



The State of Working Kentucky 2024

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By Jason Bailey and Dustin Pugel

The state of working Kentucky in 2024 includes good news on jobs but within the context of longstanding economic challenges and persistent pressures on household budgets. A rapid economic recovery has generated strong consumer demand and tightened the labor market, resulting in increased real wages at the bottom for the first time in decades. Federal investments are spurring job growth in construction, creating opportunities in clean energy and setting the stage for a potential upswing in manufacturing. The tight labor market is helping spur increased union activity, with stirrings of new organizing and labor actions, along with successful bargaining campaigns in Kentucky over the last two years.

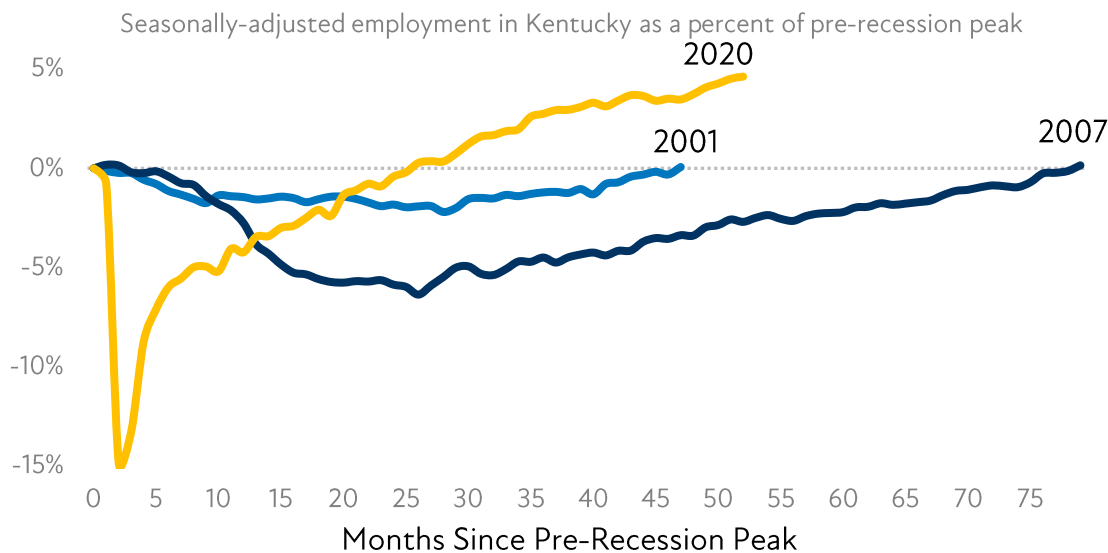
But these improvements are only a first step to address the stubborn challenges of stagnant wages and poor job quality for many workers, an inadequate number of jobs in certain communities, and persistent inequities when it comes to race, gender and region. In addition, while the rate of inflation has recently come down, higher prices than in 2020 are straining household budgets and personal debt remains a burden for many.

Kentucky can build on recent progress, but it will take cooperation and action. As we describe in this report, there is a great need for state and local leadership to spur more job creation in communities that need it through accessing new federal funds, increase job quality standards to make good union jobs more widely available, and address barriers including the affordability of basic household needs. And it will require abandoning vicious myths about Kentuckians' willingness to work and harmful attempts to roll back worker protections.

Job recovery from the COVID-19 recession is comparatively robust

Four and a half years after the COVID-19 recession battered the American economy, Kentucky has experienced an impressive recovery. That is thanks in large part to congressional action that stimulated job growth out of the pandemic and invested in long-term needs related to infrastructure, industrial revitalization and energy transition. Kentucky now has 84,800 more jobs than in February 2020. At the same point after the Great Recession, the state was still 46,400 jobs shy of pre-recession levels.

COVID Downturn Fell Deeper Than Past Recessions, Recovered Faster



Source: KyPolicy analysis of Current Employment Statistics data.

Note: First month corresponds to the national business cycle pre-recession peak as identified by the National Bureau of Economic Research, being July 1981, July 1990, March 2001, December 2007 and February 2020 respectively.

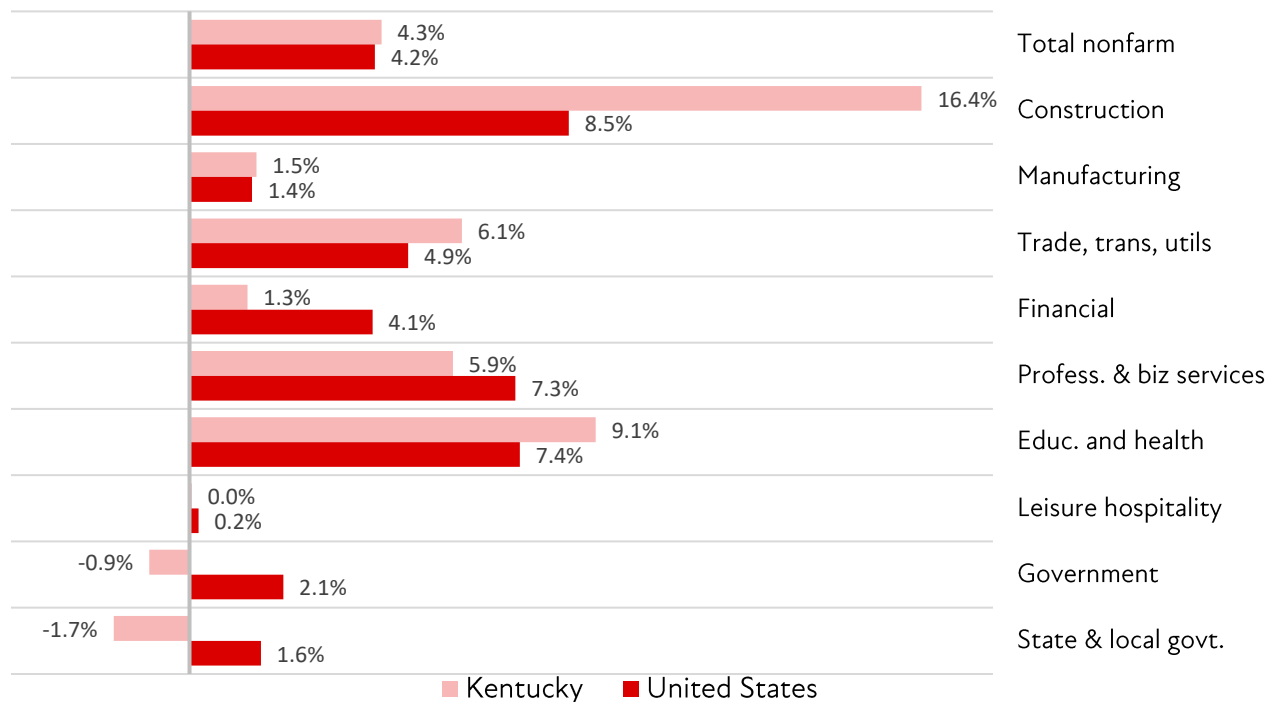
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Various emergency aid bills Congress enacted, including the American Rescue Plan Act, injected more money into a weakened economy through direct stimulus payments to households, increased unemployment insurance, an expanded child tax credit, state and local aid, education supports, food assistance and more. When Kentuckians spent those dollars, they stimulated rapid job growth as the economy reopened. And through the Bipartisan Infrastructure Law (BIL), CHIPS and Science Act, and Inflation Reduction Act (IRA), Congress is appropriating resources that are creating jobs in construction, manufacturing and utilities, easing inflation and making possible a longer-term recovery.

