

# **INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT**

## **Minutes of the 2nd Meeting of the 2021 Interim**

**July 27, 2021**

### **Call to Order and Roll Call**

The 2nd meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Tuesday, July 27, 2021, at 2:45 PM, in Room 154 of the Capitol Annex. Representative Russell Webber, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Wil Schroder, Co-Chair; Representative Russell Webber, Co-Chair; Senators Christian McDaniel, Robby Mills, Adrienne Southworth, Brandon J. Storm, Reginald Thomas, Phillip Wheeler, Mike Wilson, and David Yates; Representatives Shane Baker, Kim Banta, Lynn Bechler, Tina Bojanowski, Josh Bray, George Brown Jr., Josh Calloway, McKenzie Cantrell, Daniel Elliott, Chris Freeland, Al Gentry, Mark Hart, Thomas Huff, DJ Johnson, Kim King, Nima Kulkarni, Steve Sheldon, and Ashley Tackett Laferty.

Guests: Lee Lingo, Executive Director, Kentucky Association of Manufacturers; Melissa Aguilar-Southard, Member Relations Director, Kentucky Association of Manufacturers; and Ron Bunch, President and CEO, Bowling Green Area Chamber of Commerce.

LRC Staff: Andrew Manno, Audrey Ernstberger, Kirk Smith, Sasche Allen, and Helen McArthur.

### **Approval of Minutes**

A motion to approve the minutes of the June 17, 2021 meeting was made by Senator Wil Schroder, seconded by Representative DJ Johnson, and approved by voice vote.

### **Manufacturing Update**

Manufacturers in Kentucky account for 17.80 percent of the total output in the state, and employing 13.29 percent of the workforce. The total output from manufacturing was \$38.33 billion in 2019. There are an estimated 4,500 manufacturers across the state, and there were an estimated 244,000 manufacturing employees in 2020. State manufacturers also exported \$24.40 billion in manufactured goods in 2020. Since 1911, the Kentucky Association of Manufacturers (KAM) has been the leading advocate for manufacturing

interests in the Commonwealth by creating, supporting, and protecting a manufacturing-friendly environment through advocacy; workforce development; education and training; and cost saving benefits for its members. KAM represents over 400 businesses across the state that are vital to the Commonwealth's economic success. KAM has members from all subsectors within the manufacturing industry and currently has three industry-focused pillars that include Kentucky Chemical Industry Council, KAM Automotive, and KAM Aerospace.

KAM is presently concentrating on several initiatives that focus on workforce and talent development. The organization is conducting its 2021 Kentucky Manufacturing Wage and Benefits Survey, which will also include questions about COVID-19 impacts and recovery. Another initiative involves business development and continuing education through collaboration with KAM and its partners, including Advantage Kentucky Alliance, Kentucky Community and Technical College System (KCTCS), and World Trade Center Kentucky. KAM is also building partnerships with the agriculture community and local economic development organizations and working with KCTCS to connect technical students with manufacturers across the state. In addition, KAM is partnering with the Associated General Contractors of Kentucky to develop Kentucky's Be Pro Be Proud Mobile Workshop.

Lee Lingo, Executive Director of the KAM, discussed issues that the manufacturing industry is currently facing. An outdated supply chain throughout the industry includes legacy technology, manual processes, and other inefficiencies that impact competitiveness in the new digital markets. Transportation issues have become the top concern for supply chain professionals which have potentially been caused by workforce participation, gas prices, equipment shortages, lead time from Asia, and failing domestic infrastructure. There is also a chip shortage which has led to some manufacturers not being able to meet the demand for new vehicles. The manufacturing industry is prioritizing reshoring in the aftermath of COVID-19 and the associated benefits of this shift for the U.S. economy. About 83 percent of North American manufacturers are likely or extremely likely to reshore.

Melissa Aguilar-Southard, Member Relations Director for KAM, detailed the current state of the manufacturing workforce. Although unemployment rates have decreased since the start of the COVID-19 pandemic, the manufacturing industry is still facing a difficulties with workforce participation. KAM has observed that some individuals have not returned to the workforce, because they may make more money staying at home, may have gotten acclimated to working from home, may only be able to find entry level positions, may have decided to continue their education, or may be having difficulty finding childcare. A basic needs budget for an individual living in Jefferson County indicates that a single parent with two young children and zero debt would need to have an hourly wage of \$24 in order to adequately provide for their family. KAM's legislative agenda was also discussed which includes policies allowing for advanced recycling;

reexamining the state's current gasoline tax; modernizing the state tax structure; and policies promoting workplace safety, employee engagement, and second chances for those reentering the workforce.

