THE STATE OF WORKING KENTUCKY

2014

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THE STATE OF WORKING KENTUCKY—2014

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INTRODUCTION

Kentuckians have deep concerns about the state of the economy in 2014. In a recent Bluegrass Poll, 56 percent of respondents said "jobs and the economy" was the most pressing issue facing the nation, with no other topic receiving more than 10 percent of the vote.[1] In the latest Gallup annual index measuring the economic confidence of state residents, Kentucky's score was deeply negative with only a slight gain from the previous year, and was the fourth worst score of any state.[2]

A full five years after the recession officially ended, Kentuckians should be feeling better about their economic condition. But the recession was especially deep and Kentucky among the states harder hit. The damage to U.S. homeowners' wealth from the housing market collapse has been long-lasting and the recovery slow. The federal response to the economic crisis—particularly the Recovery Act—kept the recession from descending into a depression. But federal fiscal policies since then have emphasized budget austerity and deficit reduction, an approach that has only weakened the recovery.[3]

All types of Kentucky workers have been harmed by the shortage of jobs caused by the recession, even those with higher levels of education. It's been particularly painful for people of color, young people, workers who lost their jobs and have remained out of work for a long period of time, and those with less than a high school degree.

It's true that there's been some good news over the last year. The rate of job growth has picked up in recent months and there has been measurable improvement from the peak of unemployment in 2010. But the Kentucky and U.S. economy still have a long way to go to return to pre-recession levels of unemployment. At current rates of job growth, that won't happen for at least a couple more years.

Beyond the recession and recovery, there are broader trends and challenges that Kentucky workers face. Real wages have been falling for more than a decade. The state's changing mix of employment includes fewer manufacturing, construction, mining and other jobs that have historically provided employment with decent wages to those without college degrees. Troubling gender gaps disadvantaging women persist at the same time working-class Kentucky men are experiencing real declines in earnings. And while those with more education have fared comparatively better, even Kentucky workers with a bachelor's degree or greater have seen their wages stagnate.

Because of the still-incomplete recovery and these broader economic challenges, Kentuckians in 2014 face considerable uncertainty about their economic future. While recent job growth is a hopeful sign, there remains a great need for more jobs and for jobs with decent wages that increase over time. One important exception to Kentucky workers' continuing economic challenges has been the substantial growth in access to health insurance over the last year through the expansion of Medicaid and creation of Kynect. That expansion could provide important lessons for government action that serves to improve the state of working Kentucky in future years.

CHAPTER 1: JOBS

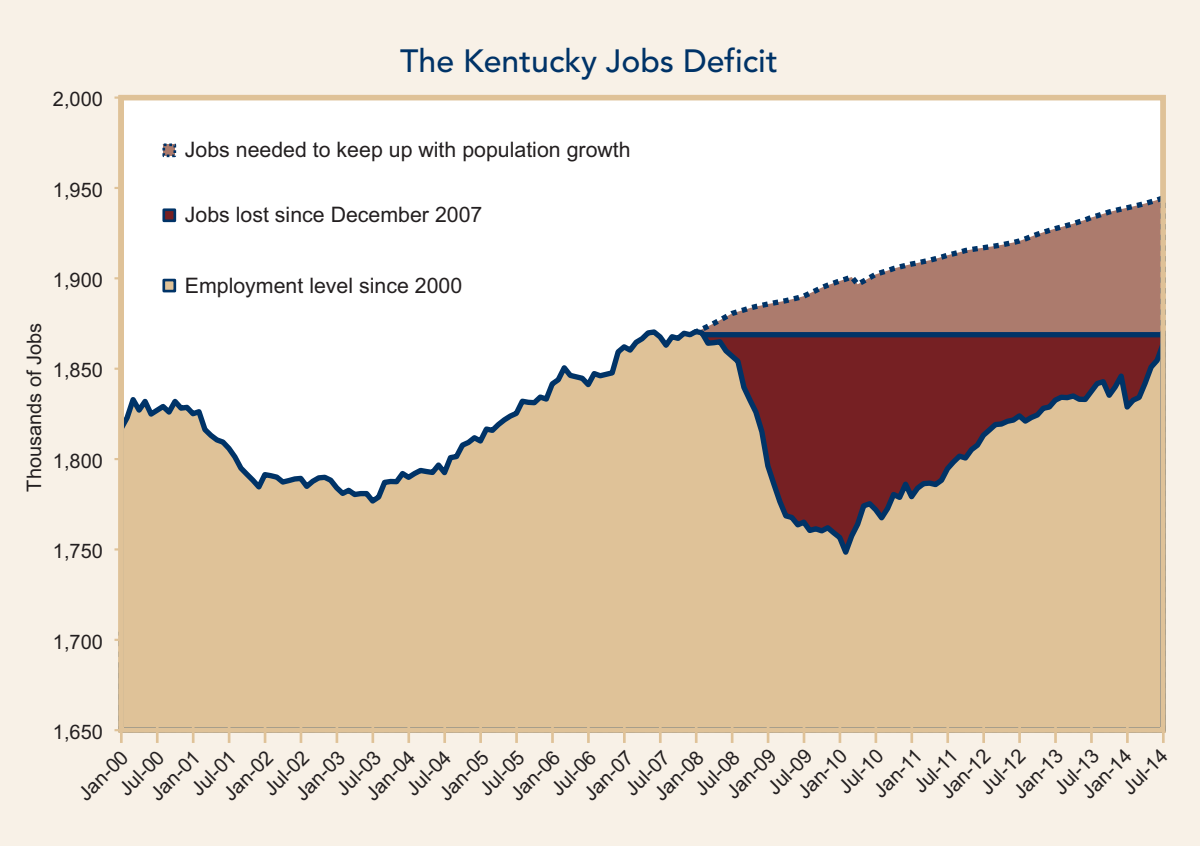
Jobs are critical to economic well-being for Kentucky workers and families. The state experienced major job loss in the recession and has had slow job growth in the recovery. Also, the mix of employment is changing, with Kentucky losing jobs that have traditionally provided family-supporting wages to those with lower levels of education, while much of the growth has been in the service sector, including in lower-paid jobs.

KENTUCKY IS EXPERIENCING JOB GROWTH, BUT HAS A LONG WAY TO GO

The Great Recession hit Kentucky hard. The state economy had improved from the 2001 recession, but in 2008 employment began to fall—declining from 1.87 million non-farm jobs in 2007 to 1.85 million in 2008 and then dropping dramatically to 1.77 million in 2009.

Kentucky's employment trough occurred in February 2010, when there were 120,300 fewer jobs than before the recession started. Even now, four years later and five years after the recession officially ended, Kentucky is still far from the number of jobs needed to achieve full recovery: with 1.86 million total nonfarm jobs in July 2014, the state is only now getting back to the number of jobs it had in 2007 before the recession hit.

As shown in the graph below, in order for Kentucky to return to the employment situation it had prior to the recession the state not only needs to replace the jobs it lost but also add enough new jobs to catch up to growth in the population. Based on July 2014 data, Kentucky has a deficit of 80,800 jobs—that's 5,100 jobs to make up for losses in the recession and another 75,700 to keep up with the population, which has grown 4 percent since the start of the recession.[4] It's a substantial deficit and would be even larger if Kentucky's population hadn't grown at a slower rate than the national growth rate of 6.4 percent.



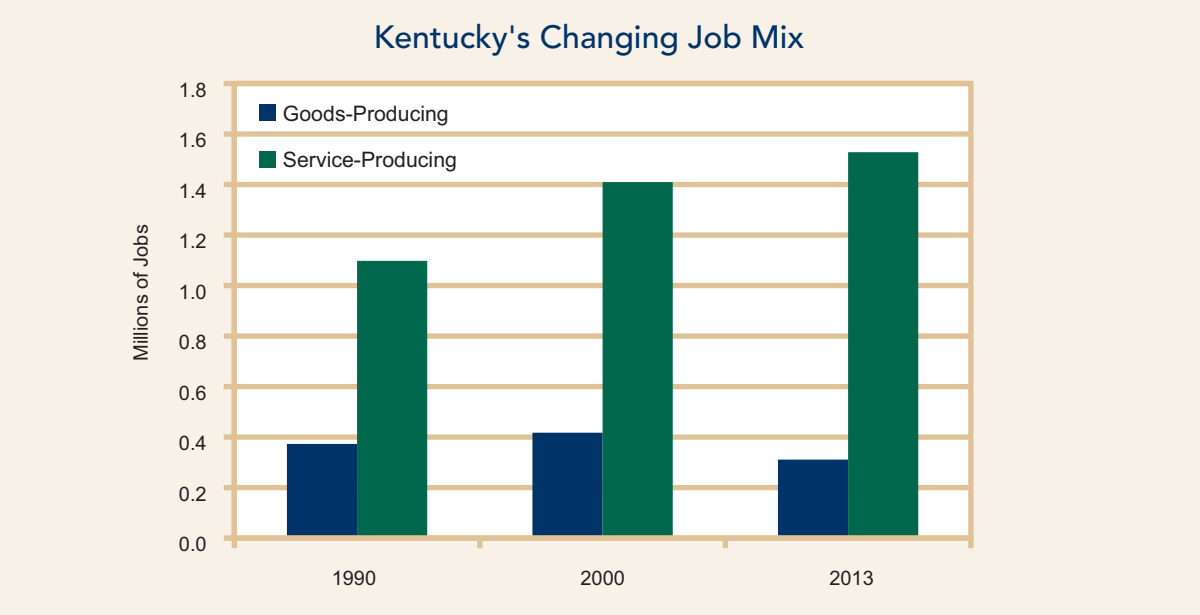
Source: Economic Policy Institute Analysis of Current Employment Statistics data.