Specific industries have seen especially strong job growth in Kentucky. Construction employment has been particularly robust, adding 13,200 jobs above pre-pandemic levels, or 16% above February 2020, a rate of growth nearly twice the already impressive national average. Construction job growth is driven both by new manufacturing facilities as well as public infrastructure supported by the BIL ranging from water projects to roads and bridges.¹ Southern states like Kentucky have been the primary location of a number of new manufacturing-related investments, including in electric vehicle manufacturing, although the actual production jobs from those new investments are largely still to come.²

Construction Job Growth Has Stood Out in KY Recovery

Percent job growth compared to February 2020



Source: Economic Policy Institute analysis of Local Area Unemployment Statistics. Through July 2024.

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According to one estimate, Kentucky now has 15 new clean energy investments in operation that stem from the recent laws, with 4,621 jobs and \$7.7 billion of investment. A total of 93 projects are completed or in the development pipeline in the state with investment of \$18.7 billion and the potential for 24,790 jobs.³

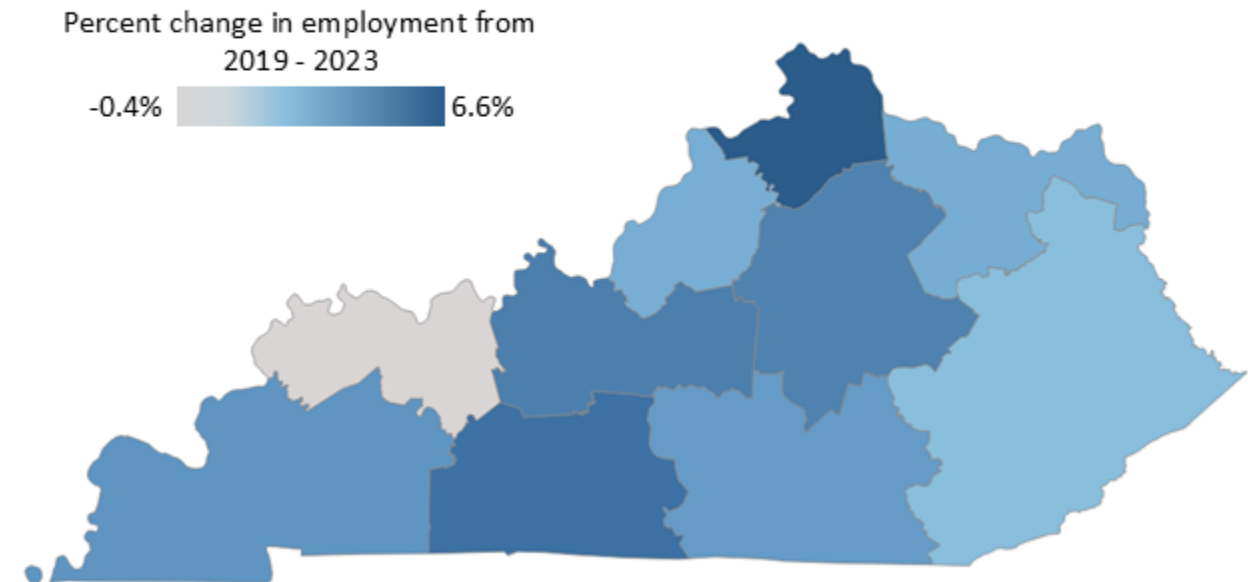
Growth in health care has also been especially strong, with ambulatory health care services adding 14,600 jobs, or 16%, from June 2019 to July 2024 and hospitals adding 12,000 jobs, or 15%. The move to buying more goods online during the pandemic combined with Kentucky’s central location also led to rapid growth in the warehousing and storage industry, which added 9,500 jobs, or 32% more jobs since July 2019. Public sector employment, in contrast, has continued to lag behind in Kentucky. That is in part because of lean state budgets despite large surpluses, the result of the legislature prioritizing a reduction in the individual income tax.⁴

The long-term decline of traditional industries like mining, agriculture and non-durable goods manufacturing has led to deep disparities in job growth in eastern and rural Kentucky compared to the state’s metropolitan regions. Since the fourth quarter of 2007, the northern Kentucky labor workforce area (LWA) has added 22% more jobs while the East Kentucky Concentrated Employment Project (EKCEP) LWA has lost 16% of its jobs. In a bright spot, nearly every workforce area has seen job growth compared to the period pre-COVID. But the extent of growth varies, with the Northern Kentucky LWA adding 6.6% more jobs and the South Central LWA, which includes Bowling Green/Warren County, adding 5.3% more jobs. In contrast, the Green River LWA lost 0.4% of jobs and the EKCEP LWA gained 1.4% more jobs. Vast swaths of rural Kentucky, particularly in the

former coalfields in the eastern part of the state, lack enough meaningful job opportunities even several years into a strong national recovery.

