assistance programs disincentivize promotions, new career opportunities, full-time work, and dual-income households in the form of benefit cliffs. A benefit cliff is when a program recipient becomes ineligible for a program because they cross an income threshold.

Research suggests that aspects of other government assistance programs may negatively impact workforce participation outright. Several studies have connected the amount and duration of unemployment benefits to how long a recipient remains jobless and how intensely they search for a new job. More generous benefits, combined with long or extended durations and weak or unsupported job search requirements, may prolong or delay job searches. Some have found that extended lengths of unemployment may decrease the overall employability of an individual. Kentucky offers 26 weeks for unemployment benefits, which is fairly common among states, though several – such as North Carolina, Florida, and Missouri – guarantee fewer weeks. Kentucky's unemployment benefits structure has led some media outlets to designate the Commonwealth as an ideal place to live and not work. With cost of living factored in, Forbes designated Kentucky as one of the "best states for unemployment benefits," ranking it 21st in the nation. Money.com ranked Kentucky 12th in the nation for "most generous" unemployment benefits.

Researchers have also linked Social Security Disability Insurance to low work rates. Kentucky has the fourth highest percentage of its adult population (ages 16-64) receiving Social Security Disability Insurance at 7.6 percent, just behind Arkansas, Alabama, and West Virginia. Research has shown that SSDI may especially discourage workforce participation for individuals on the margins of program eligibility.

As a whole, Kentuckians lean more heavily on social safety net programs than nearly all other states. In 2020, Kentucky ranked fourth in the nation for the percent of personal income of residents made up of government transfer payments. This was not an anomaly in Kentucky's history. In 1970, Kentucky ranked fifth in the nation.



"In 2020, Kentucky ranked fourth in the nation for the percent of personal income of residents made up of government transfer payments. ... In 1970, Kentucky ranked fifth in the nation."

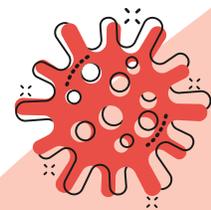
HOW HAS COVID IMPACTED

The Workforce

The answer to how the COVID-19 pandemic affected or possibly changed work and the workforce is not yet clear, and it may be too soon to identify any long-lasting changes. For example, while remote work is expected to be a lasting feature of the pandemic, it is unclear how prevalent it will remain long-term. Throughout the economic recovery, the percentage of workers working remotely has steadily decreased as businesses return to in-person operations. Similarly, it remains unclear how government policy in response to the pandemic and economic downturn will affect workforce trends long-term.

There are, however, several data points that are worth tracking for both employers and policymakers alike as the economic recovery continues.

- **Workers are quitting at unprecedented levels:** April saw the highest number of recorded quits in BLS history at almost 4 million. Labor market analysts generally view high quit levels as a sign that employees feel confident in their ability to find new employment opportunities.
- **Workers are reconsidering their careers:** Survey data shows that 48 percent of workers are rethinking the type of job they want and 40 percent are considering leaving their current job. Some workers are taking extra time to find jobs they feel fit them best. 31 percent of unemployed workers with bachelor's degree say they are waiting for the "right job" to come along.
- **Stability and work-life balance are top of mind:** Workers considering a career shift rank job stability and work-life balance as their top two priorities. These two factors outpace compensation (which ranks a close third).
- **Flexibility is in demand:** 70 percent of workers favor flexible remote work options. Care for children and/or aging parents could be a driving force for increased flexibility. For example, 42 percent of non-working women between 30 and 49 say they are unable to work due to care for a child or family member.
- **Remote work will have state and local tax implications:** While the question of how prevalent remote work will be in the future, it is likely to be more common than before the pandemic. This will have impacts on states and localities that tax or impose licensing fees on work as employees do their jobs from a variety of jurisdictions.



"70% of workers favor flexible remote work options"

SOLUTIONS

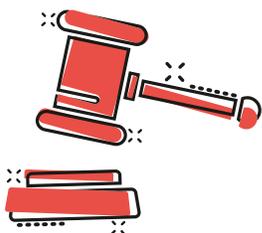
What can we do to increase the number of available workers in Kentucky and ensure workers possess the skills that employers need? How can Kentucky bring its workforce participation rate and employment-population ratio at least in line with national averages? Answering these questions and following through on solutions is of the utmost importance to Kentucky's economic future and the well-being of its residents.