In order to return to pre-recession unemployment rates in the next three years, and factoring in projected population growth, Kentucky would have to gain an average of 3,000 jobs each month. Job growth has averaged just 2,192 jobs over the last year, but the pace has picked up more recently with a rate of 5,817 jobs per month over the last six months and 7,233 jobs per month over the last three months.

SHIFT IN THE MIX OF JOBS

In addition to the large gap between the number of jobs Kentucky has and the number it needs to get back to pre-recession employment strength, the state has experienced striking changes in its mix of jobs. Of particular concern is the shift away from jobs that have historically provided employment to those with less education, such as in manufacturing and construction.

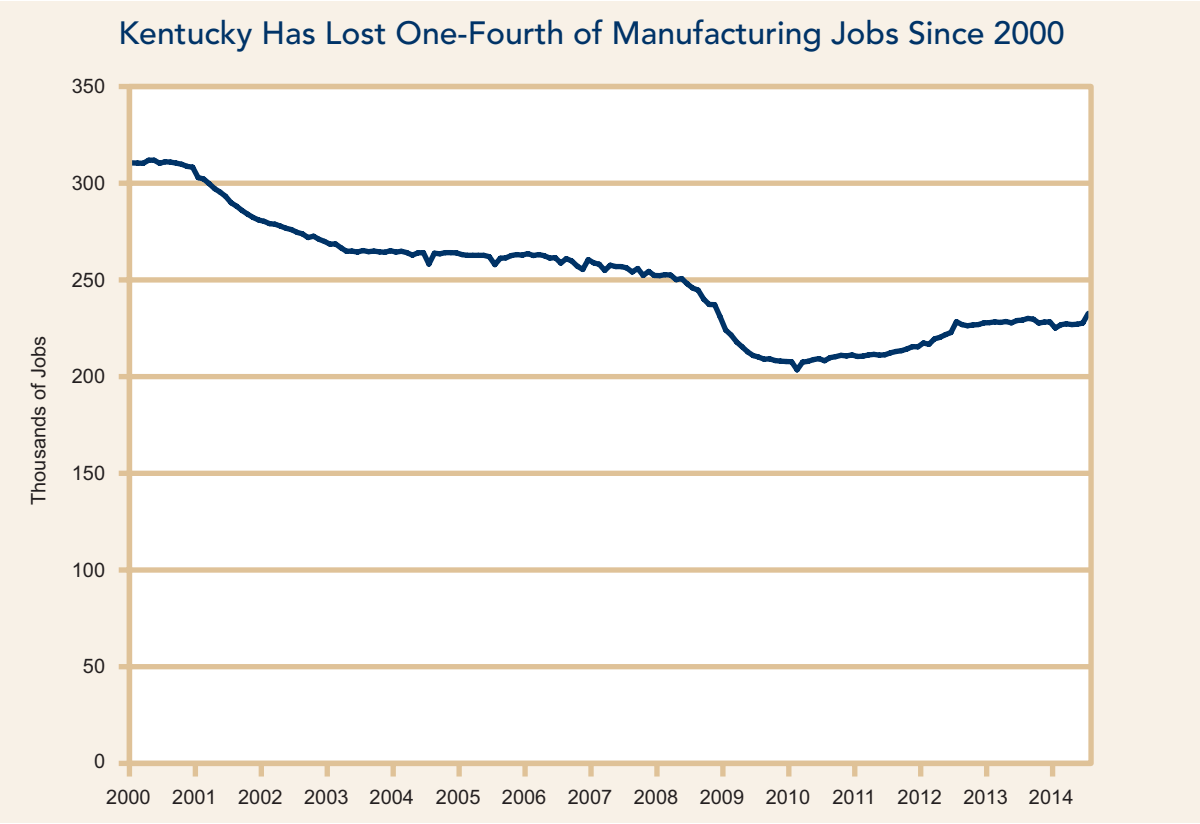
Kentucky's long-term shift from goods-producing industries (manufacturing, construction and mining) to service-producing industries (including wholesale and retail trade, utilities, information, financial activities, professional and business services, education and health services, leisure and hospitality, and government) can be seen in the chart below. This shift was accelerated by the ways in which job loss was concentrated during the recession and its aftermath.



Source: Economic Policy Institute Analysis of Current Employment Statistics data.

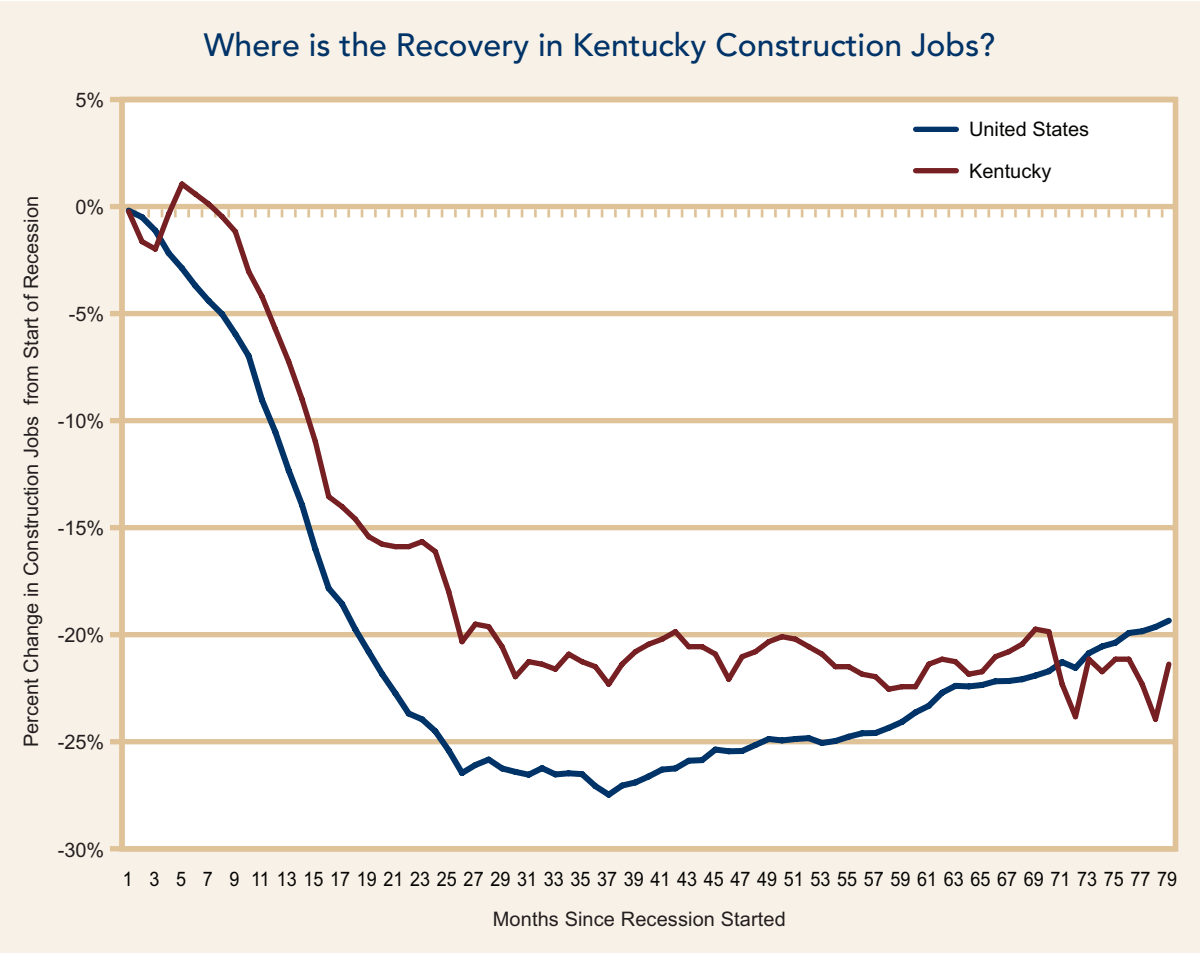
The decline in manufacturing has been driven by a number of factors, including the impact of two deep recessions over the last decade and the loss of manufacturing jobs to locations overseas.

As shown in the graph below, since 2000 Kentucky has lost nearly 78,000 manufacturing jobs, or one-fourth of its manufacturing employment. The state lost 48,800 manufacturing jobs just between 2007 and 2010 because of the recession, and has since gained back 29,200 of those jobs.



Source: Economic Policy Institute Analysis of Current Employment Statistics data.

The loss in construction jobs is a more recent challenge directly related to the recession. Construction jobs were holding relatively steady until they dropped off dramatically in 2008 when the housing bubble burst. Kentucky's construction employment has declined 22 percent just since 2007, and has not begun to recover, in part because Congress has failed to act on proposals to expand infrastructure investment in areas like transportation and school modernization.[5]



Source: KCEP analysis of data from the Economic Policy Institute, Bureau of Labor Statistics.

The decline of coal jobs in Kentucky has received considerable public attention the last few years, although the decrease is a much longer-term trend. Coal mining jobs have been declining for decades due to mechanization, and make up less than one percent of jobs in the state. Recent sharp reductions have not been evenly distributed throughout the state. As cheap natural gas and other alternatives have priced expensive-to-mine eastern Kentucky coal out of the market, that region has lost over 6,000 coal jobs between 2011 and 2014, or nearly half of its coal employment. Western Kentucky coal employment, however, has remained steady the last few years and has actually doubled since the year 2000 as power plants have returned to burning coal with high sulfur content after installing pollution controls.[6]

In contrast to job loss in manufacturing and construction industries, there has also been job growth—much of it since the end of the Great Recession—in the service sector (see table below). That sector includes industries with a significant number of professional jobs (professional and business services, some education and health, government) and industries with a concentration in low-wage jobs (leisure and hospitality). Between 2007 and 2013, professional and business service jobs grew by seven percent; education and health services jobs also grew seven percent; and government jobs grew four percent.

