



# November 2019 KENTUCKY LABOR FORCE UPDATE

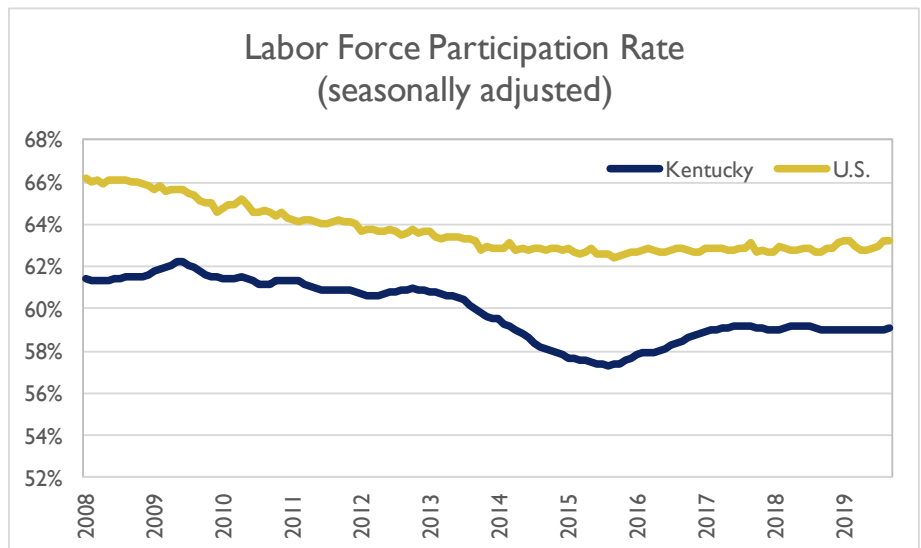
## Understanding Changes in Kentucky's Labor Force Participation Rate

Each month, the Kentucky Labor Market Information Branch (LMI) produces the statewide Labor Force Participation Rate (LFPR). The LFPR is a measure of the economy's active workforce. It measures the number of people available for work – either working or looking for work – as a percentage of the population. As of September 2019, the seasonally adjusted LFPR in Kentucky was 59.1 percent compared to 63.2 percent for the U.S. For the past three years, the Kentucky LFPR has been between 3.6 and 4.2 percentage points lower than the U.S. average.

The LFPR is estimated from the Current Population Survey (CPS), a monthly sample-based survey of about 60,000 U.S. households designed to produce the current monthly employment and unemployment data. There are several key factors used to determine the LFPR. First is understanding who is and is not included in the population. The LFPR

includes only the **civilian non-institutional population**. This consists of everyone over the age of 16 who is not living in an institution such as a prison, nursing home or mental hospital and who is not on active duty in the Armed Forces. The **labor force** includes everyone who is employed or unemployed. According to the Bureau of Labor Statistics (BLS), **employed** includes anyone over the age of 16 in the civilian non-institutional population who worked in the survey reference week.<sup>1</sup> This includes those who work an hour or more as paid employees or 15 hours or more as unpaid workers in a family-owned business or farm. Each worker is only counted once, even if they hold two or more jobs. Volunteer work and work around the house are not included as employed. The BLS defines **unemployed** as those over the age of 16 in the civilian non-institutional population who were not employed, but were available and actively looking for work within the past four weeks. The LFPR is the sum of the employed and unemployed divided by the population. Unlike the unemployment rate, the LFPR takes into account people in the population who are not working or looking for work such as full-time students, people who stay home to care for family members, the disabled, retired persons and discouraged workers.

$$\text{LFPR} = \frac{\text{Employed} + \text{Unemployed}}{\text{Population}}$$



The CPS estimates are a key input to the Local Area Unemployment Statistics (LAUS) program conducted by the BLS which produces the official labor force statistics. Due to the small sample size in the CPS, LFPRs for substate areas such as counties or Local Workforce Areas (LWA) are not estimated with this data program.

