

MONEY MATTERS...\$...\$...\$

FOR KIDS, FOR COMMUNITIES, FOR KENTUCKY

The State of Working Kentucky, 2000

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Introduction

By many measures, the Kentucky economy has prospered in recent years, consistent with national trends of prosperity. Yet not all working Kentuckians have enjoyed a fair share of that prosperity. Many indicators demonstrate the gap between Kentucky's richest and poorest is growing despite general prosperity. This study documents that gap, noting the effect on Kentucky's working poor, and in particular, the effect on Kentucky's children and families.

Changing economy presents opportunity and challenges. Can Kentucky make the grade?

The state of working Kentucky is clearly linked to the changes in the state economy, and the implication of those changes for working families. A fair assessment of the Kentucky economy would suggest that overall, Kentucky's economic position has improved considerably in recent decades: employment is up; unemployment is down; median family incomes are up; and the focus of the economy has shifted towards the service sector. There remain considerable warning signs, however. Long-time staples of the Kentucky economy, including tobacco farming, coal mining and textiles, continue to face major hurdles. Those employed in these sectors have been forced to come to terms with dramatic changes in their industries.

Many Kentuckians live in poverty despite work. Left behind by the "new economy"?

While the rest of the country has prospered, too many in Kentucky live in poverty today. There also remains the concern that Kentucky may not be very well positioned to participate fully in the technology driven economy of the 21st century. The economic context within which Kentucky operates – the so-called "new economy" is not very forgiving either to individuals or states that cannot keep up. The stakes are very high on Kentucky's ability to compete head to head in an environment that places a premium on knowledge and technological development. The alternative to competing successfully is to be left behind. The data presented here indicate both that Kentucky as a whole, and many working Kentuckians, are at risk of just that.

Income

Incomes are up, but still well below national levels.

Median family income is often used as an indicator of the well-being of "the typical family".¹ As seen in Figure XX, median family incomes for a four person family have increased in Kentucky since 1974, with steady increases over each period shown. However, median wages throughout the South have continued to be lower than those in other parts of the United States. Although Kentucky's median income level

¹ See Chapter 1, in *The State of Working America – 2000-01*, Lawrence Mishel, Jared Bernstein and John Schmitt, (Cornell University Press, 2000). The income of the 'median family' is the income at the midpoint of all family incomes. While this is a fairly good indicator of the 'typical family', it masks the variation in incomes. A state where every family's income was \$60,000 would have the same median income as one where family incomes ranged evenly from \$10,000 to \$110,000. Median income neither tells us the range of incomes nor the distribution along the range.

Kentucky competes in a global marketplace for labor, too.

is comparable to other south central states, it falls considerably short of the national average (Figure 1). Placing Kentucky's median wage against wages in a different region (East North Central) highlights the income gap between regions (Figure 2). Kentucky's 1998 average median income of just over \$49,000 pales beside North Central (and surrounding states, Ohio (\$60,169) and Indiana (\$55,284)). In an economy characterized by high labor mobility, Kentucky's inability to offer incomes comparable to other jurisdictions may jeopardize our ability to retain and/or attract the "best and brightest," although the more affordable cost of living in the south somewhat offsets this concern.

Metropolitan Kentucky incomes outpace non-metro incomes

Regional variation in income continues to be a significant factor in understanding the state of working Kentucky. As Kentuckians have moved to the urban areas, the gap between incomes in metropolitan areas and non-metropolitan areas has widened. Figure 3 shows this trend, and illustrates real growth in income in both metropolitan Kentucky and non-metropolitan Kentucky. Kentucky household incomes tend to be lowest in rural areas, and more specifically, in Eastern Kentucky. The Bureau of Economic Analysis (BEA) produces a list of the 250 highest and lowest per capita incomes (PCI) in the United States. Kentucky has five counties (Elliott, Morgan, McCreary, Owsley and Magoffin) in the 50 lowest PCI listing (and 29 in the top 250), and only four in the top 250 (Woodford (154), Fayette (167), Oldham (173), and Jefferson (182)).² While the large number of Kentucky counties with low PCI partly reflects the small size of Kentucky's counties, it also reflects the fact that many of Kentucky's counties have alarmingly low per capita incomes.

29 Counties make list of lowest per capita income in US

The breakdown of Kentucky incomes has remained virtually constant in recent years (see Figure 4). The 1998 data is typical, showing that Kentuckians' incomes fall into three categories: Net earnings (65 percent); Transfer Payments (17 percent); Dividends, interest and rent (18 percent) (see Figure 5). Although 'transfer payments' include payments normally considered 'welfare,' this is a small portion of the total (less than 2 percent). In comparison, 'retirement transfers' make up a larger share.

Growing gulf between rich and poor – Kentucky has 9th largest gap between rich and poor

Despite a significant portion of incomes coming through transfer payments, the income disparity between the rich and poor remains striking. A January 2000 report jointly authored by the Center on Budget and Policy Priorities and the Economic Policy Institute, *Pulling Apart: A State by State Analysis of Income Trends* demonstrates the vast gulf between rich and poor. Kentucky stands ninth among the states for the disparity in income between those in the top 20 percent of income earners and those in the bottom 20 percent (Figure 6).³ Among surrounding states, Kentucky's ratio of the top and bottom 5ths of the income spectrum (the "income inequality ratio") during the period from 1996 to 1998 was the highest, at 11.1, with

² Bureau of Economic Analysis, Regional Accounts Data, Local Area Personal Income, "250 Highest and Lowest Per Capita Incomes of the 3110 Counties of the United States, 1998 (June 2000).

³ Economic Policy Institute/Center on Budget and Policy Priorities, *Pulling Apart: A State by State Analysis of Income Trends*, (Washington: EPI/CBPP, 2000), Table 2, 9.

the bottom fifth of families struggling with average income of \$11,365, and the top fifth of families enjoying incomes averaging \$125,797 (Figure 7).⁴ Moreover, as seen in Figure 8, during the period from the late '80s until the late '90s, Kentucky's income inequality grew at a rate surpassing that in surrounding states. Not only does Kentucky have significant income disparity, that disparity is growing. In Kentucky, the rich are getting richer, and the poor are not keeping up.

Employment/Unemployment

Kentucky has shared with the rest of the nation in enjoying decreased levels of unemployment in recent years. Figure 9 shows the unemployment rates in Kentucky and surrounding states over two decades, with rates shown for '79, '89, and '99. Kentucky's rate during this period was, however, higher than surrounding states other than West Virginia. By 1999, Kentucky had significantly lowered the gap between Kentucky's unemployment rate (4.5 percent) and the national average (4.2 percent). Monthly data distributed by the Workforce Development Cabinet's Department for Employment Services indicates that unemployment in the year 2000 has ranged between 4.7 percent and 4.0 percent (Figure 10).

Unemployment is down in Kentucky, but many counties still burdened by high unemployment rates

Counties are like people: the rich get richer, while the poor struggle

The disparities between counties are particularly striking, with Bluegrass counties such as Jessamine (1.4 percent), Woodford (1.7 percent), Fayette (2 percent) Bourbon, Oldham and Shelby (2.1 percent each) enjoying unemployment levels that are virtually non-existent, while other Kentucky counties struggle with double digit rates, including six counties in Eastern Kentucky. Magoffin's 14.4 percent was the highest unemployment rate in June, followed by Elliott (14 percent), Lewis (13.9 percent), Harlan (12 percent), Letcher (11.3 percent), and Carter (11 percent). The stark contrast between regions can be clearly seen in Figure 11, which breaks out those counties with unemployment rates below 2.5 percent and those with unemployment rates over ten percent. Comparing Figure 11 with the accompanying figure (Figure 12), which breaks Kentucky's counties into three equal categories, allows the reader to assess which counties have unemployment rates that are quite high,

or quite low (but not so high or low to be included in the extreme categories in Figure 11). These unemployment patterns reflect, to a certain extent, the prevailing industries in those regions, and the comparative health of those industries. Among the unemployed in the Big Sandy Area Development District and the Kentucky River Area Development District, 27 and 18 percent, respectively, of those unemployed were previously employed in mining. With the decline of the mining industry, those areas which have relied more heavily on mining experience greater economic hardship. Where unemployment occurs in higher value added industries, transition back into the work force is generally easier.

⁴ *Ibid.*

Wages

Despite significant [national] increases in productivity, the growth of wages of the typical worker has not kept pace. According to the Economic Policy Institute study, *The State of Working America, 2000-01*, two phenomena explain this divergence – “rising wage inequality and a shift of income from workers to owners of capital.”⁵ While the Dow Jones Industrial

**Urban
Kentucky
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rural
Kentucky left
behind**

**Economic
prosperity
isn't being
reflected in
wages of
working
Kentuckians**

**Wages
throughout
the South fall
behind US
rates**

Average Wage Per Job, Kentucky Major Urban Areas			
		1980	1998
Owensboro, KY	(MSA)	\$12,931	\$23,516
Clarksville-Hopkinsville, TN-KY	(MSA)	\$11,189	\$24,294
Huntington-Ashland, WV-KY-OH	(MSA)	\$14,515	\$24,912
Lexington, KY	(MSA)	\$12,317	\$27,339
Evansville-Henderson, IN-KY	(MSA)	\$14,159	\$28,058
Louisville, KY-IN	(MSA)	\$13,882	\$28,767
Cincinnati, OH-KY-IN	(PMSA)	\$14,748	\$31,685
Source: Bureau of Economic Analysis, CA34, “Average Wage Per Job” (includes full and part-time jobs), April 2000.			

Table 1

Average soars and investors pocket growing profits, the wages of working men and women have not kept up.

Wages in Kentucky have risen steadily in recent years, but have not done so uniformly, nor have median wages in Kentucky kept pace with national median wage levels in other parts of the United States (although they have tended to keep pace with wages in ‘the South’. See Figure 13).

Wages are much higher in urban areas than rural. A quick look at Kentucky’s metropolitan areas shows important shifts in average metropolitan wages (Table 1). In 1980, the Huntington-Ashland MSA ranked second among Kentucky metro regions. By 1998, with significant declines in industries centered there, the Ashland area had slipped to 5th overall. Also noteworthy is that the Cincinnati tri-state area had, by 1998, opened its lead over other regions.

The variation in wages between Kentucky counties over this time period is also illustrative. Figure 14 shows a surprising concentration of high wage jobs in the southeastern quadrant of the state in 1998. While poverty in this region was also comparatively high in 1980 (see Figure 15), relatively high wages in industries such as mining helped draw up the regional average. By 1998, many of the counties in the region had fallen into the middle range of wages, while the Bluegrass region of the state saw a considerable concentration of average high wage jobs.

The composition of the Kentucky workforce has changed significantly in recent years. Increased emphasis on the service sector appears to parallel trends throughout

⁵ EPI, *State of Working America, 2000-01*, 23.

North America. These data can mask certain realities about the Kentucky economy, however. While ‘information age’ jobs are disproportionately service sector jobs, so, too, are jobs in retail sales. While 5,680 Kentuckians working as systems analysts and in electronic data processing enjoyed median annual incomes of \$49,720, 45,980 retail salespersons earned much more modest annual wages, at \$17,370. Indeed, as long as the largest service sector employment category in Kentucky is ‘cashiers’ (50,910, with average annual wage of \$14,430), the long-term well-being of the economy may be in doubt.⁶

Unionization and the “Union Wage Premium”

Amid speculation that unionization may be in decline, both in number and power, Kentucky’s labor movement has experienced considerable upheaval in recent years. Under new leadership, elected in July 1999 following a tumultuous period marked by embezzlement of funds and the suicide of the AFL-CIO bookkeeper, the Kentucky AFL-CIO has enjoyed a period of renewal and growth. The recent decision by the Union of Auto Workers (UAW) to split from the state federation has cost 16,000 members.⁷

Kentucky workers reap benefits of collective power of unions: enjoy better wages and benefits, empowered in the workplace

Despite significant “union wage premiums” (the difference in wages attributable to union affiliation), unionization rates have been in decline since the early 80s throughout the United States, including Kentucky (see Figure 16). Comparing Figure 17, “Unionization Rates, 1998: US, Kentucky and States”, those states with high rates of unionization correspond with those noted above as high income states. Analysis by the Economic Policy Institute shows that the 1997 union premium was 35.9 percent for total compensation (including a 23.2 percent wage premium), “reflecting the fact that unionized workers are provided insurance and pension benefits that are more than double those of non-union workers.”⁸ Health care is of critical importance to working families. EPI reports that “union blue-collar workers receive...362.5 percent more in health and pension benefits than do their non-union counterparts.”⁹

Kentucky’s 1998 unionization rate, at 13.1 percent, is very close to the national average rate of 13.9 percent. EPI calculations of the union wage premium by demographic group provides important information for the Kentucky work force. Statistically controlling for experience, education, region, industry, occupation, and marital status, the union premium for all demographic groups was 15.1 percent. The fastest growing demographic group in Kentucky, Hispanic men, experience the largest premium with this method, at 18.7 percent.¹⁰ As one of the demographic groups with lower wages and income, the Hispanic population could take better advantage of the

⁶ Bureau of Labor and Statistics, “1998 State Occupational Employment and Wage Estimates, Kentucky.”