Kentucky's Changing Employment by Industry (Number of Jobs)

	2007	2008	2009	2010	2011	2012	2013	% Change 2007-2013
Professional & Business Services	184,200	182,700	171,100	179,700	186,400	191,200	196,500	7%
Education & Health Services	240,900	244,400	246,900	251,000	254,300	257,200	258,700	7%
Leisure & Hospitality	172,300	171,900	168,000	167,400	170,000	174,600	181,200	5%
Government	323,300	322.900	324,500	330,700	334,500	337,100	336,400	4%
Trade Transport. & Utilities	386,100	381,000	362,900	360,900	365,500	370,600	375,100	-3%

Source: Economic Policy Institute Analysis of Current Employment Statistics data.

Employment in trade, transportation and utilities—the largest jobs sector in Kentucky—has been comparatively flat over this period with a net loss of three percent between 2007 and 2013. Job losses weren't as steep as in manufacturing or construction and over half of the jobs that were lost have returned.

This shift in industry composition in Kentucky is mirrored in national data, and has a harmful effect on the quality of jobs available for many. Industry sectors creating jobs tend to pay less than those that are shedding jobs, as shown in a recent report by the National Employment Law Project. In the U.S., 22 percent of job losses in the recession were in lower wage industries, while 44 percent of employment growth is in those industries. On the other hand, 41 percent of job losses were in higher-wage industries, but only 30 percent of job growth.[7]

CHAPTER 2: LABOR FORCE

Kentucky's lack of jobs means the state faces continued high rates of unemployment as well as labor market challenges for workers beyond what the unemployment rate reveals. Especially hard hit by the recession are those workers with less than a high school education, young people and people of color. Because of the depth and length of the employment challenges, of particular concern are the long-term unemployed and those Kentuckians who have given up looking for work.

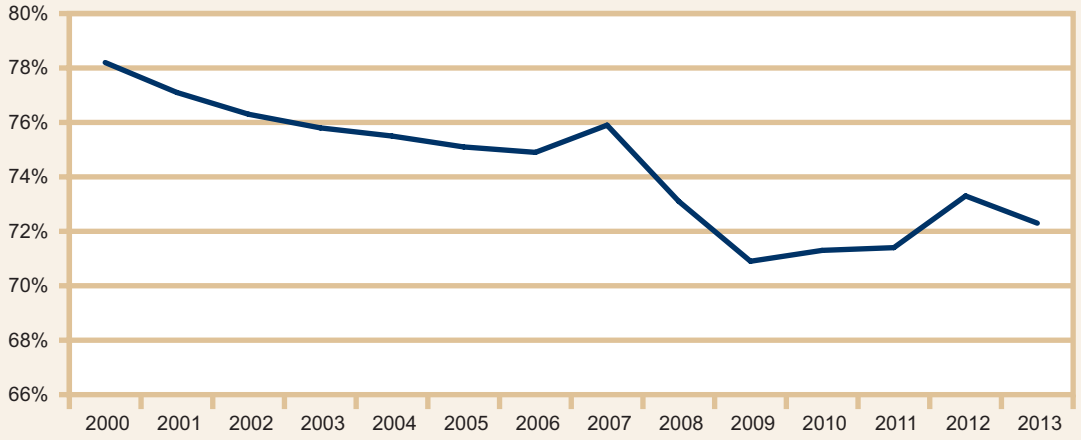
LABOR MARKET PICTURE IS IMPROVING BUT STILL TROUBLED

Kentucky's lack of adequate job growth is contributing to ongoing problems with the labor market. While the widely-reported state unemployment rate has improved from the depths of the recession—in 2009 it stood at 10.6 percent—it remains elevated. At an annual average of 8.1 percent in 2013 (and 7.4 percent in July 2014), unemployment is still higher than it ever reached in the recession of the early 2000s when it peaked at 6.2 percent.

Furthermore, the challenges are broader and deeper than the unemployment rate shows, since that measure only accounts for the share of those in the labor force who are jobless. It does not count as unemployed those who have become discouraged and dropped out of labor force or who are only marginally attached to the labor market. Also counted as employed are those who are working part-time jobs but would prefer full-time work if they could find it.

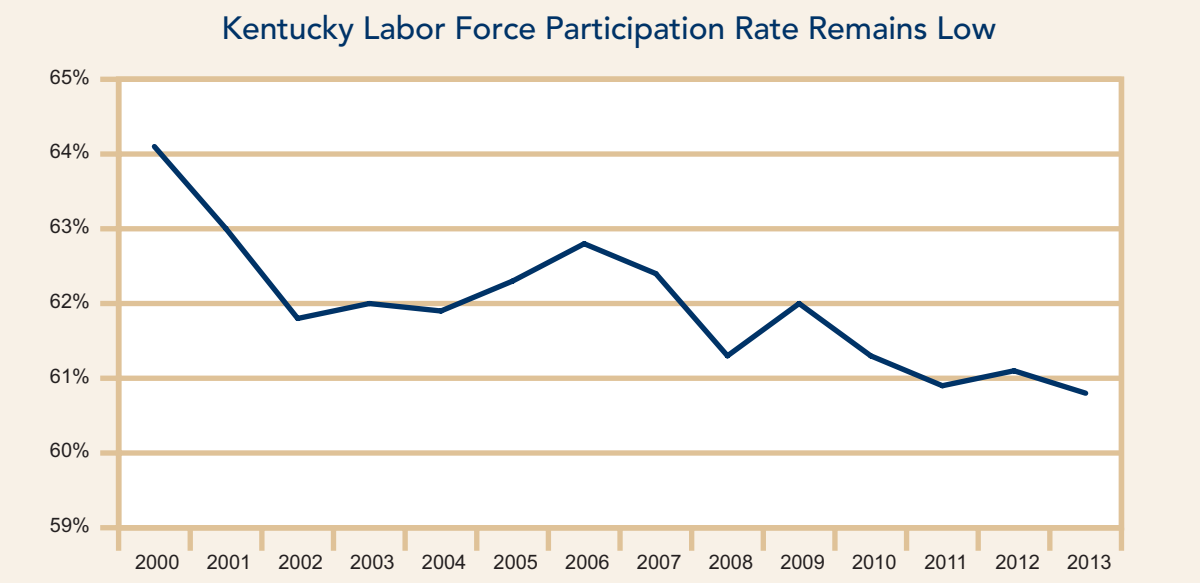
One important measure of the labor market is the prime age employment to population ratio which measures the share of those people ages 25-54 with a job. Kentucky's ratio stood at 72.3 percent in 2013, only slightly higher than the 2009 rate of 70.9 percent (see below), the worst year of the recession.

Employment to Population Ratio of Kentuckians 25-54 Has Only Slightly Improved



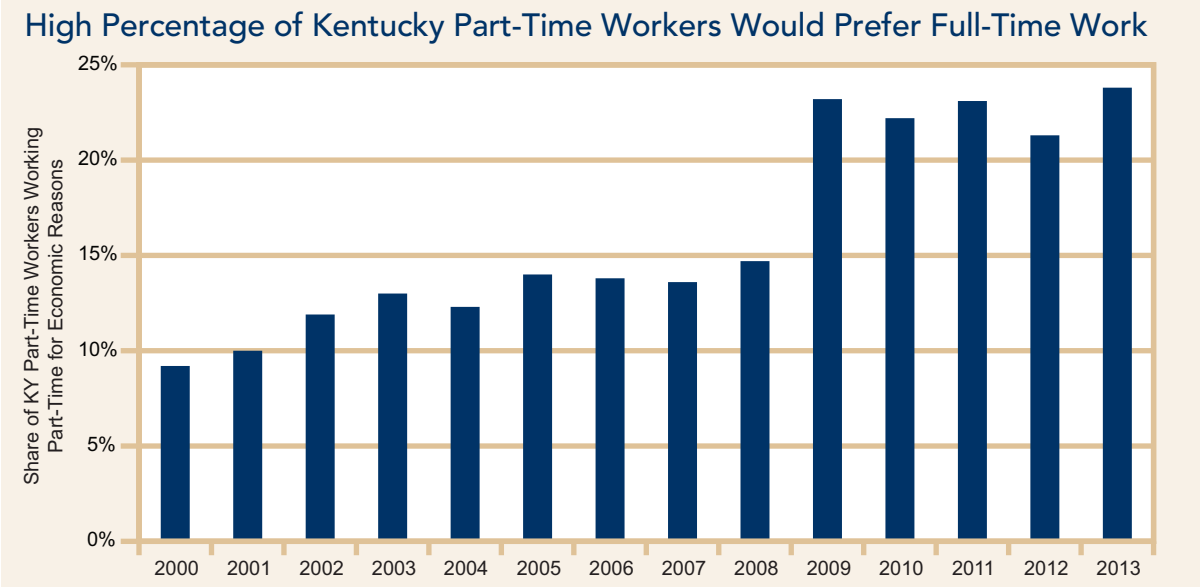
Source: Economic Policy Institute analysis of Current Population Survey data.

The employment to population ratio has only modestly improved since 2009 in part because some workers have given up looking for jobs. Kentucky's labor force participation rate—the share of the civilian non-institutional population 16 and older who either have a job or are searching for one—fell after the recession and remains low (see below). It was elevated when unemployment was very low back in 2000 because temporarily rising wages and abundant jobs encouraged more people to enter the labor market.



