



May 2020

KENTUCKY

LABOR FORCE UPDATE

Comparison of Wages to Unemployment Benefits + CARES Act Funds

Hundreds of thousands of Kentucky workers have recently become unemployed as a result of mandatory business closures and stay-at-home orders during the coronavirus public health emergency. Many of these workers have filed with the state for Unemployment Insurance (UI) benefits. In addition, workers are now eligible for benefits available through the recently enacted federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.

In Kentucky, eligible UI beneficiaries receive 62 percent of their average weekly wage up to a maximum of \$552 per week for up to 26 weeks.¹ In 2019, the average weekly benefit paid to eligible claimants in Kentucky was \$360.98 according to data from the U.S. Department of Labor's (DOL) Employment and Training Administration (ETA).

If you have been laid off due to the coronavirus public health emergency, you may be eligible for unemployment insurance. You can file for unemployment benefits here:

<https://kcc.ky.gov/Pages/default.aspx>

Historically, these benefits have provided short-term financial support for covered workers² who are out of work or in between jobs through no fault of their own. With the passage of the CARES Act, the federal government established three supplemental programs to help unemployed workers:

- The **Federal Pandemic Unemployment Compensation (FPUC)** program provides an additional \$600 per week to UI beneficiaries beginning the week of March 29, 2020 through July 31, 2020.
- The **Pandemic Unemployment Assistance (PUA)** program temporarily extends benefits to workers that were not otherwise eligible for UI including those with limited work history as well as noncovered workers such as part-time workers, self-employed, independent contractors, and those who are unable to work as a direct result of the coronavirus public health emergency.
- The **Pandemic Emergency Unemployment Compensation (PEUC)** program provides an additional 13 weeks of unemployment benefits for unemployed workers who have exhausted regular unemployment benefits and whose benefit year expires on or after July 1, 2020.

The CARES Act also waived the 7 day waiting period for new claims. Workers can file for benefits as soon as they are laid off or a self-employed person loses income.

The examples on the following page demonstrate that state UI benefits combined with the additional benefit from FPUC often exceed wages lost by unemployed workers, particularly for those who had low earnings. For example, if a full-time worker earned \$40,000 in wages the previous four quarters, an average of \$769 per week, that worker would have an estimated UI benefit amount of \$477 per week. However, with the additional \$600 per week from the FPUC, the adjusted weekly benefit amount rises to \$1,077, 40 percent higher than weekly wages earned when the worker was employed. Workers with lower wages receive an even higher percentage increase, more than double their prior weekly wage for those who had annual wages of \$20,000.

¹ The average weekly wage for UI benefit purposes is calculated based on the employee's wages for the previous four quarters. Payments are issued for 26 weeks unless the beneficiary returns to work before the claim is paid out.

² Covered employees are those covered by state Unemployment Insurance laws and federal workers covered by the Unemployment Compensation for Federal Employees (UCFE) program encompassing more than 95 percent of U.S. jobs. Covered employees in the private sector and in the state and local government include most corporate officials, all executives, all supervisory personnel, all professionals, all clerical workers, many farmworkers, all wage earners, all piece workers, and all part-time workers. Workers on paid sick leave, paid holiday, paid vacation, and the like are also covered.



