

INTERIM JOINT COMMITTEE ON TOURISM, SMALL BUSINESS, AND INFORMATION TECHNOLOGY

Minutes of the 1st Meeting of the 2021 Interim

June 17, 2021

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Tourism, Small Business, and Information Technology was held on Thursday, June 17, 2021, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Phillip Pratt, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Wil Schroder, Co-Chair; Representatives Kim King, Co-Chair, and Phillip Pratt, Co-Chair; Senators Robby Mills, Brandon J. Storm, Reginald Thomas, Phillip Wheeler, Mike Wilson, and David Yates; Representatives Shane Baker, Lynn Bechler, Tina Bojanowski, Josh Branscum, George Brown Jr., Josh Calloway, Jeffery Donohue, Ryan Dotson, Daniel Fister, Deanna Frazier, Chris Freeland, Chris Fugate, Robert Goforth, Jim Gooch Jr., David Hale, Richard Heath, Norma Kirk-McCormick, William Lawrence, Charles Miller, Ruth Ann Palumbo, Josie Raymond, Brandon Reed, Rachel Roberts, Steve Sheldon, Cherlynn Stevenson, Ashley Tackett Laferty, Nancy Tate, Killian Timoney, Bill Wesley, and Richard White.

Guests: Tod Griffin, President, Kentucky Retail Federation; Kevin Cranley, Chairman, Kentucky Retail Federation; Cassie Grigsby, Senior Vice President of Operations and Development, Kentucky Retail Federation; Ashli Watts, President and CEO, Kentucky Chamber of Commerce; Winston Griffin, Chairman, Kentucky Chamber of Commerce; Karen Cecil, Human Resources Director, Century Aluminum; Kenneth Calloway, Corporate Director of Human Resources, Century Aluminum; Chad Harpole, Director of Government and Community Affairs, Century Aluminum; and Joe Horvath, Senior Fellow, Foundation for Government Accountability.

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

Labor Shortage and New Certification Program

The retail industry is the state's largest private sector employer with 56,000 retail establishments and almost 430,000 employees, but the COVID-19 pandemic created a seismic shift in the industry. The retail workforce adjusted to fit new business models within retail, such as the buy online/purchase in store model. Retail employers were also

forced to reduce hours and utilize automation. The Kentucky Retail Federation (KRF) found that many employers permanently adopted new business models and many customers find the new practices more convenient. The National Retail Federation recently revised its retail sales forecast and it's estimated that retail sales across the country will increase by 10 to 13 percent; however, retailers across the Commonwealth are facing significant challenges. The current labor shortage led employers of different sizes to begin offering signing bonuses, pay increases, and additional benefits which makes it difficult for some employers to balance increased labor costs with operating budgets. The KRF surveyed its members and found that a majority have open positions with an average starting wage of \$10 to \$15 an hour. The membership survey also revealed that 80 percent of the time an applicant does not accept an offer of employment the reason pertained to the federal pandemic unemployment assistance, 40 percent of the time the reason pertained to childcare, 23 percent had COVID related health concerns, and 10 percent declined because of a required drug test. Kevin Cranley, KRF Chairman and President of Willis Music Company, testified about the obstacles his business overcame during the pandemic and current challenges.

Cassie Grigsby, the Senior Vice President of Operations and Development for the KRF, detailed a new certification program offered by the Kentucky Retail Institute. The Kentucky Retail Institute is a 501 (c)(3) organization created by the KRF that focuses on workforce development. KRF membership surveys show that, within the labor market, employees with various skill levels are needed throughout the retail industry, and oftentimes qualifications needed by employers do not match up with the skill set level of applicants. As a result, the Kentucky Retail Institute is forming a nationally recognized apprenticeship and training program which was approved by U.S. Department of Labor, and it will include a wide range of areas within the retail industry.

Answering a question from Representative Baker, Mr. Tod Griffin, President of the KRF, stated the Federation is a member of a small business caucus that formally requested the Governor to halt the expanded federal pandemic unemployment assistance payments.

Replying to Representative Timoney, Mr. Griffin explained that the KRF's membership survey did ask for the business's regional information but the businesses were allowed to choose multiple reasons for employees not returning to the workforce.

