



WORKFORCE PARTICIPATION *IN KENTUCKY*

| *We need to add more than **165,000 people** to our workforce just to reach the national average.*

*A Report Prepared for the
Business-Education Roundtable and*



Kentucky Chamber
Uniting Business. Advancing Kentucky.

MAY | 2017

Workforce Participation in Kentucky

A Snapshot

Kentucky would need to add more than 165,000 people to the workforce to reach the national average participation rate of 62.7% (as of 2016). This report, prepared for the Business-Education Roundtable and the Kentucky Chamber of Commerce by Taylor-Gray Associates of Frankfort, offers a close look at the various factors that affect the state's workforce participation. A quick overview is provided by the table below, followed by more detailed information.

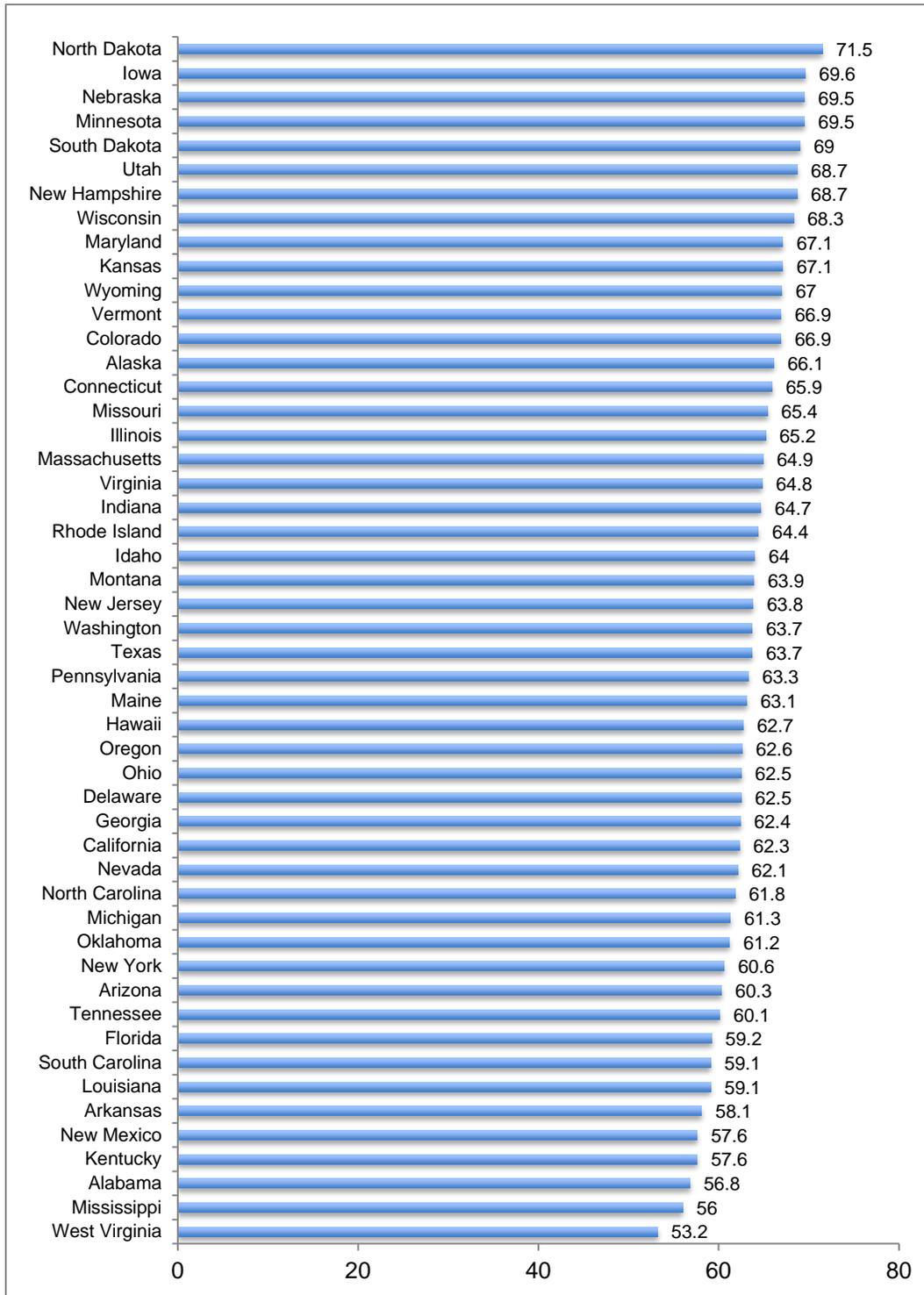
	Kentucky	U.S. Average
Workforce Participation Rate	57.6%	62.7%
Unemployed	99,907(5.0%)	4.8%
Underemployed*	9.7%	9.6%
Incarcerated (Incarceration Rate)	35,295 (474 per 100K)	471 per 100K
Disabled (% of population age 18-64 receiving Social Security disability/SSI)	300,000+ (8.1%)	4.7%
Drug & Alcohol Abuse:		
Inmates on Drug Charges	4,616 (20%)	N/A
Alcohol Addiction	102,000 (3.06%)	3.18%
Alcohol Abuse	197,000 (5.95%)	6.51%
Overdose Death Rate	29.9 per 100K	16.3 per 100K
High School Diploma or Higher	84.2%	86.7%
Bachelor's Degree or Higher	22.3%	29.8%
High School Graduation Rate	86%	81%
Percent of population with income below the poverty level	18.5%	13.5%
Health Ranking	45 th	N/A