Recent Job Gains Vary by Region in Kentucky

Change in the number of jobs from 2019-2023 by Kentucky Local Workforce Area



Source: KyPolicy analysis of data from the Kentucky Center for Statistics.

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The geographic distribution of types of employment contributes to the job growth disparities. A full 70% of fast-growing transportation and warehousing jobs are concentrated in the Northern Kentucky LWA and the Louisville-area Kentuckiana Works LWA, which also specializes in employment in finance and in management of companies and enterprises. The Bluegrass LWA that includes Fayette and Franklin County has a disproportionately high share of government employment. Education jobs and professional and scientific employment are also more prevalent in that region and in greater Louisville. Jobs in health care and social assistance tend to be less geographically concentrated than other major industries, while manufacturing typically clusters near highway corridors.

Like all states, the strength of Kentucky's overall economy is strongly affected by larger, national economic forces. The recent Federal Reserve actions to raise interest rates have somewhat slowed the rate of job growth in the commonwealth. Kentucky's unemployment rate has increased from a low of 3.9% in 2022 to 4.7% today, and annual job growth has fallen from 3.3% two years ago to 2.4% in 2023 and just 1.1% over the last year. The months ahead will determine whether the Fed achieves a soft landing of sustaining lower inflation while preventing the economy from tipping into a recession, or if it waited too long to reduce interest rates.⁵

Working age labor force participation is now growing, and false narratives about many Kentuckians not working are harmful

There is much discussion in Kentucky about an alleged workforce crisis. However, there are significant myths and consistent misinformation circulating about workforce trends that are contributing to harmful narratives, policies and assumptions.

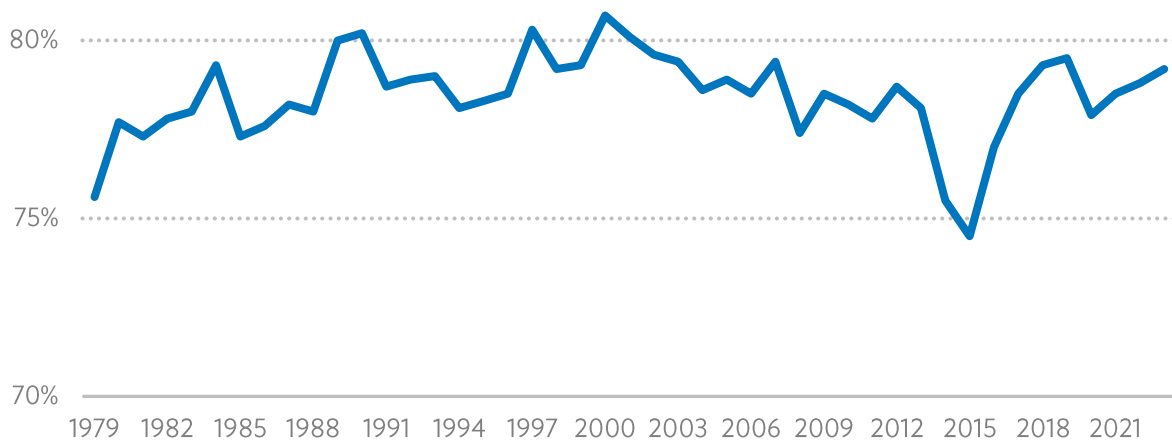
Much attention is given to the overall labor force participation rate, which has been declining in Kentucky as well as the United States as a whole. This trend has long been expected and is driven by the retirement of the large baby boomer generation that was born after World War II. As that population group moves from working age to retirement age, it will naturally reduce the share of the overall population in the workforce (especially with declining U. S. fertility rates).⁶ The workforce decline does not indicate any decrease in individual willingness to work but is simply a change in the age distribution of the overall population.

Another misconception is that this trend is the result of people living longer. But while some people who have access to higher incomes and better health care are living longer, total life expectancy has fallen somewhat in Kentucky in recent years.⁷ Kentuckians are also significantly less likely to live long periods of time after retirement than the national average; the most recent data shows that Kentuckians are expected to live 73.5 years, lower than the national average of 77 years and approximately 6 years less than top states like Hawaii, Washington, Minnesota, New Hampshire and Massachusetts.⁸

A better indicator of workforce participation is the share of the working age population ages 25 to 54 who are in the labor force, a group known as the prime age workforce. Rather than declining, that share is growing as more jobs are created in the post-pandemic economic recovery described above. The prime age rate was 79.2% in 2023, an increase from 77.9% in 2020. That is a higher prime age labor force participation rate than in most of the 1980s in Kentucky, and a level surpassed only when the economy was very close to full employment in the late 1990s and early 2000s.