Answering a question from Senator Phillip Wheeler, Lee Lingo explained that although there are chip manufacturers in the U.S., a vast majority of them are located in Asian countries. Replying to a follow up, Mr. Lingo said the manufacturing industry offers competitive wages, but there is a major issue with workforce participation along with other factors.

Responding to Representative Josh Bray, Mr. Lingo stated the effects in other states that have terminated the extended federal pandemic unemployment assistance benefits cannot yet be assessed. Answering a follow up, he said he has not seen a difference in workforce participation since the Governor offered an incentive for individuals returning to the workforce.

Addressing a question from Representative Tina Bojanowski, Melissa Aguilar-Southard stated that although employees with four year degrees are needed for certain positions in the manufacturing industry, employers expressed that they mostly need employees that have strong teamwork, problem solving, and critical thinking skills. For those entering the workforce for the first time, these skills can be gained through work based learning activities, apprenticeship programs, and co-op programs. Responding to a follow up, Ms. Aguilar-Southard said that due to low workforce participation rates, employers are offering more on the job training and incentives in order to fill positions.

Replying to Representative DJ Johnson, Mr. Lingo stated the gap between production and workforce participation is widening, and many factors affect the current state of the economy. Addressing a follow up question, Ms. Aguilar-Southard explained the correlation between workforce participation and unemployment rates.

Answering a question from Representative Kim King, Ms. Aguilar-Southard said a consortium of employers was formed in 2020 to study the issue of childcare within the workforce.

Responding to Representative George Brown, Ms. Aguilar-Southard stated career pathways should be addressed at an early age, and soft skills should be built into the K-12 curriculum. Answering a follow up, she said community based organizations can help those reentering the workforce.

Addressing Representative Ashley Tackett Laferty, Mr. Lingo explained that the skills needed by employers do not always match with the skills possessed by workers in a certain geographic location.

Replying to Representative Lynn Bechler, Ms. Aguilar-Southard said there was a shortage of certain skill sets needed by employers prior to the pandemic but now there are additional workforce shortages as a result of the pandemic. Those shortages include welders, control engineers, chemical engineers, and some entry level positions. Representative Lynn Bechler commented about elementary school age being too early for choosing career pathways.

### **Workforce as a Competitive Advantage - Building a Better System for Businesses and Kentuckians**

Ron Bunch, President and CEO of the Bowling Green Area Chamber of Commerce, is one of a few certified economic developers in the state. He provided economic and workforce related recommendations. Mr. Bunch's first recommendation was to create an economic development program similar to one found in Louisiana, which was ranked the number one state for workforce development and talent attraction by the *Business Facilities' 16<sup>th</sup> Annual Rankings: State Rankings Report*. The program, which would be housed within the Cabinet for Economic Development, would be managed by economic development professionals that would target either new or existing companies to offer the incentive of recruiting, screening, and training skilled employees. A program of this kind would provide workforce research and development that could be shared with the K-12 system as well as the Kentucky Community and Technical College System. In addition, the program would provide a single point of contact for state officials to communicate with regarding workforce shortages throughout the state. Mr. Bunch's second recommendation was to create a partnership between state government and its business community to build a dashboard of workforce data that would allow for the program suggested in the first recommendation to adequately meet the supply and demand throughout the state for employers and employees. These initiatives would help the state move from being ranked third in the country for the lowest workforce participation.

Answering questions from Senator Wil Schroder, Ron Bunch explained each state's workforce development program is structured differently, but there are many options for how a program in Kentucky could be organized.

Responding to Representative Kim King, Mr. Bunch stated the workforce development program he recommended would need to be located within the Cabinet for Economic Development, because the Cabinet would be responsible for the recruiting, screening, and training which is often bound by a nondisclosure agreement.

Addressing questions from Representative Tina Bojanowski, Mr. Bunch said that he would categorize the skills needed by employers into a pyramid that would include interpersonal communication as the base of necessary skills, with sector related skills building on those. Aligning soft skills and technical skills with the talent demands by region of the state is critical.

Replying to Representative Lynn Bechler, Mr. Bunch stated the fiscal impact and the return on investment have to be considered when considering funding for his recommended program. Funds should be allocated by the General Assembly some funds could be repurposed in the state's existing budget.

Responding to comments made by Representative Steve Sheldon, Mr. Bunch agreed it might be beneficial to form a task force to access the functionality and sustainability of a workforce development program in the Commonwealth.

Representative Russell Webber announced the next meeting of the Interim Joint Committee on Economic Development and Workforce Investment will be a joint meeting with the Interim Joint Committee on Tourism, Small Business, and Information Technology on August 26, 2021 at the Kentucky State Fair.

There being no further business before the committee, the meeting adjourned at 4:16 p.m.