

Taking Stock:

A Snapshot of Economic Indicators for Kentucky

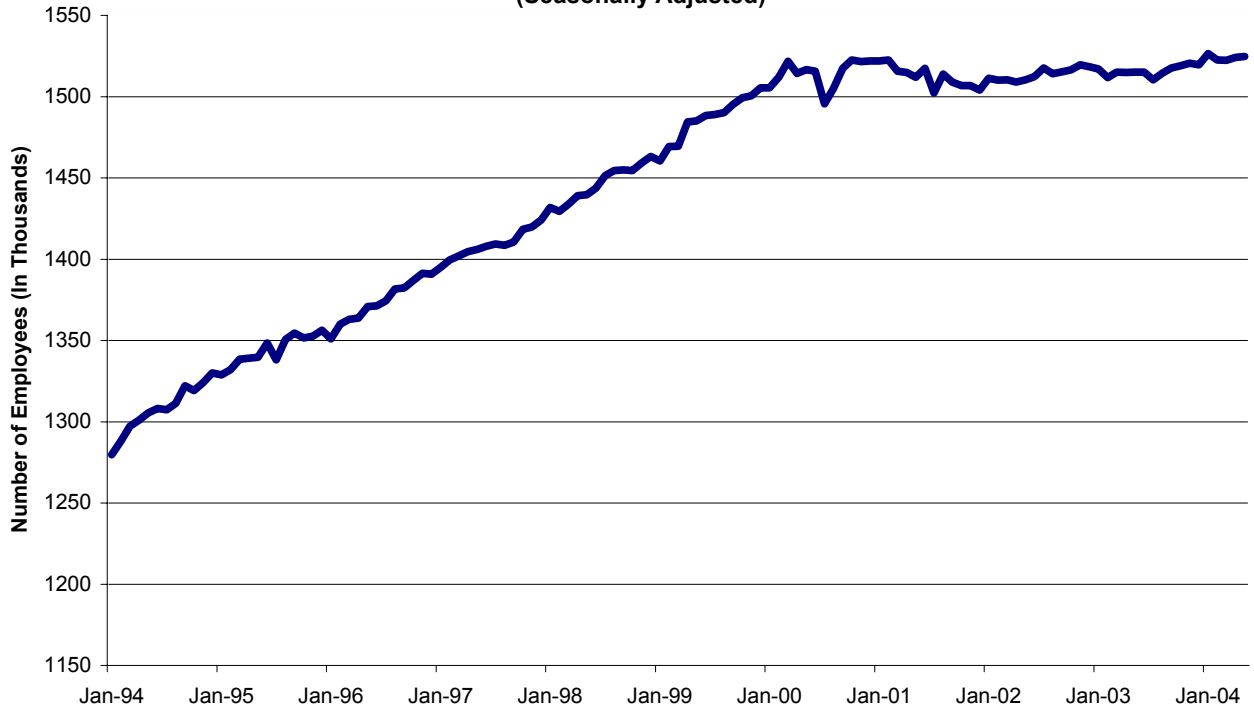
Democracy Resource Center
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Jobs & The Economy

- Though the recession officially ended in November 2001, Kentucky still has fewer jobs than when the recession began. If job growth had kept pace with growth in the working age population, Kentucky would have 73,000 more jobs now. And Kentucky has 30,900 jobs fewer than the Bush Administration projected for this point when last summer's tax cuts were passed.
- Especially hard-hit has been Kentucky's manufacturing sector (where wages are traditionally higher). Kentucky lost manufacturing jobs at a steep pace well into the recovery and only recently is that loss beginning to level off.
- Even before the recession and recovery, non-manufacturing jobs (primarily service sector) were growing faster than manufacturing jobs in the state.
- There is a sharp divide in the service sector between high-paying jobs and low-paying jobs. The list of the top 10 jobs with the most openings per year in Kentucky is dominated by service sector jobs, many of which are very low-paying jobs with little career ladder opportunities (janitors, cashiers, fast food workers, etc.).
- The current economic recovery has had a few months of good job growth recently, but June's job report was more disappointing, calling the vibrancy of the recovery into question.
- Economic recovery was for first couple of years marked by little job growth despite growth in the economy and productivity increases. That is because workers were being squeezed harder, businesses were still using existing capacity, and "offshore" outsourcing was taking place.
- The economic recovery is now being called "the upside down economy" because while there is economic growth, the benefits are going disproportionately to corporate profits. Wages, on the other hand, are falling in real terms (taking into account inflation).
- On the decline in Kentucky in recent years: farms and coal mining jobs. On the rise: service sector jobs (growth has continued, only slowed down since economic downturn) and prison jobs (as prison population has increased, primarily for drug offenses).
- The recession hurt people of color particularly hard. In the first 4 quarters of 2001, unemployment among whites rose 3.7 to 4.9 percent. However, unemployment among African Americans rose from 8 to 9.9 percent. For Latinos, unemployment increased from 6.1 to 7.5 percent.
- One reason is that a high percentage of people of color are concentrated in jobs that experience higher unemployment rates. 39 percent of African Americans and 41 percent of Latinos compared to 25 percent of white workers were in jobs that exceeded 6 percent unemployment in 2001.
- Union membership in Kentucky has seen a great decline since the early 1980s. Louisville has almost double the union membership of Lexington.