Nearly 80% of Prime Age Kentuckians Are Working

Labor fore participation rate ages 25-54

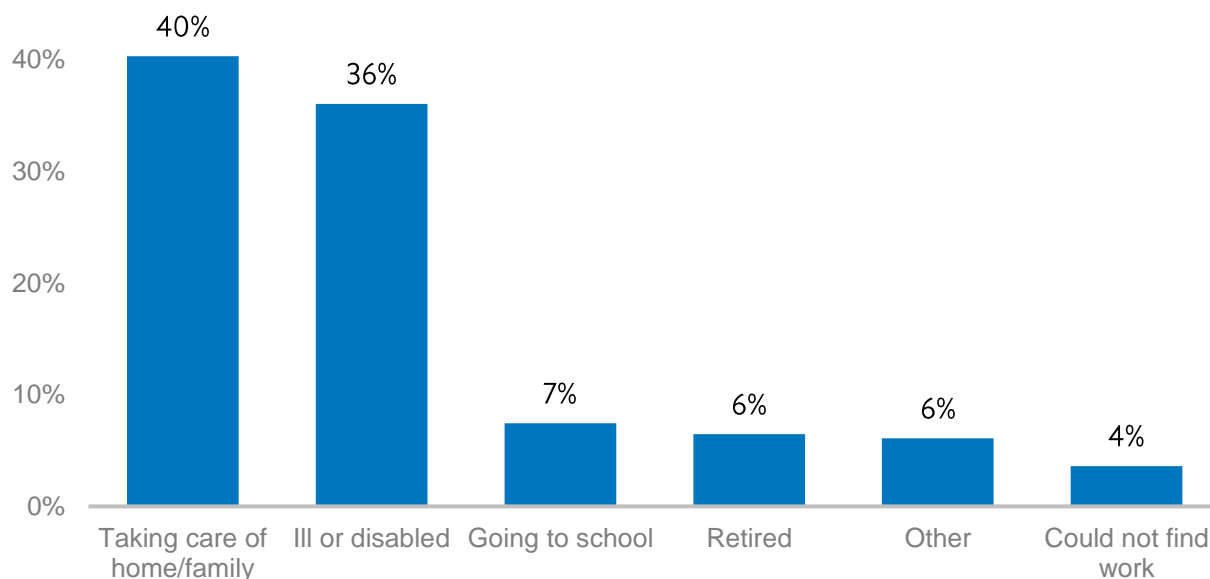


Source: Economic Policy Institute analysis of Current Population Survey microdata. .

Of the approximately 20% of prime age workers not in the labor force at any one time, three-fourths are either caregivers, ill or disabled, as shown below. Only 6% are categorized as “other” because their reason for not working could not be determined. In addition, it is important to note that labor force participation rates are snapshots in time; they do not mean that the same people remain in the same categories. Especially at the bottom of the labor market, conditions often change as individuals face greater instability related to housing, transportation, health, family relations, employment and other issues.

Caregiving and Health Top Reasons Not in Labor Force

Kentuckians age 25-54 who are not in the labor force 2021-2023



Source: KyPolicy analysis of ASEC supplement of the Current Population Survey, 2021-2023.

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It is perhaps the case that a larger share of caregivers and those who are ill or disabled would like to be employed, but Kentucky’s overall health measures are poor, and limited access to paid family leave and affordable child and elder care present challenges for caregivers.

In addition, there is much discussion about the fact that Kentucky’s labor force participation rate is low compared to most other states. While that fact is true, the overall rate is affected by a very strong geographic disparity within the state. Appalachian eastern Kentucky has had limited job opportunities historically due to heavy reliance on coal and other extractive industries and has experienced decades of rapid decline in mining employment with few new jobs created in its wake. That job loss and scarcity, combined with health and infrastructure challenges associated with the region’s economic and environmental history, results in a much lower labor force participation rate that reduces the overall state rate. As KyStats outlines in a recent report:

In terms of labor force participation, Kentucky as a whole lags behind most states. However, a closer look reveals that participation rates across large swaths of the Commonwealth are generally unremarkable in a national context. Urban Kentucky resembles the urban United States at large, and rural Kentucky (sans Appalachia) resembles the rural United States. Kentucky’s Appalachian counties

*are the exception, exhibiting labor force participation rates lower even than the rest of Appalachia, and contributing to Kentucky's low labor force participation.*⁹

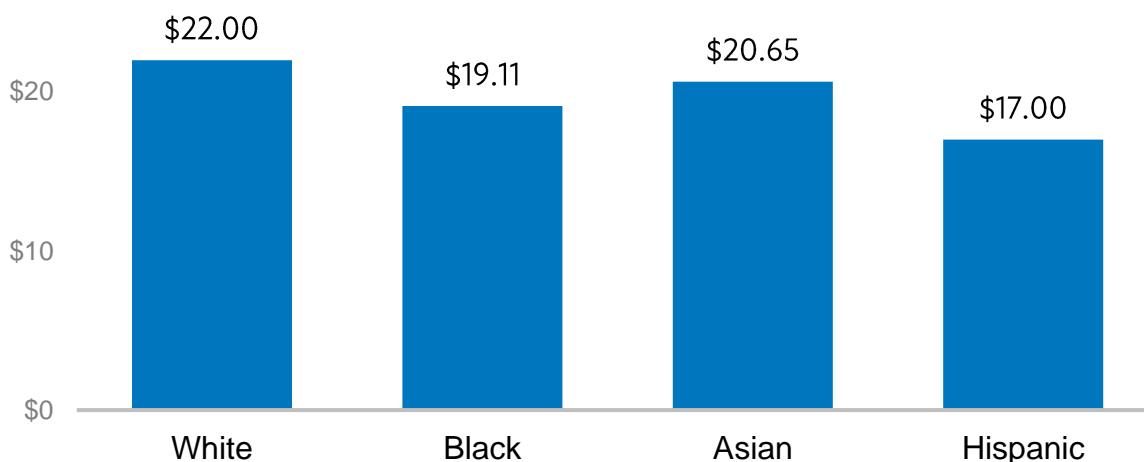
Eastern Kentucky remains a region deeply harmed by deindustrialization and lacking the public investment needed to create an adequate number of jobs to serve the working age population. Many people have migrated out of eastern Kentucky over the decades due to the lack of job opportunities, but rising housing prices and historically stagnant wages for working class jobs in some urban areas make such moves less attractive than in certain periods in the past. Individuals who migrate often must leave family support networks, land and other resources they now count on. Hyperbolic and stereotypical claims about Kentuckians in general and eastern Kentuckians in particular lacking interest in work are not based in fact. Eastern Kentuckians have long been employed in among the most demanding and dangerous jobs. But the region and certain other communities in Kentucky struggle from a scarcity of job opportunities that requires more public action to address.

