

Kentucky Chamber
Center for Policy & Research



KENTUCKY'S STRATEGY FOR RAPID WORKFORCE GROWTH

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Kentucky Needs More Workers

More specifically, to meet the current and future demands of our economy, Kentucky should set a goal of growing its total workforce by 130,000 new workers by 2027.¹ Getting there will require a significant departure from the Commonwealth's long-term workforce trends and will demand a bold, comprehensive strategy that is supported by a broad coalition of Kentucky leaders.

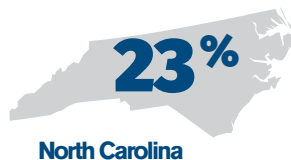
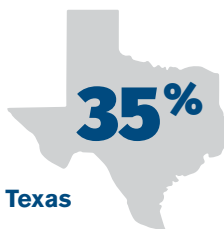


Kentucky should set a goal of growing its total workforce by 130,000 new workers by 2027.

As of July 2022, Kentucky had nearly 100,000 more open jobs than unemployed Kentuckians looking for work.² The wide gap between open jobs and Kentuckians looking for work has been a hallmark of the state's economy in the aftermath of COVID and reflects how intense the demand for workers has become among Kentucky employers. But we also know that more jobs are coming. In the past two years, state officials have announced more than 30,000 new jobs created through private-sector investments in Kentucky, including the 5,000 projected jobs from the Ford Battery Plant in Hardin County.³ While the demand for workers in the Commonwealth will ebb and flow with the health of the economy and in response to other structural factors, Kentucky needs a strategy for growing its workforce and filling the open jobs of today and tomorrow.

Setting a goal of increasing Kentucky's workforce by 130,000 in four years is ambitious. Over the past two decades, the growth of Kentucky's workforce has been stagnant, consistently hovering around 2 million workers and growing at an average rate of just 0.14 percent per year. In total, Kentucky's workforce grew only 2.8 percent between 2001 and 2021. Compare this with a state like North Carolina, which grew its workforce by 23 percent during this same time period, or Texas, which grew its workforce by 35 percent. Kentucky's workforce growth rate during this period was the tenth lowest in the nation.⁴

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Sources

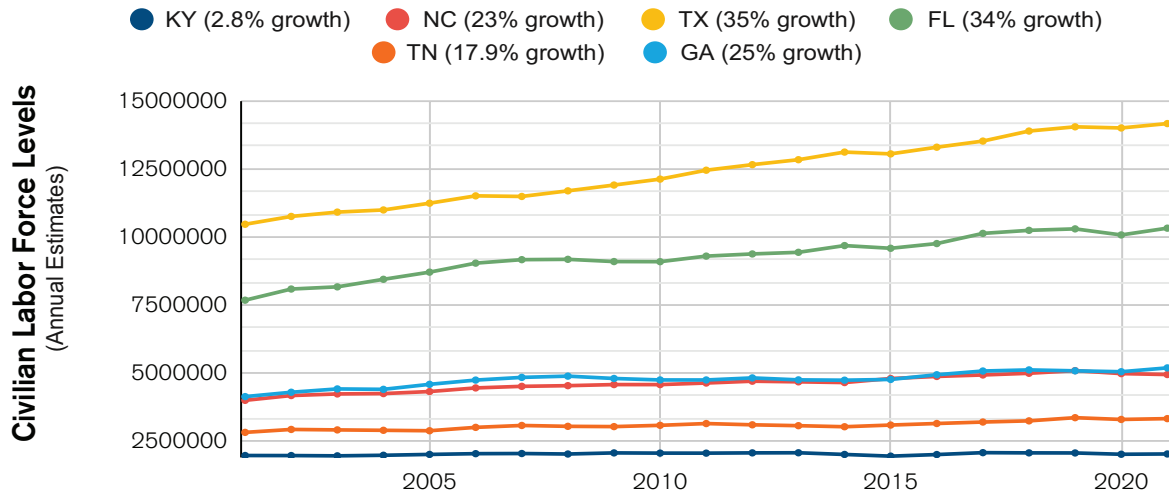
¹Workforce means the number of individuals who are actively employed plus the number of individuals who are not employed but actively seeking work.

²The July 2022 readings from the September 2022 Jobs and Openings and Labor Turnover Survey showed 175,000 open jobs in Kentucky. As of that same month, Kentucky's unemployment level was 77,135. Unemployment indicates an individual does not have a job but is actively seeking one.

³Based on press releases from the Office of the Governor of Kentucky, the state attracted 18,000 new jobs through economic development efforts in 2021. The Cabinet for Economic Development responded to an email inquiry on October 3, 2022, that the state had attracted an estimated 13,000 new jobs through economic development efforts between January 2022 and October 2022.

⁴This data derives from the Bureau of Labor Statistics' "Expanded State Employment Status Demographic Data" through its Local Area Unemployment Statistics program. Data is based on annual estimates. All calculations were done by the Kentucky Chamber Center for Policy and Research.