Policymakers in Kentucky, in partnership with the business community, have taken great strides in recent years to address many root causes of the Commonwealth's workforce challenges.

Some of the most important steps include:

- Passage of essential skills legislation to ensure more Kentuckians graduate from high school with "soft" skills like critical thinking, teamwork, communication, and reliability.
- Creation of the Work Ready Kentucky Scholarship to encourage post-secondary attainment in in-demand employment sectors.
- Establishment of Talent Pipeline Management, a critical partnership between the Kentucky Chamber Workforce Center and Kentucky Cabinet for Education and Workforce Development to more effectively align education and workforce programming with employer needs.
- More funding to combat the opioid epidemic, new and innovative recovery efforts like Recovery Ready Communities, and pro-second chance reforms such as the Recovery through Employment program.
- Increased funding for child care to help boost provider reimbursement rates and improve Kentucky's Child Care Assistance Program.
- Enactment of criminal justice reform measures such as expungement, parole and probation reforms, increasing the felony theft threshold, a certificate of employability program, and more.

The results of many of these policies and programs will take time to show up in the type of macroeconomic data this report lays out – such as the workforce participation rate or employment-population ratio. But we know enough right now that much more work remains to be done to reverse Kentucky's workforce trends and make the Commonwealth top tier for workforce availability and quality. The workforce challenges Kentucky faces have been years in the making and have multiple causes. In turn, solutions must be bold, far-reaching, and multi-faceted. Moreover, implementing these solutions will take time and patience and require full and consistent dedication from policymakers and business leaders alike.



"Much more work remains to be done to reverse Kentucky's workforce trends and make the Commonwealth top tier for workforce availability and quality"

Close Skills Gaps

Too many Kentuckians do not have the skills or level of skilling that employers need. This, in turn, makes it harder for them to find good jobs and leads some to give up and exit the workforce entirely. The business community has taken great strides to solve the skills gap problem on its own. Many employers, for instance, have reduced training, credentialing, or education qualifications and developed their own innovative upskilling programs and career pathways to bring in employees without the requisite skills or training. Another important strategy can be seen in Talent Pipeline Management (TPM), a critical workforce development tool that all policymakers and business leaders should leverage to target skills gaps. TPM allows Kentucky businesses to project their talent needs directly to education and workforce development partners to ensure alignment between talent supply and demand.

There is much that policymakers can do to augment the important work of TPM:

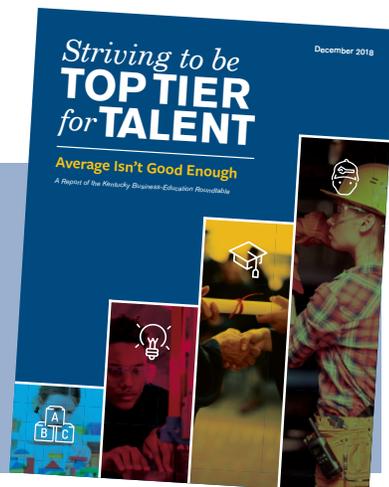
- **Ensure strong alignment between Kentucky's postsecondary financial aid programs and the projected needs of employers.** Each year, the state distributes more than \$250 million dollars in grants and scholarships to Kentuckians in support of post-secondary attainment. Policymakers should make sure we are optimally leveraging these dollars to support workforce development and employability. One example of how to support this goal would be to ensure KEES dollars can be used at proprietary education institutions that offer credentialing in high-demand fields like welding and truck driving.
- **Make FAFSA completion a requirement for high school graduation to support access to post-secondary opportunities.** Kentucky has historically been above-average for the rate at which high school graduates complete the Free Application for Federal Student Aid (FAFSA) application, but encouraging higher completion rates and making Kentucky the top state in the nation for FAFSA completion are meaningful policy goals. Completing FAFSA can help make students and families aware of all their options to make post-secondary attainment affordable. Analysis has shown that Kentucky students and families miss out on more than \$30 million in federal Pell grants each year because of not completing FAFSA.
- **Reduce racial and geographic disparities in post-secondary attainment rates.** Kentucky's policy goal of increasing post-secondary attainment applies to all Kentuckians. Success in this area should include closing gaps between racial groups and eliminating disparities between urban and rural areas. Policy should encourage additional marketing and programming to minority and rural communities and ensure these communities have full access to all educational opportunities in the Commonwealth. In regards to eliminating racial disparities, policymakers should closely review the Kentucky Chamber's report, "Achieving Equity to Build a Stronger Kentucky," and implement its policy solutions.
- **Fully fund programs that assist employers with training workers and closing skills gaps, such as KCTCS-TRAINS, Grants-in-aid, and the Skills Training Investment Tax Credit.** The General Assembly should ensure that these programs are adequately funded and supported. The budget for KCTCS-TRAINS – which helps support businesses making training investments in their workforces through customizable programming – has steadily decreased in recent years, falling from almost \$5 million in 2015 to \$4.1 million in the 2021-2022 budget.
- **Provide credentialing and reskilling opportunities for older workers.** Older workers and retirees should have ample opportunities to reskill or obtain necessary credentials to pursue new lines of work – such as in education, child care, and other sectors – if they are interested in doing so. Policymakers should encourage the establishment of innovative and streamlined pathways for older workers interested in reskilling or reentering the workforce.
- **Pursue the goals and enact the recommendations of the Business Education Roundtable's 2018 report, "Striving to be Top Tier for Talent."** This critical report outlines four major goals for rethinking and reenergizing Kentucky's approach to P-12 education and talent development.