*Underemployed is a broader measure of labor underutilization and includes the unemployed (actively seeking work in the past four weeks), discouraged workers (those not in the labor force who looked for a job in the past 12 months), and individuals employed less than 35 hours per week who want to work full time. Sources: Bureau of Labor Statistics, Social Security Administration, Substance Abuse and Mental Health Services Administration, Kentucky Office of Drug Control, Centers for Disease Control, Census Bureau, National Center for Education Statistics, America's Health Rankings 2016

A More Detailed Look

Kentucky's Workforce Participation Rate: The Bureau of Labor Statistics (BLS) defines the civilian labor force as citizens age 16 or older who are employed or seeking jobs and are not in the military or institutionalized (in jail, mental institutions or nursing homes). The BLS publishes monthly estimates of the workforce participation rate in each state (the percentage of the civilian non-institutionalized population working or seeking work). At an average of 57.6% for 2016, Kentucky's workforce participation rate was the fourth lowest of the 50 states.

**Workforce Participation Rate by State, 2016 Annual Average
(U.S. Average 62.7%)**



Source: Bureau of Labor Statistics

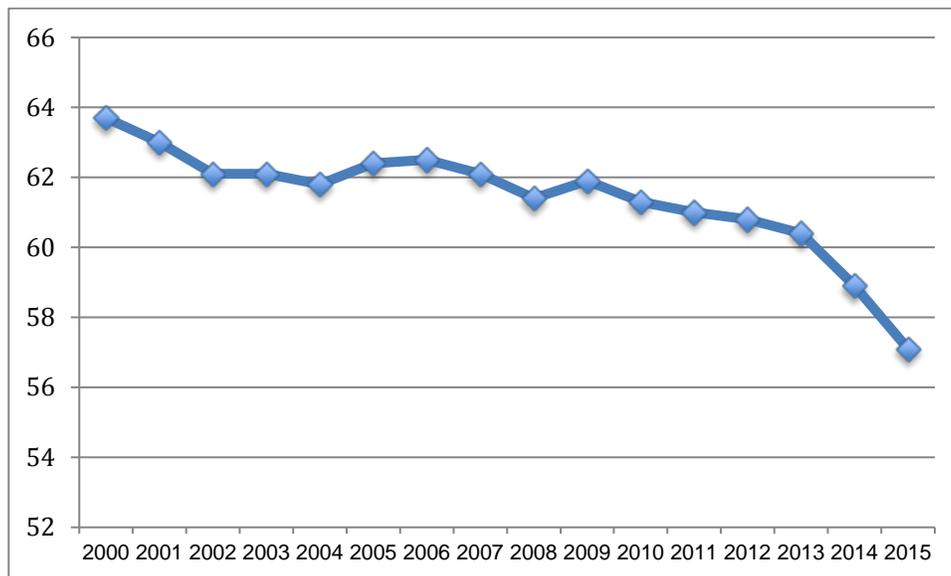
The BLS data estimated Kentucky's average workforce as follows for 2016:

Total Civilian Non-institutional Population Age 16+:	3,458,277
Total Civilian Workforce:	1,991,974 (57.6%)
Total Employed:	1,892,273 (54.7%)
Total Unemployed:	99,701 (5.0%)

Kentucky's unemployment rate ranked 27th among the states in December 2016 (1 is the lowest rate).

The Commonwealth's annual workforce participation rate has been steadily declining in recent years:

**Kentucky's Annual Workforce Participation Rate
2000-2016**



Source: Bureau of Labor Statistics

Why is Kentucky's workforce participation rate so low? Recent data from the Brookings Institution notes that 15% of American men (one in seven) between the ages of 25 and 54 are not working. Brookings identifies several contributing factors:

- Incarceration
- Disability
- Drug and alcohol abuse
- Demographics (low education attainment, dropout rate, poverty, health status)

This statistical overview provides data on the factors that limit the participation of Kentuckians in the workforce. **It should be noted that there is some overlap**

between the identified populations. Some of those incarcerated will have a drug problem, some with a drug problem will have a disability, and so forth. The goal is not to provide an exact count, but to identify those factors that keep Kentuckians from working.

Incarceration: As noted earlier, individuals incarcerated in state prisons or county jails are not included in BLS workforce data. The most recent monthly census of the statewide corrections population and the county jail population shows more than 35,000 Kentuckians were not available to participate in the workforce due to incarceration.

Kentuckians Incarcerated May 2017

	Population
State Correctional Facilities	11,926
County Jails	23,839
Total	35,765

The average annual cost to incarcerate an inmate in a state correctional facility was \$22,298 in 2015. The most recent state inmate profile reveals a number of facts about Kentucky's prison population:

- The average age of an inmate is 37.
- 76% of inmates are white, 21% are black and 1% Hispanic.
- 87% male, 13% female
- Crimes:
 - Violent 35%
 - Sex 10%
 - Property 25%
 - Drug 20%
 - Other 8%
- The average sentence length is 13 years.
- **During 2015, a total of 16,962 inmates were released by shock probation, parole, mandatory reentry supervision or upon completion of their sentences.**