Source: Economic Policy Institute analysis of Current Population Survey data.

Another measure illustrating the broader challenge with the labor market is the underemployment rate, which combines those who are unemployed, those who are working part-time for economic reasons (people who want and are available for full-time work) and marginally attached workers (individuals who aren't in the labor force but say they want to work, are available for work and have looked for a job sometime in the last year). Kentucky's underemployment rate in 2013 was 15 percent, only a slight decrease from its peak of 17.5 percent in 2009. The share of workers who are part-time for economic reasons has also not improved from the recession, and stands at a record-high 23.8 percent in 2013 (see below).



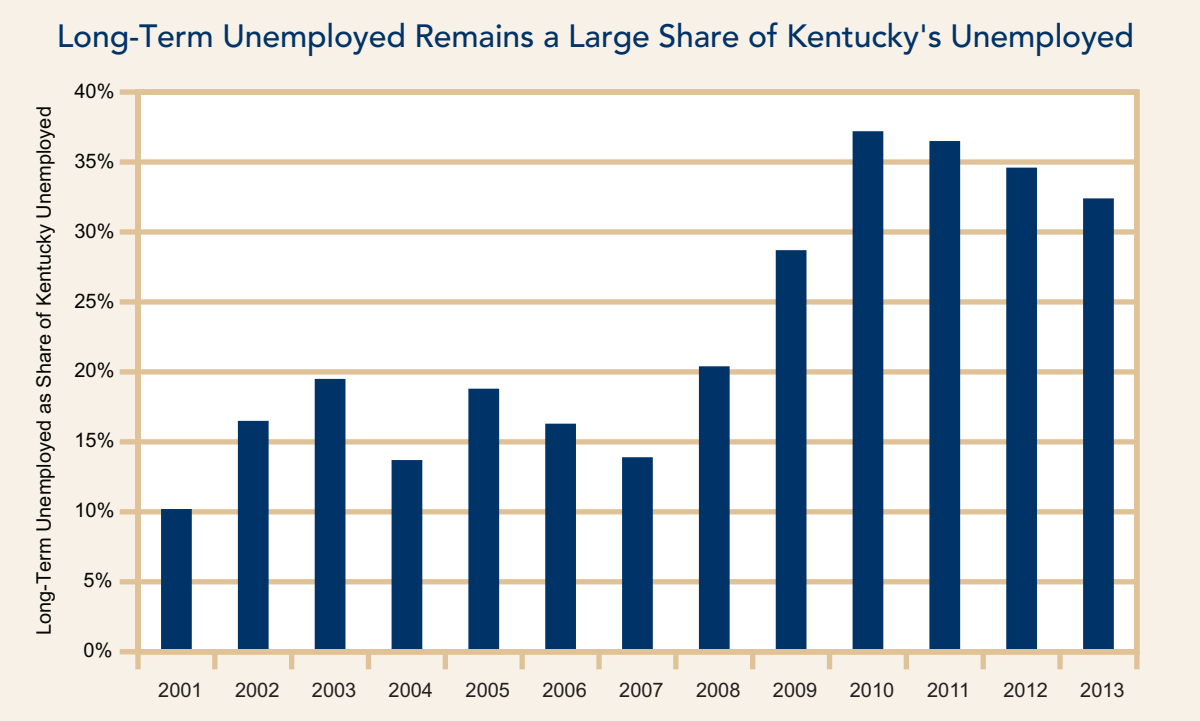
Source: Economic Policy Institute analysis of Current Population Survey data.

Kentucky's labor force challenges in this weak recovery are deeper than most other states. In 2013 Kentucky had the 10th highest unemployment rate among states and the 8th highest under-employment rate. Kentucky ranks 38th in its employment to population ratio and 37th in labor force participation.

As of July 2014, only five states have a higher unemployment rate than Kentucky.

THE GROWING PROBLEM OF THE LONG-TERM UNEMPLOYED

Since the weak recovery has meant a scarcity of jobs even five years after the recession officially ended, a growing challenge involves workers who have been unemployed for a long period of time. That number in Kentucky climbed in 2009 and 2010 and has remained elevated. While in 2007 only 13.9 percent of Kentucky's unemployed had been out of work for more than 26 weeks, in 2013 that share was 32.4 percent (see below).



Source: Economic Policy Institute analysis of Current Population Survey data.

Joblessness is made harder by the fact that unemployment benefits are not universally available in Kentucky. In 2012, Kentucky's unemployment insurance (UI) recipiency rate (the share of the unemployed that are receiving state UI benefits) was only 37 percent. That's a 10 year high and also 10 percentage points higher than the U.S. average. However, it means that a substantial portion of jobless workers are not receiving benefits.

The challenge of the long-term unemployed is made worse by the fact that many have exhausted their unemployment benefits. In 2012, Kentucky's UI exhaustion rate—the share of workers who ran out of state UI benefits (available for 26 weeks) before they found a job—was 38 percent, compared to 21 percent in 2007. The average length of time that U.S. workers spend looking for a job today is 35 weeks, nine weeks more than Kentuckians can currently receive UI.

Until January 1 of this year, qualified job-seekers were eligible to receive Emergency Unemployment Compensation (EUC) on top of the normal 26 weeks. EUC, which was signed into effect in June of 2008 by President Bush, provided extra weeks of benefits to all states and more to those with higher unemployment rates. A second program, Extended Benefits (EB), enabled states with extremely high unemployment to add up to another 20 weeks, such that in October of 2011 unemployed workers in Kentucky had access to UI for a total of 99 weeks. In October of 2013, EB ended and the total weeks were reduced to 63. Two months later, Congress failed to extend EUC and since January 1, 2014, Kentucky workers lose UI after just 26 weeks. By the end of 2014, 53,000 long-term unemployed workers in Kentucky will have lost unemployment benefits past 26 weeks.[8]

WHO IS HIT THE HARDEST?

A persistent lack of jobs in the state does not hit all workers equally. As mentioned previously, young Kentucky workers under age 25 are one group especially harmed, because they lack the work experience and relationships to make them competitive for a more limited number of jobs. Although the unemployment rate for Kentucky workers under age 25 has improved from 20.6 percent in 2010 to 16 percent in 2013, it's still more than twice as high as the 7.4 percent rate for those ages 25-54. Twenty-nine percent of those young workers in part-time jobs are doing so for economic reasons, and would rather have full-time work. Young workers' difficulty in accessing the labor market can have a long-term impact on earnings.

One aspect of the challenge for young workers is that the labor force participation rate for Kentucky workers 55 and older has climbed from 28 percent in 2001 to 36 percent in 2013 even in the face of the weak job market. That growth may be because older workers are staying in their jobs longer or returning to work because retirement savings were reduced by the financial market downturn or because a spouse lost a job. Regardless of the cause, older workers' persistence in the labor market may be further squeezing young workers out.

Kentuckians with less education have much higher levels of unemployment and underemployment (see the table below for selected labor market statistics in Kentucky by education level). Those with less than a high school degree face the biggest challenge. Their labor force participation rate is only 31 percent compared to 80 percent for those with at least a bachelor's degree. Thirty-three percent of Kentuckians with less than a high school degree are underemployed, 41 percent work part-time and 34 percent of those part-time workers do so for economic reasons.

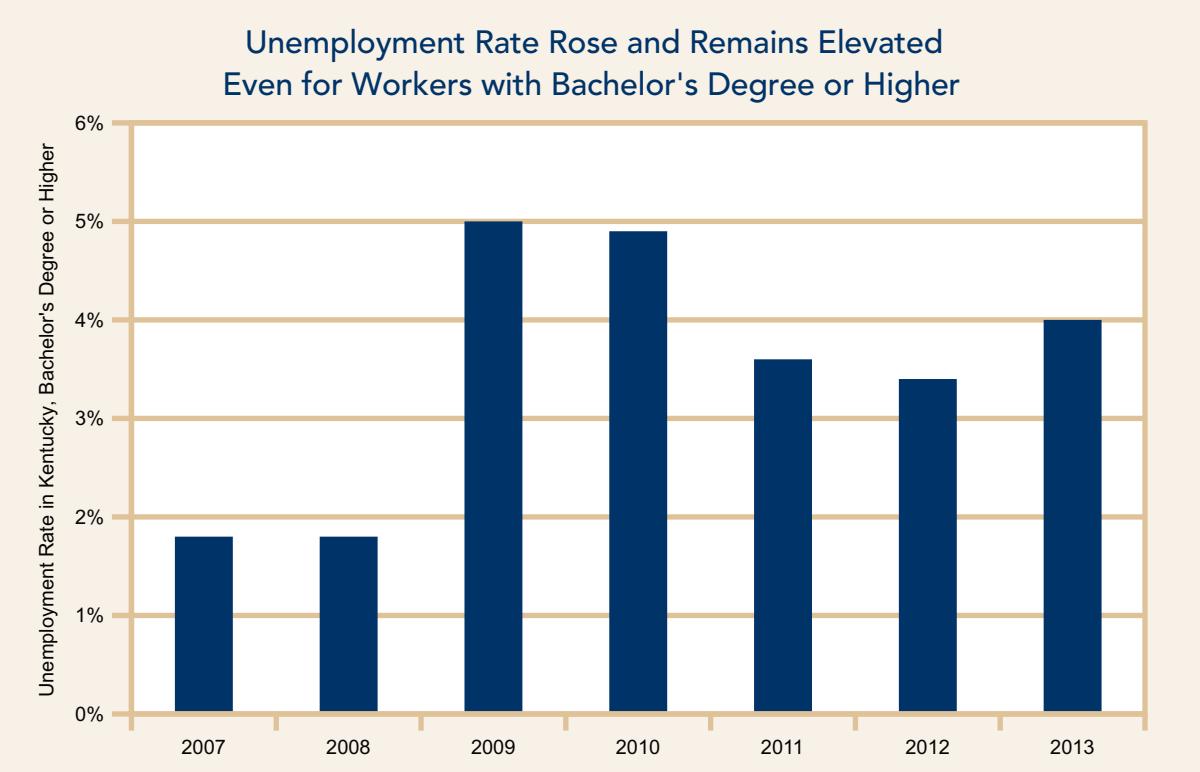
Labor Market Conditions Better for Those Kentucky Workers with More Education

Education	Labor force participation rate	Employment to population ratio	Unemployment rate	Long-term unemployment share	Under-employment rate	Part-time for economic reasons share	Share of labor force
Less than high school	31%	25%	19%	32%	33%	34%	9%
High school	58%	53%	9%	39%	17%	31%	33%
Some college	68%	63%	8%	24%	14%	21%	32%
Bachelor's or higher	80%	77%	4%	(a)	7%	11%	26%

(a) Does not meet standards for sample size.