These goals include:

- Investing in early childhood and preschool
- Reinventing high school
- Ensuring every adult obtains a marketable degree or credential
- Engaging employers to define needed skills and develop talent supply chains

The recommendations and goals from this report remain critical and offer meaningful strategies and solutions to ensure all aspects of our education system aggressively support workforce development, closing skills gaps, and successful learning and employment outcomes for Kentuckians. All policymakers and business leaders should read it.

Read the Full Report
The report can be accessed on the Kentucky Chamber's website, www.kychamber.com.



About the Business Education Roundtable: The Business Education Roundtable is a group of public- and private-sector leaders who have come together to develop a long-term plan of action to fuel Kentucky's improvements in education attainment and workforce quality. The education, business, and advocacy leaders comprising the Roundtable have a shared vision: Kentucky's education and workforce systems will ensure individual, community, and statewide prosperity by preparing students to become successful, productive, and responsible citizens. All Kentuckians, regardless of age, locale, or situation, transition seamlessly to meaningful work.

Track Spending and Evaluate Workforce Programs to Ensure ROI

A more fundamental step policymakers should take to close skills gaps is systematically studying and evaluating total spending in Kentucky on workforce development programs. In 2015, the Cabinet for Economic Development released an important report showing that the Commonwealth spent \$1.2 billion in state and federal funds on workforce development investments. The report also detailed where exactly all this money goes in an asset map. The Chamber's 2018 report, "Kentucky's Workforce: Progress & Challenges," highlighted these findings and can be viewed on the Chamber's website. This type of report should be produced routinely and include key metrics such as trends in Kentucky's workforce participation rate and data on skills gaps. This would allow policymakers to track workforce development spending, gauge the ROI of specific programs more effectively, and ensure improved alignment and coordination of programming and resources.

What is Talent Pipeline Management?

In close partnership with the Kentucky Cabinet for Education and Workforce Development, Kentucky was selected as one of three states in the nation to pilot a statewide implementation of the U.S. Chamber of Commerce Foundation's program, Talent Pipeline Management (TPM)[®]. TPM is an employer-led and demand driven approach for businesses to create and manage talent 'supply chains' by projecting talent needs and aligning those with education and workforce development systems. Through this partnership, the Kentucky Chamber Workforce Center was called upon to utilize the TPM tool to engage employers in the TPM process to build a stronger workforce aligned to the needs of Kentucky's key economic sectors.