## ALSO IN THIS ISSUE:

- ◆ Business Employment Dynamics, 2019 Q1
- ◆ Labor Force Estimates (LAUS) Sept. 2019

- ◆ Labor Force Estimates (CES) Sept. 2019
- ◆ Unemployment Ins. Claims Sept. 2019



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## **Kentucky Labor Force Update**

A monthly publication of the  
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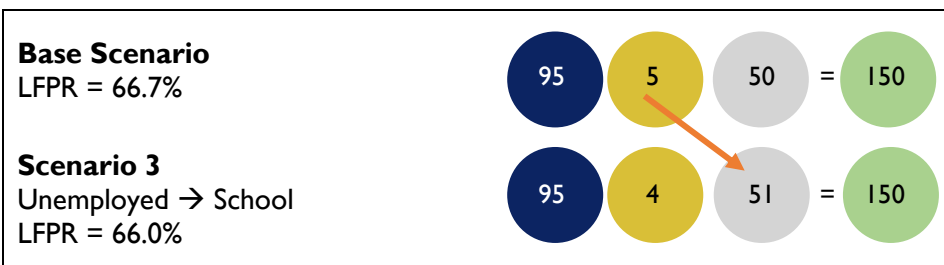
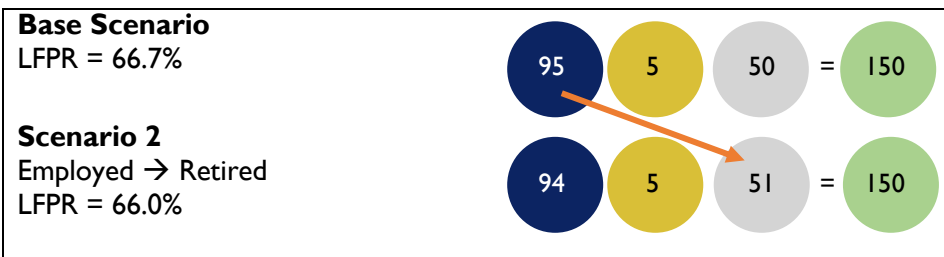
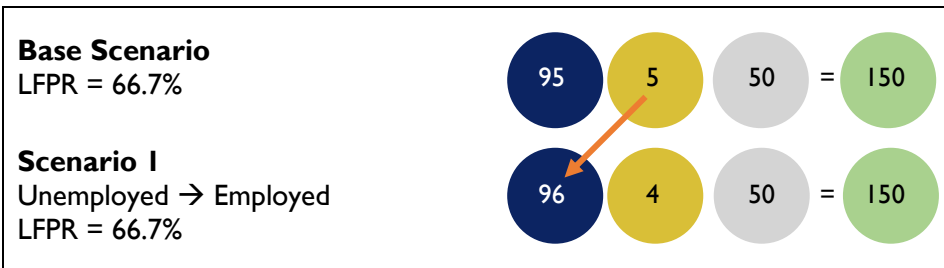
*Kentucky Labor Force Update, Kentucky Center for Statistics (KYSTATS)*



# Understanding Kentucky's Labor Force Participation Rate

People move in and out of the labor force for many reasons. As they do, the LFPR changes. Below, there are four different examples of why people may change their labor force status. Each is in comparison to the following Base Scenario: Assume a civilian non-institutional population of 150 people over the age of 16 which includes 95 employed people, 5 unemployed and 50 not in the labor force. The LFPR for the Base Scenario is 66.7 percent:  $\frac{95+5}{150}$  and remains constant for all four scenarios below.

- Employed
- Unemployed
- Not in the labor force
- Civilian non-institutional population



In these four scenarios, the size of the civilian non-institutional population (in green) remains constant. However, in each example, a person's employment status changes among employed (blue), unemployed (gold) and not in the labor force (gray) to demonstrate how the LFPR changes accordingly.

