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 **MEMORANDUM**

**TO:** Robert Stivers, President of the Senate

 David W. Osborne, Speaker of the House

 Members of the Legislative Research Commission

**FROM:** Senator Max Wise, Co-Chair

Representative Robert Duvall, Co-Chair

**RE:** Report of the Workforce Attraction and Retention Task Force

**DATE:**

**Introduction**

The Workforce Attraction and Retention Task Force was established on May 30, 2024, by the Legislative Research Commission to study the workforce attraction and retention issues raised by SJR 176, HCR 79, and HCR 104 filed in the 2024 Regular Session.

The task force was charged with reviewing the current workforce attraction and retention issues facing Kentucky, soliciting reform recommendations from policy stakeholders, and developing a list of recommendations for the General Assembly.

The task force chairs would like to stress to the General Assembly that this is not an exhaustive list of findings and recommendations. Rather these findings and recommendations are restatements of compelling testimony presented to the task force members over the course of the interim. Additionally, the task force chairs would like to thank the task force members and all the speakers who testified before the members on this important issue.

The task force was directed to report its findings and recommendations to the General Assembly by December 1, 2024. This is the memorandum of the task force.

**Overview**

The Workforce Attraction and Retention Task Force was established by the Legislative Research Commission in a memorandum dated May 30, 2024, to study workforce attraction and retention issues during the 2024 Interim Session. The memorandum provided that the task force:

1. Shall identify the issues currently facing Kentucky employers with attraction and retention of skilled and talented workers;
2. Shall consult with officials and other entities in other states and in local and regional communities in Kentucky to study how they are marketing their communities’ quality of life, strengths, and job opportunities to address workforce needs throughout Kentucky;
3. Shall establish the parameters of the studyand consult with the Cabinet for Economic Development, which shall hire a consulting and strategic firm to evaluate and develop legislative recommendations and policy options on:
4. Creating a marketing program for Kentucky to attract and retain skilled and talented workers; and;
5. Developing recommendations for the General Assembly to create a grant fund program for:
6. A statewide workforce attention and retention marketing campaign; and
7. A local or regional workforce attention and retention marketing campaign;
8. Shall review current education and workforce development programs to identify, enhance, and expand programs to facilitate the training and employment of historically untapped workforce populations and the challenges that may prevent Kentuckians from participating in the workforce, including but not limited to barriers related to transportation, housing, child care, disabilities, professional licensing, education and training, public assistance and benefits cliffs, substance abuse disorder, and criminal records;
9. Shall study economic and labor force data related to workforce as well as long-term demographic trends impacting Kentucky, the region, and the United States;
10. Identify consensus-driven public policy solutions, opportunities for public-private partnerships and ways to ensure the Commonwealth is adequately tracking workforce data, needs, setting goals and measuring progress in all parts of the state; and
11. Communicate with employers, industry representatives, and economic development and site selection professionals to better understand how workforce challenges affect different industries and business investment, expansion, and relocation considerations by private sector industries.

The task force met monthly during the 2024 Interim of the General Assembly.

During the June 20, 2024, meeting, the members met to discuss the direction of the task force and seek input from members about what issues they wanted to study and what speakers they wanted to hear from regarding talent attraction and retention issues being faced by employees and employers in Kentucky.

During the July 30, 2024, meeting, the author of Men Without Work presented his analyses of men in the post pandemic workforce. The percentage of prime age men without paid work, ages 25 to 54, has been a long-term issue in the U.S. and began to decline into depression era employment levels after 2020. The author suggested several factors related to the decline including the increasing participation social insurance programs, the increasing population of felons and ex-felons, the decline in summer job opportunities, and the overall slowdown of economic growth across the country. The Kentucky Chamber Center for Policy and Research discussed state specific labor market data and policy recommendations.

During the August 14, 2024, meeting, representatives of the State Exchange on Employment and Disability (SEED) presented on how to create and foster a nationwide workforce more inclusive of people with disabilities. The members heard about transportation barriers affecting young drivers obtaining a drivers' license and current drivers renewing their drivers' license, and public transportation issues in Kentucky's urban areas.

During the September 12, 2024, meeting, the members received several presentations on initiatives that are overcoming barriers for veterans and people who are reentering the workforce from correction facilities or due to substance use disorders.

During the October 16, 2024, meeting, a national consultant detailed approaches used by other states to grow their workforce. He discussed benefits of implementing statewide talent attraction programs. Representatives from regional chambers of commerce presented on their regional campaigns to attract and retain workforce talent.