Source: Economic Policy Institute analysis of Current Population Survey data.

However, those workers with less than a high school degree are only nine percent of the current workforce. Kentuckians with higher levels of education have fared better, but all have been impacted by the downturn and weak recovery. Various measures of unemployment and underemployment increased for all levels of education since the downturn hit, and there have been only modest improvements since then. For example, the unemployment rate for Kentuckians with a bachelor's degree or higher was only 1.8 percent in 2007 and 2008, rose to five percent in the recession and remains at four percent in 2013 (see below).

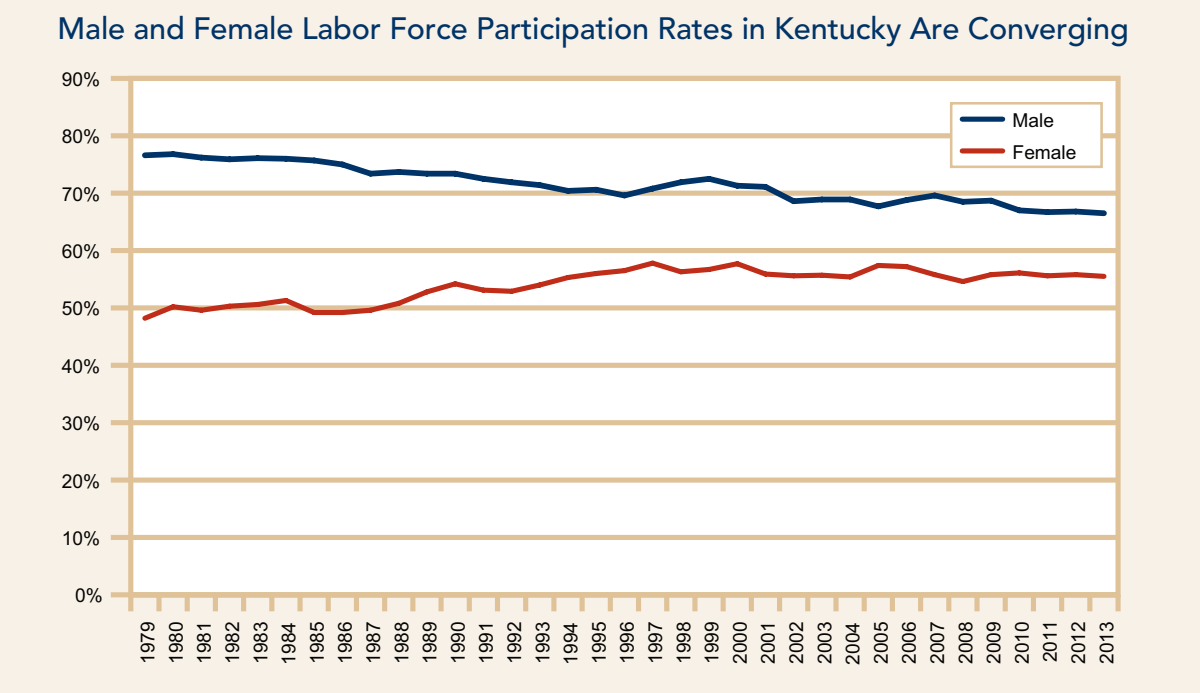


Source: Economic Policy Institute analysis of Current Population Survey data.

African Americans are also more likely than whites to be unemployed (11.6 percent versus 7.6 percent for whites) and underemployed (20.8 percent versus 13.8 percent for whites). Whereas in the strong economy of the late 1990s and early 2000s the African American unemployment rate was only slightly higher than the white rate in Kentucky, that gap widened in the 2000s and when the recession hit in 2008. Hispanics in Kentucky have an even higher underemployment rate, at 27.1 percent, and an extremely high 54.5 percent of Hispanics working part-time are doing so for economic reasons.

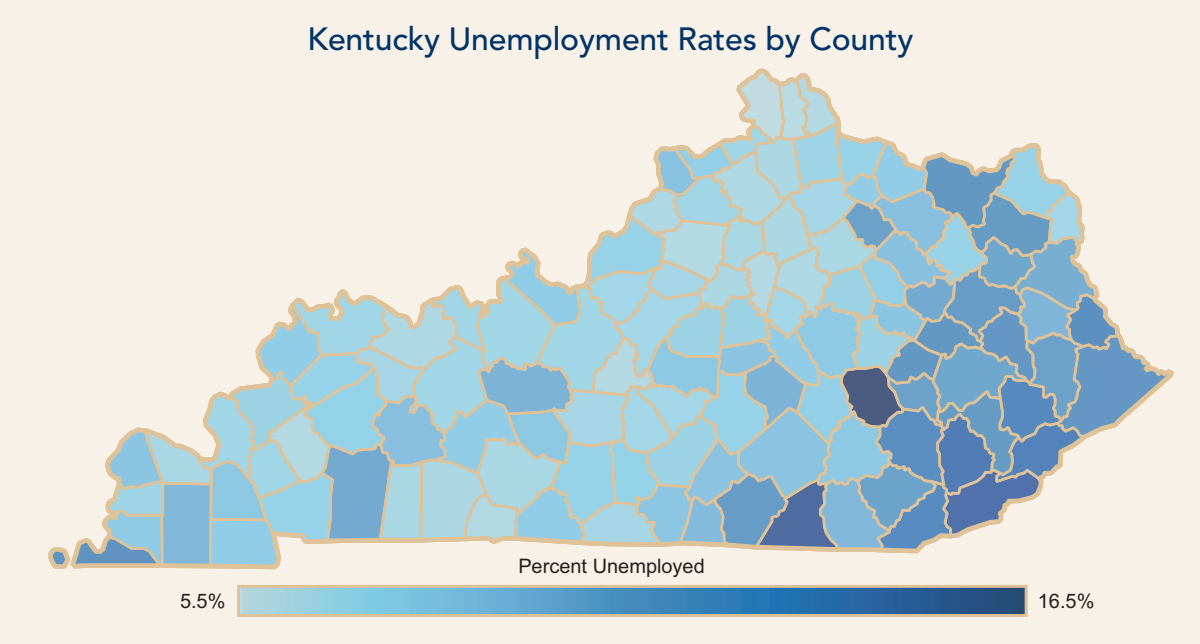
Kentucky's labor market statistics are more complicated when it comes to gender. Gaps persist that reflect the continuing challenges of gender discrimination in the labor market. At the same time, there are ways in which women have made progress in recent decades while working-class men have experienced concerning declines on some measures.

Women in Kentucky are less likely to participate in the labor force and more likely to work part-time. But men are more likely to be unemployed and are more likely to be working part-time for economic reasons rather than by choice. Women have much higher levels of participation in the labor force than they had in the 1980s (although that rate has been flat since the mid-1990s), while the male labor force participation rate has been declining steadily for the last 30 years (see graph). Men had higher unemployment rates as a result of the recession than women did, perhaps reflecting the large job losses in industries that traditionally employ a high percentage of men like construction and manufacturing.



Source: Economic Policy Institute analysis of Current Population Survey data.

Employment challenges also differ significantly by county and region of the state. In 23 eastern Kentucky counties, the unemployment rate in June 2014 was greater than 10 percent, and as high as 16.5 percent in Jackson County. At the other end of the spectrum are parts of northern and central Kentucky, where the unemployment rate was 5.5 percent in Boone County, 5.8 percent in Kenton County, 6 percent in Larue County and Campbell County, and 6.1 percent in Shelby County.



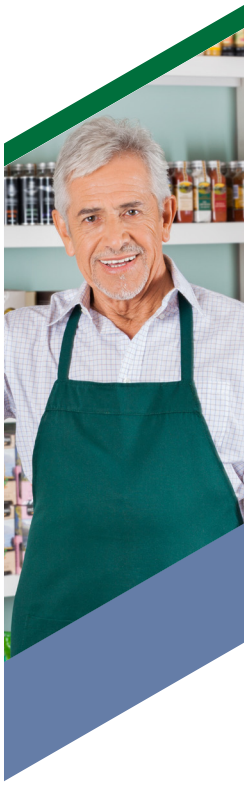
Source: Bureau of Labor Statistics, June 2014.

CHAPTER 3: WAGES AND BENEFITS

Wages from work are the primary determinant of economic well-being for most Kentuckians. But inflation-adjusted wages for Kentucky workers at the middle and the bottom have been declining since 2001, in stark contrast to the 1990s when Kentucky workers experienced real wage growth. Workers with more education are faring better, but also aren't seeing their wages grow. An increase in access to health insurance has been a unique bright spot in this picture as more Kentucky workers gain coverage through the state's new health insurance exchange and the expansion of Medicaid through the Affordable Care Act (ACA).