In addition, immigrants make up a significant but often overlooked part of Kentucky communities and the labor market. Kentucky has an estimated 184,100 international immigrants that work in a variety of occupations and include a slightly higher than average share of small business owners.¹⁰ The state has an estimated 51,000 undocumented immigrants who typically work a variety of low-wage, difficult jobs. They contribute an estimated \$118.9 million in state and local taxes per year in Kentucky and pay an effective tax rate that is higher than the wealthiest 1% of Kentuckians.¹¹ Kentucky is also a top refugee state, ranking fourth among states in refugee arrivals per capita.¹²

Black Kentuckians are slightly more likely to be in the labor force than white Kentuckians on average. But in the face of structural discrimination, the average Black unemployment rate — meaning the share of the workforce that is out of work and looking for a job — is much higher at 11.3% compared to 3.3% for white Kentuckians.¹³ Wages are also lower for both Black and Hispanic Kentucky workers.

Kentucky Workers' Wages Differ Significantly by Race

Median hourly wage by race and ethnicity in Kentucky 2021-2023



Source: EPI analysis of data from the Current Population Survey.

Note: White, Black and Asian categories are non-Hispanic. Wages for 2021 and 2022 are inflation-adjusted to 2023 dollars

Kentucky also has a significant population involved in the correctional system, with 32,000 people in prison or jail and another 63,000 on probation or parole in 2022.¹⁴ Incarcerated individuals are not counted when calculating labor force participation numbers. Kentucky's incarceration rate is the sixth highest among states.¹⁵ In part because of geographic and discriminatory patterns of criminal legal system policies, Black Kentuckians make up 21% of the state prison population despite being only 7.7% of the state population. Policies like House Bill 5 in the last legislative session will worsen rates of imprisonment by expanding penalties, and Kentucky lacks adequate reentry policies to support those leaving prison or jail in finding good employment.¹⁶

Job quality and household costs remain challenges, though encouraging signs are emerging due to tight labor market and interest in unionization

Job quality – including inadequate wages, benefits and workplace protections – is a longstanding challenge that continues to limit the ability of Kentuckians to make ends meet, support a family and get ahead. In 2023, 19% of Kentucky workers were paid less than \$15 an hour.¹⁷ When looking at family size, a full 28% of Kentucky workers made wages that alone would put their family below the poverty line. Wage levels in many jobs also fall short of what is needed to meet a basic family budget. For example, a family of one adult and one child needs \$61,785 a year to meet a basic family budget in Owensboro according to the Economic Policy Institute, and a family of four with two adults needs \$88,182. Other estimates, such as the MIT Living Wage Calculator yield similar results.¹⁸ But median household income in Owensboro in 2022 was only \$66,211 and median family income was \$77,775.¹⁹

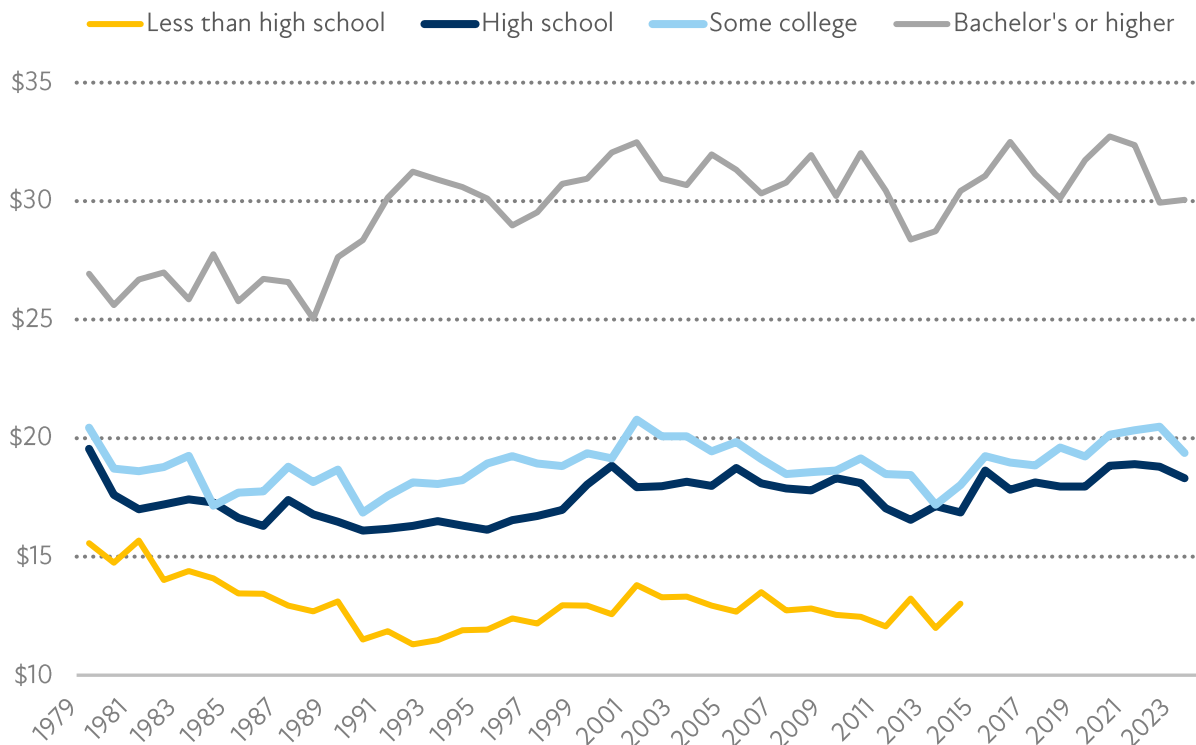
These numbers reflect in part the types of jobs that are available in Kentucky and the quality of employment. While education matters, the reality is a large portion of available jobs do not require advanced education. A full 43% of projected job openings in Kentucky between now and 2031 require only a high school diploma or equivalent, while another 31% have no formal educational credential requirement. These numbers reflect both areas of the economy that are growing, such as in logistics and basic care services, as well as positions that have high turnover due to low pay and poor working conditions. Most of the top 10 projected job openings in the state pay relatively low annual wages:

- Labors and Freight, Stock and Material Movers, Hand: \$37,930
- Stockers and Order Fillers: \$34,400
- Cashiers: \$24,380
- Retail Salesperson: \$27,330
- Miscellaneous Assemblers and Fabricators: \$39,130
- Fast Food Cooks: \$21,970
- Fast Food and Counter Workers: \$22,740
- Waiters and Waitresses: \$21,060
- Home Health and Personal Care Aides: \$28,160
- General and Operations Managers: \$74,070²⁰

Education is important because it strengthens democracy, enriches people's lives, instills specific skills, and supports critical and creative thinking. But while on average people with more education make more money, there is not a growing premium for a college degree and the median wage for Kentuckians with a bachelor's degree or higher has been stuck at an inflation-adjusted \$30 an hour since the early 1990s. Over that same period, tuition costs for higher education have increased dramatically, as has student loan debt.²¹ Education is an important good, but increasing levels of education will not improve the overall quality of jobs in the labor market, which is largely determined by the power of workers to bargain with their employers.