Comparison of Wages to Unemployment Benefits + CARES Act Funds

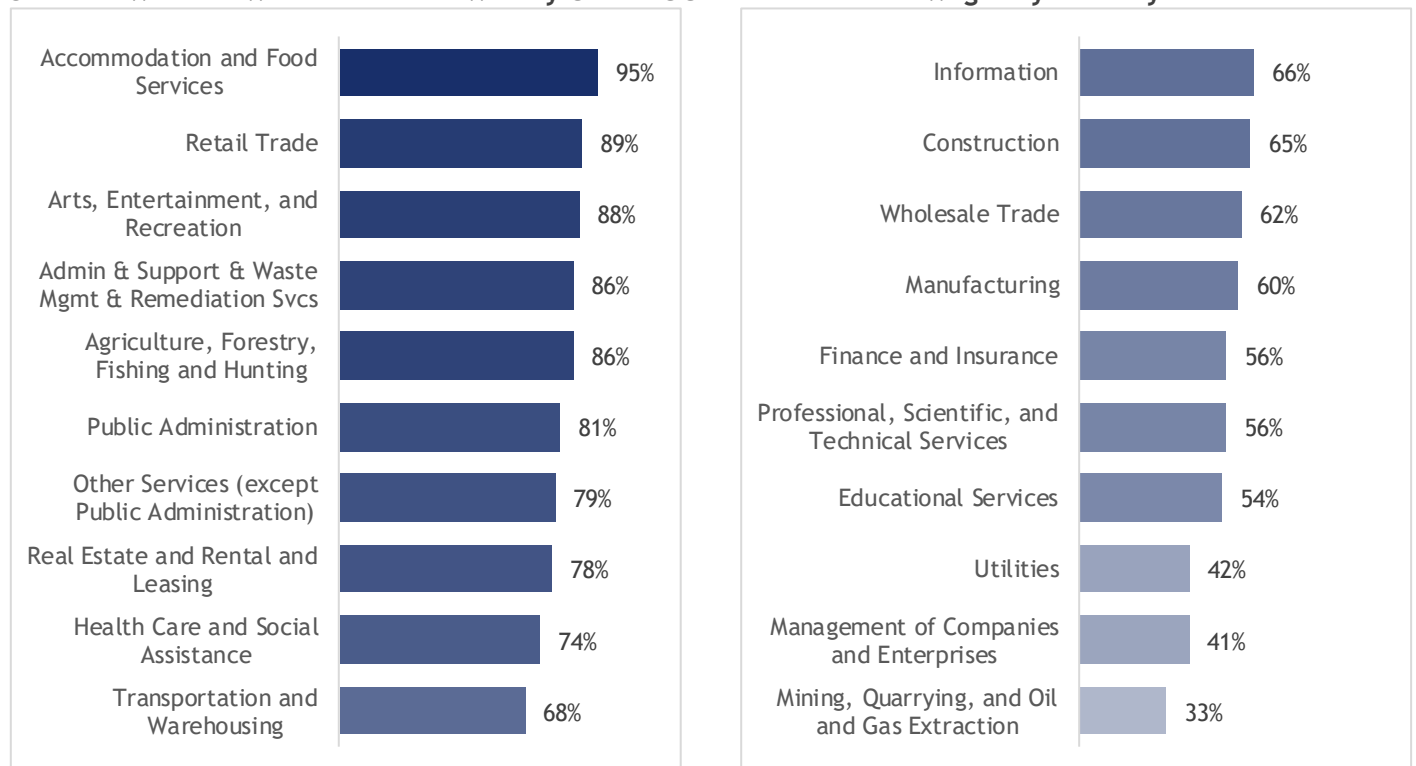
Examples of Potential UI and FPUC Weekly Benefits by Simulated Annual Wage Categories

Wages from Previous Four Quarters	Average Weekly Wage	Estimated Weekly UI Benefit Amount	Share of Wages	UI Benefit with FPUC	Share of Wages
\$10,000	\$192	\$119	62%	\$719	374%
\$20,000	\$385	\$238	62%	\$838	218%
\$30,000	\$577	\$358	62%	\$958	166%
\$40,000	\$769	\$477	62%	\$1,077	140%
\$50,000	\$962	\$552 (cap)	57%	\$1,152	120%
\$60,000	\$1,154	\$552 (cap)	48%	\$1,152	100%

This month's Labor Force Update compares wages to the potential compensation Kentucky workers could receive through UI benefits and CARES Act funds by industry. Covered employees from the second quarter of 2019 were used to represent current workers. Workers' eligibility for UI was determined according to Kentucky Revised Statutes Chapter 341. Potential weekly benefit amounts were estimated based on second quarter 2019 covered wages and augmented with the \$600 from the FPUC program. There were 1.9 million unique individuals with covered wages in the second quarter of 2019. This analysis focuses on the subset of workers with wages in a single industry, 89 percent of workers. Of those, 1.4 million workers met the eligibility criteria for UI benefits.

If laid off as a result of the coronavirus pandemic, 95 percent of eligible workers in Kentucky's Accommodation and Food Services sector would make more in combined UI + FPUC benefits than they would working as shown below. In the Mining, Quarrying, and Oil and Gas Extraction industry, only 33 percent of qualified workers would have combined benefits that exceed their wages.