- If an unemployed person becomes employed (Scenario 1), there is no change in the LFPR from the base scenario as long as the population stays the same, 66.7 percent:  $\frac{96+4}{150}$ .
- As people leave the labor force, the labor force participation rate falls. For example, if an employed person retires and is no longer working or looking for work (Scenario 2), they remain in the population, but not in the labor force. Therefore the LFPR falls:  $\frac{94+5}{150}$ . A similar result occurs if an unemployed person returns to school and is no longer working (Scenario 3):  $\frac{95+4}{150}$ .
- When a person moves from not being in the labor force into the labor force (either employed or unemployed), the corresponding LFPR increases:  $\frac{95+6}{150}$  (Scenario 4).

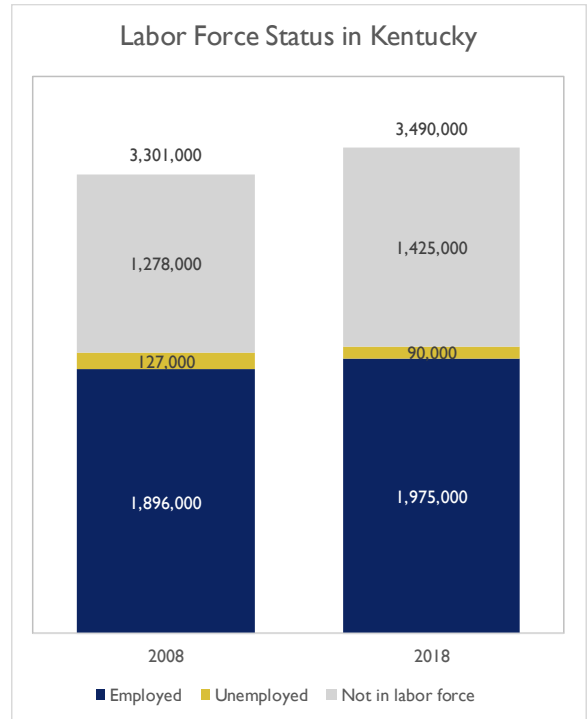


# Understanding Changes in Kentucky's Labor Force Participation Rate

The labor force is dynamic with many changes occurring at once, all with different effects on the labor force participation rate. To see how Kentucky's LFPR has changed over time, the adjacent chart shows the composition of the labor force for 2008 and 2018. Overall, the civilian non-institutional population grew, increasing from 3.3 million to nearly 3.5 million people. Both the number of employed and those not in the labor force increased. The number of unemployed persons decreased over this time period by 37,000 people. Lower unemployment and higher employment indicate a stronger economy in 2018 than 2008. However, the LFPR decreased from 2008 to 2018 from 61.3 percent to 59.2 percent.

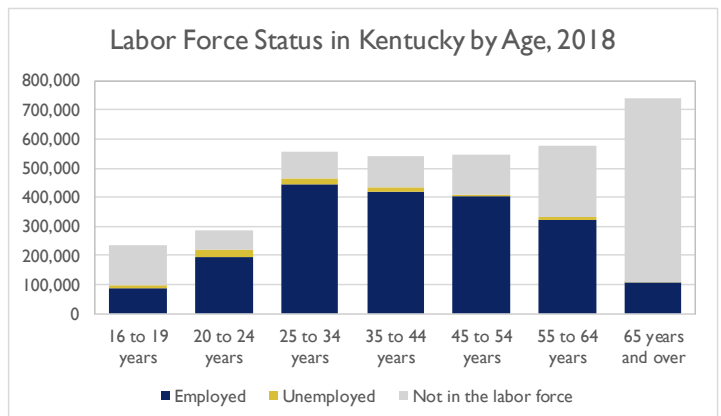
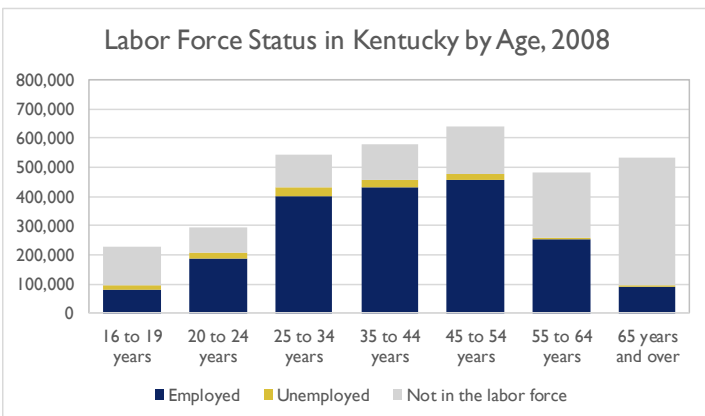
Recall the formula for the LFPR. The numerator (employed + unemployed) grew by 42,000 between 2008 and 2018. Since the number of people not in the labor force, the denominator, increased proportionally more (147,000), the LFPR decreased.