⁷ Jamie Butters, “Auto workers will cut ties to Ky. AFL-CIO”, in *Lexington Herald-Leader*, Friday, August 25, 2000, D1,6.

⁸ EPI, *State of Working America*, 2000, 181.

⁹ *Ibid.*

¹⁰ EPI, *The State of Working America*, Table 2.36, 183.

“union premium” by expanding their union coverage¹¹, which stood at 13.8 percent in 1997.

Data shown here suggest that Kentucky workers who bargain collectively through unions, use their collective strength to leverage benefits such as health insurance and pension coverage, and to increase their wages.

The Gender Wage Gap

National data show that the ‘gender wage gap’, the difference between men’s and women’s median hourly wages has closed considerably over the course of recent decades. Between 1973 and 1999, the wage gap closed from 63.1 percent to 76.9 percent.¹² The good news for women was that the reduction in the wage gap in part reflects increased real wages for women. From the perspective of the family, the news is mixed, since the wage gap closure also partly reflects a reduction in real wages for men. National data also show a general leveling of the rate of ‘wage gap closure’ during the 1990s.

In Kentucky, the prospect for women in the labor force is a decidedly mixed bag. The ratio of women’s wages to men’s in 1996 was 66.9 percent (meaning that for every dollar earned by men, women were earning only 66.9 cents. As disturbing as this gap is, more disturbing is that the 1996 gap between men’s wages and women’s was actually larger than the 1968 gap, when Kentucky women earned 67.3 cents for each dollar earned by men. Similarly disturbing is that between 1978 and 1996, improvements in Kentucky (63.0 percent to 66.9 percent) did not keep pace with changes in the national wage gap (from 63.6 percent to 71.7 percent).¹³

Probably the brightest news for women in the Kentucky workforce is on the education front. The Southern Regional Education Board reports that Kentucky women constitute a higher percentage of post-secondary enrollment at both the graduate (61 percent vs. 54 percent) and undergraduate levels (59 percent vs. 56 percent) than the national average. Differences in graduation rates between men and women are even more pronounced, with women enjoying a significant advantage over men.¹⁴ Given the relationship between higher education and income potential, this trend bodes well for Kentucky women.

Closing the gender wage gap, but Kentucky women still earn only 66.9 cents for every dollar earned by men

Worker Safety

A number of employment sectors pose considerable danger to Kentucky’s work force. The dangers faced daily in Kentucky’s agriculture sector, mining sector, and industrial

¹¹ Note, these data reflect both those who are members of unions (“unionization rate”) and those who are covered by a collective bargaining agreement.

¹² EPI, *The State of Working America*, Table 2.9, 128.

¹³ Mark Berger and Amitabh Chandra, “The Gender Wage Gap in Kentucky, 1968-1997”, in *The Future Well-Being of Women in Kentucky*, Michal Smith-Mello, Michael Childress, Jerry Sollinger, and Billie Sebastian, eds., (Frankfort, KY: Long-Term Policy Research Center, 1999), Table 2, 27.

¹⁴ Roger Sugarman, “The Status of Kentucky Women in Higher Education”, in *The Future Well-Being of Women in Kentucky*, 51,2.

sector place workers at risk. While the movement away from high risk occupations such as coal mining will significantly reduce the risk of job related death, even “new economy” jobs bring risks. Repetitive stress injuries such as tendonitis and carpal tunnel syndrome plague both assembly line workers and highly skilled computer data analysts.

In most respects, the types of injuries and deaths suffered in Kentucky are comparable to those in other states. Although Table 2 shows a much higher proportion of Kentucky’s work related deaths in 1998 attributable to “contact with objects and equipment” than the corresponding national or regional data, the corresponding data for 1997 suggests that annual variations may be at least as significant as those between regions. The Bureau of Labor Statistics (BLS) notes that between 1997 and 1998, the work related fatality rate in Kentucky declined 18 percent, from 143 to 117. While this suggests an improvement, on the one hand, a one-year “trend” may be meaningless, and on the other, it remains far too high.

Cause of Death	1997				1998			
	KY97	KY 97	US 97	SE 97	KY97	KY 98	US 98	SE 98
[KY = Kentucky, US = United States, SE = Southeastern States]								
	Number	Percent	Percent	Percent	Number	Percent	Percent	Percent
Transportation incidents	74	52	42	43	44	38	44	45
Contact with objects and equipment	22	15	17	16	32	27	16	15
Assaults and violent acts	23	16	18	20	16	14	16	17
Falls	10	7	12	10	14	12	12	12
Exposure to harmful substances or environment	11	8	9	8	10	9	9	10
Fires and explosions	3	2	3	2	0	0	3	1
Other	0	0	0	0	1	0	0	0

Table 2

Kentucky provides tax credits to industries that injure and kill Kentucky workers

Worker safety is a critical issue involving many thousands of people. Kentucky’s nonfatal occupational injury and illness incidence rate is also considerably higher than the national average. As indicated in Figure 19, in 1998, the job related injury/illness rate for Kentucky workers was 8.4 percent, placing Kentucky 34th out of the 44 states reporting.

A recent report by the Democracy Resource Center and the Kentucky Economic Justice Alliance (KEJA)¹⁵ notes that Kentucky’s Cabinet for Economic Development has provided significant tax subsidies to attract one of the most dangerous industries in the country, the chicken processing industry. The

¹⁵ KEJA is an alliance of five organizations working to achieve economic justice for Kentucky’s working families. Members include the Democracy Resource Center (DRC), Appalshop, Kentucky Youth Advocates (KYA), Community Farm Alliance (CFA), and Kentuckians for the Commonwealth (KFTC).

chicken processing industry's injury/illness rate of 16.6 percent is more than double that of coal mining and double the state rate.¹⁶

The “New Global Economy”

We are told repeatedly that the new global economy is one in which competition is based on knowledge and technology. Yet Kentucky continues to lag behind the rest of the nation in some critical educational categories. In 1996, only 74 percent of Kentucky adults 25 years of age and older had high school diplomas, while only 17.5 percent of that

“We Know Education Pays”

category had a bachelor's degree or higher. The good news for Kentucky is that these data represent significant improvement from 1990, when the respective numbers were 64.6 percent and 13.6 percent.¹⁷

Structure of Kentucky economy is changing

The Kentucky economy has shifted away from traditional mainstays such as agriculture and mining. Figure 20 shows the steady decline in mining employment throughout the 1990s, from over 35,000 in 1990 to just over 21,000 in 2000, representing just 1.15 percent of the Kentucky workforce. Compare this to Figure 21 which shows employment in the service sector over this same period. Not only is the direction of growth different (employment

growing rather than shrinking), the size of the service sector is over twenty times larger than the mining industry. Figure 22 shows the relative magnitude of these (and other) employment sectors.

TOP 5 AGRICULTURE COMMODITIES: Kentucky, 1998		
Commodity	percent of State Total Farm Receipts	percent of US Total Value
1. Tobacco	26.8	35.1
2. Horses/mules	20.1	41.6
3. Cattle and calves	15.4	1.8
4. Broilers	8.4	2.2
5. Dairy products	6.6	1
All Commodities		1.9

Table 3: Source: Economic Research Service, USDA., “Kentucky Fact Sheet”

Agriculture has seen comparable declines. Figure 23 shows the decline of agriculture (including forest and fish industries) as a contributor to the Gross State Product (GSP), from 4.3 percent in 1977 to 2.7 percent in 1997. Figure 24 shows Kentucky's net farm income fluctuating more or less in synch with the rate within surrounding states. Indeed, between 1996 and 1998, Kentucky seems to have escaped from the prevailing trend that produced farm income declines in five of six neighboring

states. Figure 25 shows 1998 farm incomes for Kentucky, surrounding states, and the US average relative to their 1990-1997 averages. Kentucky's strong showing in 1998

¹⁶ Jason Bailey, Liz Natter, *Kentucky's Low Road to Economic Development: What Corporate Subsidies are Doing to the Commonwealth*, (Lexington: Democracy Resource Center, 2000), 18.

¹⁷ Placing Kentucky 49th and 46th in those categories, respectively. See www.dismal.com/cgi/sql_state_test.asp?State=Kentucky&View=Socioeconomic.

surpassed its performance during the preceding years, in contrast to the other states (excluding Ohio).

With the tobacco industry in decline, Kentucky's reliance on tobacco for over a quarter of its farm receipts presents challenges that will have to be met if Kentucky is to avoid significant disruption in agriculture (see Table 3).

Poverty

The linkages between wages, income, and poverty are fairly clear. People live in poverty when their incomes are insufficient to lift them out of poverty. For those living in poverty, despite a significant work effort, incomes are inadequate because wages are inadequate.

With the decline in welfare caseloads and the booming economy, it is too easy to forget that a great many Kentucky families and children are living in poverty. KYA's *1999 KidsCount County Data Book* shows that 26 percent of Kentucky children were living in poverty including 32 percent of children under five¹⁸.

32% of children under five poor, 31.4% earn poverty wages

Recent (1999) data show that fully 31.4 percent of Kentucky workers earn wages so low that working full time, year round, they would be unable to lift a family of four out of poverty. While this represents an improvement over 1989 data, when 36.5 percent of workers earned "poverty wages," it falls short of the national average of 26.8 percent.¹⁹

Too often former welfare recipients find themselves moving from the 'welfare poor' to the 'working poor'. These people who are 'playing by the rules' need continued assistance to ensure their successful transition to self-sufficiency.

Helping to Meet the Ongoing Needs of Working Families

Minimum Wage/Living Wage

Clearly, one way to improve the lot of working families, particularly the working poor, would be to increase their wages. Active 'living wage' campaigns are currently underway in both Lexington and Louisville²⁰. A 1999 campaign to implement a living wage set above the current state and federal minimum wage in Letcher County was defeated in Fiscal Court by a slim margin.

Kentucky workers deserve to earn a living wage

While 'living wages' face an uphill battle, more modest increases to the minimum wage may still go a long way towards lifting many working families out of poverty. The Economic Policy Institute reports that a significant majority of the benefits of a one dollar increase

¹⁸ Kentucky Youth Advocates, *1999 Kentucky KIDS COUNT County Data Book*, (Louisville: Kentucky Youth Advocates, 1999), 30.

¹⁹ EPI, *State of Working America, 2000-01*.

²⁰ The living wage concept will be explored at length in an upcoming edition of *Money Matters: for kids, for communities, for Kentucky*.

in the minimum wage would accrue to the bottom 40 percent of wage earners.²¹ With 10.1 percent of Kentucky workers earning within one dollar of the federal minimum wage, it is clear that increasing that minimum would have a significant impact.²²

Opponents of living wage campaigns or campaigns to raise the minimum wage often argue that minimum wage jobs are typically held by students. However, studies of those leaving welfare indicate that they typically start their transition to self-sufficiency with jobs that pay only minimum wage, which falls far short of meeting the basic needs of a family.

Health Care

One of the most pressing needs for Kentucky's workers is affordable, quality health care. Kentucky has had considerable success with the KCHIP program, the Kentucky Children's Health Insurance Program. Recent reports indicate that 70 percent of an estimated 78,000 eligible children were registered in the program.²³ This program

**KCHIP
enrollment
hits 70%**

provides health insurance to those children who need it most – those living at or under 200 percent of the poverty line. Figure 26 shows three year average rates for Kentucky children (under 19 years of age) living at/under 200 percent of the poverty line with no health insurance. During the four year period shown, the number of children in Kentucky lacking health insurance ranged from 93,000 to 109,000.²⁴ With the KCHIP program, the working poor and near-poor at least have health insurance for their children. Moreover, lack of health care for adults living in or near poverty remains a real concern.