During the November 14, 2024, meeting, a representative from Shaping Our Appalachian Region (SOAR) presented on how SOAR is addressing population challenges and prime age employment gap in Eastern Kentucky. The members also received presentations on skilled trade initiatives to attract and retain employees and recommendations on how to retain military retirees as a workforce.

During the November 19, 2024, meeting, the findings and recommendations made to the task force were discussed. The task force approved sending the findings and recommendations to the LRC.

**Issues Discussed**

**Workforce Challenges**

Nicholas Eberstadt, author of Men Without Work: A Problem We Ignore at Our Peril, discussed his analyses of men in the post pandemic workforce. The percentage of prime age men without paid work, ages 25 to 54, began to decline into depression era employment levels after 2020. There does not seem to be a clear cause for this decline, and it does not conform to business cycles or technological advancements. Foreign born male high school dropouts are participating in the workforce 30 percent more that native born male high school dropouts. He suggested several factors related to the decline including the increasing participation in social insurance programs, the increasing populations of felons and ex-felons, the fewer summer job opportunities, and the overall slowdown of economic growth across the country.

The Executive Director of Kentuckians for Better Transportation and the General Manager of Transit Authority of Northern Kentucky jointly presented on transportation as an overall workforce barrier and ways public transit may be a solution. Kentuckians for Better Transportation members include area development districts, counties, cities, and public transit authorities. The organization educates and advocates for a safe and sustainable network that provides mobility across the Commonwealth for economic growth and improved quality of life.

The General Manager of Transit Authority of Northern Kentucky discussed the challenges of the three major urban transit operators including Lextran, Transit Authority of River City (TARC), and Transit Authority of Northern Kentucky (TANK) and overall transportation issues with long term reliable funding sources, rural job sites, and using public private partnerships. It was noted the CARES Act funding which had been appropriated and fused into public transit across the state would likely run out in 2025. Recent changes and limitations for obtaining Commercial Drivers' Licenses were also mentioned.

Hometown Health Systems connects, serves, and administers lifesaving assistance to populations that have historically been neglected. The workforce participation rate in Kentucky is 57.6 percent, with a much higher percentage of the male workforce being affected by substance abuse disorder and incarceration. Hometown Health Systems targets barriers in the workforce, such as substance abuse, and creates an individualized phased success plan that includes comprehensive intake with peer assessment, triage and detox, short term housing, reentry to community, and workforce development. The organization offers solutions that attempt to save money and lives, with over $27,000 in direct and indirect savings for every person under their care. About 68 percent of clients using Hometown Health Systems’ comprehensive model maintain sobriety and sustained health outcomes.

Economic Leadership provides statewide and regional competitive strategies, corporate communications, locational analysis, and trendspotting. A representative from the organization asserted that state labor force and employment data has been flat since 2010 which can negatively impact future growth. Kentucky ranks in the top five for the cost of business and the formation of new businesses. General factors that grow the labor force include the following:

* More children becoming adults than people retiring
* Adults reentering the workforce
* Utilizing more immigrant work
* Having more workers moving into the state than out

Solutions proposed include implementing statewide talent attraction programs that are similar to those in Michigan, Ohio, and Florida.

**Workforce Opportunities**

The Executive Director of the KY Chamber Center for Policy and Research discussed state specific labor market data and policy recommendations. The Commonwealth's workforce participation, the percentage of the population aged 16 or older either working or looking for work, was 57.3 in May 2024, 5.2 points lower that the U.S. rate and 1.3 points lower that the state's rate in January 2020. Although an aging population and an increase in retirements have been primary drivers of falling workforce participation in the state and nation since 2000, these do not fully explain the problem. He offered six recommendations to optimize the current workforce and attract skilled prime age workers: increasing access to childcare, helping low level nonviolent offenders find employment, supporting the 60x30 initiative involving the Work Ready KY Scholarship, creating a favorable tax climate, ensuring a strong housing market, and enhancing quality of life. He stated if the state's workforce participation was similar to the national workforce participation, then the Commonwealth would have around 180,000 additional employees in the workforce.

The State Exchange on Employment and Disability (SEED) is an initiative funded by the U.S. Department of Labor's Office of Disability Employment Policy with the goal of fostering a nationwide workforce more inclusive of people with disabilities. The program aims to strengthen state and local collaboration that supports organizations representing state policymakers to respond to disability employment and workforce development requests and inquiries. The Project Director for SEED discussed Kentucky disability population statistics and various resources offered, including Work Matters: A Framework for States on Workforce Development for People with Disabilities, some recommendations of which were implemented by the General Assembly. The Legislative and Policy Counsel of SEED presented options for private sector engagement.