Share of Workers Where Potential Weekly UI + FPUC Benefits Exceed Wages by Industry



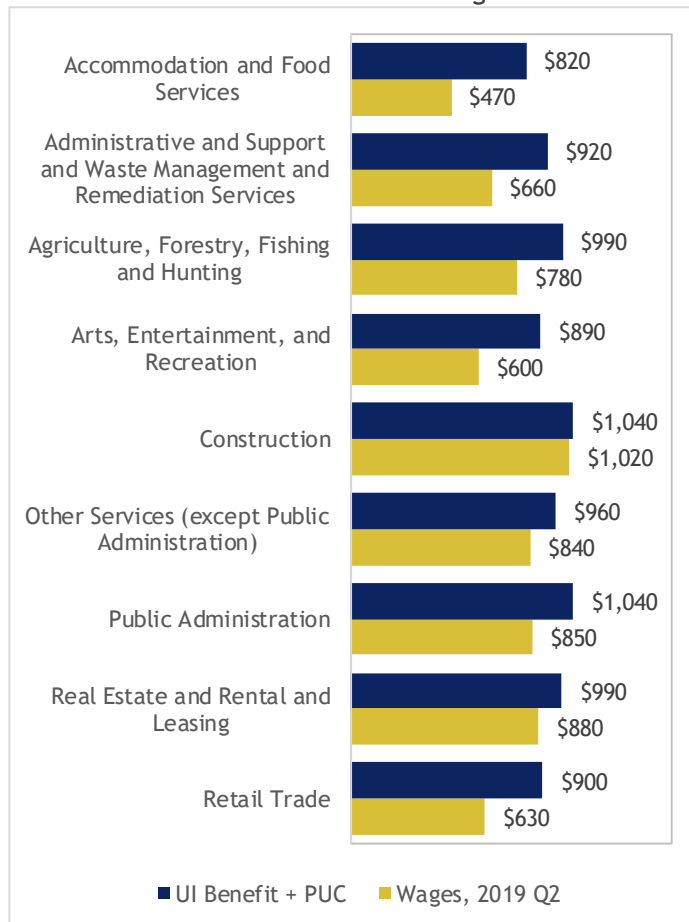


Comparison of Wages to Unemployment Benefits + CARES Act Funds

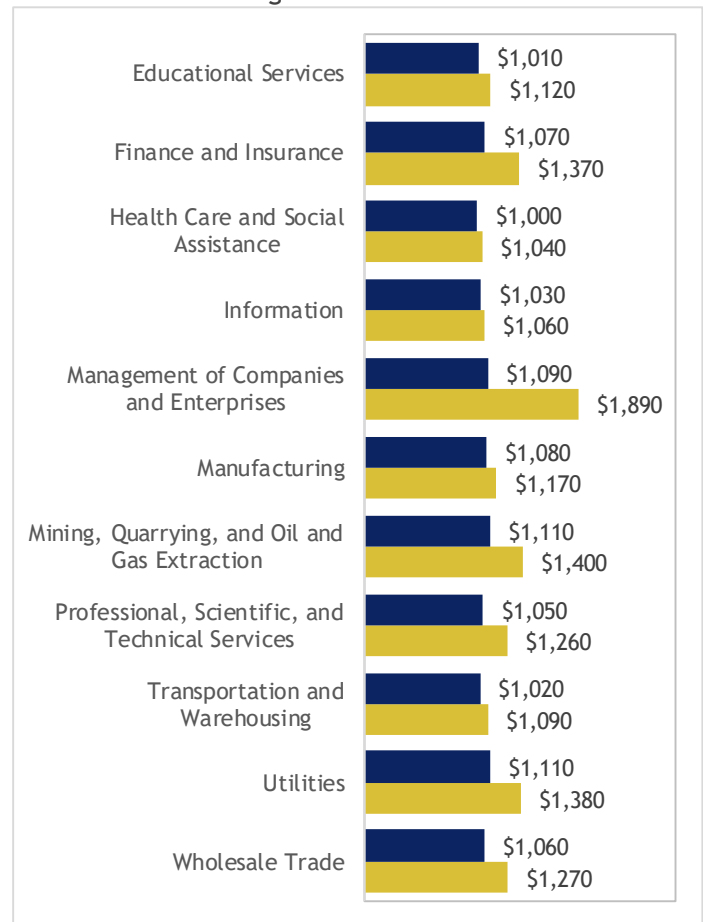
When examining average weekly wages by industry, as shown in the chart below, there are nine industry sectors in which the average UI benefits with FPUC exceed average weekly wages, the highest occurring in Accommodation and Food Services. In this industry, workers had an average weekly wage of \$470 in the second quarter of 2019, compared to a potential UI benefit of \$820 with FPUC, 75 percent higher than the weekly wage. Conversely, there are eleven industry sectors where potential UI + FPUC benefits do not meet or exceed average weekly wages. The industry where average weekly wages exceeded the potential benefits the most was Management of Companies and Enterprises. In this sector, the benefit amount with FPUC (\$1,090) was 42 percent less than the average weekly wage (\$1,890).