Quality, Affordable Child Care

Working Kentuckians should be able to contribute to the economic vitality of the Commonwealth and provide adequately for their families, without having to worry about the care their children receive during the work day. The Kentucky Long-Term Policy Research Center released a report last year showing that 68 counties in Kentucky lack adequate child care spaces to meet the needs of working families. In 23 of those counties, the demand is more than double the available supply.²⁵

Many child care policies, in Kentucky and nationally, have been fashioned around the percent rule – that “affordable” child care requires ten percent or less of family income. Obviously, where high quality infant care can easily run over \$100 per week, families with incomes below \$52,000 are facing a dilemma. By necessity, quality is often traded off for affordability. This is not a choice working families should have to make.

²¹ Jared Bernstein and John Schmitt, “The Impact of the Minimum Wage”, (Washington: Economic Policy Institute, June 2000), Table 4, 10.

²² Jared Bernstein and John Schmitt, “The Impact of the Minimum Wage”, (Washington: Economic Policy Institute, June 2000), Table 2, 8.

²³ “KCHIP reaching 70 percent of eligible children”, in *Lexington Herald-Leader*, August 23, 2000, B3.

²⁴ Source: U.S. Bureau of the Census, March 1993, 1994, 1995, 1996, 1997, 1998 Current Population Surveys.

²⁵ Michael Childress, *Child Care in Kentucky: Current Status and Future Improvements*, (Frankfort: Kentucky Long-Term Policy Research Center, 1999), Appendix A.

The passage of the “early childhood initiative” during the 2000 General Assembly moved Kentucky one step closer to ensuring a sufficient supply of quality, affordable child care, through increased availability of subsidies to families, training and scholarship programs for providers, and creation of a rating system to help parents select appropriate child care. To oversee the initiative, an early childhood development authority has been created in the Governor’s office and community early childhood councils will draw together all the relevant players at the local level.

Earned Income Tax Credit

The income gap between the poorest Kentuckians and the richest is considerable. A Kentucky earned income tax credit (EITC) would go a long way towards closing this gap. Kentucky places one of the highest tax burdens in the country on its poorest citizens. A 1999 report released by Kentucky Youth Advocates with the Center on Budget and

**A Kentucky
EITC would
lift thousands
out of poverty**

Policy Priorities shows that there are 80,000 families, including 138,000 children, living in poverty in Kentucky despite the presence of a working parent.²⁶ A state level EITC would provide a tax credit to 309,000 working Kentucky tax filers (families), the poor and near-poor. Through a Kentucky EITC, thousands of working families could be lifted out of poverty.

Conclusion

There is significant variation in the ‘state of working Kentucky’. Recent years have clearly seen improvement in the Kentucky economy, which has disproportionately benefited those in upper income groups. While the rich have clearly been getting richer, the poor have struggled to hold their ground. While poverty remains a problem in Kentucky, solutions for the working poor remain distant. For these people, better wages would increase their income, lifting more families out of poverty. Assistance in the form of subsidized child care, affordable health insurance, and a state level earned income tax credit would greatly enhance the chances of self-sufficiency for working families in Kentucky.

²⁶ Christina Smith-Fitzpatrick, *Poverty Despite Work in Kentucky*, (Center on Budget and Policy Priorities and Kentucky Youth Advocates, 1999).

Median Family of Four Income: 1974-1998, Kentucky and East South Central States

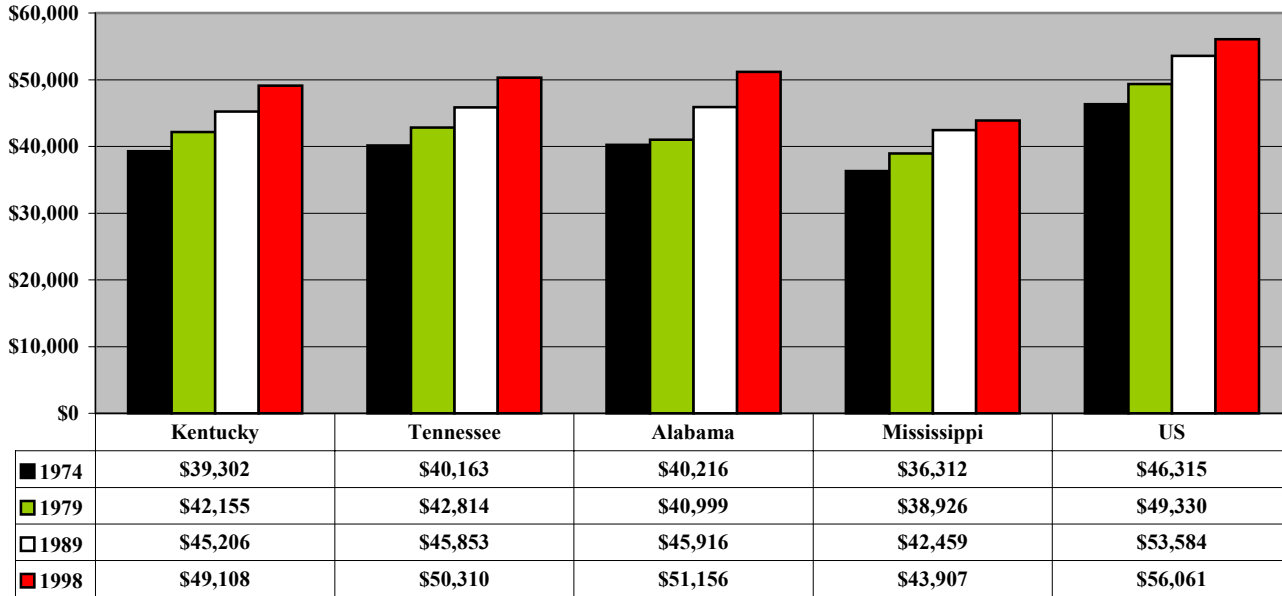


Figure 1 Source: EPI Analysis of Census Bureau Data

Median Family of Four Income: 1974-1998, KY and East North Central

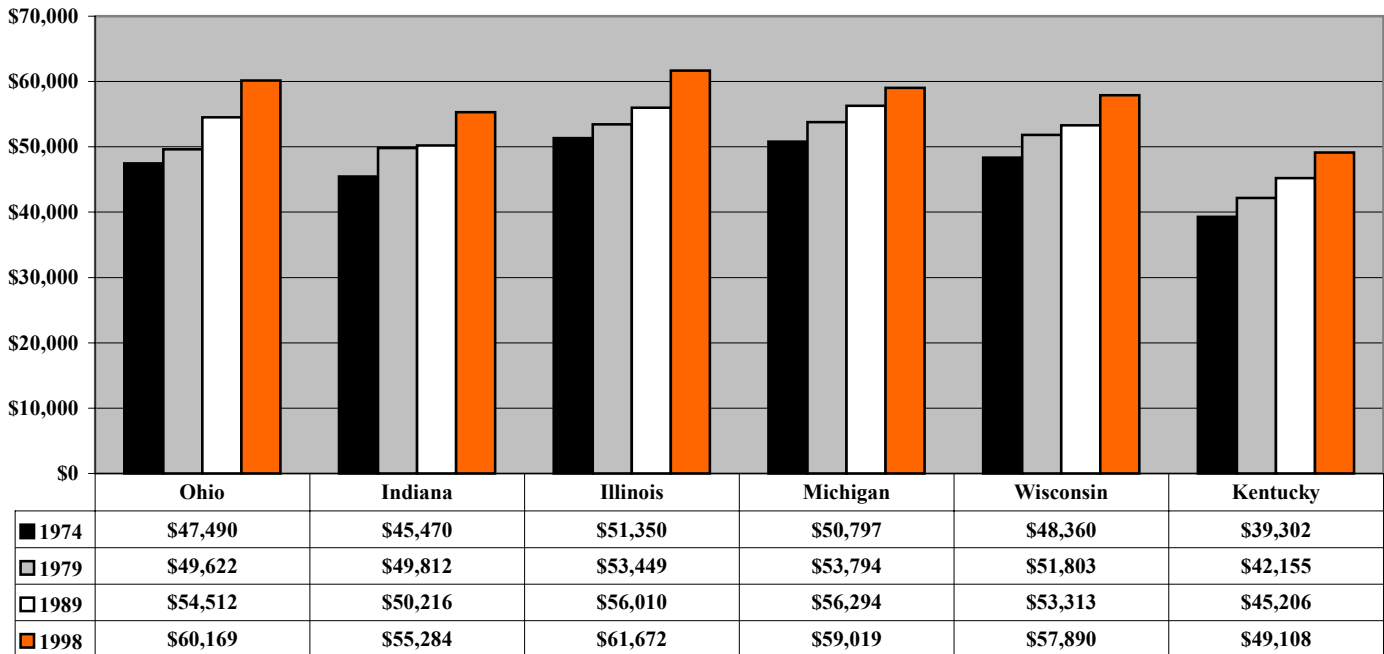


Figure 2 Source: EPI Analysis of Census Bureau Data

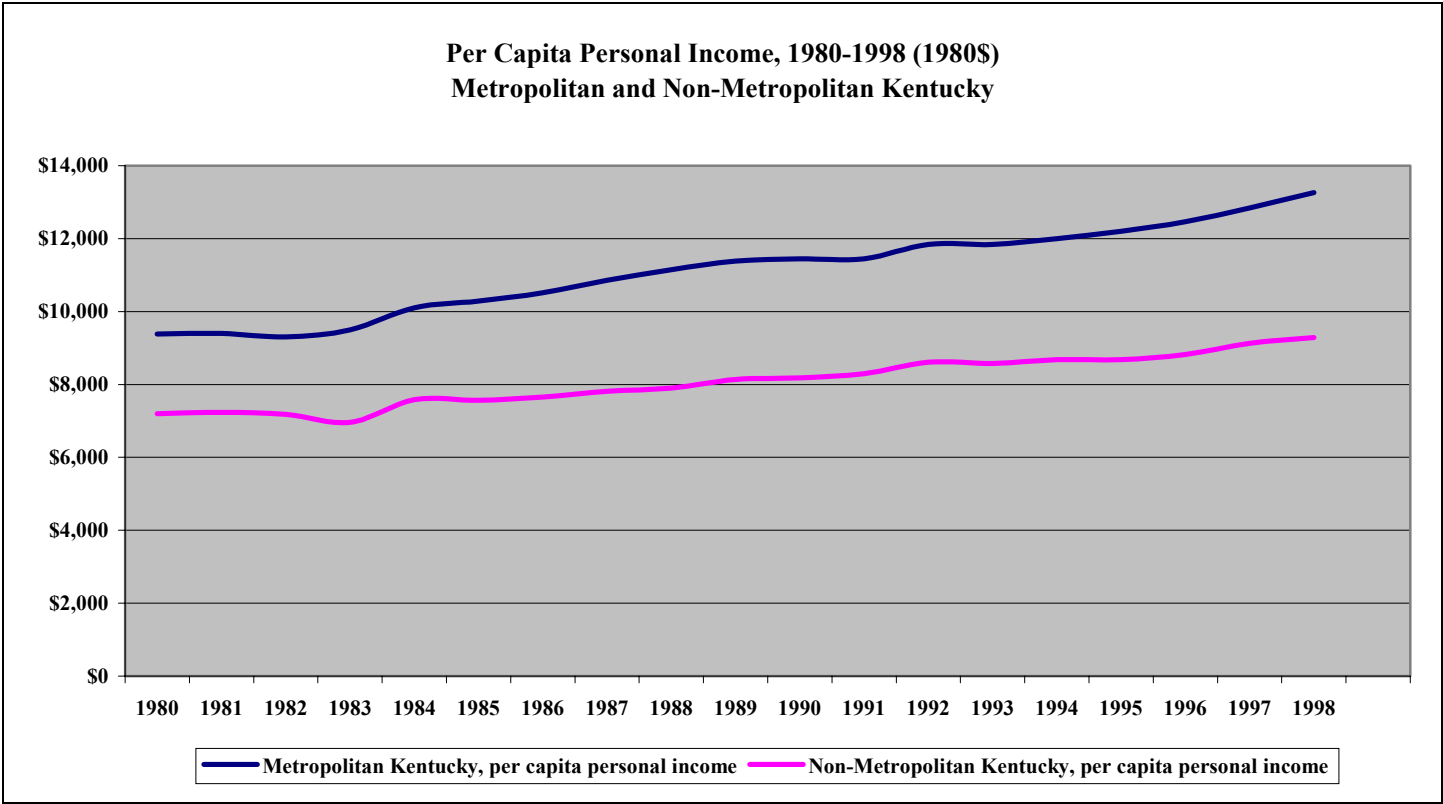


Figure 3 Source: BEA, Regional Accounts Data: Local Area Personal Data.