MORE THAN A DECADE OF LOST WAGES FOR KENTUCKY WORKERS

Wages are the main source of income for Kentucky workers at the middle and bottom. Examining wage trends therefore provides a solid picture of how average and low-wage Kentucky workers are faring in today's economy. Considering that so many Kentuckians are out of work, an employed person is doing well in one sense. But workers need more than jobs—they need good jobs that pay decent wages—and recent wage data show that they are losing ground. From 2012 to 2013, low- to moderate-income workers lost between $520 to $624 in inflation-adjusted wages.



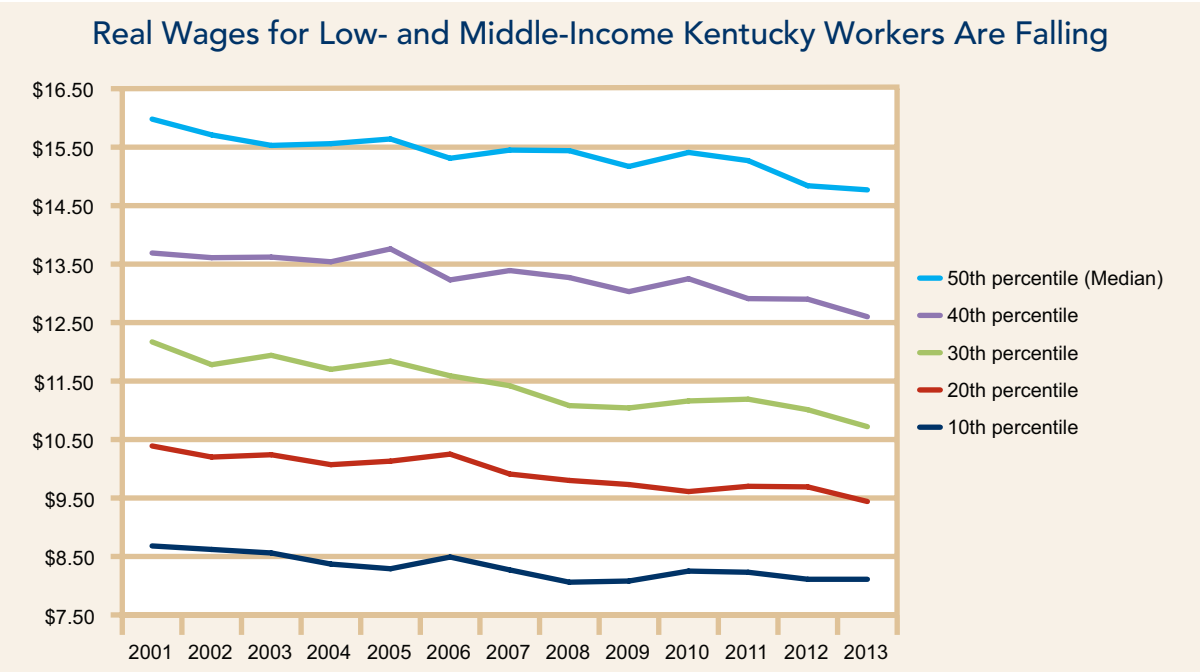
Kentucky Workers' Real Wages Have Declined in the Last Year

	Hourly Wage 2012	Hourly Wage 2013	Annual Wage Change
10th percentile*	$8.11	$8.11	$0
20th percentile	$9.69	$9.44	-$520
30th percentile	$11.01	$10.72	-$603
40th percentile	$12.90	$12.60	-$624
Median	$14.84	$14.77	-$146

*The minimum wage provides a wage floor that limits wage erosion for people in the worst-paid jobs.

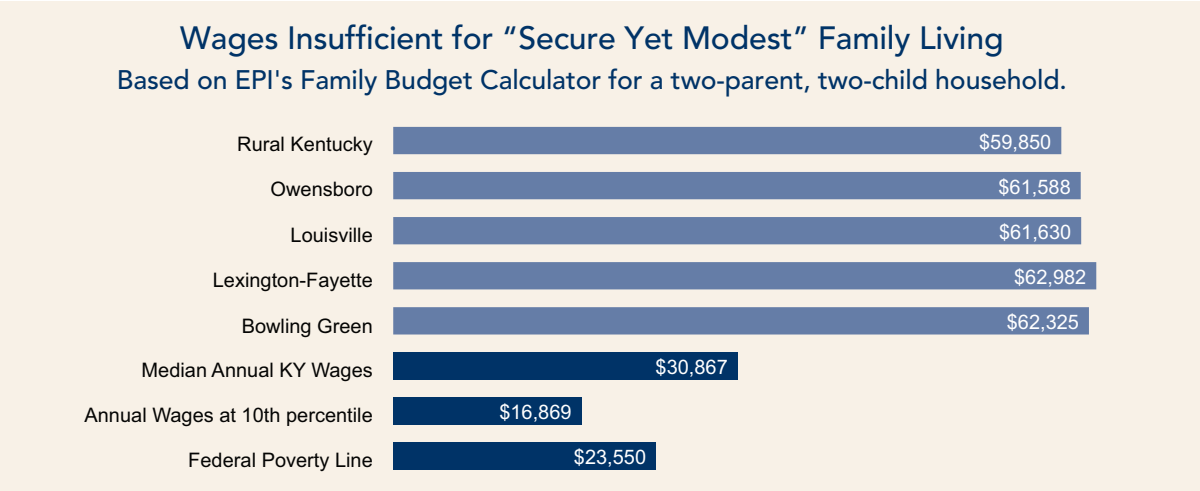
Source: Economic Policy Institute analysis of Current Population Survey data, in 2013 dollars.

This wage erosion is not a new trend: in inflation-adjusted dollars, paychecks have been steadily falling for middle- and low-income workers since 2001. Between 2001 and 2013, real median wages fell by eight percent and, in the worst-paid jobs, by seven percent. Workers at the 30th percentile saw their real wages fall 12 percent.



Source: Economic Policy Institute analysis of Current Population Survey data.

In other words, it's been over a decade of lost wages for Kentucky workers. As a result, families are struggling to meet basic needs, much less achieve a middle-class lifestyle. The graph below shows that even in two-parent, two-child households where one or both parents work full-time, wages are largely insufficient to support a decent standard of living. In the study on which these calculations are based, a "secure yet modest" lifestyle is defined as having enough income to pay for "housing, food, child care, transportation, health care, other necessities, and taxes," all of which are estimated at the local level.[9]



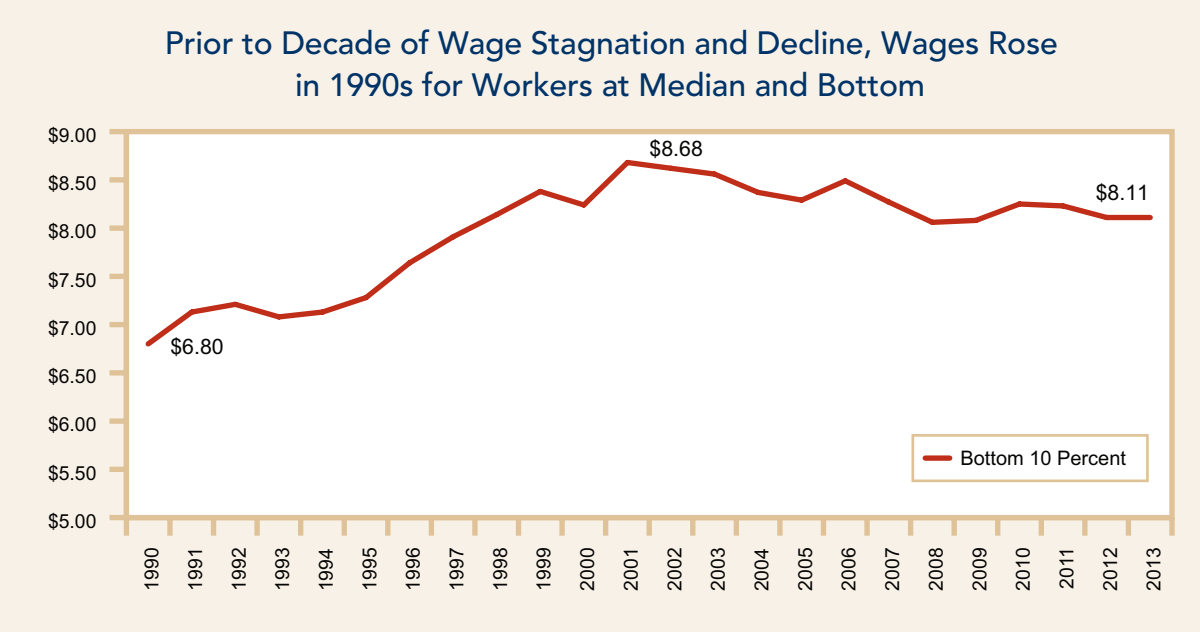
Source: Economic Policy Institute based on Family Budget Calculator for a two-parent-two child household.

One way workers have dealt with declining wages is to work more hours. Both individual workers and households have upped their hours to make ends meet, with more women entering the workforce and a growing number of two-worker households. In 2005, just before the Great Recession, the average two-parent family in Kentucky worked 360 more hours a year than in 1980.[10] With high unemployment and limited work hours available since the recession, many families have lost even this coping strategy.