| 2008   | 2018  |
|--|---|
| $\frac{(1,896,000 + 127,000)}{3,301,000} = 61.3\%$ | $\frac{(1,975,000 + 90,000)}{3,490,000} = 59.2\%$ |



The BLS produces annual LFPR estimates for the state by gender, race, Hispanic or Latino ethnicity and age which allows for deeper analysis – particularly which groups saw the biggest changes in LFPR over this time period. The charts below show the civilian non-institutional population and labor force status by age in 2008 and 2018. Prime age workers, those between 25 and 54, make up the majority of employed persons – 1,288,000 in 2008 and 1,262,000 in 2018. However, this age group declined in overall size by 2018. The number of unemployed and those not in the labor force both decreased, reducing the civilian non-institutional population of 25 to 54 year olds by 118,000 during this period. The largest growth in overall population occurred among those over the age of 65 – by 210,000 people – the majority of which are not in the labor force. Their corresponding LFPR fell between 2008 and 2018, the only age group to experience a decline over this period.

**Between 2008 and 2018, the LFPR increased for all age groups with the exception of those over the age of 65.**





# Understanding Changes in Kentucky's Labor Force Participation Rate

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An analysis by the Federal Reserve Bank of Atlanta found that the fourth quarter 2018 LFPR for the U.S. was 3.0 percent below that of the fourth quarter of 2008. The majority of this change, 2.8 percentage points, was due to a greater share of the population retiring.<sup>2</sup> As adults reach retirement age, they leave the labor force which makes the LFPR fall, as shown in Scenario 2 above. This could be one factor for the decrease in LFRP in Kentucky over the same time period.

In conclusion, there are many factors that affect movement of the labor force participation rate. It is a complex measure but knowing how it is calculated may help with understanding why it may move up or down.

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<sup>1</sup> **Employed** - Anyone aged 16 and older in the civilian non-institutional population who worked in the last week. They are those who worked an hour or more as paid employees or 15 hours or more as unpaid workers in a family-owned business or farm. It also includes those who had jobs or businesses, but didn't work that week because they were on vacation, sick, were on maternity or paternity leave, on strike, were in training, or had some other family or personal reasons why they didn't work. It does not matter whether it was paid time off or not. Each worker is only counted once, even if they hold two or more jobs. Volunteer work and work around the house do not count.

**Unemployed** - Those aged 16 and older who were not employed, but are available for work and actively looked for a job within the past four weeks. People who are only waiting to be recalled to a job from which they had been laid off are counted as unemployed, even if they did not look for work. Contrary to popular belief, it has nothing to do with the number of people who applied for or receive unemployment benefits. Instead, this figure is derived from a BLS survey. The BLS sets the definition of unemployment.