The Hart County High School College and Career Coach and the Executive Director of Barren River Area Development District both discussed transportation hindrances impacting youth, mainly access to obtaining driver licensing and photo identification, as an unintended consequence of changing driver licensing locations from being housed in circuit clerks' offices to regional locations. Solutions presented included enhanced driver education programs in schools, printed driver education materials, and online driver testing. Representative Koch suggested that employees of the regional centers might be able to administer driver testing at the high schools.

Representative Matthew Koch and Representative Nima Kulkarni, the Vice President of Operations and Programs at South Central Workforce Development Board, the New American Workforce Navigator at South Central Workforce Development Board, the CEO of Jewish Family and Career Services of Louisville, and the Career Counselor with Refugees and Immigrants at Jewish Family and Career Services of Louisville, all discussed the untapped immigrant population that could be one solution to workforce shortages across the state. The Commonwealth has four resettlement agencies and a higher concentration of refugees in Louisville, Lexington, Bowling Green, and Owensboro.

The Career Counselor highlighted several barriers to employment for the immigrant population including language, transportation, and licensing and credentialing limitations mostly experienced by doctors and dentists who have immigrated to the Commonwealth. The South Central Workforce Development Board representatives said their employment services are replicable, have been successful, and have been requested for immigrants across the state and country – staffing positions that can be mobile, face to face, outside traditional work hours, and have business management responsibilities.

Representative Kulkarni said issues linger with language barriers, lack of interpreters, and lack of broadband access. The CEO of Jewish Family and Career Services of Louisville stated a systemic approach involving strong partnerships and cooperation from private sector partners is key.

The senior vice president of the Graduation Alliance spoke to members about its mission to assist those who lack a high school diploma by implementing adult workforce diploma programs and providing participants with the opportunity to gain industry-recognized credentials and employable skills certifications. 68 percent of the organizations' graduates showed 68 percent employment in high-demand fields with increases in health insurance coverage, labor market participation, and hourly wage. Graduation Alliance has programs active in several states. While the programs vary by state, the amount of funding each receives is based on the amount of funding that is appropriated.

Representatives from the Kentucky State AFL-CIO and the Kentucky State Building and Construction Trades Council discussed the benefits of apprenticeship programs, as they produce highly-trained, skilled workers with higher wages and more benefits compared to non-union counterparts. Apprenticeship programs offer a solution to workforce shortages while utilizing state-based contractors to provide high quality workmanship. Other solutions like developing apprenticeship programs for K-12 students and the existing Tech Ready Apprentices for Careers in Kentucky program have the potential to create a pipeline for students to enter post-secondary apprenticeship training in the future. Coal miners, those in recovery, incarcerated populations, and veterans are also population groups that both organizations have remained committed to serving via apprenticeship opportunities in order to increase participation in the workforce.

**Workforce Attraction**

The executive director of Veterans, Accelerated for Occupation Recruitment (VALOR) appeared before members to discuss its commitment to addressing the challenges veterans face reentering the workforce. The organization has 44 pathways that correlate with 55 licensed occupations that span 180 military occupational specialties. By engaging employers to assess workforce needs, recruiting transitioning service members, bridging workforce gaps, and focusing on ways to bring more veterans into the picture, VALOR is able to offer employers a more efficient and skilled workforce. VALOR has over 1,000 service members or family members in its pipeline with a 98 percent retention rate.

The chief policy officer & director of regional engagement of Commerce Lexington presented a regional competitive plan that focuses on talent attraction marketing. The plan’s goals include increasing regional jobs, wages, and gross domestic product growth rates to the national average; growing the regional labor force through the attraction and retention of young professionals; attracting state and federal funding; and advocating for policy improvements to support the plan. The regional competitiveness plan involves collaboration with Economic Leadership, Development Counsellors International, and more than 45 business, higher education, local government, and economic partners. Representatives from states such as Missouri and Texas have visited Lexington with expectations of replicating Commerce Lexington’s campaign.

Live in Lou was developed by Greater Louisville, Inc. in response to Louisville's population growth, which falls below the national average. Those aged between 25 to 34 and 34 to 54 chose to move to other states for a number of reasons, including the availability of good jobs and business opportunities, the ability to make a difference, and suitability of raising children. Greater Louisville's outreach approach includes focusing on brand development, outreach to employers, collecting workforce and relocation resources, targeted university outreach, extending the talent pipelines, targeted talent attraction campaigns, and state and regional marketing. In addition to other organizations across the Commonwealth developing similar talent attraction initiatives, Commerce Lexington also plans to recreate Greater Louisville's approach to working with state colleges and universities. Greater Louisville has additional plans to develop this approach on a statewide level, with a greater emphasis on a regional approach.