Kentucky Non-Manufacturing Employment, 1994-2004
(Seasonally Adjusted)



Kentucky Manufacturing Employment 1994-2004
(Seasonally Adjusted)

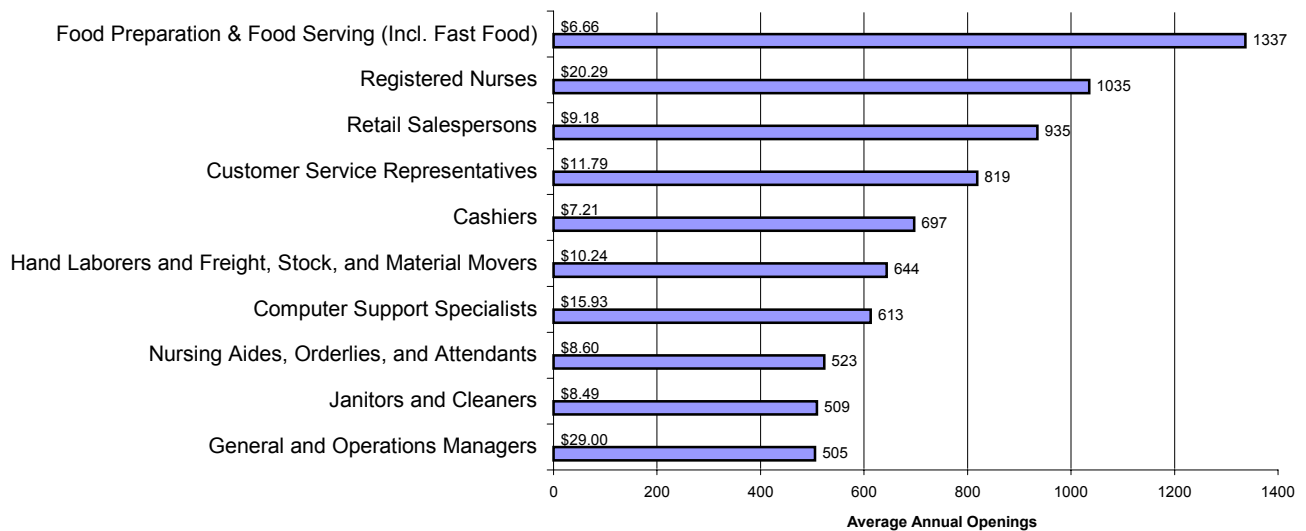


Kentucky's Leading Sectors and What They Pay

Sector	Share of Total Employment	Average Weekly Wage
Trade, Transportation, and Utilities	23%	\$559.63
Education and Health Services	22%	\$590.09
Manufacturing	16%	\$763.00
Leisure and Hospitality	9%	\$245.84
Professional and Business Services	9%	\$620.88
Public Administration	5%	\$649.29
Financial Activities	5%	\$722.29
Construction	5%	\$639.80