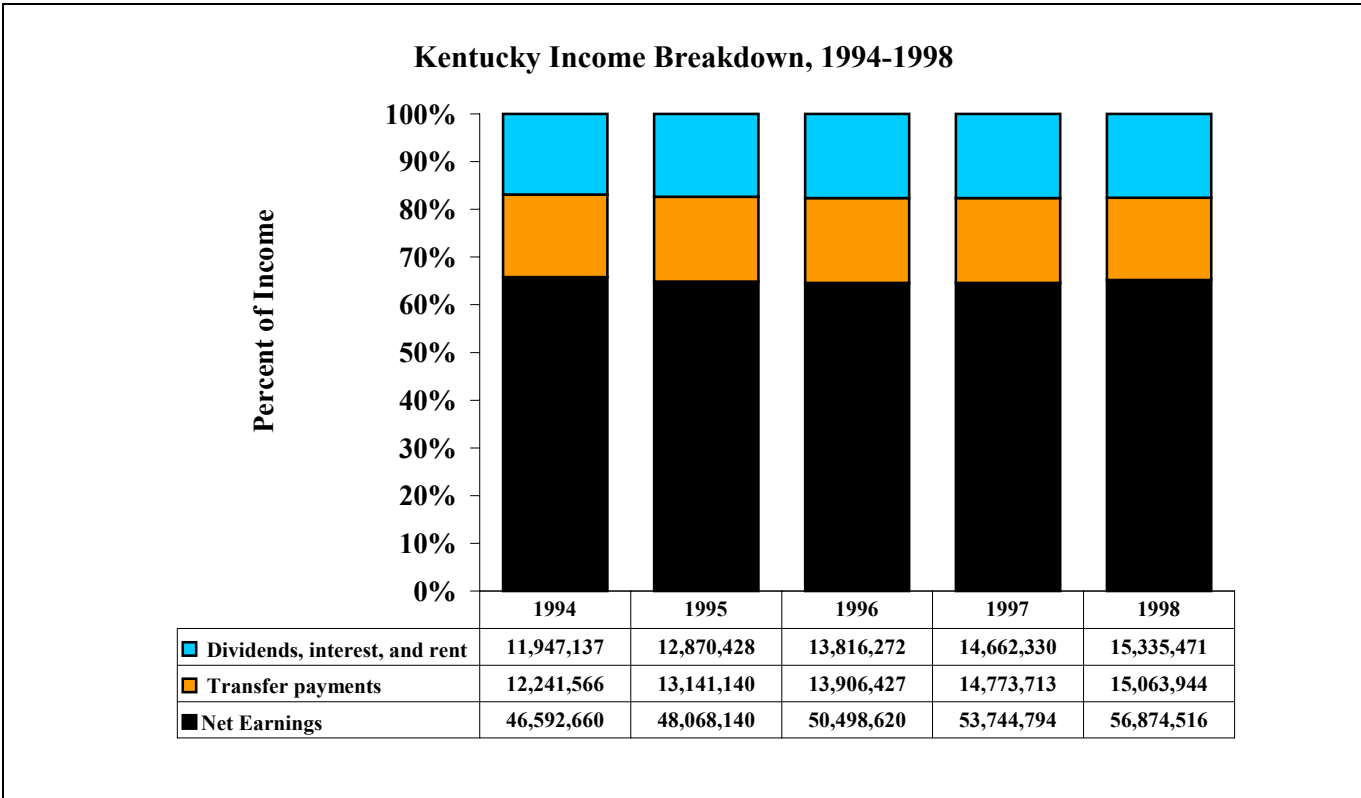
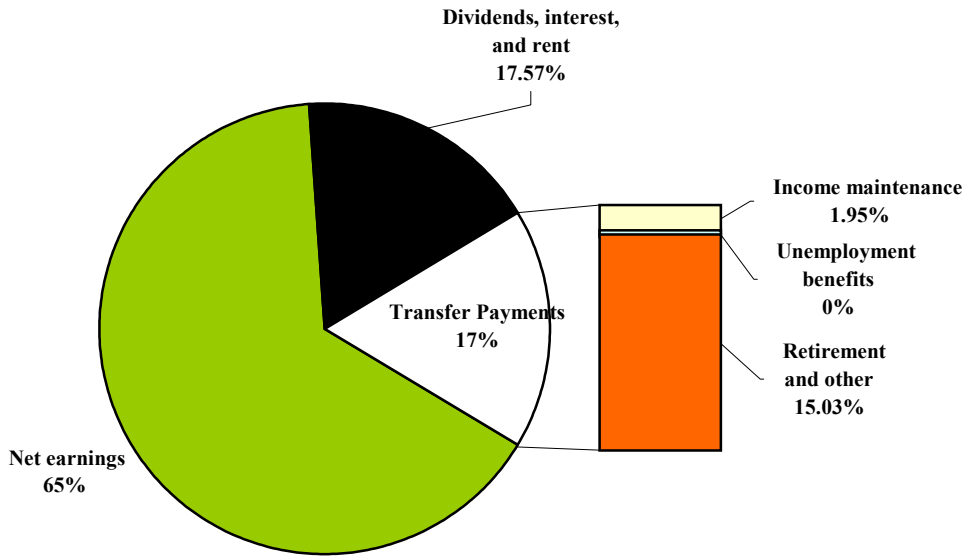


Figure 4 Source: Bureau of Economic Analysis, Regional Accounts Data, CA30, Kentucky, June 2000

Kentucky Income Breakdown, 1998



Source: Bureau of Economic Analysis, Regional Accounts Data, CA30, Kentucky, June 2000