Growth in Workforce Levels, KY & Select States, 2001-2021



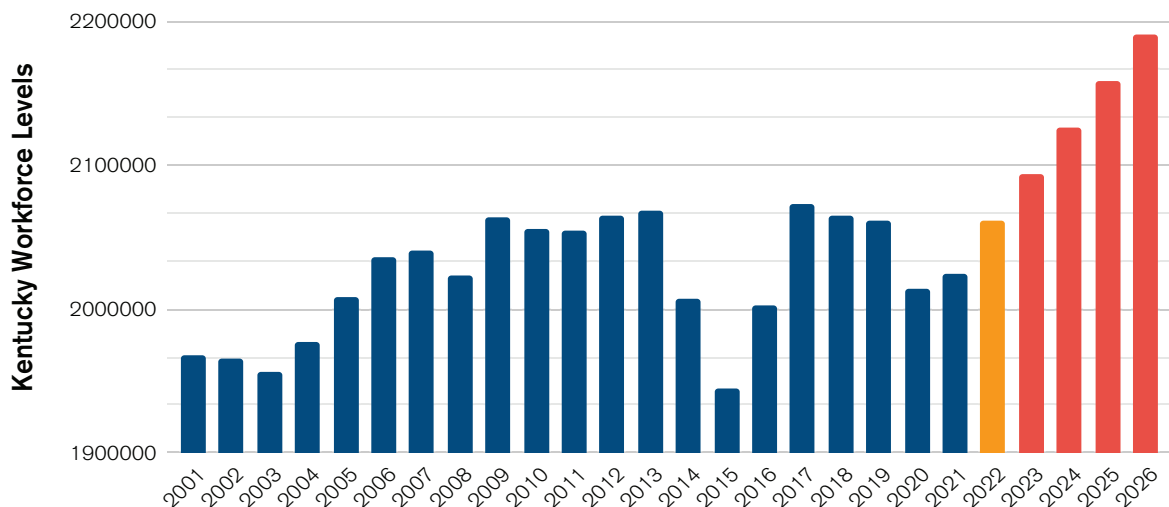
Source: BLS, Expanded State Employment Status Demographic Data

Such slow growth in our workforce reflects the Commonwealth's history of having one of the lowest rates of workforce participation in the nation and underscores the state's weak population growth in recent years. In the 2020 census, Kentucky grew at roughly half the national rate. Between April 2020 and July 2021, Kentucky's net domestic migration from other states (domestic moves into the state minus domestic moves out of the state) was only 10,000 new residents. This was far lower than neighboring Tennessee, which attracted 73,000 net new residents from other states.⁵

To meet the goal of adding 130,000 new workers by 2027, we would need to grow our workforce by 6 percent *in just four years* and achieve an annual pace of growth of 1.5 percent, which is *roughly 10 times faster* than what we averaged annually during the past two decades. Meeting this goal would also mark the first time the state's total workforce surpassed 2.1 million workers.

Kentucky Workforce Levels, 2001-2022 and Projected Needs 2023-2026

The state needs to dramatically increase its workforce between 2023 and 2026



Source: Bureau of Labor Statistics. Calculations by Kentucky Chamber Center for Policy and Research

Note: An official annual average is not yet available for 2022. This preliminary average is based on monthly averages between January 2022 and August 2022.

Sources

⁵This data derives from U.S. Census Bureau's "Historical Population Data" and "State Population Totals and Components of Change."

Not meeting this challenge head on would represent a remarkable missed opportunity. Kentucky has seen historic levels of job creation and investment in recent years. But without a workforce to fill these jobs and respond to these investments, it will be difficult to bring these projects to fruition and capitalize on the unique opportunities that have come to our state. Moreover, unless we increase the overall size of our workforce, new job opportunities will put further strains on our already-tight labor market, making it harder and harder for employers to hire and meet the needs of their customers. In the long-term, this will make Kentucky less attractive to future employers and new economic opportunities.

Kentucky Needs a Strategy for Rapid Workforce Growth

This strategy should include retaining Kentuckians already active in the workforce, attracting new workers from other states, and pulling into the workforce Kentuckians sitting on the sidelines. In 2021, the Kentucky Chamber Foundation's workforce report highlighted the multifaceted nature of the Commonwealth's workforce crisis. Any serious proposals to address Kentucky's workforce challenges must acknowledge this multifaceted nature.

The Chamber Foundation's workforce report highlighted key policy concepts to support workforce growth in the Commonwealth:

- Reduce income taxes to attract and retain high-skill workers
- Increase the number of Kentuckians with college degrees and post-secondary certificates
- Develop a statewide talent attraction and retention strategy
- Increase both domestic and international migration into Kentucky
- Invest in key workforce training programs like the Kentucky Chamber Foundation's Talent Pipeline Management® program
- Increase access to affordable, quality child care
- Incentivize more early retirees to rejoin the workforce
- Provide more pathways for individuals with disabilities to actively participate in the workforce
- Address benefits cliffs and leverage pro-work incentives like the federal Earned Income Tax Credit
- Support successful re-entry for ex-offenders seeking employment
- Tackle the substance use disorder crisis and support fair chance hiring
- Invest in transportation, infrastructure, and broadband
- Improve the health of Kentuckians by reducing smoking rates and supporting more preventative care

Kentucky is Ready for a Workforce Transformation

For decades now, the state has been satisfied with low rates of workforce participation and meager growth in the size of its workforce. With so many opportunities coming to the state, now is the time for state leadership to build a bold plan to fill the jobs of today and tomorrow and deliver on the promise of a bright economic future for the Commonwealth.