<sup>2</sup> <https://www.frbatlanta.org/chcs/labor-force-participation-dynamics.aspx?d=1&s=tw>



# First Quarter 2019 Business Employment Dynamics (BED)

Source: U.S. Bureau of Labor Statistics\*

| Industry                                      | Employment Gains |               |        | Employment Losses |               |        |
|---|------------------|---------------|--------|-------------------|---------------|--------|
|   | From Expansions  | From Openings | Total  | From Contractions | From Closings | Total  |
| Total private                                 | 76,714           | 15,822        | 92,536 | 74,959            | 13,261        | 88,220 |
| Construction                                  | 6,752            | 1,681         | 8,433  | 5,251             | 1,328         | 6,579  |
| Education and Health Services                 | 9,742            | 1,960         | 11,702 | 9,511             | 1,759         | 11,270 |
| Financial Activities                          | 2,954            | 911           | 3,865  | 3,124             | 1,036         | 4,160  |
| Information                                   | 755              | 335           | 1,090  | 815               | 180           | 995    |
| Leisure and Hospitality                       | 14,672           | 3,056         | 17,728 | 11,459            | 2,213         | 13,672 |
| Manufacturing                                 | 6,338            | 391           | 6,729  | 6,372             | 430           | 6,802  |
| Professional and Business Services            | 14,577           | 3,103         | 17,680 | 15,512            | 2,672         | 18,184 |
| Retail Trade                                  | 10,102           | 2,005         | 12,107 | 10,436            | 1,738         | 12,174 |
| Transportation and Warehousing                | 3,782            | 404           | 4,186  | 6,181             | 319           | 6,500  |
| Wholesale Trade                               | 3,108            | 787           | 3,895  | 2,568             | 562           | 3,130  |
| Other Services (except public administration) | 2,486            | 745           | 3,231  | 2,378             | 723           | 3,101  |

\* Data are seasonally adjusted. Data queried from <https://www.bls.gov/bdm/> on 11/6/19.



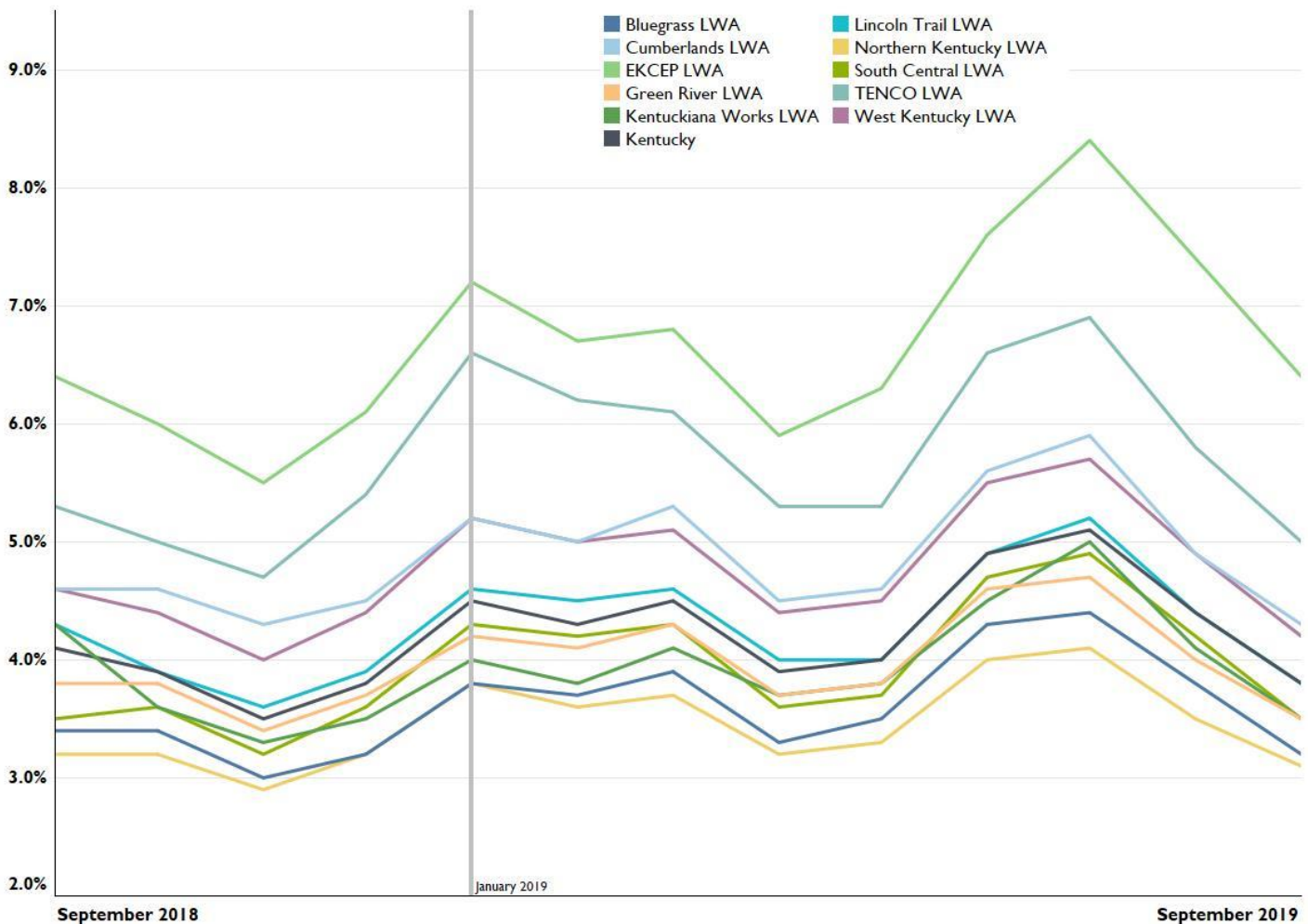
# September 2019 Labor Force Estimates (LAUS)