The Independent Electric Contractors (IEC) is a nonprofit trade association dedicated to independent electrical contractors. The executive director and the president of the board of directors of IEC presented on their efforts to attract high school students and other adults to electrical work. IEC with the support of local schools and small businesses assist with the creation of career paths for electrical jobs. IEC has a 4 year apprenticeship program accredited by the Department of Labor that has enrolled over 200 apprentices.

Representative Shawn McPherson, the president/CEO of South Central Kentucky Workforce Board, the executive director of Southwest Kentucky EDC, and the president/CED of Christian County Chamber of Commerce presented on how to attract military retirees to Kentucky as a potential workforce. The speakers presented data about the declining military retiree population in Kentucky and reasons for the decline. The speakers offered recommendations of creating a military retiree tax exemption on their pensions, creating interstate occupational licensure compacts, addressing child care issues, and reviewing property tax laws pertaining to veterans.

**Retention Efforts**

With the consistent outflow of veterans choosing to relocate to other states like Tennessee, Kentucky’s veteran population, its workforce, population growth, and overall economic growth all remain areas of untapped potential. Representatives from the West Kentucky Workforce Board and the Christian County Chamber of Commerce proposed the following solutions to help attract and retain veterans and their families:

* Reaching a zero percent income tax
* Allowing 100 percent exemption on pension pay
* Creating more interstate occupational licensure compacts
* Continuing to address the availability of quality childcare
* Reviewing property taxes

The Office of Adult Education’s Reentry Employment Services Branch has launched the Putting Kentuckians First initiative, which provides employment, recovery resources, education and training, career services, vocational rehabilitation, and court ordered programs focused on diversion and reentry pathways to the workforce. The program facilitates targeted orientation classes for local judicial entities to create referral and accountability pipelines for individuals using a customer centered, county specific approach. More than 2,100 individuals were served by the Reentry Employment Services Branch in fiscal year 2024 with an 83 percent increase in program referrals and a 70 to 80 percent employment retention rate.

The executive director of Shaping Our Appalachian Region (SOAR) provided insight on the population issues facing Eastern Kentucky. SOAR's presentation focused on labor shortage barriers to employment and the need for regional development to enhance job opportunities and overall economic development. Initiatives were highlighted that could improve workforce participation rates in the eastern part of the state including programs to retain skilled workers, support for addiction recovery efforts as a pathway back to employment, and investment in education and technical training. The executive director also highlighted the importance of regional marketing campaigns to attract talent by showcasing Kentucky’s quality of life and opportunities for growth.

The president/CEO and human resources manager for Logan Aluminum presented their strategies for workforce attraction and retention. Logan Aluminum serves beverage packaging, container and industrial, and automotive products markets. They shared Logan Aluminum successes and challenges in sustaining a productive workforce. Logan Aluminum maintains a team culture at its plants and is involved in local, state, and regional educational institutions to provide educational opportunities for its employees and high school students.

**Recommendations**

The task force recommends that the General Assembly explore the following actions:

* Provide specific statutory guidance on the process and parameters for $250,000 funding in 24 HB 263 appropriated to hire a consultant to evaluate and develop specific legislative recommendations and policy options in 2025 session. Include specific instruction on the recipient of the funds. Develop regional and statewide marketing programs in consultation with the Cabinet for Economic Development, the Tourism, Arts, and Heritage Cabinet, and the Education and Labor Cabinet for possible legislation in 2026 session.
* Consider legislative initiatives that aid high school students in obtaining technical skills before graduation and expand current career and technical programs to middle school students.
* Consider legislation to remove barriers for licensing and credentialing in occupations for Kentucky’s historically untapped workforce and refugee population and provide opportunities to attract foreign workers to Kentucky.
* Consider eliminating state income tax for military retirees.
* Consider legislative initiatives to expand employment opportunities and services to untapped employee segments of Kentucky’s population, including but not limited to people with disabilities, nonviolent offenders, and people with substance abuse disorder, and to create programs to incentivize employers to use this untapped resource.
* Consider legislative initiatives to increase access of drivers’ education programs to high school students or new Kentucky drivers and to restore drivers' license services to local government.
* Consider legislative changes to public private-partnership statutes to incentivize those partnerships to address workforce challenges identified by the task force.