Figure 5

Income Inequality Ratios, 1996-98

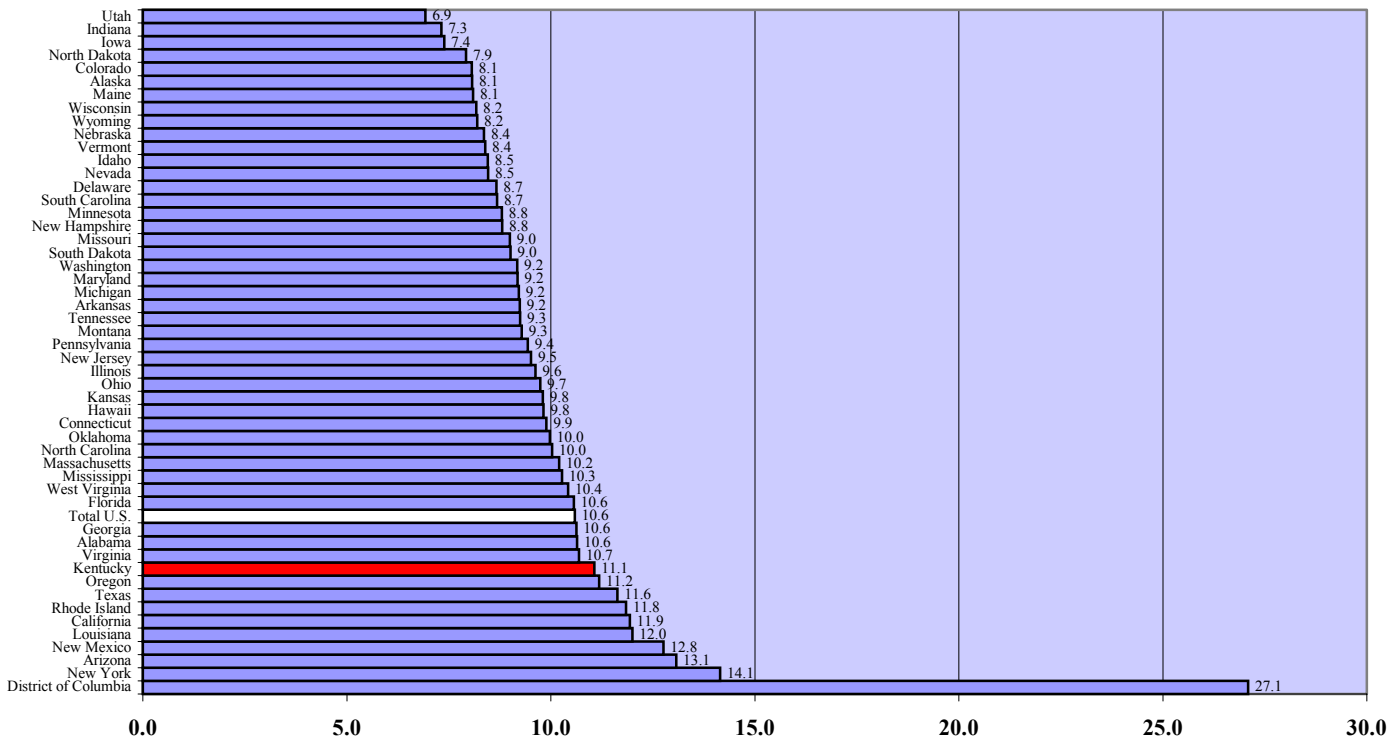


Figure 6 Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

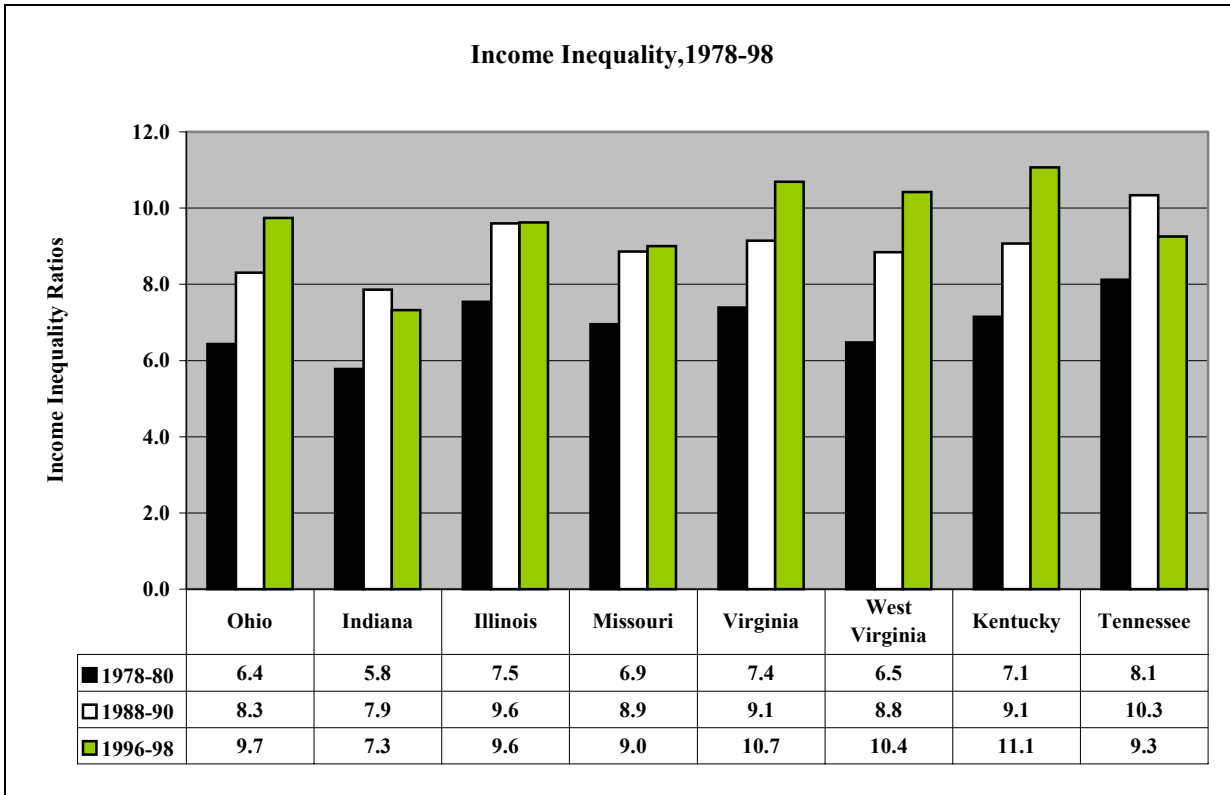


Figure 7 Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

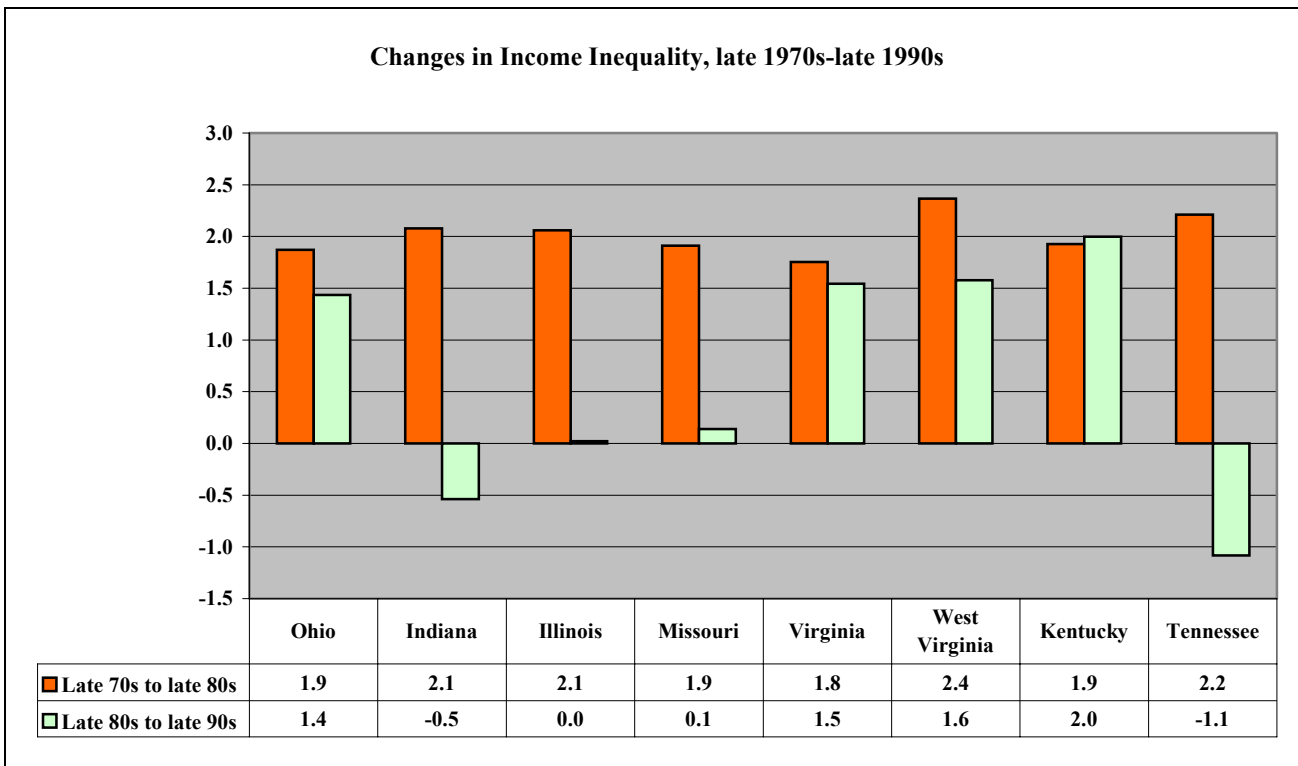


Figure 8 Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

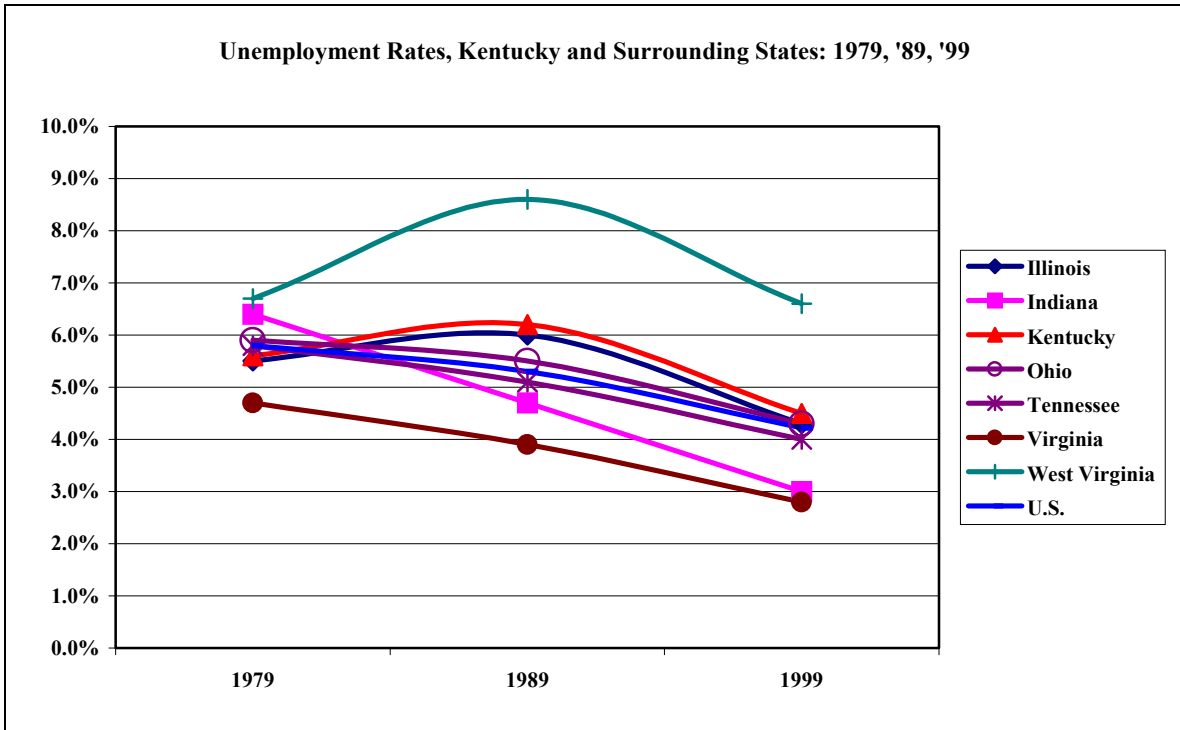


Figure 9 Source: EPI Analysis of US Bureau of the Census, income website

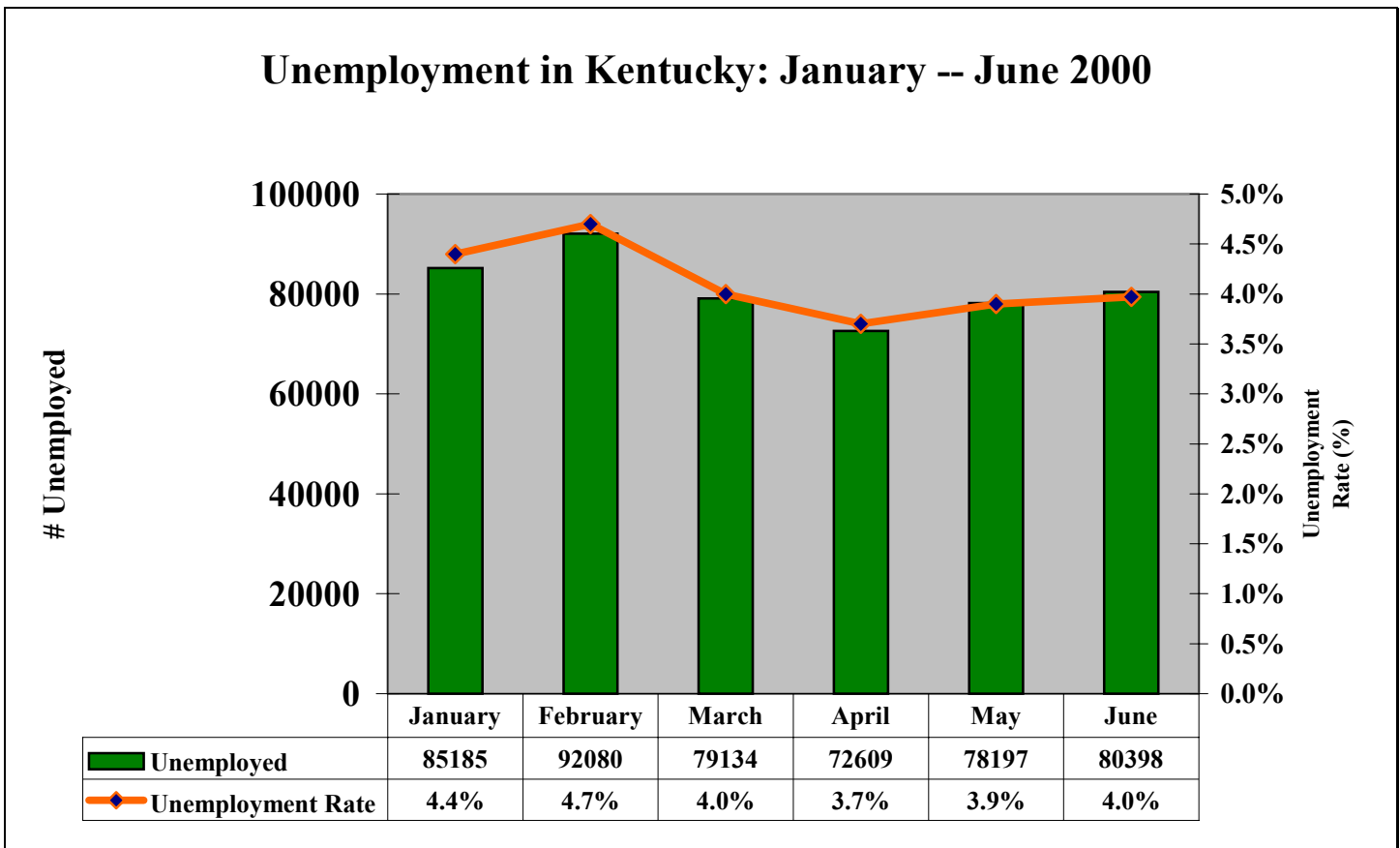
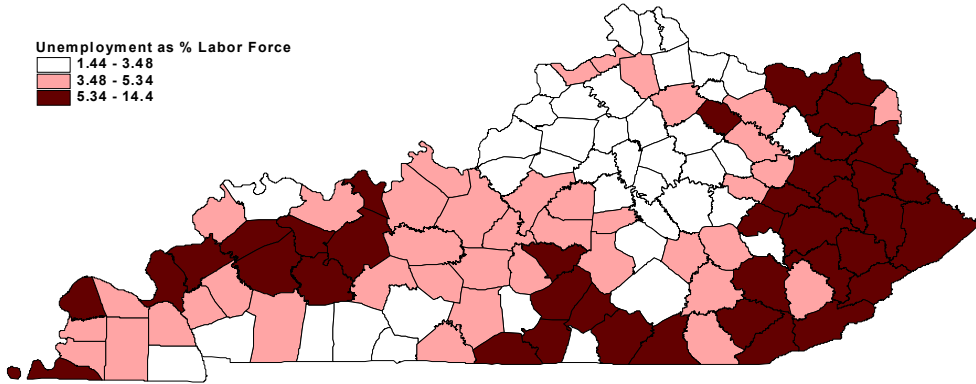