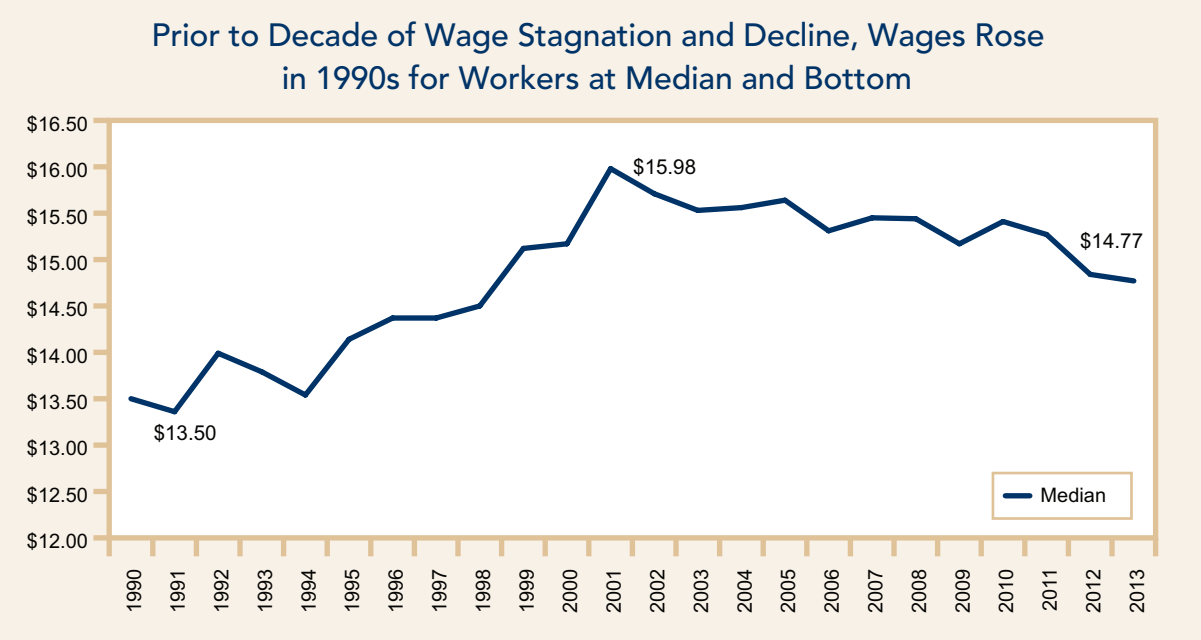
Wages are declining and are low compared to workers' needs, and also compared to other states: in 2013, Kentucky had the third lowest median wages in the nation ($14.77) behind Mississippi ($14.42) and Arkansas ($14.69), and Kentucky's median worker made just 88 cents on the dollar compared to the U.S. average. The state tied with Mississippi for the fourth largest share of workers making poverty wages, defined as the wage at which a four-person family with one full-time, year-round worker falls below the federal poverty line ($11.29 in 2012 dollars). One third of Kentucky workers were making poverty wages in 2012, up from one-fourth in 2001.[11]

WHY WERE THE 1990S BETTER?

Prior to the 2000s, Kentucky wages were gaining ground. Between 1990 and 2001, the gap in median wages between Kentucky and the nation narrowed from $0.86 to $0.95 cents on the dollar. Over the same span, inflation-adjusted median wages in Kentucky rose by 18 percent and for those at the 10th percentile by 28 percent.



Source: Economic Policy Institute analysis of Current Population Survey data.



Source: Economic Policy Institute analysis of Current Population Survey data.

That the 1990s were a decade of wage growth is due in large part to the pressure on wages that occurs when the economy is near full employment: with more jobs available, employers attract and keep employees by raising wages. Conversely, when employment is scarce and workers are competing with each other for limited jobs, employers have little reason to raise wages. The unemployment rate in Kentucky fell from 7.4 percent in 1991 to 4.1 percent in 2000, but climbed over the 2000s, hitting 10.6 percent in 2009.

Another trend bringing down wages since 2000 is the loss of jobs that have traditionally provided family-supporting wages in sectors like manufacturing and their replacement by low-wage service sector jobs, as explained in a previous section. In the 1990s, by contrast, the state was growing manufacturing jobs. Kentucky added 37,600 manufacturing jobs between 1990 and 2000, an increase of 14 percent, before losing one-fourth of its manufacturing jobs since then.[12]

Decreasing unionization also plays a role. Whereas in 1989 nearly 15 percent of Kentucky workers were union members, by 2012 only 10 percent were.[13] In “Right to Work” neighbor state Tennessee, less than five percent of workers were part of a union. In 2013, the median wage for Kentucky’s union workers was $17.86, compared to $14.04 for non-union workers; in other words, union workers were making $1.27 for every dollar that non-union workers made. Even when other factors like education and age are held constant, union coverage makes a substantial difference in wages—and it makes a larger difference the further down the income spectrum.[14]

GROWING INEQUALITY A BIG FACTOR

While real wages for typical Kentucky workers have been declining, the wealthiest Kentuckians have seen large gains in income. An Economic Policy Institute analysis shows that the top one percent of Kentucky earners netted nearly half of state income gains from 1979 to 2007.[15] The share of all income received by the top one percent increased by seven percentage points during those years, from nine percent to 16 percent. And in 2011, the top one percent earned 17 times as much on average as the bottom 99 percent ($34,716 compared to $578,193).[16]

Incomes have skyrocketed for those at the top at the same time as wages for middle- and lower-income workers have sagged. One powerful explanation is that in the 1970s, the link between workers' productivity and their wages was broken, resulting in an increasing share of economic returns going to CEOs and investors. The broken link is visible in recent wage data: despite 8.4 percent growth in Kentucky's gross state product per worker between 2001 and 2011, median worker wages declined four percent.[17] If wages had kept up with growth in productivity over that period, in 2011 they would have been $17.32 per hour instead of $15.27, amounting to an annual increase for a full-time worker of $4,264.

The economy has certainly underperformed over the last decade and unemployment remains too high. But it's also true that the gains from economic growth have not been broadly shared, with incomes at the top soaring while middle- and low-income Kentucky workers see wages stagnate or decline.

THOSE WITH EDUCATION MAKE MORE, BUT WAGES HAVE FALLEN FOR ALL GROUPS

More education is associated with higher wages: for workers with a bachelor's degree or higher, the median wage in 2013 was $8.24 higher than for workers with some college ($21.44 compared to $13.20). The difference between college-educated and high school degree earners was slightly larger—$8.42—indicating that a college degree is important to Kentuckians' earning power.

While more education makes a big difference for individuals, it is not the sole answer to sagging wages. The reality is that Kentucky workers are more educated than ever: the share of the state's labor force with a bachelor's degree or higher has grown from 12 percent in 1979 to 26 percent in 2013. Over the same period, the share of the labor force with less than a high school degree shrank from 33 percent to nine percent. But the inflation-adjusted median wage for Kentucky workers in 2013 was smaller than it was in 1979—$14.77 compared to $15.24.

Education has not guaranteed wage growth—neither for the labor force as a whole or for distinct demographic groups—nor has it protected workers from wage decline. Between 2001 and 2013, real median wages fell for those Kentuckians with a bachelor's degree or higher by 13 percent, for those with some college by 17 percent, and for those with a high school degree by five percent (the minimum wage provides a wage floor, limiting further decline for workers at the bottom).[18]

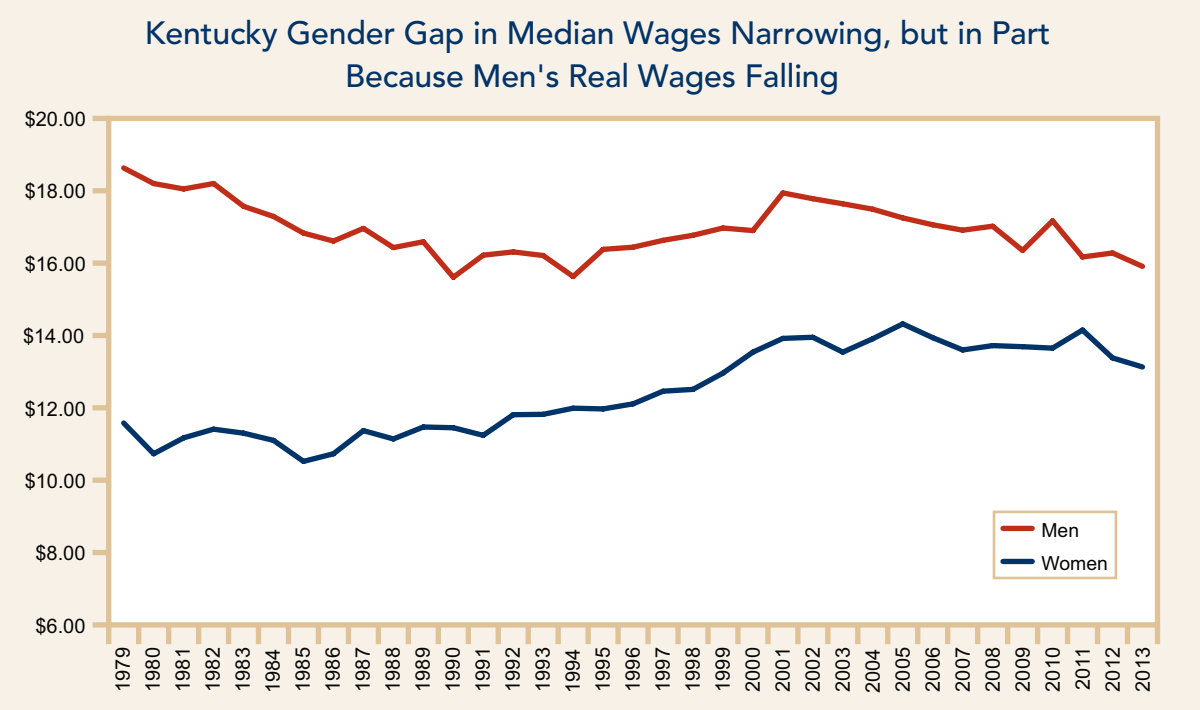
WAGE DISPARITIES PERSIST BY GENDER AND RACE

Kentucky faces persistent although evolving disparities in wages between men and women and among Kentuckians of different races and ethnicities.