Source: KYSTATS, Local Area Unemployment Statistics (LAUS)\*

|                        | Sept.<br>2019 | Aug.<br>2019 | Sept.<br>2018 | OVER-the-MONTH |       | OVER-the-YEAR |      |
|------------------------|---------------|--------------|---------------|----------------|-------|---------------|------|
|                        |               |              |               | Change         | Rate  | Change        | Rate |
| Civilian Labor Force   | 2,073,147     | 2,071,338    | 2,062,889     | 1,809          | 0.1%  | 10,258        | 0.5% |
| Employment             | 1,982,726     | 1,980,774    | 1,973,229     | 1,952          | 0.1%  | 9,497         | 0.5% |
| Unemployment           | 90,421        | 90,564       | 89,660        | -143           | -0.2% | 761           | 0.8% |
| Unemployment Rate      | 4.4%          | 4.4%         | 4.3%          | 0.0%           | -     | 0.1%          | -    |
| U.S. Unemployment Rate | 3.5%          | 3.7%         | 3.7%          | -0.2%          | -     | -0.2%         | -    |

\* Estimates shown above are seasonally adjusted. September 2019 estimates are preliminary and subject to revision.

## Unemployment Rate by Local Workforce Area and State



\* Estimates shown in the chart above are not seasonally adjusted. September 2019 estimates are preliminary and subject to revision.