Figure 10 Source: Kentucky Workforce Development Cabinet

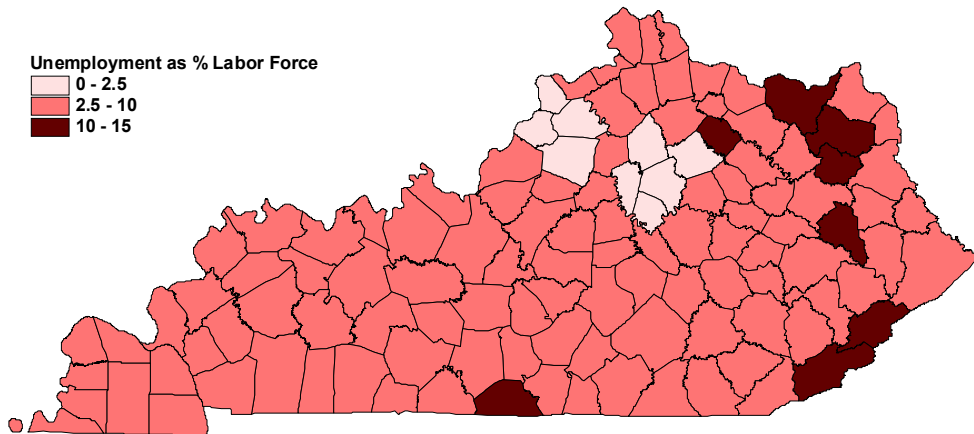
Kentucky Unemployment as % Labor Force, June 2000



Source: Kentucky Department for Employment Services, August 4, 2000

Figure 11

Kentucky Unemployment as % Labor Force, June 2000



Source: Kentucky Department for Employment Services, August 4, 2000

Figure 12

Median Wage, KY and US Regions, 1979-99

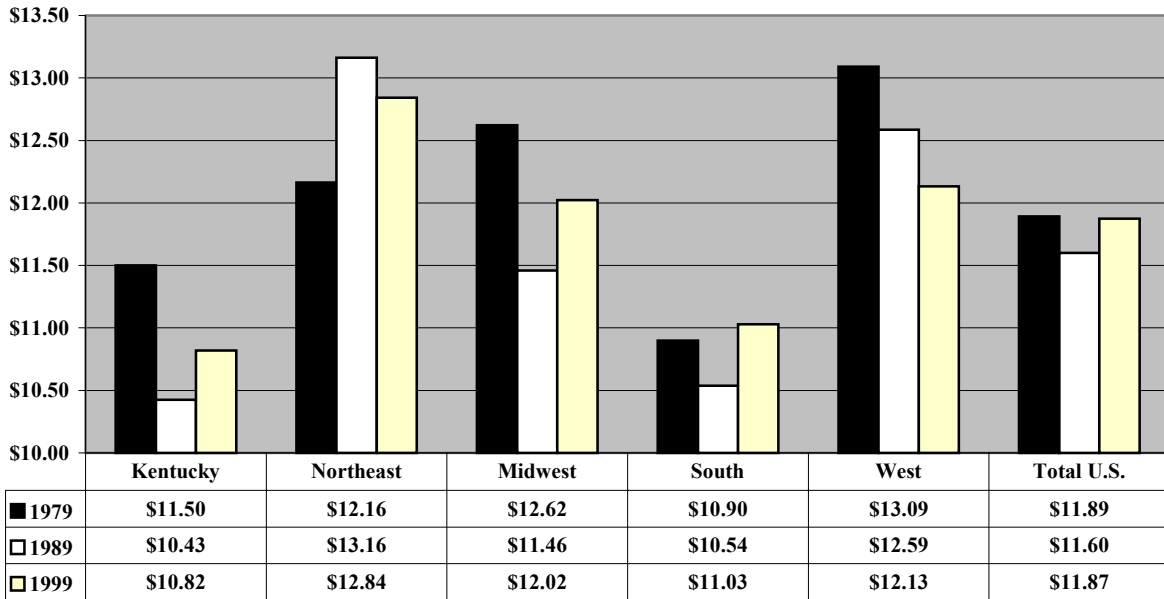


Figure 13 Source: EPI Analysis of CPS data.

1998 Average Wage, Kentucky

Average Wage by County, 1998

- 15137 - 19715
- 19782 - 23221
- 23384 - 39818

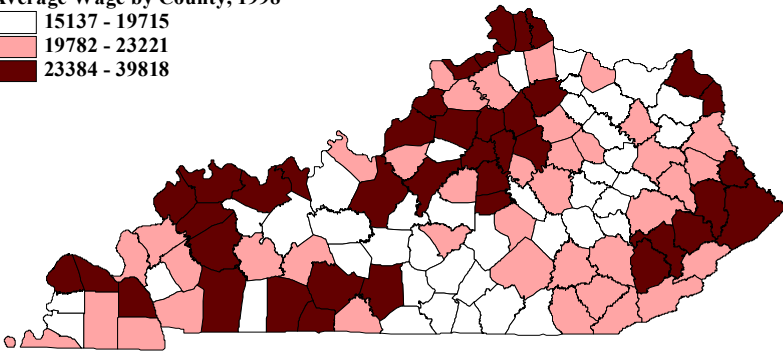


Figure 14 Source: BEA, Regional Accounts Data

1980 Average Wage, Kentucky

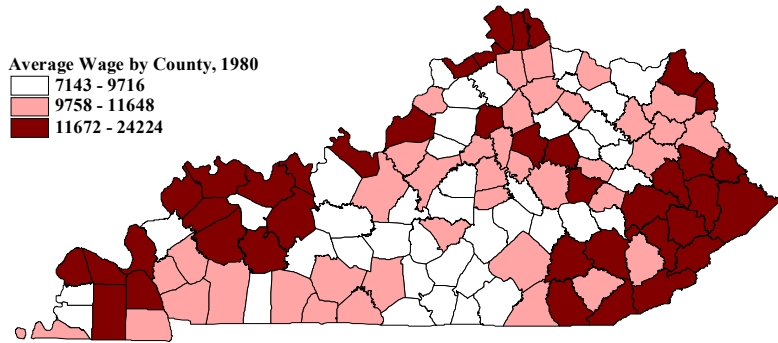
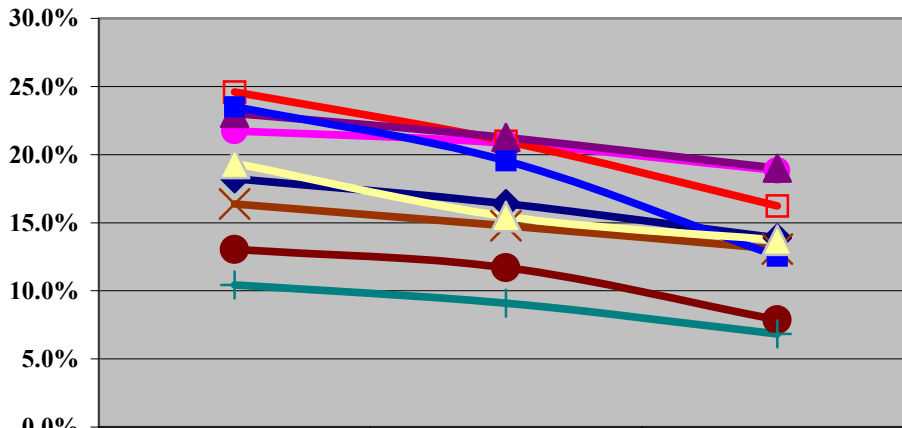


Figure 15 Source: BEA, Regional Accounts Data

Unionization Rates, 1984-1998, US, Kentucky and Surrounding States



	1984	1989	1998
U.S.	18.2%	16.4%	13.9%
IL	21.7%	20.8%	18.9%
IN	24.6%	21.0%	16.2%
KY	16.4%	14.8%	13.1%
OH	23.0%	21.3%	19.0%
TN	13.0%	11.7%	7.9%
VA	10.4%	9.1%	6.8%
WV	23.5%	19.5%	12.6%
MO	19.4%	15.5%	13.7%

Figure 16 Source: EPI Analysis of CPS data.

Unionization Rates, 1998: US, Kentucky and States

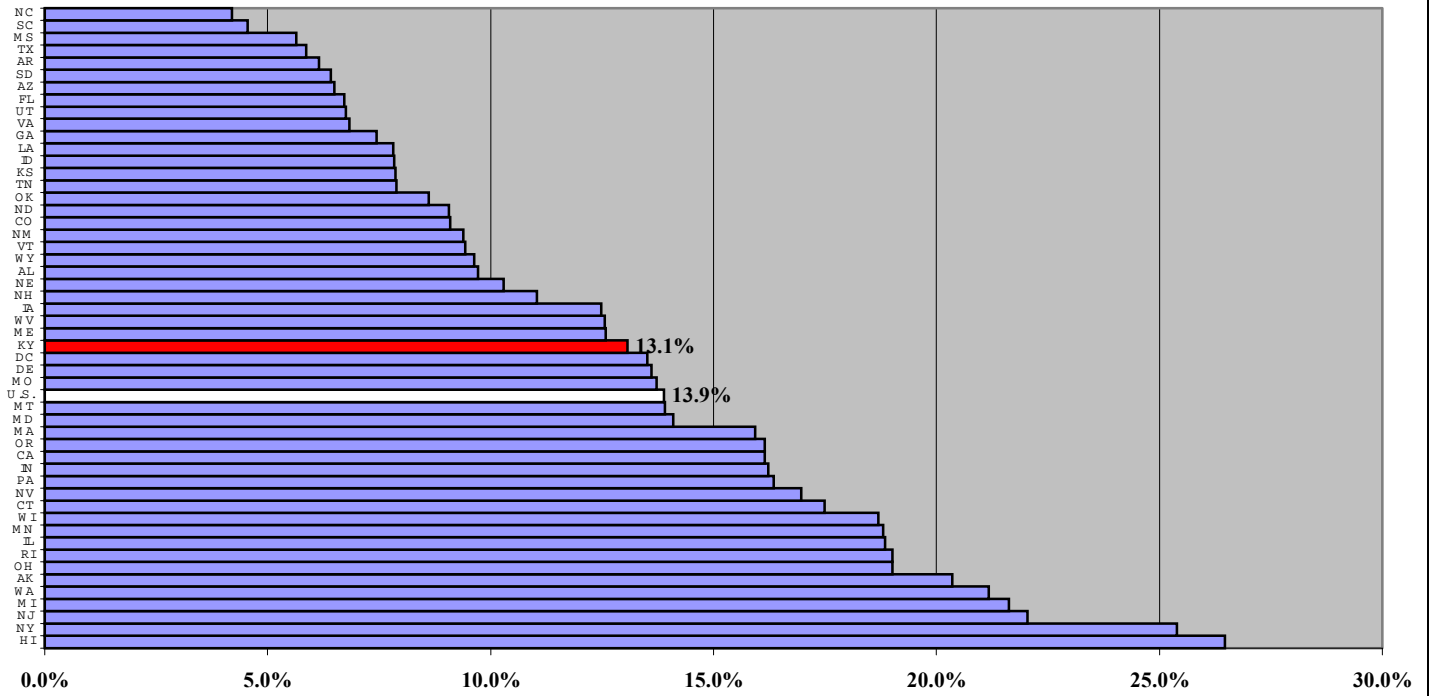


Figure 17 Source: EPI Analysis of CPS data

Female/Male Wage Ratio: Kentucky and U.S.

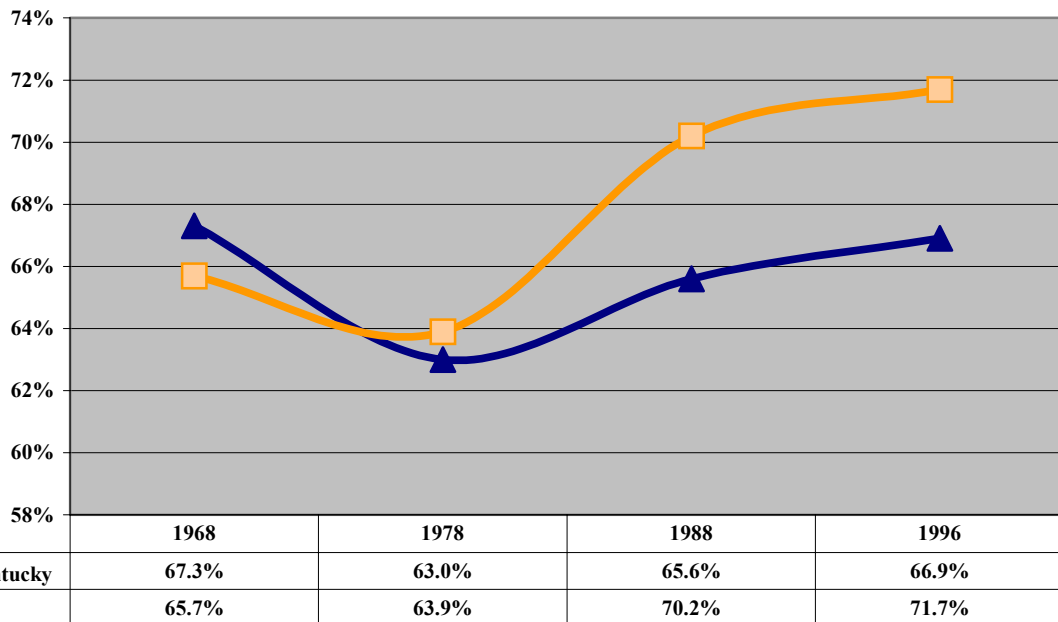


Figure 18 Source: Mark Berger and Amitabh Chandra, "The Gender Wage Gap in Kentucky, 1968-1997."