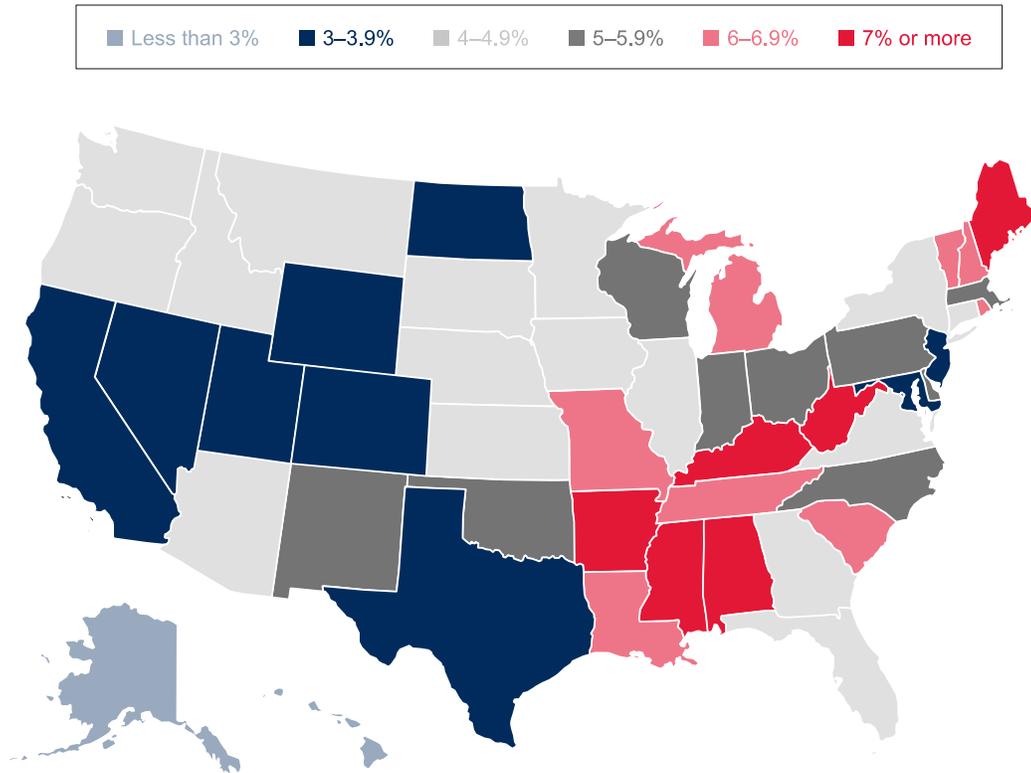
Kentucky's incarceration rate (the number of people incarcerated in state prisons per 100,000 residents) was the highest in the nation ten years ago. While recent reforms have slowed the growth in the prison population, Kentucky's incarceration rate of 474 per 100,000 residents is still high, ranking 12th among the states and higher than the national average of 471. This is particularly notable as the crime rate in Kentucky is relatively low. Kentucky's violent crime rate ranked 45th among the states in 2015, and the property crime rate ranked 32nd.

Disability: The Social Security Administration defines a person as disabled when he or she is no longer able to perform a “substantial gainful activity” as the result of a physical or mental impairment that is expected to last at least 12 months or possibly result in death. People who meet the definition of disability are eligible to receive **one of two types of Social Security benefits:**

1. **Social Security disability insurance**, for people who have worked a specified amount of time in a job in which they have paid into Social Security. Social Security disability payments vary based on the person’s earnings and type of disability.
2. **Supplemental Security Income (SSI) benefits**, for low-income people who are age 65 or older, blind or disabled. SSI recipients are automatically eligible to participate in Medicaid (if under the age of 65). SSI payments are not paid to people who are incarcerated. (Some SSI recipients also receive disability insurance because they are the spouse, child or survivor of the initial recipient.)

Kentucky has **one of highest rates of disability in the United States in the percent of the population receiving Social Security disability insurance benefits. In December 2015, 223,240 Kentuckians (8.1% of the population aged 18-64) received disability insurance payments** from Social Security. Only Alabama, Arkansas and West Virginia had higher rates. Nationally, **4.7% of the population** receives Social Security disability insurance payments.

Disabled Social Security Beneficiaries aged 18-64 as a Percent of State Population Aged 18-64



Source: Annual Statistical Report on the Social Security Disability Insurance Program, 2015

The primary diagnoses for Kentuckians receiving Social Security disability insurance payments are:

• Congenital anomalies	0.3%
• Endocrine, nutritional and metabolic diseases	2.8%
• Infectious and parasitic diseases	0.7%
• Injuries	3.4%
• Mental disorders	32.8%
• Neoplasms	2.2%
• Blood and blood forming organs	0.2%
• Circulatory system	7.8%
• Digestive system	1.4%
• Genitourinary system	1.0%
• Musculoskeletal system and connective tissue	33.4%
• Nervous system and sense organs	7.8%
• Respiratory system	3.5%
• Skin and subcutaneous tissue	0.2%
• Other	0.2%
• Unknown	2.2%

As the list indicates, **more than two-thirds of the diagnoses relate to mental disorders and problems with the musculoskeletal system/connective tissue** (such as arthritis, osteoporosis, muscular dystrophy, lupus, etc.)

