



July 2021

KENTUCKY

LABOR FORCE UPDATE

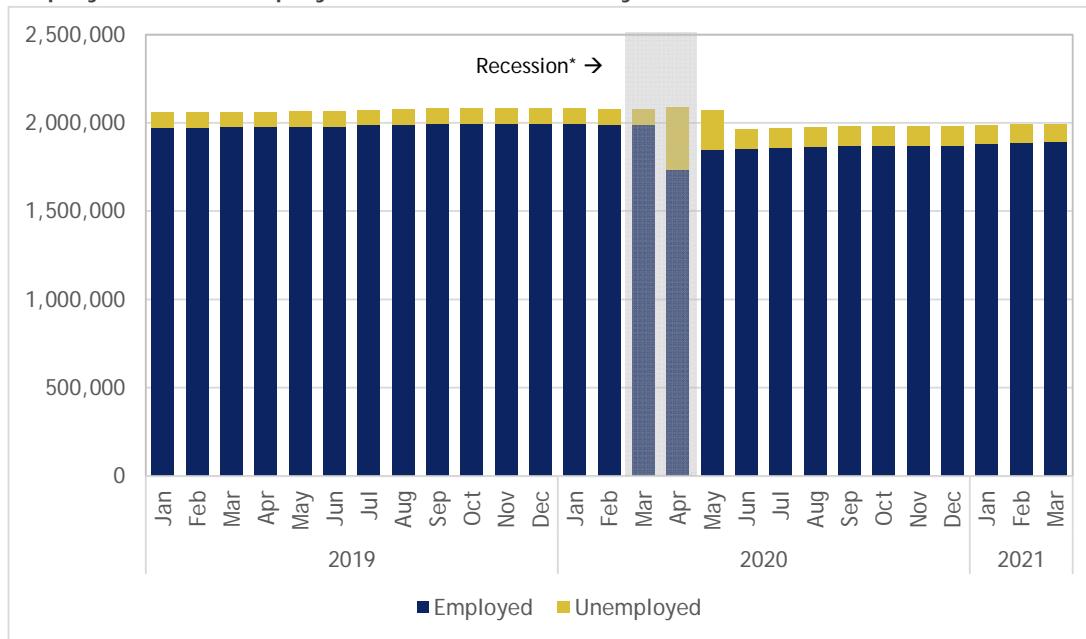
Fluctuations in Labor Supply and Demand Throughout the Pandemic

As Kentucky emerges from the COVID-19 pandemic, labor shortages dominate the headlines and Help Wanted signs are in many business windows and up on marquees. The state of the labor market is analyzed by combining estimates from two programs from the U.S. Bureau of Labor Statistics, the [Local Area Unemployment Statistics](#) (LAUS) program and the [Job Openings and Labor Turnover Survey](#) (JOLTS). The LAUS program provides monthly updates on the number of employed and unemployed persons in Kentucky and its counties. The JOLTS program provides information on what is affecting the net change in employment. Specifically, JOLTS estimates the number of job openings, hires, and separations each month. Seasonally adjusted estimates were used from both programs in this analysis.



Photo by Tim Mossholder
Available from unsplash.com

Employed and Unemployed Persons in Kentucky from 2019 to 2021



* According to the National Bureau of Economic Research (NBER), the COVID recession began in March 2020 and ended in April 2020.

Source: LAUS, seasonally adjusted

Kentuckians were unemployed in March 2021. The civilian labor force itself declined by more than 4.6 percent from April 2020 to March 2021. These 96,741 individuals, who dropped out of the labor force altogether, are not included in either the employed or unemployed estimates.

The LAUS estimates show that from February to April 2020, there were 256,519 fewer Kentuckians working. Employment began rebounding in May 2020 with nearly 112,000 more people employed than in April. By March 2021, employment had increased by more than 156,000 since falling to its lowest point in April 2020. However, employment had still not fully recovered to pre-pandemic levels and nearly 100,000