Nonfatal Occupational Injury and Illness Incidence Rate per 100 full-time workers, 1998

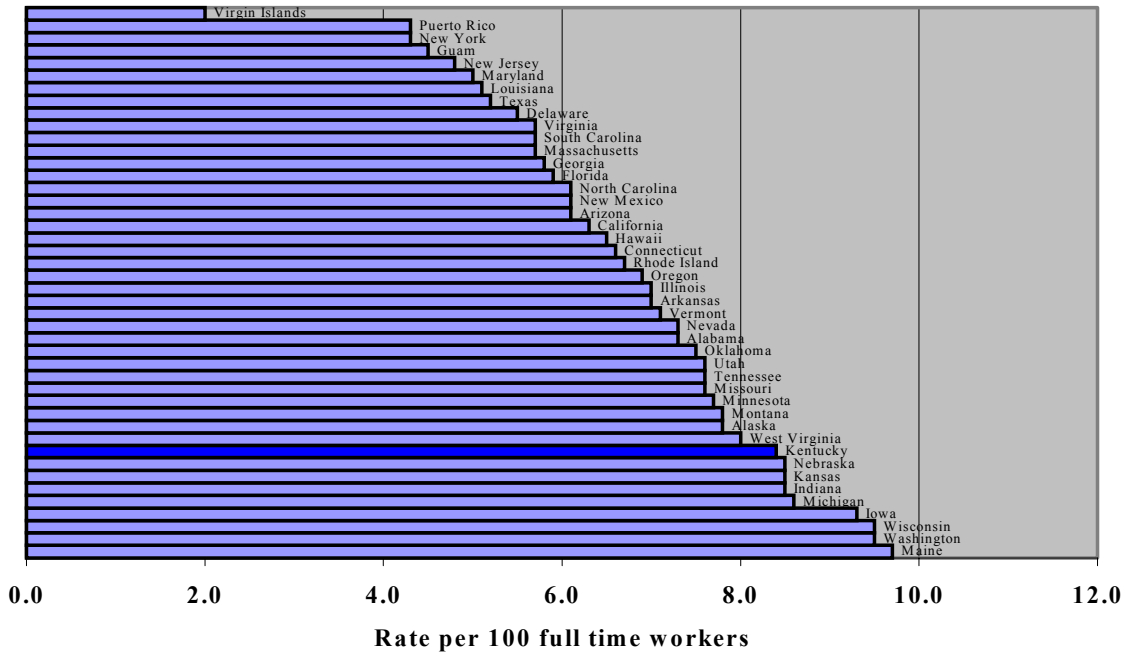


Figure 19 Source: Bureau of Labor Statistics, U.S. Department of Labor

Kentucky Mining Employment (000s), 1990-2000

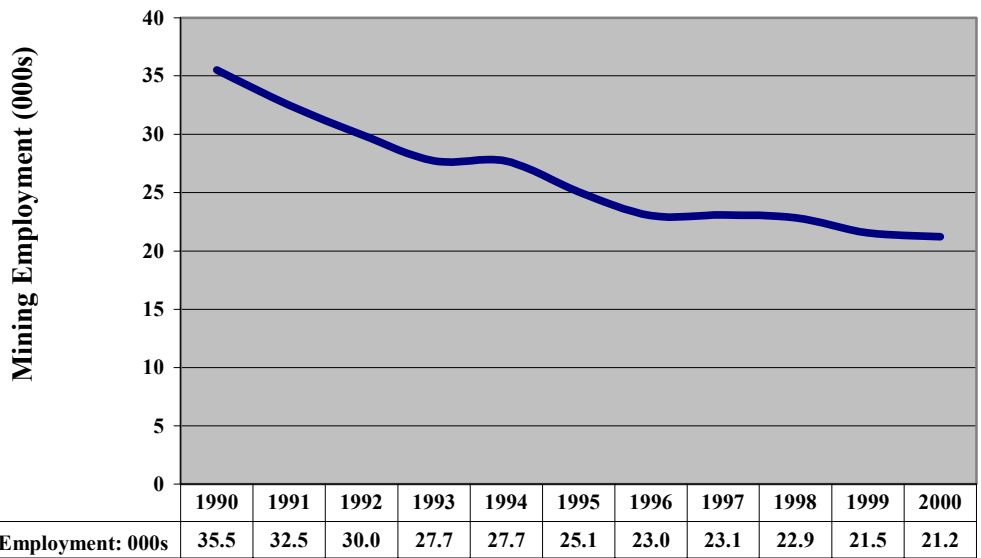


Figure 20 Source: Bureau of Labor Statistics, State at a Glance, “Economy at a Glance, Kentucky”, August 2000.