An additional 125,447 Kentuckians aged 18-64 receive Supplemental Security Income (SSI) payments. The data shows that approximately one-third of all SSI recipients, regardless of age, also receive Social Security disability insurance payments. Specific age group data on this overlap is not available, but, assuming one-third of the 18-64 group also receive Social Security disability insurance payments, an estimated 83,000 Kentuckians age 18 to 64 receive SSI benefits only. That puts the total number of Kentuckians who receive some type of Social Security disability payments at more than 306,000.

Social Security Disability Fraud Investigations: In an effort to ensure the integrity of its disability programs, the Social Security Administration operates the Cooperative Disability Investigations (CDI) program in 33 states (including Kentucky). The program is a joint effort between the Social Security Office of Inspector General, and state/local law enforcement agencies. Its focus is on obtaining sufficient evidence to identify and resolve issues of fraud and abuse in disability determinations and claims. The table below details actions in the program for the most recently reported year (October 1, 2015 to September 30, 2016).

CDI Program Results October 1, 2015 – September 30, 2016					
State	Claims Denied/Ceased	Judicial Actions ¹	SSA Savings ²	Non-SSA Savings ³	SSA Recoveries ⁴
Alabama	9	0	\$386,650	\$404,381	\$5,864
Arizona	55	1	\$3,569,933	\$3,604,448	\$157,772
Arkansas	55	1	\$2,829,360	\$2,876,694	\$0
California ⁵	441	3	\$24,438,600	\$31,984,358	\$259,427
Colorado	71	0	\$3,689,804	\$4,299,093	\$0
District of Columbia ⁶	7	0	\$295,387	\$655,384	\$8,063
Florida ⁷	104	3	\$5,313,637	\$5,918,366	\$42,599
Georgia	116	0	\$5,885,432	\$6,205,864	\$29,320
Illinois	52	1	\$2,780,089	\$2,532,134	\$114,630
Iowa	73	0	\$3,832,258	\$4,590,739	\$47,121
Kansas	15	6	\$830,420	\$946,256	\$20,000
Kentucky	56	2	\$2,618,039	\$2,969,007	\$92,102
Louisiana	47	1	\$2,766,949	\$2,445,759	\$0
Maryland	25	1	\$1,412,504	\$2,102,062	\$0

CDI Program Results
October 1, 2015 – September 30, 2016

State	Claims Denied/Ceased	Judicial Actions ¹	SSA Savings ²	Non-SSA Savings ³	SSA Recoveries ⁴
Massachusetts	31	0	\$1,811,324	\$2,023,486	\$2,504
Michigan	59	1	\$3,151,173	\$4,038,605	\$89,447
Minnesota	11	0	\$584,503	\$1,213,828	\$867
Mississippi	47	0	\$2,463,297	\$2,512,750	\$17,688
Missouri ⁸	138	5	\$7,764,874	\$8,876,490	\$227,406
New York	52	8	\$3,066,807	\$4,248,395	\$354,410
North Carolina	5	0	\$409,283	\$300,565	\$0
Ohio	142	0	\$7,229,978	\$11,650,931	\$151,194
Oklahoma	96	0	\$5,489,300	\$4,709,616	\$0
Oregon	170	0	\$8,484,889	\$10,878,175	\$0
Puerto Rico	11	2	\$734,299	\$507,874	\$0
Rhode Island	17	2	\$811,966	\$1,049,480	\$122,755
South Carolina	175	0	\$10,188,199	\$10,176,514	\$67,386
South Dakota ⁹	0	0	\$0	\$0	\$0
Tennessee	35	0	\$1,736,816	\$2,549,010	\$0
Texas ¹⁰	91	13	\$4,624,209	\$6,260,752	\$18,525
Utah	97	0	\$5,314,907	\$5,786,138	\$0
Virginia	117	0	\$6,267,691	\$7,610,770	\$0
Washington	120	4	\$6,430,864	\$7,145,126	\$327,621
West Virginia	10	0	\$426,830	\$655,797	\$0
Wisconsin	0	0	\$0	\$0	\$0
(10/1/15-3/31/16)	2,483	88	\$131,183,884	\$159,380,454	\$2,639,829
(4/1/16-9/30/16)	2,550	54	\$137,640,271	\$163,728,847	\$2,156,701
TOTAL FY 2016	5,033	142	\$268,824,155	\$323,109,301	\$4,796,530

¹ Judicial Actions include Sentencings, Pre-Trial Diversion, Civil Settlements, and Civil Monetary Penalties

² CDI-related SSA program savings are calculated using a variable method that considers the type of program involved, and factors that account for nationwide denial/cessation rates.