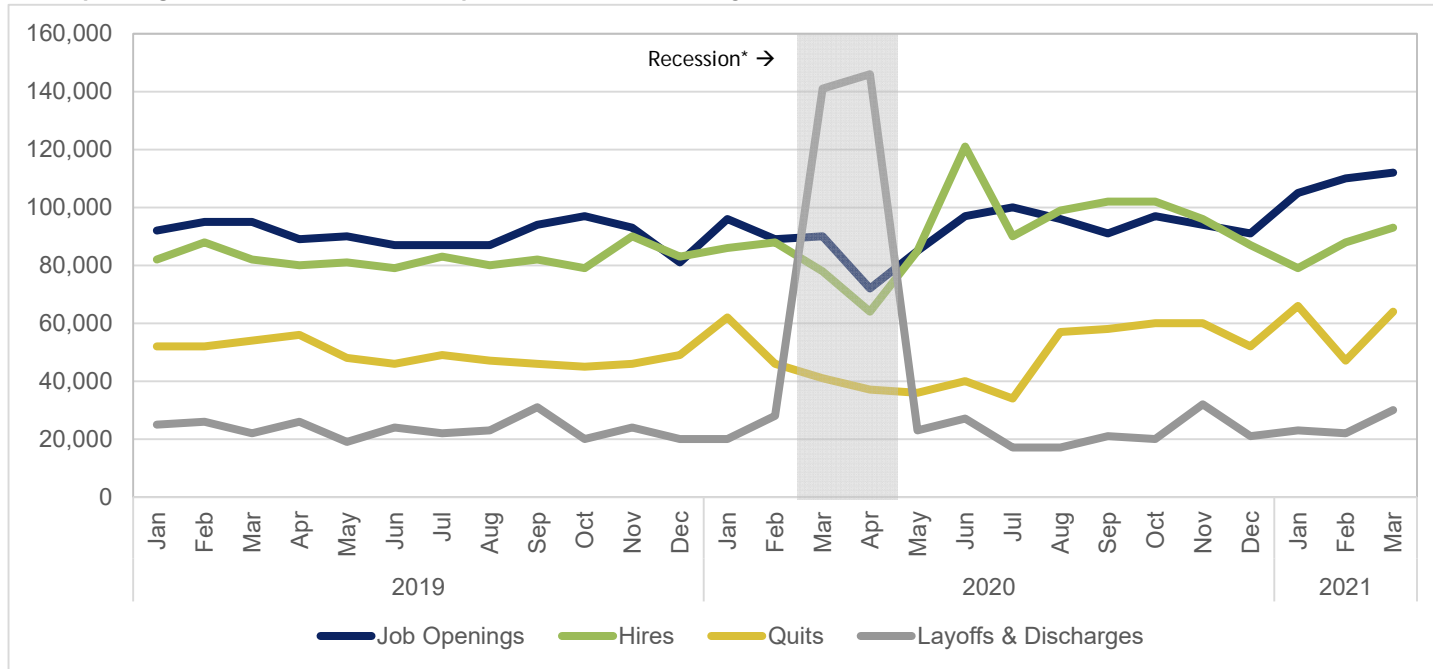
Note: The NBER is a private, economic research organization that identifies the start and end dates of recessions in the U.S. The NBER defines a recession as the period between a peak of economic activity and its subsequent trough, or lowest point.



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The JOLTS program produces experimental state-level estimates of how many job openings existed, how many workers were hired, how many quit their job, and how many were laid off. The impact of the recession triggered by COVID-19 can be seen in the JOLTS estimates below. There were spikes in layoffs during the months of March and April 2020 affecting 287,000 Kentucky jobs as health and safety restrictions took effect, closing some businesses and reducing capacity at others. Hires peaked in June 2020 with 121,000 employees starting new jobs or returning to work following a layoff. As the number of COVID-19 cases fell, vaccinations became available, and social distancing restrictions were eased, job openings surged as businesses were looking to hire. There were more than 100,000 job openings in Kentucky during each of the first three months of 2021 which has not occurred since the JOLTS began providing state level estimates in December 2000. Job openings in the U.S. are also reaching record highs in 2021. In March 2021, there was an upward movement in quits which are generally voluntary as well as in layoffs which are involuntary separations.