Kentucky Services Employment (000s), 1990-2000

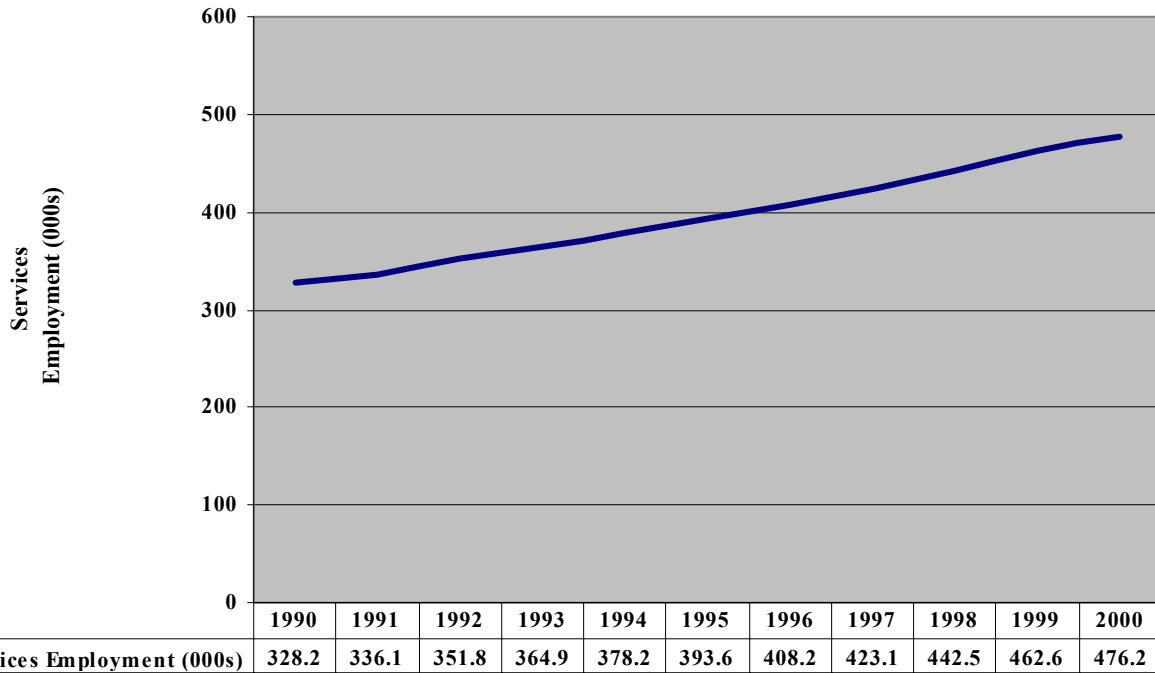


Figure 21 Source: BLS, State and Area Employment, Hours, and Earnings

Kentucky Employment Breakdown: 1990-1999

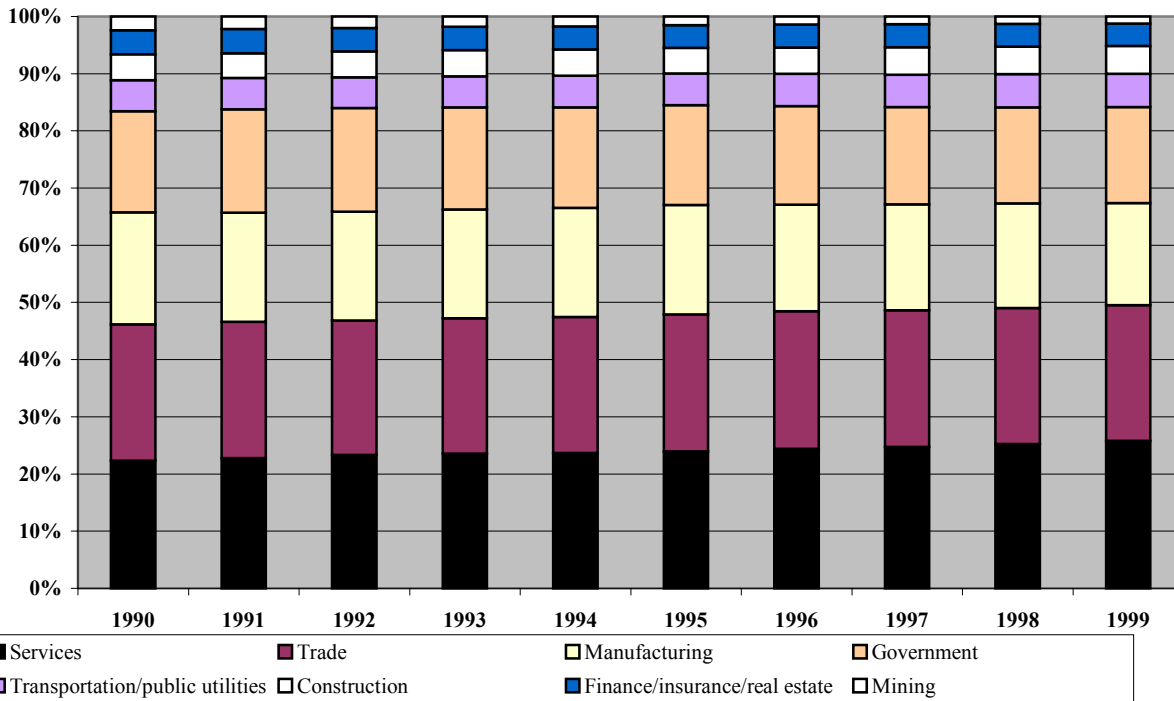


Figure 22 Source: BLS Data

Agriculture as Percent of Gross State Product (GSP): Kentucky, 1977-1997

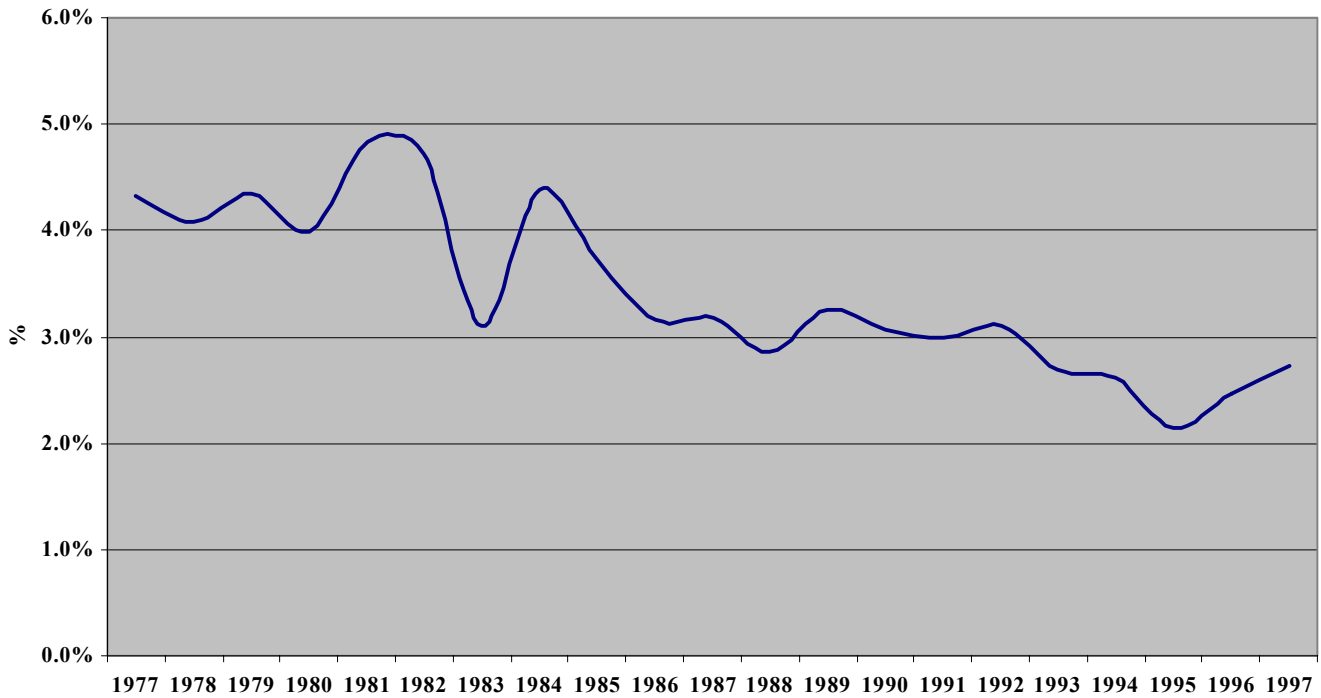
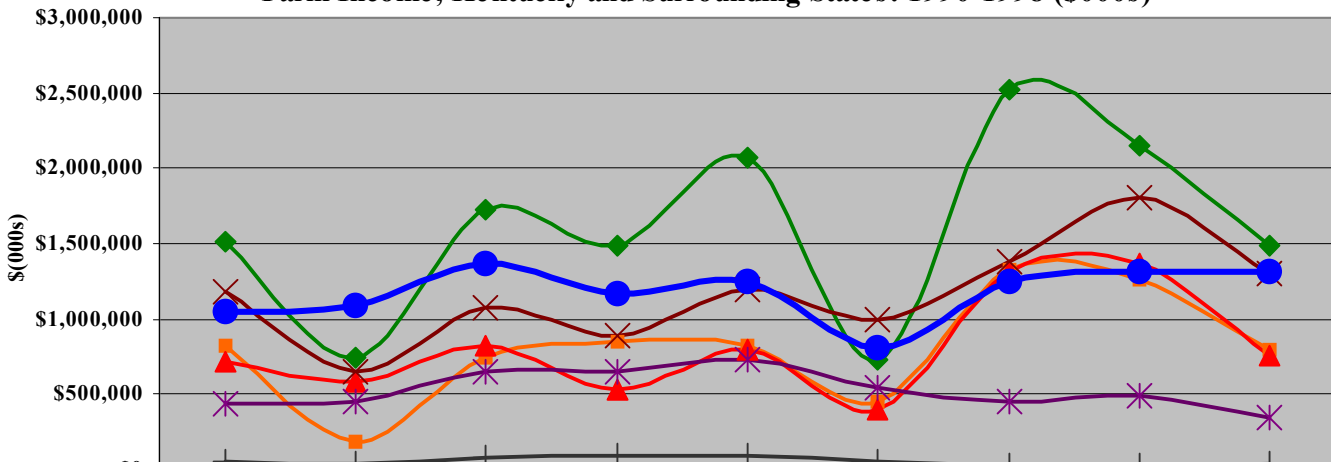


Figure 23 Source: BEA, Regional Economic Analysis Division, 1999.

Farm Income, Kentucky and Surrounding States: 1990-1998 (\$000s)



	1990	1991	1992	1993	1994	1995	1996	1997	1998
IL	1,512,467	744,929	1,720,581	1,482,616	2,067,405	733,106	2,525,458	2,145,451	1,483,681
IN	821,893	186,731	744,375	851,246	824,954	452,335	1,329,768	1,264,481	801,602
MO	723,411	584,495	819,218	534,592	796,034	396,798	1,310,048	1,371,203	763,110
OH	1,178,124	654,293	1,069,846	890,201	1,200,420	991,562	1,386,379	1,806,684	1,298,533
TN	437,833	457,604	653,431	643,860	724,705	546,392	451,608	492,377	343,267
KY	1,052,548	1,089,370	1,362,093	1,174,082	1,247,119	815,762	1,244,027	1,314,658	1,313,038
WV	54,202	39,514	80,975	89,970	92,892	49,891	32,902	31,774	34,884

Figure 24 Source: Department of Agriculture, Economic Research Service.

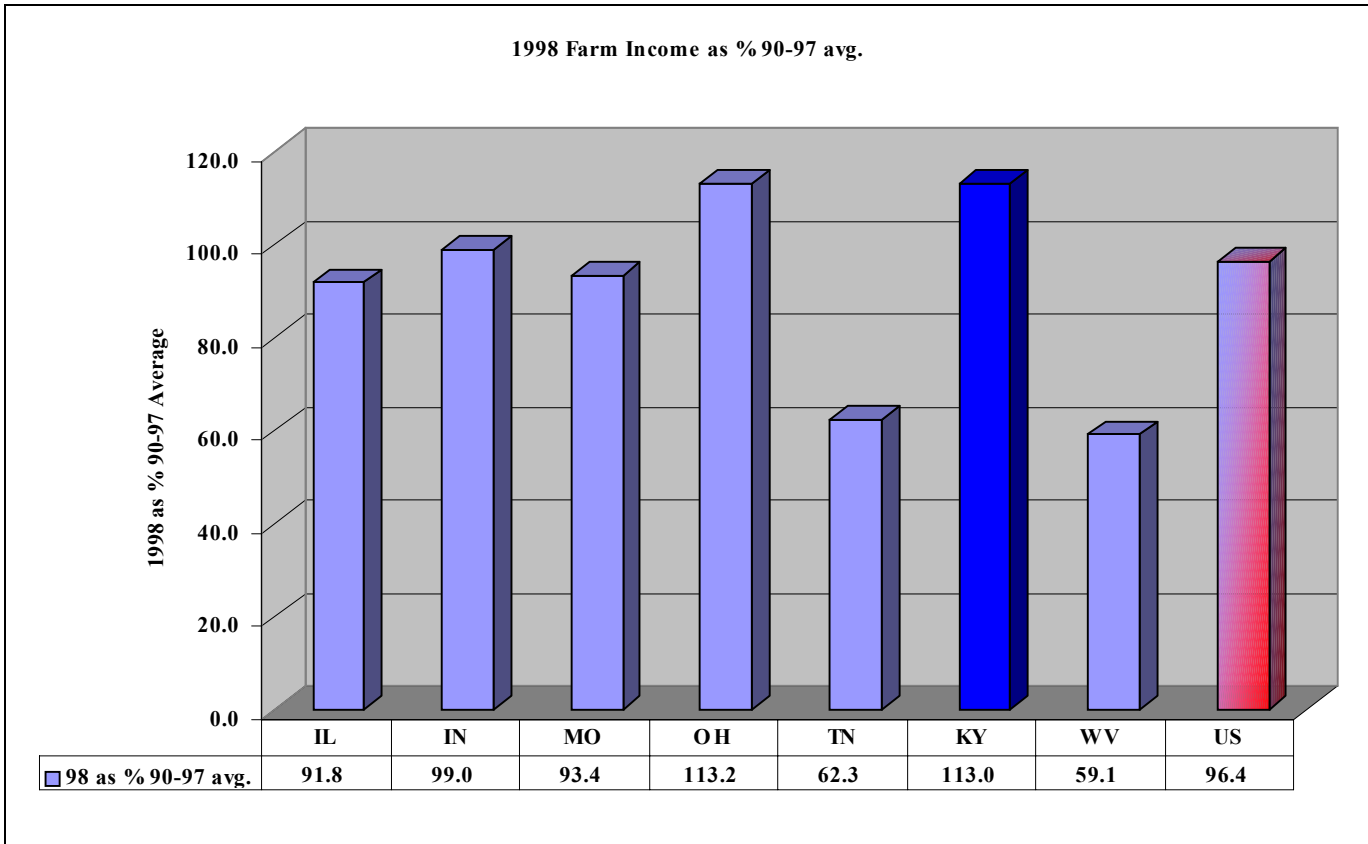


Figure 25 Source: Department of Agriculture, Economic Research Service.

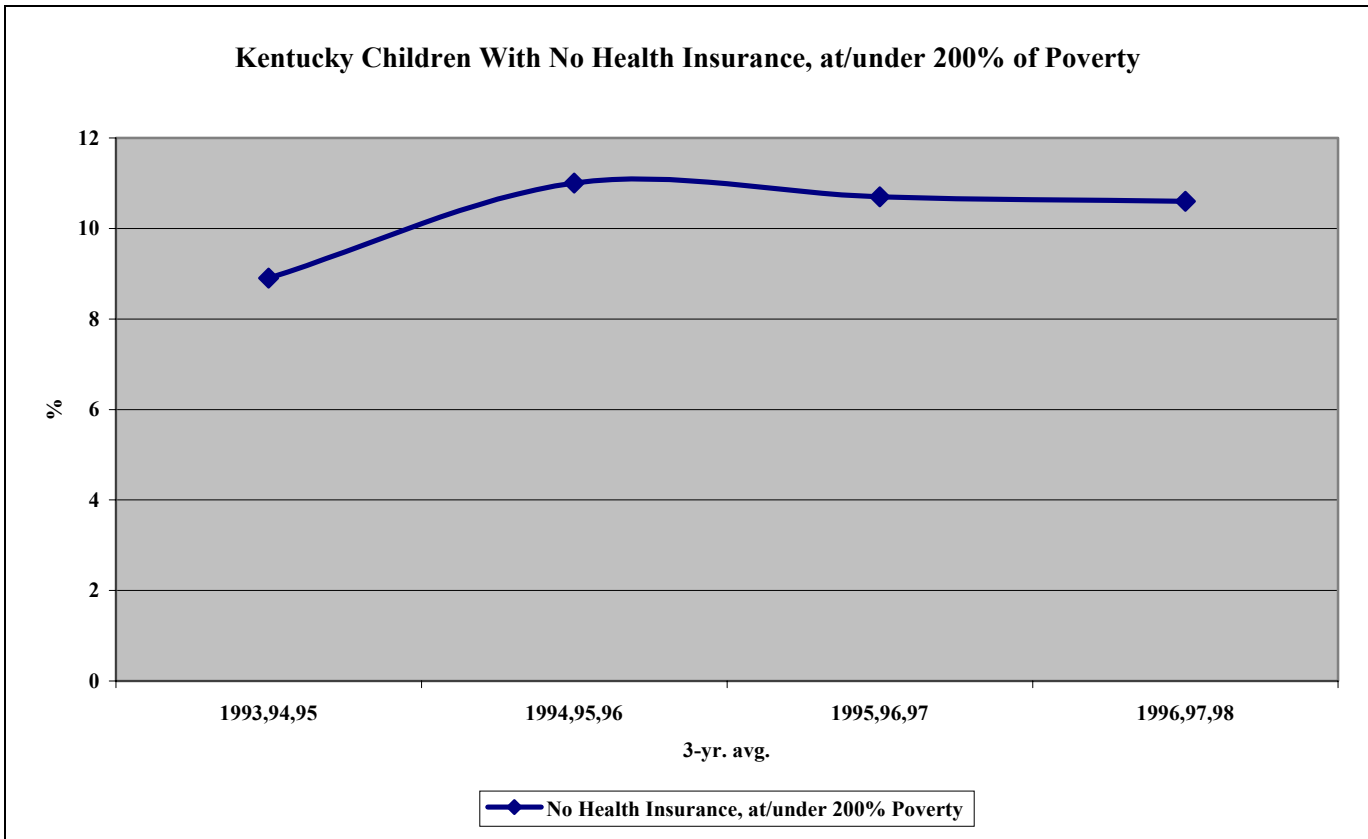


Figure 26 Source: US Census Bureau, Low Income Uninsured Children by State, November 1999.