³ Non-SSA Savings are projected over 60 months whenever another governmental program withholds benefits because of a CDI investigation, using estimated or actual benefit amounts documented by the responsible agency.

⁴ SSA Recoveries include SSA recoveries, restitution, fines, settlements and judgments. Although this data is included in the reported OIG monetary accomplishments, the amount attributable to CDI was not previously included in this chart.

⁵ California has two units, one in Los Angeles and the other in Oakland.

⁶ The District of Columbia CDI Unit has been operational for less than one year.

⁷ Florida has two units, one in Tampa and the other in Miami.

⁸ Missouri has two units, one in Kansas City and the other in St. Louis.

⁹ The Sioux Falls, South Dakota CDI Unit has been operational for less than one year.

¹⁰ Texas has two units, one in Dallas and the other in Houston.

Drug/Alcohol Abuse: There are no firm statistics on the total number of Kentuckians who are addicted to drugs. The nature of drug abuse makes the collection of such data difficult. There are, however, a number of indicators that indicate the extent of the problem in Kentucky.

As noted earlier, 20% (4,616) of the inmates in state correctional institutions are incarcerated on drug charges. (Similar data is not available for inmates in county jails.)

The federal Substance Abuse and Mental Health Services Administration (SAMHSA) conducts an annual survey that measures alcohol use and some illicit drug use among the 50 states. The most recent survey results show:

- 410,000 (12.34%) Kentuckians over the age of 18 have used marijuana in the past year.
- 56,000 (1.69%) Kentuckians over the age of 18 have used cocaine in the past year.
- 19,000 (0.59%) Kentuckians over the age of 18 have used heroin in the past year.
- 102,000 (3.06%) Kentuckians over the age of 18 are addicted to alcohol.
- 197,000 (5.95%) Kentuckians over the age of 18 have alcohol abuse disorder (defined as a pattern of alcohol use that involves problems controlling drinking, being preoccupied with alcohol, continuing to use alcohol even when it causes problems, having to drink more to get the same effect, or having withdrawal symptoms when you rapidly decrease or stop drinking).

Another strong indicator of drug abuse is death from opioid drug (prescription and illicit) overdoses. **The federal Centers for Disease Control and Prevention (CDC) monitors drug overdoses and found that for 2015, Kentucky had the third highest rate of deaths due to drug overdoses (tied with Ohio).** The number of deaths from opioid drug overdoses increased 21.5% in Kentucky from 2014 to 2015. The five states with the highest rates of death due to drug overdose were:

1. West Virginia (41.5 deaths per 100,000 population)
2. New Hampshire (34.3 deaths per 100,000 population)
3. Kentucky (29.9 deaths per 100,000 population)
4. Ohio (29.9 deaths per 100,000 population)
5. Rhode Island (28.2 deaths per 100,000 population)

To provide context for the severity of the problem, here is how deaths from drug overdoses compared with other fatalities in Kentucky in 2015:

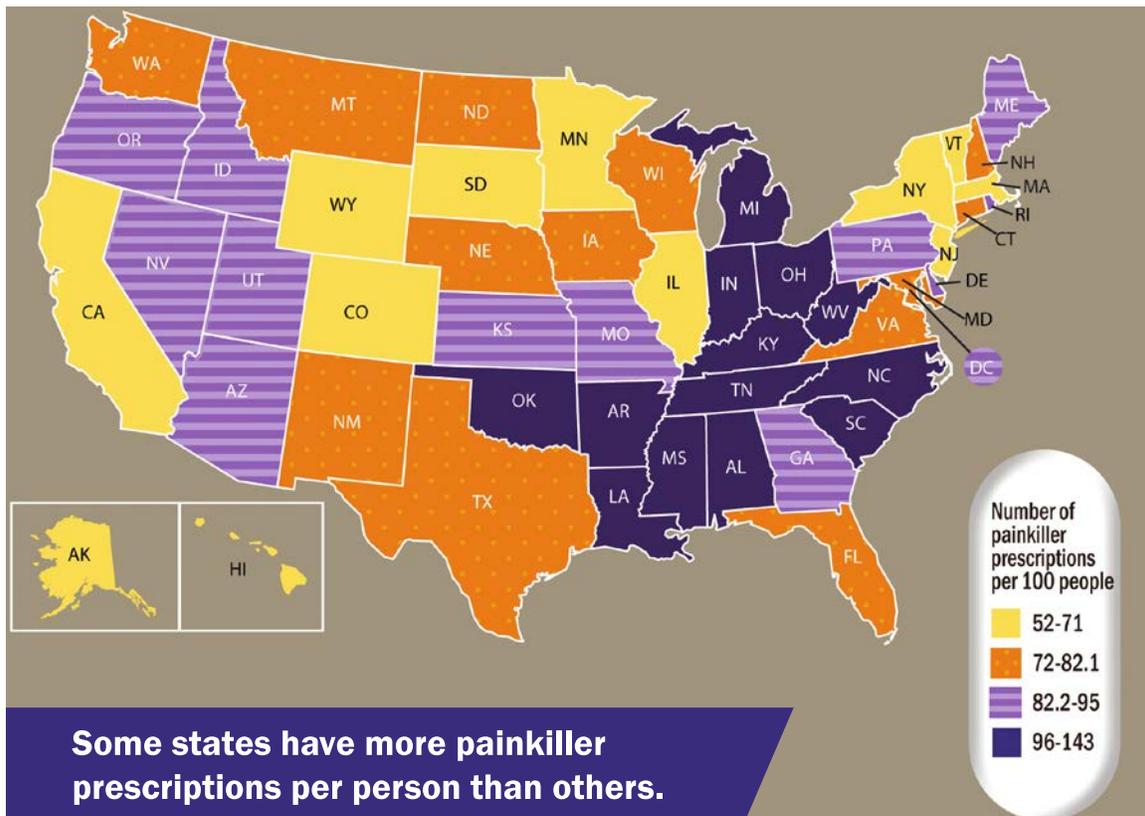
- Drug overdose deaths 1,248
- Traffic accident deaths 745
- Homicides 367
- Accidents 2,622*

*2014 data

The Kentucky Office of Drug Control reports that the most frequent drugs involved in the 1,248 overdose deaths in Kentucky in 2015 were:

- Heroin
- Fentanyl
- Alprazolam
- Oxycodone
- Hydrocodone

Finally, as the overdose data suggest, the CDC reports that Kentucky has a high rate of prescriptions for opioid painkillers.



Source: Centers for Disease Control and Prevention, 2014

There has been some reduction in overall prescriptions for controlled substances (drugs that have a potential for abuse) in Kentucky. Health care providers in Kentucky are now required to report all prescriptions for controlled substances using the state-administered Kentucky All Schedule Prescription Electronic Reporting System (KASPER). The most recent report from the Kentucky Office of Drug Control shows a 2.4% drop in all controlled substance prescriptions from 2012 to 2016.

Controlled Substance Dispensing Comparison			
Drug	July 2011 - June 2012	July 2015 - June 2016	Percent Change
Hydrocodone	3,303,453	2,590,661	- 21.6%
Oxycodone	977,256	1,058,655	+ 8.3%
Oxymorphone	24,485	19,655	- 19.7%
Tramadol	431,455	594,309	+ 37.7%
Alprazolam	947,672	786,267	- 17.0%
Diazepam	413,983	360,905	- 12.8%
C-II Stimulants	838,170	1,021,748	+ 21.9%
Buprenorphine/ Naloxone	269,488	647,029	+ 240.1%
All Controlled Substances	10,943,722	10,681,811	- 2.4%

Number of prescriptions dispensed as reported to KASPER



Source: Kentucky Office of Drug Control Policy, 2016 Annual Report

Demographics: Kentucky also faces a number of challenges with respect to education attainment, poverty and health status.