Job Openings, Hires, Quits, and Separations in Kentucky from 2019 to 2021



* According to NBER, the COVID recession began in March 2020 and ended in April 2020.
Source: BLS, JOLTS, seasonally adjusted

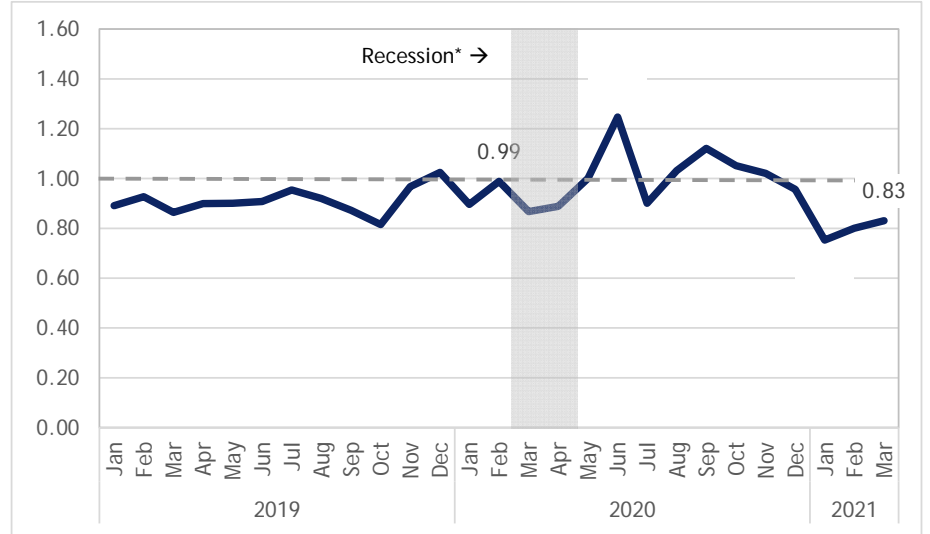
The chart above shows the gap between the number of job openings and hires which began in December of 2020 and continued to grow through the first quarter of 2021. In January 2021, there were 105,000 job openings and 79,000 hires resulting in 26,000 job openings going unfilled. There were 22,000 unfilled job openings in February and 19,000 in March.



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The hires per job opening ratio indicates how successfully businesses are filling vacant positions. The ratio divides the number of hires by the number of job openings. The higher the ratio, the faster the hiring process. A lower ratio indicates that employers could be having trouble finding workers. Throughout 2019, the hires per job opening ratio hovered near 0.9. As the recession began in February 2020, the ratio was 0.99, dipped slightly and then peaked at 1.25 in June. For every 100 job openings, there were 125 people hired in Kentucky that month. Hires can surpass job openings since job openings do not include recalls from layoffs whereas hires include all additions to the payroll including people returning to work after a temporary layoff. The hires per job opening ratio dropped below 1.0 in December 2020 and fell to 0.75 in January 2021 as job openings surged. A ratio of less than one indicates that there are job openings going unfilled.

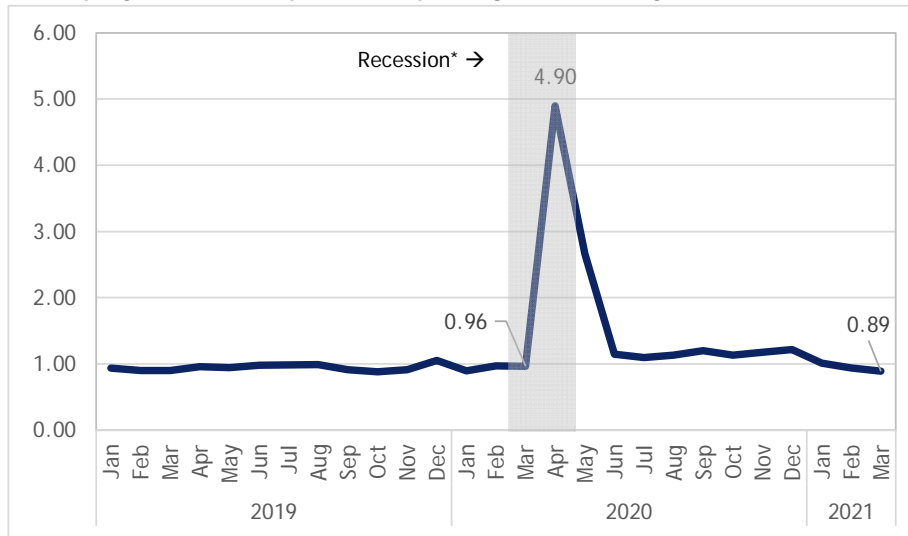
Hires per Job Opening Ratio in Kentucky from 2019 to 2021



* According to NBER, the COVID recession began in March 2020 and ended in April 2020.

Source: BLS, JOLTS, seasonally adjusted

Unemployed Persons per Job Opening in Kentucky, 2019 to 2021



* According to NBER, the COVID recession began in March 2020 and ended in April 2020.