Representative Donohue commented that if people across the Commonwealth are not returning to work due to the federal pandemic unemployment assistance payments, then maybe wages need to be examined. He also pointed out that many of his constituents expressed their personal issues with childcare keep them from returning to the workforce.

Addressing a question from Representative Bechler, Mr. Griffin said the value of employment benefits being offered by the KRF's members may vary depending on the benefit level but he would estimate 20 to 30 percent.

Representative Hale described a business in his district that started offering increased wages and now also offering additional benefits, is still struggling with hiring employees. He believes that the federal pandemic unemployment assistance payments and childcare play a key role in individuals returning to the workforce. Mr. Griffin explained that it is his understanding that the federal pandemic unemployment assistance payments will end in September 2021.

Senator Thomas made comments regarding the federal pandemic unemployment assistance payments bringing over \$4 billion into the state, and stated that these funds provided food, housing, and other necessities for families across the Commonwealth.

Representative White described a company in his district that struggled with its workforce and increased its payroll, as a result.

Responding to a question from Representative Roberts, Mr. Griffin stated the annual membership dues of the KRF are based on sales volume but the minimum amount is \$225 per year. Answering a follow up, Mr. Griffin said that he would estimate that half of the KRF's membership is comprised of small businesses. Representative Roberts requested that the KRF make available how many of its members responded to the survey that was discussed, what questions were asked of the members, and how many of the business owners received federal pandemic unemployment assistance payments.

Labor Shortage and Pandemic Relief Plans

Ashli Watts, President and CEO of the Kentucky Chamber of Commerce, detailed the labor market trends and challenges that the pandemic caused. The pandemic heightened many preexisting shortages in the Commonwealth such as workforce participation. In 2020, the state ranked 50th in the nation for workforce participation and currently ranks 48th. There are presently 100,000 fewer people in the state's workforce compared to March 2020. In response to the current state of the economy and workforce, the Chamber partnered with the University of Kentucky to compile quarterly economic reports. These reports have shown that Kentucky has a workforce participation rate that is 4.8 percent lower than the national average. Ms. Watts also highlighted that the state's average education attainment levels trail the national average and with a decreasing trend in the last 10 years. Ms. Watts stated there may be a correlation between workforce participation and education attainment levels.

The Chamber has around 90,000 job postings listed on its website for employers across the state and about 10,000 of those are second chance employers. Due to the labor shortage, employed people are statistically working more hours compared to before the pandemic, and there has been significant wage growth. The U.S. Chamber of Commerce reports 88 percent of employers are having some difficulty with hiring, 24 percent report it is very difficult to find employees, and 71 percent report it is more difficult to hire than

five years ago. In addition, it has been reported that 50 percent of individuals that lost their employment during the pandemic are not actively seeking employment. Ms. Watts explained that factors contribute to the labor shortage, such as the federal pandemic unemployment assistance payments, childcare issues, and COVID-19 related safety concerns. Although there is not a definite solution to the labor shortage across the state, the Chamber is in favor of phasing out the federal pandemic unemployment assistance payments and offering incentives to individuals reentering the workforce. Winston Griffin, the Chairman of the Chamber's Board of Directors and owner of Laurel Grocery Company, testified about the obstacles his business overcame during the pandemic and current challenges.

Responding to comments made by Representative Bojanowski, Ms. Watts pointed out that statistics discussed from the U.S. Chamber of Commerce are based on a national survey and are not specific to Kentucky. Answering a follow up question, Ms. Watts explained that the enhanced unemployment benefits, paycheck protection program loans, and other pandemic related relief mechanisms were much needed during the pandemic but with restrictions being lifted, vaccines being readily available, and the COVID-19 positivity rate being 2 percent, it is time for those pandemic related benefits to be phased out.

Representative Stevenson made remarks regarding individuals receiving the federal pandemic unemployment assistance payments who are unable to find employment with wages comparable to their pre-pandemic wages. Ms. Watts responded by saying that there are two jobs for every one person looking for employment across all workforce sectors. A key component of the matter is ensuring the state has a well trained workforce. She pointed out some other states are using federal funds for workforce training for individuals reentering the workforce. Mr. Griffin, Chairman of the Chamber's Board, added that the federal pandemic unemployment assistance payments have increased the number of underemployed people, which are those who may choose not to work because of government benefits received.