- **Education Attainment:** Education attainment in Kentucky trails the U.S. average:

Education Level Population 25 Years and Older	KY	U.S.
Less than 9 th grade	6.7%	5.7%
9 th to 12 th grade, no diploma	9.2%	7.6%
High School Graduate (includes GED)	33.6%	27.8%
Some College, no degree	20.8%	21.1%
Associate's Degree	7.5%	8.1%
Bachelor's Degree	13.1%	18.5%
Graduate or Professional Degree	9.2%	11.2%
Percent High School Graduate or Higher	84.2%	86.7%
Percent Bachelor's Degree or Higher	22.3%	29.8%

Source: American Community Survey, U.S. Census Bureau

The Brookings Institution cites research that suggests that jobs available to workers with limited education or few marketable skills offer low wages and that people in these circumstances often believe it is not worthwhile to work.

- **Drop Out Rate:** The drop out rate is essentially measured by the high school graduation rate (the number of students who graduate from high school divided by the number of students who entered high school four years earlier). Kentucky has a relatively high graduation rate with 86% of students graduating compared to the national average of 81%.
- **Poverty: 18.5% of Kentuckians have incomes below the poverty level** (income of \$12,060 for one person or \$24,600 for a family of four), compared to the U.S. average of 13.5%. Only Alabama, Louisiana, New Mexico and Mississippi have a higher poverty rate than Kentucky.
- **Medicaid Expansion:** Kentucky is one of 32 states that opted to expand eligibility for Medicaid for people with incomes below 138% of the federal poverty level (\$33,600 per year for a family of four) under the federal Affordable Care Act. This 2014 expansion has resulted in more than 500,000 additional Kentuckians enrolling in the Medicaid program. A 2016 study by the National Bureau of Economic Research found that the Medicaid expansion has had no significant effect on employment in states that adopted the expansion. Estimates from the American Community Survey indicate that 55% of people eligible for the Medicaid expansion are employed in areas such as food service, sales, transportation (truck drivers), office support, cleaning and maintenance, construction and health care support.
- **Health Status:** The United Health Foundation publishes the annual *America's Health Rankings*, comparing the health of state populations based on four groups of health determinates:
 1. Behaviors which affect personal health
 2. Community and environmental factors that affect health
 3. Public and health policies relating to resources that encourage and maintain health
 4. Clinical care reflecting the quality, appropriateness and cost of health care

Kentucky ranked 45th in the 2016 rankings, with challenges identified as high prevalence of smoking, high rate of cancer deaths and high prevalence of frequent physical distress. Drug-related deaths have increased by 33% in the past five years, obesity increased by 9% in the past year, and violent crime decreased 26% in the past seven years.

Summary: This statistical overview suggests a number of factors affect Kentucky's workforce participation rate.

- **Unemployment:** More than 90,000 Kentuckians are unemployed and receiving unemployment insurance benefits, which means they are required to be actively looking for work.
- **Incarceration:** More than 35,000 Kentuckians are incarcerated in a state correctional facility or county jail, taking them out of the available workforce.
- **Disability:** More than 306,000 Kentuckians are receiving some form of Social Security disability payments—meaning they have been judged to be unable to perform any significant work. Approximately one-third of Kentuckians found disabled have a mental disorder, while another third has some form of muscle disease (such as arthritis, osteoporosis or muscular dystrophy).
- **Substance Abuse:** Approximately 300,000 Kentuckians are addicted to or have serious problems with alcohol. Twenty percent (4,616) of the inmates in state correctional institutions were convicted of a drug-related crime, and Kentucky has one of the nation's highest rates of deaths due to drug overdoses as well as a high opioid prescription rate.
- **Demographics:** Kentucky has a high poverty rate (5th highest in the U.S.) and poor health status (ranked 45th among the states). While the percentage of Kentuckians with a high school or college degree trails the national average, Kentucky's high school graduation rate is above average.