Comparison of 2019 Q2 Weekly Wages and Potential UI Benefits with FPUC by Industry

Industries where Benefits Exceed Wages



Industries where Wages Exceed Benefits



Combined with state UI benefits, the federal \$600 payment in the CARES Act ensures that the average U.S. worker has full wage replacement if their place of work was forced to close during this public health emergency. It assumes a 40 hour work week and \$15 per hour in wages. Therefore Kentucky workers making the minimum wage, \$7.25 per hour, are likely to receive more in combined benefits than from wages. These combined benefits give workers continued, steady income during business closures.



Third Quarter 2019 Business Employment Dynamics (BED)*

Source: U.S. Bureau of Labor Statistics

Business Employment Dynamics (BED) estimates, produced by the U.S. Bureau of Labor Statistics (BLS) are generated using data from the Quarterly Census of Employment and Wages (QCEW). By collecting data from every Kentucky employer covered by the state's Unemployment Insurance program, QCEW is able to produce detailed employment counts by industry each quarter. As a result, the BED data can estimate gross job gains and losses over time.

In the third quarter of 2019, Kentucky experienced a net gain of 3,115 private sector jobs. Of the 93,509 jobs gained in the third quarter, 76,914 (82.3%) resulted from the expansion of existing establishments, and 16,595 (17.7%) were gained at opening establishments. Of the 90,394 jobs lost in the third quarter, 76,256 (84.4%) were lost from the contraction of existing establishments, and 14,138 (15.6%) were lost at closing establishments.

Employment Gains and Losses by Industry, Third Quarter 2019

Industry	Employment Gains at Firms Resulting From			Employment Losses at Firms Resulting From		
	Expansions	Openings	Total	Contractions	Closings	Total
Total Private	76,914	16,595	93,509	76,256	14,138	90,394
Construction	6,091	1,759	7,850	5,904	1,342	7,246
Education and Health Services	10,473	2,221	12,694	9,141	2,011	11,152
Financial Activities	3,284	1,045	4,329	3,047	790	3,837
Information	720	260	980	1,234	278	1,512
Leisure and Hospitality	12,923	2,636	15,559	14,067	2,378	16,445
Manufacturing	6,762	722	7,484	7,080	460	7,540
Professional and Business Services	15,556	3,636	19,192	14,677	2,951	17,628
Retail Trade	9,482	1,778	11,260	10,434	1,509	11,943
Transportation and Warehousing	4,667	596	5,263	3,814	444	4,258
Wholesale Trade	2,814	693	3,507	2,974	985	3,959
Other Services (except public administration)	2,739	860	3,599	2,457	609	3,066

* Data are seasonally adjusted. Data queried from <https://www.bls.gov/bdm/> on 5/5/2020.



KYSTATS NEWS

KYSTATS has produced two new dashboards providing current data on unemployment that can be accessed on our website (<https://kystats.ky.gov/>).



Kentucky Unemployment Update

The Kentucky Unemployment Update is an overview of unemployment insurance initial claims and the unemployment rate for the Commonwealth of Kentucky. Data for the prior week of UI Claims will be updated on a weekly basis to adhere to federal restrictions. Unemployment rates will be updated on a monthly basis to coincide with release dates.

https://kystats.ky.gov/Reports/Tableau/KUU_2020



County Unemployment Update

The County Unemployment Update is an overview of unemployment insurance initial claims for Kentucky counties that can be examined by industry, gender, race, and age. Data for the prior week of UI Claims will be updated on a weekly basis to adhere to federal restrictions. Data in this dashboard are provided by the Kentucky Office of Unemployment Insurance from the Program for Measuring Insured Unemployment Statistics (PROMIS).

https://kystats.ky.gov/Reports/Tableau/CUU_2020



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Kentucky Labor Force Update

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