Source: BLS, JOLTS, seasonally adjusted

under one means there are more vacancies than job-seekers indicating that demand for workers is strong. In March 2021, the ratio was similar to pre-pandemic levels at 0.89.

Another measure of demand for workers is to calculate the ratio of unemployed workers per job opening. As defined by the BLS, a person is only considered unemployed if that person is actively looking and available to work. A high ratio indicates a large number of job seekers for few vacancies. In 2020, the ratio peaked at 4.9 in April as the number of unemployed in Kentucky surpassed 352,000. For every 49 unemployed workers, there were only 10 available jobs. With 72,000 job openings, this means that there were no jobs for nearly 281,000 Kentuckians who were available to work. By June 2020 this had eased, falling to 1.14. A ratio



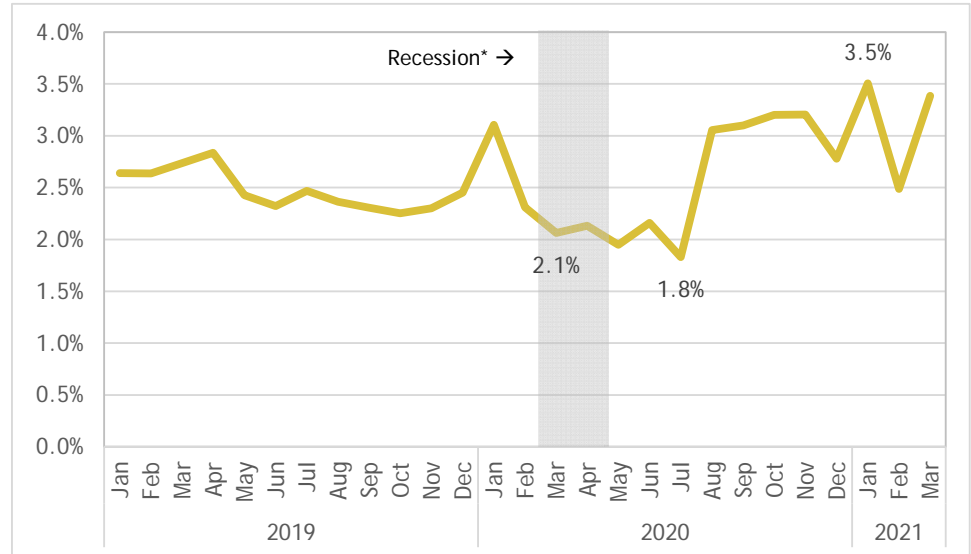
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When a person decides to voluntarily leave their job it is classified as a quit. Quits reached an all time high of 66,000 in January 2021. There were 47,000 quits in February followed by 64,000 in March. The quits rate is the number of quits as a percent of total employment. The quits rate can serve as a measure of workers' willingness or ability to leave jobs. Quits rates tend to fall during economic uncertainty and rise as the economy improves. In March 2020, the quits rate was 2.1 percent and remained at or near that rate for several

months. During this period, the number of quits fell. However, due to the high number of layoffs, the number of people employed also fell, resulting in a steady quits rate. The number of Kentuckians quitting their jobs increased from 34,000 in July to 57,000 in August, well above pre-pandemic levels. In July 2020, the quits rate was 1.8 percent and reached its highest point in January 2021 at 3.5 percent.

Both the LAUS and JOLTS estimates reveal that Kentucky's labor market is improving. Employment is up since April 2020, but remains five percent below pre-pandemic levels as of March 2021. The number of unemployed workers was 15 percent higher in March 2021 than it was during February 2020 with nearly 100,000 Kentuckians actively seeking work. At the same time, the JOLTS estimates reveal that employers had many open positions in January through March 2021 and were trying to attract workers. Complicating factors resulting from the pandemic may be affecting how the labor market recovers.

Quits Rate in Kentucky from 2019 to 2021



* According to NBER, the COVID recession began in March 2020 and ended in April 2020.
Source: BLS, JOLTS, seasonally adjusted



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For more information on employment, unemployment, and turnover trends in the labor market:

The [Economic Activity Report](#) provides historical estimates from the JOLTS program and allows for comparisons of Kentucky to other states.

The [LAUS](#) estimates are provided at the county, metropolitan statistical area, local workforce area, area development district, and state levels.



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Kentucky Labor Force Update

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