Senator Thomas pointed out that about 14,000 individuals receiving the federal pandemic unemployment assistance payments across the state are business owners. Replying to a question, Ms. Watts said the Chamber is open to having a discussion about incrementally increasing the minimum wage but could not definitively support the matter. Responding to other comments made by Senator Thomas about a wage shortage, Mr. Griffin explained that a large increase of wages in lower level positions within his company would also mean increases in upper level positions as well which could be difficult.

Addressing a question from Representative Tackett Laferty, Ms. Watts stated she was unsure of the number of businesses that are now offering benefits such as flexible spending accounts for childcare. She explained that the lack of childcare is a major

workforce issue and that three times as many women left the workforce during the pandemic compared to men.

Representative Dotson made comments regarding other government benefits that individuals may receive besides the federal pandemic unemployment assistance payments, such as supplemental nutrition assistance program benefits and childcare assistance. He also stated the entire system needs to be reevaluated.

Representative Gooch made remarks about individuals in the workforce investing in education and training to attain better job opportunities.

Century Aluminum

Century Aluminum has two smelter factories in the Commonwealth, one in Hawesville and the other in Sebree. The factories produce aluminum which supplies the military defense and aviation industries. The starting wage for most production employees with minimum experience is around \$24 an hour, and each new employee begins with a full benefits package that includes health, dental, and vision. Despite the high wages, Century Aluminum is struggling to hire new employees in its Kentucky plants. Karen Cecil, the Human Resources Director for Century Aluminum's North American plants, explained that one major challenge is finding applicants that can successfully pass a drug screening. Another problem has been finding employees that can fill the more technical, mechanical, and electrical related positions. As a result, Century Aluminum will be participating in the KY FAME apprenticeship program. Ms. Cecil pointed out that, in addition to the federal pandemic unemployment assistance payments, federal stimulus funds, and additional food supplement funds create an incentive for individuals to remove themselves from the workforce.

Answering a question from Representative Bojanowski, Ms. Cecil stated that the company does recruit employees from other states with closing smelters because that experience in aluminum is a valuable asset to the Kentucky plants. Replying to another question, Mr. Chad Harpole, the Director of Government and Community Affairs for Century Aluminum, explained that a new smelter has not opened in the U.S. in over 30 years. Due to the cost and labor associated with opening a smelter, relocating to another state is not an option.

Representative Timoney commended Century Aluminum for its work and competitive wages. Commenting on additional remarks, Ms. Cecil said that in the past the company did consider moving its South Carolina operation to Kentucky due to power contract issues. Mr. Harpole added that the Sebree location does have a footprint that would allow for expansion.

Responding to a question from Representative Kirk-McCormick, Ms. Cecil said that drug use is a safety hazard due to the nature of work required by Century Aluminum. There

was a fatality at the Sebree location in 2020, and testing showed drugs in the employee's system. Century Aluminum does require initial hiring and random drug testing. She added that the company adopted new hiring policies in an effort to increase its workforce like reducing the felony conviction number of years from seven to five.

Representative Calloway made remarks about the crucial role the company plays in his district where one of the Century Aluminum plants is located. He also expressed appreciation for the speakers highlighting the drug use issue in the workforce.

Representative Pratt made remarks regarding drug use and the possible liability for employers.

Foundation for Government Accountability

The Foundation for Government Accountability (FGA) is a nonpartisan nonprofit 501 (c)(3) organization that promotes policy reform in many states across the country. Mr. Joe Horvath, a Senior Fellow with FGA, testified about traveling throughout the U.S. to assess how states manage their unemployment insurance, COVID-19 responses, the fraud related responses, and reopening processes. He highlighted that continuation of federal pandemic unemployment assistance payments is an issue that Kentucky, as well as other states, are struggling with. According to Mr. Horvath, 26 states opted out of the federal pandemic unemployment assistance payments after deducing that these funds were adding to the issues with workforce participation. Businesses across the state made adjustments to safely reopen and unemployment insurance work search requirements were put back into place. Mr. Horvath stated that the pandemic related relief incentivizes people not to return to the workforce.

There being no further business before the committee, the meeting adjourned at 2:56 p.m.