In 2013, female workers at the median in Kentucky were making $0.83 for every dollar that men did—$13.13 compared to $15.91. The explanation for the gap is twofold: women tend to work in jobs that are ascribed less value than typically male-held jobs (for example, manufacturing compared to child care). They may also receive less pay for similar jobs due to discrimination.

Women tend to be over-represented in low-wage jobs. For example, data show that erosion in the value of the minimum wage affects women disproportionately. Raising the minimum wage to $10.10 an hour, as has been proposed in Congress and the 2014 Kentucky General Assembly, would lift the wages of one in four Kentucky workers, 55 percent of whom are women. And while 29 percent of women workers in Kentucky would benefit from the increase, 23 percent of male workers would benefit.[19]

Despite the persistence of the gender wage gap, it has narrowed steadily over the past three decades from around $0.60 on the dollar in the early 1980s to $0.83 in 2013. The change is due in part to evolving gender roles and policies that have opened higher paying jobs to more women and decreased the prevalence of wage discrimination. But the decline in median wages for men also accounts for some of the convergence. Good-paying, traditionally male-held jobs like those in manufacturing have declined, leaving men with lower-paid alternatives.



Source: Economic Policy Institute analysis of Current Population Survey data.

In the current labor market, both men and women's paychecks are shrinking, albeit by different degrees: while men's wages fell at both the median and bottom by 11 percent between 2001 and 2013, women's fell by six and three percent, respectively.

Despite policies prohibiting employment and wage discrimination based on race and ethnicity, these factors as well as disparities in opportunity and less visible institutional racism perpetuate the race wage gap in Kentucky. The Current Population Survey has an insufficient sample size of wage data by race in Kentucky, but the disparity between white, black or African American, and Hispanic or Latino workers can be examined using median earnings over the past 12 months, averaged from 2010 to 2012.[20] The data show that African American and Latino workers make $0.23 to $0.32 less on the dollar, respectively, than white workers, and that minority workers at the median in Kentucky make less than poverty earnings for a family of four ($23,050 in 2012).

Large Earnings Disparities Based on Race

	2010-2012 Median Earnings Over the Last 12 Months	Wage Gap in 2012 (Average Income Per Dollar of Income for White Families)
White	$ 26,995	n/a
Black or African American	$ 20,796	$ 0.77
Hispanic or Latino	$ 18,393	$ 0.68

Source: KCEP analysis of Census data.

For Hispanic households more than African American households, citizenship status may also play a role in the wage gap—40 percent of Hispanic Kentuckians were born outside the U.S., and though far from all of these immigrants are unauthorized, some who are may be paid under the table below the federal minimum wage.[21] They also have limited access to the full range of jobs that pay better.

The poverty rates for different racial and ethnic groups in Kentucky tell a similarly concerning story: in 2012, the poverty rate for all Kentuckians was high—18 percent. Nationally, 15 percent of Americans were in poverty, and Kentucky was among the 10 states with the highest poverty rate. For white Kentuckians between 2010 and 2012, the poverty rate was 17 percent, while for African American and Latino Kentuckians, it was 34 and 33 percent respectively.

EXPANDED HEALTH INSURANCE A BRIGHT SPOT IN DECLINING BENEFIT ACCESS

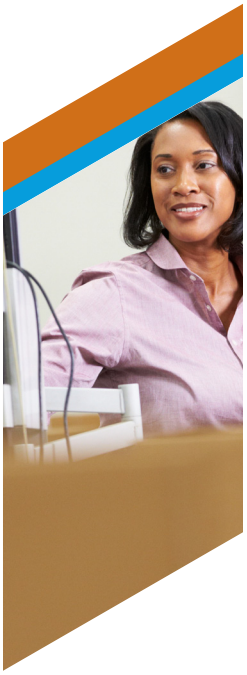
For workers in all groups, employer-provided benefits like health insurance and pensions can make up some of the difference in sagging wages. But the story in Kentucky and across the country is that fewer private employers provide either. In the last 30 years, the rate of private sector employer-provided health insurance in Kentucky has declined 16 percentage points, from 70 percent of employees in 1982 to just 54 percent in 2012.[22] Similarly, the share of workers in the private sector with employer-provided pensions has dropped from 51 percent in 1982 to 43 percent in 2012.

Despite declining health insurance coverage by private employers, health care for Kentucky workers is one area where trends are encouraging: since November of 2013, 521,000 Kentuckians have signed up for health insurance on the state's new health care exchange, Kynect. 442,000 are enrolled in Medicaid and 79,000 have purchased private plans.[23] A state breakdown of enrollees by county, type of insurance and age shows that more than four out of five enrollees are of prime working age (18-64).[24] KCEP analysis shows that those workers who most stand to gain coverage because of the expansion include those working in restaurants, construction, grocery stores, child care centers and department stores.[25]

This enrollment is greatly reducing the number of uninsured. The state estimates that about 75 percent of Kynect enrollees were not previously insured. In a recent Gallup poll, Kentucky had the second biggest one-year reduction in the share of people reporting they were uninsured of any state.[26] Even before the expansion and exchange, the ACA was already making a difference in Kentucky through the provision that allows young people up to age 26 to stay on their parents' plans. Census data show that the share of Kentuckians age 18-24 with private insurance went from 56 percent in 2010 to 63 percent in 2012. For that age group, the uninsured rate decreased from 33 percent in 2010 to 26 percent in 2012. Considering that the unemployment rate for young people is particularly high at this time, this feature of the ACA has been especially important.

POLICY RECOMMENDATIONS

Though Kentucky is seeing some overall improvement in its job situation, substantial challenges remain. The state's workers are still grappling with the effects of the Great Recession. On top of that are longer-term troubling trends in the economy, particularly the real decline in workers' wages over more than a decade. Economic disparities between Kentuckians persist and in some cases are growing. And Kentucky is burdened by its historic legacy as a poor state with an economy built around being a cheap place to do business, including low labor costs.



The state of the economy is not a force outside of our control. Rather, it is shaped by governmental decisions at all levels. The federal and state government should be doing more to spur faster job growth and rising wages so that more Kentucky workers can benefit from a real and lasting recovery.

Here are some of the key federal and state actions that can and should be made to improve the state of working Kentucky:

SUSTAIN AND STRENGTHEN THE ECONOMIC RECOVERY. The federal government has the power and the responsibility to move the nation back toward full employment as quickly as possible. A first priority is that the Federal Reserve should not prematurely increase interest rates and thereby choke off growth, and Congress must avoid more unnecessary crises like the near-insolvency of the federal highway trust fund this August and additional budget cuts and benefit reductions for those still struggling to get by. If Congress was focusing on the right priorities, it would consider ways to spur faster job growth through needed short-term investments in areas like infrastructure and through reducing the trade deficit that has resulted in the elimination of thousands of Kentucky manufacturing jobs.

RAISE THE MINIMUM WAGE AND CREATE A STATE EARNED INCOME TAX CREDIT (EITC). The erosion in the real value of the minimum wage is a big factor keeping down the wages of low- and moderate-income Kentucky workers. More than one in four of the state's workers would benefit from an increase to $10.10 an hour.[27] And more than one in five Kentucky families would benefit if the state created an EITC to mirror the federal EITC, which 26 states have already done. A 15 percent refundable state EITC would provide around $140 million in benefits to Kentuckians working low-wage jobs.[28]

EXTEND EMERGENCY UNEMPLOYMENT BENEFITS. Because of the slow recovery, long-term unemployment remains a serious problem in Kentucky, and will remain a real challenge for the next few years. The premature elimination of emergency unemployment benefits in December 2013 is also harming the economy by reducing consumer spending. The federal government should extend these benefits until the long-term unemployment rate is down to the level it was when extensions were ended in the past.[29]

INVEST MORE IN THE FOUNDATION OF ECONOMIC GROWTH THROUGH TAX REFORM. Kentucky workers need greater, more affordable access to quality education and social supports of various kinds—exemplified by access to health insurance through Kynect—in order to improve quality of life and pull Kentucky out of the bottom rung of states in terms of economic well-being. But Kentucky's tax system doesn't generate adequate revenue to keep up with growth in the economy. The state needs to increase tax fairness by closing holes in the tax code that keep wealthy individuals and major corporations from paying their fair share, and devote those resources to the investments in education, health care and income supports that will move Kentucky workers forward and spur economic growth by improving the state's quality of life.

CREATE FORWARD-THINKING ECONOMIC DEVELOPMENT PLANS AIMED AT BUILDING A STRONG ECONOMY OVER THE LONG TERM. Kentucky needs to take more of a long-range, comprehensive approach to economic development than its traditional strategy of providing tax breaks to companies in the hopes of luring them to the state. Kentucky needs a plan aimed at strengthening key sectors of the economy by helping address their particular needs, including a strategy to promote and sustain high-quality manufacturing jobs through investment in skills and promotion of innovation, as well as a strategy associated with filling the growing demand for health care and related workers. The state also needs regional strategies, like a plan to replace declining coal jobs and address longstanding poverty in eastern Kentucky of which the Shaping Our Appalachian Region (SOAR) process could serve as a useful first step. Sectoral and regional planning should be focused on economic opportunities that build on Kentucky's assets, are sustainable over the long-term and can provide good jobs.

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