What TPM does:

- Convene businesses into employer-led industry collaboratives throughout Kentucky
- Provide personalized talent solutions to ensure Kentuckians are trained, developed and upskilled into in-demand career pathways
- Improve collaboration with education, government and workforce partners by utilizing our collaborative's real-time data

For more information or to get involved, contact LaKisha Miller,
Executive Director of The Workforce Center, Kentucky Chamber.

lmiller@kychamber.com | www.kychamberworkforce.com



Reform Kentucky's Criminal Justice System

In recent legislative sessions, Kentucky has made significant strides in reforming its criminal justice system to reduce incarceration and support workforce participation for individuals with criminal records. Lawmakers should be proud of this work and the positive impact it is having throughout the Commonwealth, but it is critical to continue implementing reforms. Kentucky's rates of incarceration remain alarmingly high and individuals exiting the system face far too many barriers to success. It is important for policymakers to approach criminal justice with the foresight that the vast majority of individuals entering the system will eventually return to society. Kentucky's criminal justice system must place a stronger emphasis on rehabilitation and successful re-entry, which, in turn, will help reduce recidivism and drive workforce participation.

- **De-felonize drug possession and ensure individuals have access to treatment for substance use disorders.** Drug offenses like possession are major drivers of incarceration in Kentucky and lead to many nonviolent, low-level offenders becoming trapped in cycles of recidivism. Kentucky should reclassify possession as a misdemeanor and ensure that individuals who are found with drugs are able to access treatment options for substance use disorder.
- **Reform Kentucky's cash-bail system.** Thousands of Kentuckians every year sit in local jails because of their inability to afford to post bail. In 2016 alone there were more than 64,000 non-violent, non-sexual defendants detained. (Meanwhile, 43 violent or sexual offenders were able to post bail and be released back into society.) This practice directly pulls Kentuckians out of the workforce and their communities and contributes to Kentucky's high rates of incarceration. Kentucky should reform its cash bail system and allow for more judicial discretion to determine whether someone should remain detained prior to conviction.
- **Remove barriers to educational and training opportunities for individuals with criminal records.** Current state law prohibits individuals with felony records from receiving KEES funds. This outdated and counterintuitive prohibition creates barriers for individuals with criminal histories from seeking out higher education opportunities and likely contributes to the disparities in Black-white and urban-rural post-secondary attainment rates discussed in this report. The General Assembly should repeal this ban. In addition, lawmakers should build on past reforms to remove barriers to second-chance professional licensing and credentialing.
- **Support and implement Kentucky's new certificate of employability program.** In the 2021 legislative session, the General Assembly passed House Bill 497, which creates a certificate of employability program in Kentucky and other programs aimed at supporting successful re-entry and workforce participation for individuals leaving incarceration. Policymakers should work diligently to implement House Bill 497 and build on its programs and goals.
- **Equip individuals leaving the system with government-issued identification:** Having a government-issued ID is critical for finding a job, securing housing and transportation, and opening a bank account. Unfortunately, too many individuals leaving incarceration in Kentucky are not equipped with this important tool, which reduces their chances of a successful re-entry. The Kentucky Chamber Foundation is working with state partners to create a pilot program equipping inmates with IDs upon release. In addition, House Bill 497, mentioned above, took an important step in introducing this concept to prisons throughout Kentucky and creating a framework for getting it done. The General Assembly should build on these efforts and work to ensure all individuals leaving prison or jail in Kentucky have a government-issued ID.
- **Continue improving Kentucky's expungement system.** Since allowing for Class-D felony expungement in 2016, Kentucky has followed up on this landmark reform with critical improvements in 2019 and 2020. Expungement is a vital workforce development tool for individuals with criminal histories and has been directly linked to improved employment and earnings outcomes for individuals who successfully navigate the system. Policymakers should ensure that all Kentuckians who are eligible for expungement are able to access it.

Grow Kentucky's Population

With the retirement of the Baby Boomer generation well underway and new data from the Census Bureau showing stagnant population growth in Kentucky, policymakers need to think strategically and creatively about how to grow our population. Public policy should encourage both talent retention and talent attraction.

- **Reform Kentucky's tax code to retain and attract talent.** One takeaway from the 2020 Census is that states with lower taxes grew significantly while states with higher taxes grew more slowly or even lost population. States like Florida, Texas, and North Carolina – which have limited or low taxes on income – saw significant growth, while high-tax states like California, New York, and Connecticut fared poorly. Kentucky should build on the reforms it enacted in 2018 and 2019 to ensure the Commonwealth's tax code is a magnet not only for businesses but individuals as well. Reforms should emphasize reduced taxes on work and income.