# September 2019 Labor Force Estimates (CES)

Source: KYSTATS, Current Employment Statistics (CES)\*

|   | Sept.<br>2019    | Aug.<br>2019     | Sept.<br>2018    | OVER-the-MONTH |             | OVER-the-YEAR |              |
|---|------------------|------------------|------------------|----------------|-------------|---------------|--------------|
|   |                  |                  |                  | Change         | Rate        | Change        | Rate         |
| <b>Total Nonfarm Employment</b>             | <b>1,960,000</b> | <b>1,951,800</b> | <b>1,933,800</b> | <b>8,200</b>   | <b>0.4%</b> | <b>26,200</b> | <b>1.4%</b>  |
| <b>Private Sector Employment</b>            | <b>1,648,200</b> | <b>1,640,900</b> | <b>1,619,900</b> | <b>7,300</b>   | <b>0.4%</b> | <b>28,300</b> | <b>1.7%</b>  |
| <b>Goods Producing Industries</b>           | <b>345,500</b>   | <b>343,300</b>   | <b>339,200</b>   | <b>2,200</b>   | <b>0.6%</b> | <b>6,300</b>  | <b>1.9%</b>  |
| Mining and Logging                          | 9,700            | 9,800            | 10,100           | -100           | -1.0%       | -400          | -4.0%        |
| Construction                                | 78,500           | 79,200           | 78,200           | -700           | -0.9%       | 300           | 0.4%         |
| Manufacturing                               | 257,300          | 254,300          | 250,900          | 3,000          | 1.2%        | 6,400         | 2.6%         |
| Durable Goods                               | 166,500          | 164,900          | 163,300          | 1,600          | 1.0%        | 3,200         | 2.0%         |
| Non-Durable Goods                           | 90,800           | 89,400           | 87,600           | 1,400          | 1.6%        | 3,200         | 3.7%         |
| <b>Private Service Providing Industries</b> | <b>1,302,700</b> | <b>1,297,600</b> | <b>1,280,700</b> | <b>5,100</b>   | <b>0.4%</b> | <b>22,000</b> | <b>1.7%</b>  |
| Trade, Transportation, & Utilities          | 410,600          | 409,100          | 403,800          | 1,500          | 0.4%        | 6,800         | 1.7%         |
| Wholesale Trade                             | 76,900           | 75,500           | 74,700           | 1,400          | 1.9%        | 2,200         | 2.9%         |
| Retail Trade                                | 214,700          | 214,300          | 214,500          | 400            | 0.2%        | 200           | 0.1%         |
| Transp, Warehousing, & Util.                | 119,000          | 119,300          | 114,600          | -300           | -0.3%       | 4,400         | 3.8%         |
| Information                                 | 21,900           | 21,900           | 22,100           | 0              | 0.0%        | -200          | -0.9%        |
| Financial Activities                        | 95,500           | 94,200           | 93,200           | 1,300          | 1.4%        | 2,300         | 2.5%         |
| Finance and Insurance                       | 74,900           | 74,200           | 73,500           | 700            | 0.9%        | 1,400         | 1.9%         |
| Real Estate, Rental & Leasing               | 20,600           | 20,000           | 19,700           | 600            | 3.0%        | 900           | 4.6%         |
| Professional and Business Services          | 216,900          | 216,600          | 218,500          | 300            | 0.1%        | -1,600        | -0.7%        |
| Prof, Scientific, & Tech Services           | 77,900           | 77,900           | 76,000           | 0              | 0.0%        | 1,900         | 2.5%         |
| Management of Companies                     | 21,100           | 20,900           | 20,600           | 200            | 1.0%        | 500           | 2.4%         |
| Admin & Support & Waste Mgmt                | 117,900          | 117,800          | 121,900          | 100            | 0.1%        | -4,000        | -3.3%        |
| Educational & Health Services               | 290,200          | 288,000          | 279,000          | 2,200          | 0.8%        | 11,200        | 4.0%         |
| Educational Services                        | 30,700           | 30,500           | 29,300           | 200            | 0.7%        | 1,400         | 4.8%         |
| Health Care & Social Assistance             | 259,500          | 257,500          | 249,700          | 2,000          | 0.8%        | 9,800         | 3.9%         |
| Leisure and Hospitality                     | 200,800          | 201,200          | 198,700          | -400           | -0.2%       | 2,100         | 1.1%         |
| Arts, Entertainment & Recreation            | 22,900           | 22,600           | 22,900           | 300            | 1.3%        | 0             | 0.0%         |
| Accommodation & Food Services               | 177,900          | 178,600          | 175,800          | -700           | -0.4%       | 2,100         | 1.2%         |
| Other Services                              | 66,800           | 66,600           | 65,400           | 200            | 0.3%        | 1,400         | 2.1%         |
| <b>Government</b>                           | <b>311,800</b>   | <b>310,900</b>   | <b>313,900</b>   | <b>900</b>     | <b>0.3%</b> | <b>-2,100</b> | <b>-0.7%</b> |
| Federal                                     | 36,000           | 36,400           | 36,000           | -400           | -1.1%       | 0             | 0.0%         |
| State                                       | 92,500           | 92,300           | 94,100           | 200            | 0.2%        | -1,600        | -1.7%        |
| Local                                       | 183,300          | 182,200          | 183,800          | 1,100          | 0.6%        | -500          | -0.3%        |

\* Data are seasonally adjusted. September 2019 data are preliminary and subject to revision.