Stagnant Wages Even for College Educated Kentuckians

Inflation-adjusted median wage by education level



Source: Economic Policy Institute analysis of Current Population Survey data. Sample size too small for less than a high school degree after 2015.

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The fact that many Kentuckians are employed in low-paying jobs has made rising family costs a particularly challenging issue in the last few years. Inflation spiked during the COVID-19 pandemic spurred by supply chain backups, a shift from purchasing services to purchasing goods and the war in Ukraine. Evidence also suggests corporations in increasingly monopolized industries took advantage of the opportunity to raise prices further to grow corporate profits.²² Rates of inflation have since eased, dropping from 8.4% year-over-year growth in July 2022 to 2.9% in July 2024.²³

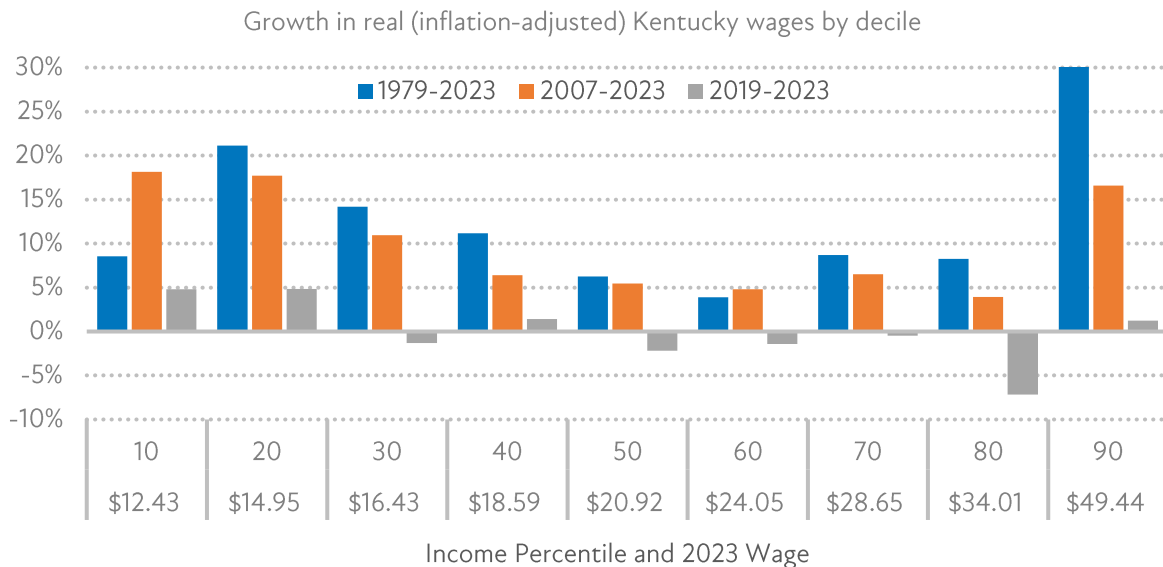
Even with cost increases slowing down, families are still paying much more to buy goods and services than pre-COVID and are doing so without the help of pandemic assistance. Federal aid that made child care more affordable is now expiring, and the state legislature put only a small amount of state resources in the most recent budget to address this challenge.²⁴ Families have also seen the end of expanded food assistance as well as the expiration of the student loan payment pause (although some borrowers are receiving income-based repayment plans and targeted loan cancellation). The moratorium on evictions has come to an end, as has a \$30-a-month discount on internet costs, and without congressional action we'll see the end of expanded subsidies to purchase healthcare through the Affordable Care Act marketplaces next year.

The end of this aid exacerbates longstanding difficulty affording basic needs and exposes Kentucky workers to the lack of state policies that provide basic supports. About 76% of Kentucky workers lack access to paid family

leave at their job and 64% of Kentuckians do not even have access to unpaid leave.²⁵ Housing costs have risen in recent years in part due to gentrification and speculation, not enough construction of affordable units, and natural disasters. The state is short 206,000 housing units, according to Kentucky Housing Corporation, and homelessness is rising.²⁶ Along with student loan debt, other forms of debt continue to burden many families, including 410,000, or 12% of adult Kentuckians holding medical debt in any single year.²⁷

There are some bright spots in the job quality picture the last few years that will help with this challenge if they are sustained and expanded. The success of federal pandemic stimulus in spurring a fast economic recovery tightened the labor market. Employers then had to increase wages, resulting in real wage growth particularly at the bottom of the earnings distribution where it is most needed. Since 2019, wages at the 10th percentile in Kentucky have grown from \$9.92 to \$12.43 an hour, 5% faster than inflation and the largest increase across the wage spectrum. Similarly, since 2007, the lowest-paid workers have seen the highest rates of wage growth. These recent gains among Kentucky’s lowest-wage workers buck the longer-term trend (since 1979) that the strongest wage growth is at the top – among managers and higher-paid professionals (and income growth among the ownership class has skyrocketed in comparison to all workers). But recent wage growth at the bottom has been even stronger in states that increased their minimum wage, whereas Kentucky’s has been stuck at \$7.25 for the longest period in its history without an increase.²⁸

Wage Growth at the Bottom After Long Stagnation



Source: EPI analysis of Current Population Survey microdata.