- **Make Kentucky welcoming.** Lawmakers in Kentucky should avoid pursuing any legislative measure that could create misperceptions of the Commonwealth as unwelcoming or intolerant. Instead, it is critical that public policy encourage any individual interested in living and working in Kentucky to follow through on those interests. Ensuring that individuals living outside Kentucky perceive it as a welcoming place is key to talent attraction.
- **Support immigration to Kentucky.** While immigrants make up less than 4 percent of Kentucky's population, they make up 5 percent of Kentucky's workforce. Immigrants contribute heavily to sectors such as manufacturing, health care, construction, retail, and leisure and hospitality. At the state level, public policy should support and encourage immigrants to live and work in Kentucky. Federal policy should focus on wholesale reforms to encourage increased levels of immigration, particularly for high-skilled immigrants or immigrants with experience in in-demand sectors. Permanently protecting individuals participating in or eligible for the Deferred Action for Childhood Arrivals (DACA) program should also be a priority.



"Immigrants make up 5% of Kentucky's workforce"

Invest in Transportation, Infrastructure, and Broadband

People can only work if they can get to their place of employment. In today's age, this means commuting to a physical location or simply having reliable internet access to work remotely. Policymakers have a vital role to play in facilitating individuals "getting to work," regardless of if they are a brick-and-mortar or remote worker.

- **Raise the gas tax to invest in infrastructure.** Washed-out roads, unsafe bridges, and traffic jams can all impact workforce participation and make it harder for individuals to work or find jobs. Each of Kentucky's surrounding states has raised their gas taxes to increase their investment in roads, highways, and bridges. Kentucky needs to follow suit to ensure that failing infrastructure is not a barrier for any residents seeking to participate in the workforce.
- **Invest in a robust system of public transportation.** Kentuckians throughout the state utilize buses and other forms of public transit to get to work, go to school, attend networking functions, and interview for jobs. Lawmakers should strategically invest in public transit in all parts of Kentucky – urban and rural – to optimally leverage it to support workforce participation.
- **Close the digital divide.** The rise of remote work opens up a whole new world of employment possibilities for Kentuckians, especially in rural and underdeveloped areas. But this also necessitates better access to the broadband. With the use of federal dollars, Kentucky is set to make major progress in bringing reliable, high-speed internet to all households in the state. Lawmakers should closely monitor progress in expanding broadband access and continue to prioritize closing the digital divide.

Improve the Social Safety Net

Government programs provide a critical social safety net to catch individuals when they need it, but it is critical that these programs do not end up creating barriers to workforce participation through benefit cliffs or disincentives to work. Policymakers should carefully implement reforms to ensure government programs facilitate and support workforce participation.

- **Identify and remove benefit cliffs that discourage workforce participation and career advancement.** Policymakers should work aggressively to identify benefit cliffs in high-use programs such as Medicaid and the Child Care Assistance Program and thoughtfully implement reforms to smooth out program off-ramps. The goal should be to ensure that no individual or family chooses not to participate in the workforce or advance in their careers because they or their family might lose government benefits.
- **Study and optimize Kentucky's unemployment insurance system.** Lawmakers should assess the optimal structure for benefit duration and wage replacement rates to provide unemployed workers with the help they need but also the motivation necessary to quickly find new employment. Kentucky's work search requirements should also be strengthened to support returning to work. All this should be supplemented with a more robust array of effective tools and resources to assist unemployed workers in finding and preparing for the next step in their career.

Improve Health Outcomes and Fight the Opioid Crisis

Poor mental and physical health outcomes, when combined with the substance use disorder crisis, may be having an outsized impact on Kentucky's low rates of workforce participation and employment. This makes tackling these issues no less complicated or daunting but all the more pressing. Kentucky policymakers must prioritize improving health outcomes of all kinds and fully recognize the enormous economic and workforce consequences of poor health and addiction.

