Where have Kentucky’s Workers Gone?

Nationally, the percentage of adults with a job has fallen from 63.3% in January 2007 to 59.6% in January 2016. This phenomenon has [largely been explained by three factors](https://email.wku.edu/owa/redir.aspx?C=nvk80i7rSUa4WkbiB0ZSzb_8qcT_SNMIxMhbPWBIMuK2AjqeTEMG-jtUaBC5c-cGXhiU3A7mub0.&URL=http%3a%2f%2fblogs.wsj.com%2feconomics%2f2015%2f10%2f21%2fwhat-we-know-about-the-92-million-americans-who-arent-in-the-labor-force%2f). Students are going to school longer (without working their way through school). More people are retiring even as life expectancies are increasing. Finally, more people are dropping out of the workforce due to disability.

Where does Kentucky fit into this story? In 2015, Kentucky had [the fifth lowest employment/population ratio](http://www.bls.gov/news.release/pdf/srgune.pdf) of any state. Looking only at the employment rate of adults aged 25-54 (as to exclude issues of schooling and retirement), reveals that Kentucky has the [second lowest employment rate](http://www.pewtrusts.org/en/multimedia/data-visualizations/2014/fiscal-50#ind3) of prime age working adults in the country. It is only ahead of West Virginia. Between 2007 and 2015, Kentucky lost the sixth highest percentage of its prime age workers from employment rolls. The employment situation in Kentucky is bleak, and getting worse.

As for the education story, [Kentucky ranks 33rd in the percentage of its 18-24 year olds who are enrolled in postsecondary education](http://nces.ed.gov/programs/digest/d14/tables/dt14_302.65.asp?current=yes). While that number is below average, it doesn’t explain why Kentucky’s employment rate is so low. Education related lack of employment in Kentucky has more to do with older Kentuckians’ lack of education than younger Kentuckians’ college enrollment. [Kentucky’s below average college graduation rates](http://www.higheredinfo.org/dbrowser/?level=nation&mode=graph&state=0&submeasure=27) mean that many of those currently enrolled in college will never graduate and therefore will not bring new meaningful skills to the labor force.

Overall, Kentucky has the [sixth lowest level of education.](http://247wallst.com/special-report/2014/09/23/americas-most-and-least-educated-states/4/) This is important because employment rates are more closely tied to educational attainment than are unemployment rates. In January 2016, the employment/population ratio was the following:

Less than high school degree 42.8%

High school degree 54.7%

Some College 63.7%

College degree 71.9%

So Kentucky’s low employment/population ratio has little to do with young Kentuckians postponing work for college and much more to do with Kentuckians not finishing college.

As for the retirement picture, Kentucky has one of the [lowest average retirement ages](https://smartasset.com/retirement/average-retirement-age-in-every-state) in the country. This is aided by a low cost of living, the state tax deductibility of $41,000 of retirement earnings, and generous public employee defined pensions that allow people to retire long before their sixty-second birthday. A Kentucky teacher in the Kentucky Teacher’s Retirement System can retire with benefits after working 27 years regardless of age. Teachers who begin teaching out of college at age 22 can retire as early as age 49 collecting pay and health benefits from state coffers.

Unsurprisingly, [Kentucky’s unfunded pension](http://www.kychamber.com/sites/default/files/Pension%20Crisis%20-%20Feb%2025%20Edits.pdf) liability is now over $36 billion. [Bloomberg described KERS](http://www.bloomberg.com/news/articles/2015-01-09/worst-funded-u-s-pension-shows-kentucky-s-neglect-muni-credit), the pension plan for state employees, as the worst funded public pension in the country. It is almost comical that a state with only 213,564 state workers in their retirement plan has 147,452 retirees drawing a pension. It is even stranger when one realizes that Kentucky is a state with the [fifth lowest life](http://www.webmd.com/healthy-aging/news/20120914/which-states-residents-live-longest) expectancy (75.2 years). It is not that retirees in Kentucky are living a long time, it is that they retire at very young ages. Early retirement helps to explain a portion of Kentucky’s low employment rate.

Of the three national factors driving down adult employment, by far the most significant for Kentucky is the increase in disability rolls. [Kentucky has the highest disability rate in country](http://kff.org/medicaid/state-indicator/ssi-with-disabilities-as-of-population/). At the same time, Kentucky has the [lowest employment rate](https://www.disabilitystatistics.org/reports/acs.cfm?statistic=2) in the country for people who dropped out of high school and are considered to have a disability. That is, Kentuckians are the most disabled population in the country, and the least likely to work if they are disabled and uneducated. Kentucky’s disability crisis is robbing laborers from the workforce, lowering tax revenue to state coffers, and increasing state expenditures for the jobless.

In summary, the factors driving down adult employment in the US are magnified in Kentucky. Government policies that encourage early retirement and increase the success of disability claims are draining Kentucky’s workforce at a record pace. Kentucky’s failure to educate its population with college or technical school degrees further accelerates the disappearance of the Kentucky worker. Left unchecked, it won’t be long until there are no workers left to pay off Kentucky’s mountain of public debt and unfunded pensions. No work and all play makes Kentucky a poor state.