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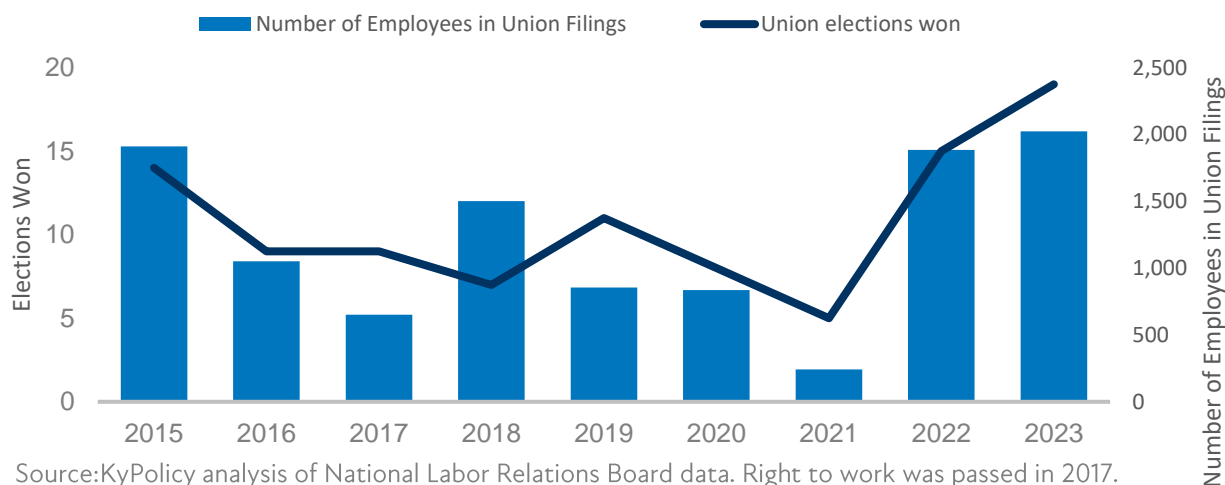
Another promising trend involves opportunities to help workers pursue career pathways to better employment. The public investment-spurred growth in construction employment the last few years has created an opportunity to help more workers enter a track to good jobs through apprenticeship programs. A report by KyStats shows the state had 6,639 certified active apprentices in 2023, an increase from 2,296 just 10 years prior.²⁹ Construction made up 2,055 of those apprentices, and a full 71% of construction apprentices in Kentucky are through unions.³⁰

The median exit wage for union construction apprentices in Kentucky is \$24.34 an hour compared to the median wage for all workers of \$19.32 an hour. Ten years following completion of all types of apprenticeships, the median annual wage in Kentucky is \$79,710. Although apprenticeship opportunities have traditionally been available primarily to white males, there is evidence of a wider diversity of opportunities. A full 17.9% of active Kentucky apprentices in 2023 are women compared to 3.7% in 2011. The share of active apprentices who are white has fallen from 93% in 2011 to 89% in 2023, and the share who are Hispanic has risen from 4% to 6%. Black unionized apprenticeship completers in Kentucky make \$5.54 an hour more than Black workers overall in the state.

Another bright spot has been a potential increase in interest in unionization. For decades, unionization has been declining across the commonwealth and in the United States due to the offshoring and elimination of unionized jobs, increasingly anti-union employer sentiment and outdated federal labor laws. Union membership in the commonwealth fell from 14.7% in 1989 (and union coverage of 16.4%) to 7.2% by 2021 (with union coverage of 9.7%). However, those numbers have increased in the two years since, rising to 8.8% in 2023 for membership and 11.2% for coverage.

There have also been slight increases in Kentuckians filing for and winning union elections. There were 43 union cases filed in 2023, the most since before 2010, covering 2,023 employees, the most since 2014. So-called right-to-work legislation passed Kentucky in 2017, making for a less favorable environment for union organizing, and the pandemic also resulted in a dip in filings and elections. In 2022 and 2023, however, there has been growth in union filings and elections that harkens back to the pre-right-to-work era or perhaps beyond. Unions in Kentucky also won 19 representation elections and lost eight in 2023, more wins than since before 2010 and a higher win percentage than most recent years.

Is Union Interest Returning in Kentucky?



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In addition, 2023 was a high-profile year for publicity of Kentucky unions, with major successful strikes for the Teamsters at UPS and the United Auto Workers representing the Ford and GM Corvette plants. There were labor actions (including strikes and labor protests) at 32 locations in Kentucky in 2023 and so far in 2024 compared to just 13 in all of 2021 and 2022.³¹ Although production workers at the new Ford Blue Oval plant in Glendale will not be automatically rolled into the UAW contract, the UAW has announced an intention to

organize there, as well.³² In 2023, 300 workers at New Flyer in Shepherdsville, which manufactures public transit buses, unionized with a voluntary card check agreement that the employer agreed to put in place.

Organizing is happening in the service sector as well in Kentucky, ranging from coffee shop workers at Starbucks, Sunergos and Heine Brothers; to the United Campus Workers at universities and colleges across the state; and to Amazon workers at the Cincinnati/Northern Kentucky airport.³³ Across the country, surveys suggest an increase in public approval of labor unions.³⁴

Implementing federal industrial policy, supporting unionization and job quality efforts and addressing affordability are key to further improvements for Kentucky workers

To continue recent progress, Kentucky must do more to create jobs by leveraging federal dollars, address the need for greater job quality by facilitating unionization and much-needed increases in labor standards, and take actions to remove barriers and stem the pain from the prices of basic goods and services.

Maximize leveraging federal dollars to create jobs in the commonwealth

The BIL, CHIPS and Science Act, and IRA have already played an important role in Kentucky's economy, and further present an unprecedented opportunity to bring in federal money for long-needed investments in infrastructure, manufacturing, and a clean energy transition. These investments can create jobs directly and improve the conditions for future economic growth. But those dollars will reach Kentucky communities only to the extent that the state and local governments, nonprofits and businesses take action to access them. Some funding streams require matching funds, and there is a need for public, private and non-profit capacity to develop creative plans for these monies. The federal laws make certain funding opportunities more widely available to communities made up of more low-income people and people of color, as well as those facing economic transition from the loss of traditional energy jobs. But those same communities often need capacity and resources to create competitive plans and proposals.