- **Reduce smoking rates.** Tobacco usage is a major contributor to numerous ailments that can make people too sick to work and reduce overall quality of life. Lawmakers must work aggressively to reduce Kentucky's high rates of smoking. This should include passing a statewide smoke-free law, raising taxes on cigarettes, removing smokers as a protected class, and increasing funding for the state's smoking cessation program.
- **Incentivize and promote wellness.** Public policy should support efforts by employers and local communities to encourage wellness programs and healthy lifestyles through incentives and grants. Education, awareness, and encouragement can all help improve health outcomes.
- **Continue fighting the substance use disorder crisis.** While Kentucky has already invested millions of dollars in the fight against the substance use disorder crisis, it is clear that more is needed. Investment in this fight must continue, and lawmakers must remain committed to prioritizing this issue. Other measures, such as making sure individuals arrested for drug possession have access to treatment and pro-recovery policies such as Kentucky's new Recovery through Employment Act and Recovery Ready Communities need full support and aggressive implementation. Employment-focused solutions could be especially effective in fighting the substance use disorder crisis. Research has shown close correlations between opioid overdose death rates and employment and unemployment rates.



"Lawmakers must work aggressively to reduce Kentucky's high rates of smoking"

Remove Child Care as a Barrier to Work

Any parent who wants to work should not be prevented from doing so because of a lack of access to child care. Through both federal and state dollars, policymakers have taken important steps to increase investment in child care. More aggressive and holistic strategies, however, may be needed to stabilize this critical sector and remove child care as a barrier to workforce participation.

- **Continue investing in the Child Care Assistance Program.** CCAP is a critical program that helps Kentucky's working families afford child care. In turn, the program helps support child care providers and allows them to serve more communities throughout the state. Policymakers should continue making strategic investments in this program.
- **Utilize a mixed-delivery model of child care services.** One-size-fits-all solutions will not work for a challenge as complex as properly expanding access to child care in Kentucky. Rather, Kentucky should ensure its regulations and policies cultivate and support a mixed delivery model that blends together licensed child care providers, in-home providers, in-business providers, and other family options. Policymakers should ensure a wide array of options are available for working families in Kentucky. This should also include encouraging child care services for nontraditional work schedules.
- **Support the growth of a child care workforce.** Expanded access to child care can only happen if the child care workforce grows simultaneously. Child care workers are highly trained professionals who often specialize in early childhood learning. Increasing provider reimbursement rates through CCAP can assist with growing this workforce by allowing providers to offer more competitive wages. Kentucky should also support training, credentialing, and degree attainment in early childhood education through state financial aid programs to help create a pipeline of skilled child care workers.

CONCLUSION

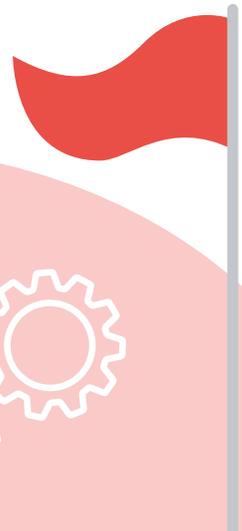
Crisis is a term that is often used too loosely, but it is difficult to overstate Kentucky's workforce challenges. This is a crisis that has been brewing in the Commonwealth for two decades. Over the past year, the pandemic has shown a spotlight on many of its features, symptoms, and root causes. In some cases, it has made things even worse.

The goal of this report is to frame Kentucky's workforce challenges in a data-driven, historical context to help policymakers and business leaders fully understand the scope of the challenge and instill a renewed sense of urgency to pursue the policy solutions to overcome it. Kentucky has taken important steps in recent years to grapple with limited worker availability and skills gaps – and, as has been stated in this report, the results of these steps will show up in time. But given the scale of the challenge, we must apply continued pressure and fully address root causes through bold, far-reaching public and private sector solutions.

With one of the lowest workforce participation rates in the nation, Kentucky will never be able to live up to its full economic potential. On the other side of that coin, however, a Kentucky with a workforce participation rate and employment-population ratio that outpaces the nation would be an economic powerhouse with which few other states could compete. It is time to build the foundation on which that vision of Kentucky will stand. The business community strongly encourages stakeholders in the public and private sectors to join together to pursue this important goal.



*"It is time to
build the
foundation on
which that
vision of
Kentucky will
stand"*



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