# Unemployment Insurance Claims September 2019 (Kentucky, Statewide)

Source: U.S. Dept. of Labor, Employment and Training Administration

| Month      | Initial Claims | First Payments | Weeks Claimed | Weeks Compensated | Average Weekly Benefit | Benefits Paid | Final Payments |
|------------|----------------|----------------|---------------|-------------------|------------------------|---------------|----------------|
| 9/30/2018  | 17,977         | 2,997          | 64,427        | 72,171            | \$340.67               | \$24,679,872  | 1,312          |
| 10/31/2018 | 8,340          | 2,817          | 70,942        | 62,601            | \$346.01               | \$21,718,218  | 1,308          |
| 11/30/2018 | 11,629         | 2,553          | 60,459        | 53,298            | \$347.80               | \$18,585,342  | 982            |
| 12/31/2018 | 16,320         | 3,393          | 66,452        | 57,885            | \$343.45               | \$19,967,923  | 1,061          |
| 1/31/2019  | 17,896         | 6,795          | 93,400        | 78,628            | \$345.70               | \$27,310,045  | 1,257          |
| 2/28/2019  | 13,347         | 4,466          | 87,716        | 76,053            | \$350.53               | \$26,770,130  | 1,103          |
| 3/31/2019  | 8,327          | 2,919          | 79,384        | 71,924            | \$345.00               | \$24,914,450  | 1,100          |
| 4/30/2019  | 9,109          | 2,948          | 78,957        | 68,554            | \$356.26               | \$24,493,113  | 1,245          |
| 5/31/2019  | 9,446          | 2,902          | 63,719        | 56,412            | \$357.08               | \$20,216,805  | 1,059          |
| 6/30/2019  | 10,274         | 2,890          | 63,623        | 56,359            | \$347.79               | \$19,710,185  | 994            |
| 7/31/2019  | 16,487         | 4,133          | 88,606        | 74,889            | \$350.17               | \$26,372,779  | 1,367          |
| 8/31/2019  | 8,806          | 3,265          | 67,616        | 60,130            | \$360.12               | \$21,767,816  | 1,194          |
| 9/30/2019  | 9,038          | 2,499          | 63,961        | 62,496            | \$369.41               | 23,182,837    | 1,211          |

Data queried from <https://oui.doleta.gov/> on 10/31/2019.

# KYSTATS in the News



When you visit the [LMI Report Library](#), there is an image of the state and the 10 LWAs. If you hover your mouse over each LWA, you can see the most current LAUS data, 2019 occupational employment and 2018 industry employment. The [full version](#) includes data by county and can be filtered by industry.

The [PY 2018 Kentucky Economic Analysis](#) provides an in-depth review of Kentucky's labor market conditions and economy, including population, demographics, workforce and industrial and occupational employment trends and activities from 2008 through 2018. To better understand the diversity of Kentucky's economy, this report also provides demographic and economic information for the LWAs.

The [Civilian Labor Force Report](#) (CLFR) is an interactive report that allows users to explore estimates from the U.S. Bureau of Labor Statistics' LAUS program and the Current Population Survey (CPS). This report is updated monthly with the most current LAUS estimates.

The [Kentucky Industry Profiler](#) is an interactive report that utilizes employment and wage data from Kentucky's Quarterly Census of Employment and Wages (QCEW) program. Users have the ability to filter available data by area, time period, type of ownership, and industry. Data are available from 2000 forward, and new data are loaded quarterly.

You can learn about recent data releases, research and reports by the LMI Branch by visiting our website: <https://kystats.ky.gov/KYLM>.



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