Among the opportunities Kentucky should continue to pursue include reclaiming abandoned mine lands; plugging orphaned oil and gas wells; building clean energy schools and public and nonprofit facilities through the new, heavily subsidized direct pay program; continuing to grow electric vehicle manufacturing; building renewable energy capacity; accessing clean water; and building accessible broadband. The Kentucky General Assembly took a positive step forward in the 2024 legislative session by putting \$200 million into the Government Resources Accelerating Needed Transformation (GRANT) program to provide resources and matching funds for acquiring federal grants, but much more will be needed to maximize the available opportunities for all communities.³⁵

Improve job quality by supporting unionization and improving labor standards

The guidelines for many of the new federal funding streams include standards for job quality and equitable access to employment opportunities. The state and localities should encourage, require and support the creation of project labor agreements on construction projects that partner with labor unions to ensure high quality construction and good jobs. State and local governments should also maximize use of community benefits agreements that are negotiated between community groups and developers to include labor standards as well as expectations for local and targeted hiring and other commitments like environmental protection, access to child care and community amenities. And states can support the expansion of apprenticeship programs, borrowing ideas like Pennsylvania's plan to use 3% of new federal dollars to subsidize employer hiring of apprentices.³⁶

In addition, governments in Kentucky should use public procurement processes to achieve job quality goals, such as by requiring state contractors to meet higher labor standards and demonstrate a track record of past adherence to high-quality labor standards. For example, Kentucky is receiving \$1.1 billion in federal funds for the Broadband Equity, Access and Deployment (BEAD) program to invest in high-speed internet access. But as the Communication Workers for America noted in a recent report, localities vary in the extent to which the process of awarding contracts is transparent, contractors participate in programs helping low-income people access broadband, and contractors utilize union labor, pay prevailing wages and provide local employment opportunities (Kenton County is highlighted as a model program in the report).³⁷ The more public officials support these standards in awarding funds, the better the outcomes will be for workers and communities.

More broadly, long-outdated labor standards are also past due for improvement. Kentucky is sorely in need of an increase in its minimum wage, which is now at its lowest real level since 1950, and the state should restore the ability of localities to enact a higher minimum wage than the state level.³⁸ Kentucky should empower and resource the Education and Labor Cabinet (ELC) to better crack down on worker misclassification in construction and other industries, which denies workers benefits and the right to collective bargaining and allows companies to avoid paying taxes. Kentucky also has a growing problem of child labor exploitation that the ELC needs more resources to combat.³⁹ The state should expand access to paid family leave, starting by offering it to all state employees as proposed by Sen. Amanda Mays Bledsoe during the 2024 session and which could be done through executive action.⁴⁰ And the legislature must abandon efforts to weaken labor standards, such as proposed legislation in the last session to eliminate the right to lunch and rest breaks, weaken child labor protections, and expand already problematic misclassification among gig workers.⁴¹

Address affordability in basic goods and services and remove barriers

Inflation has hurt families, but Kentucky can do more to make goods and services affordable. The state currently has \$4.5 billion sitting in its Budget Reserve Trust Fund, an amount far exceeding what is necessary to plug budget holes in the next downturn.⁴² The state should use a significant portion of these funds to construct more affordable housing, building on the positive first step of appropriating \$10 million in the last legislative session to the Kentucky Rural Housing Trust Fund and \$10 million for Lexington. It could also stem the loss of child care centers by doing more to replace the \$330 million in lost annual federal funds that threaten to reduce access, and go bold by creating a state-level refundable Child Tax Credit (CTC) like in 11 states to help all families with kids better meet rising costs.⁴³ Kentucky should join the growing list of states linking state income tax filing to the IRS's Direct File tool. Doing so would help Kentuckians access an estimated \$111 million in unclaimed federal tax credits like the CTC and Earned Income Tax Credit (EITC) and avoid \$108 million in tax filing fees and \$41 million in the time cost of filing.⁴⁴ And the state could follow the lead of North Carolina and use Medicaid funds to encourage hospitals to relieve the many millions of dollars of medical debt that is burdening residents.⁴⁵

In addition, Kentucky can do more to remove barriers to workers. The state could take additional steps to help with employment reentry from prison and jail, including by making expungement automatic (as proposed in legislation this session by Rep. Kevin Bratcher and Sen. Brandon Storm), funding a program to provide identification cards to those leaving jail and prison, and making more occupational licenses available to those with a criminal record as proposed by Rep. Emily Callaway.⁴⁶

¹ FRED Economic Data, "Total Construction Spending: Manufacturing in the United States," <https://fred.stlouisfed.org/series/TLMFGCONS>. U. S. Department of the Treasury, "Unpacking the Boom in U. S. Construction of

Manufacturing Facilities,” June 27, 2023, <https://home.treasury.gov/news/featured-stories/unpacking-the-boom-in-us-construction-of-manufacturing-facilities>.

² Blue Green Alliance, “EV Jobs Hub,” <https://evjobs.bgafoundation.org/>.

³ Climate Power, “Two Years of the Biden-Harris Clean Energy Boom,” Aug. 9, 2024, https://climatepower.us/wp-content/uploads/2024/08/Clean-Energy-Boom-Two-Year-Anniversary-Report-RES-2024_07_30-DR.pdf. Climate Jobs National Resource Center, “Breaking Ground: The Inflation Reduction Act Two Years In,” Aug. 13, 2024, <https://www.cjnrc.org/wp-content/uploads/2024/08/FINAL-CJNRC-IRA-Report-8-13-2024.pdf>.

⁴ Jason Bailey, et al., “Budget Agreement Maintains Modest Spending for Education and Other Needs Despite Funds Available to Do More,” Kentucky Center for Economic Policy, April 16, 2024, <https://kypolicy.org/budget-agreement-maintains-modest-spending-for-education-and-other-needs-despite-funds-available-to-do-more/>.

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