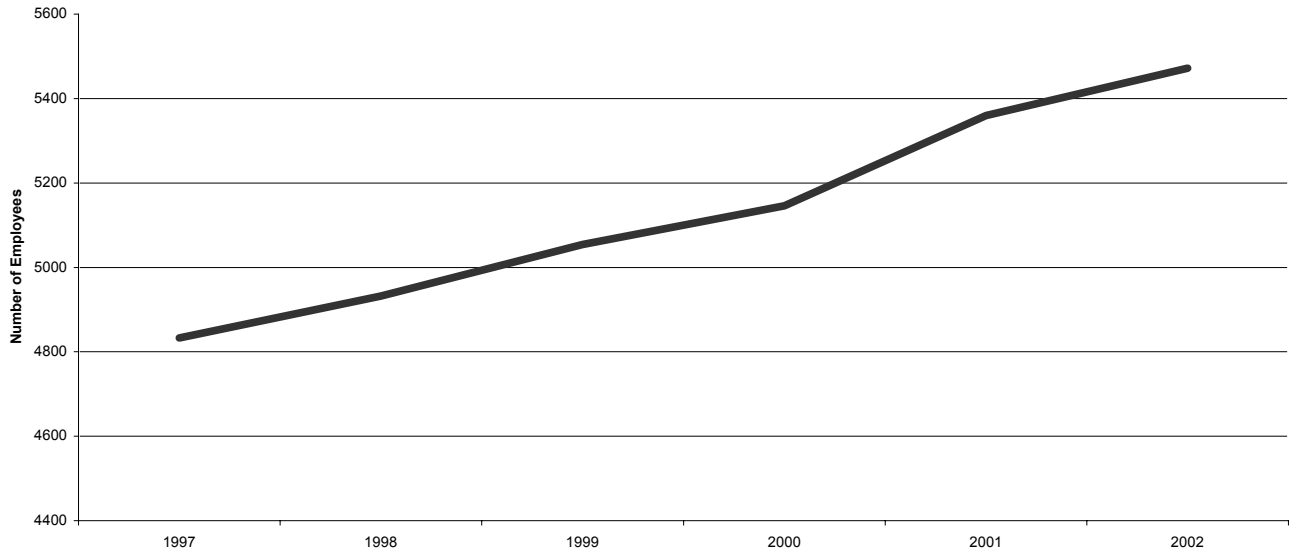
Source: Bureau of Labor Statistics, Cabinet for Workforce Development

Top Kentucky Occupations w/ 2001 Average Hourly Wage (By Average Annual Openings Due to Growth and Replacement)



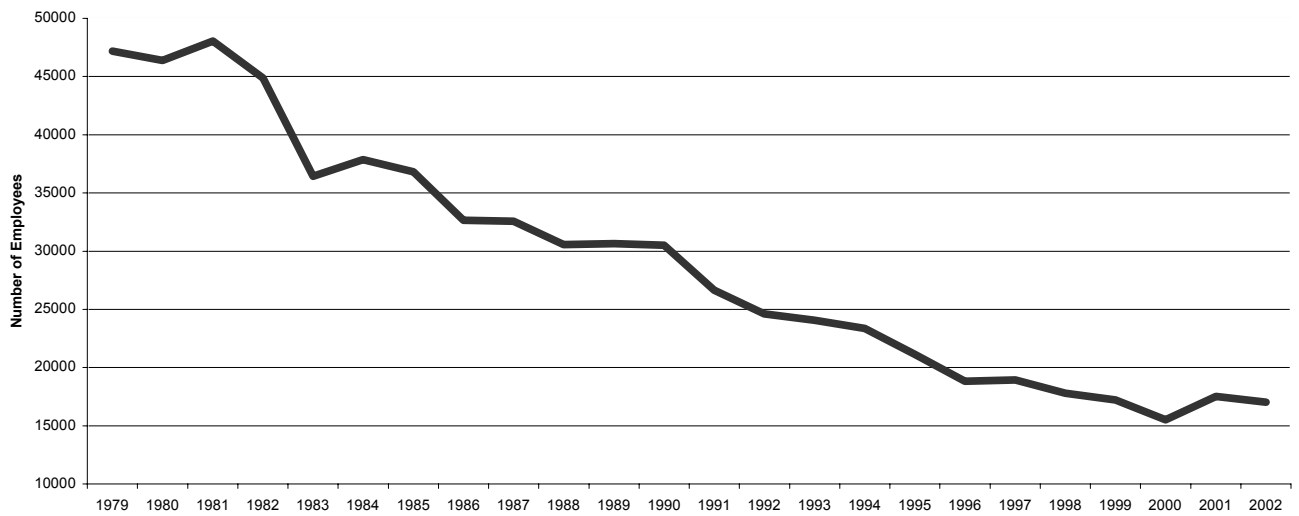
Source: Kentucky Cabinet for Workforce Development

Kentucky Corrections Employment, 1997-2002

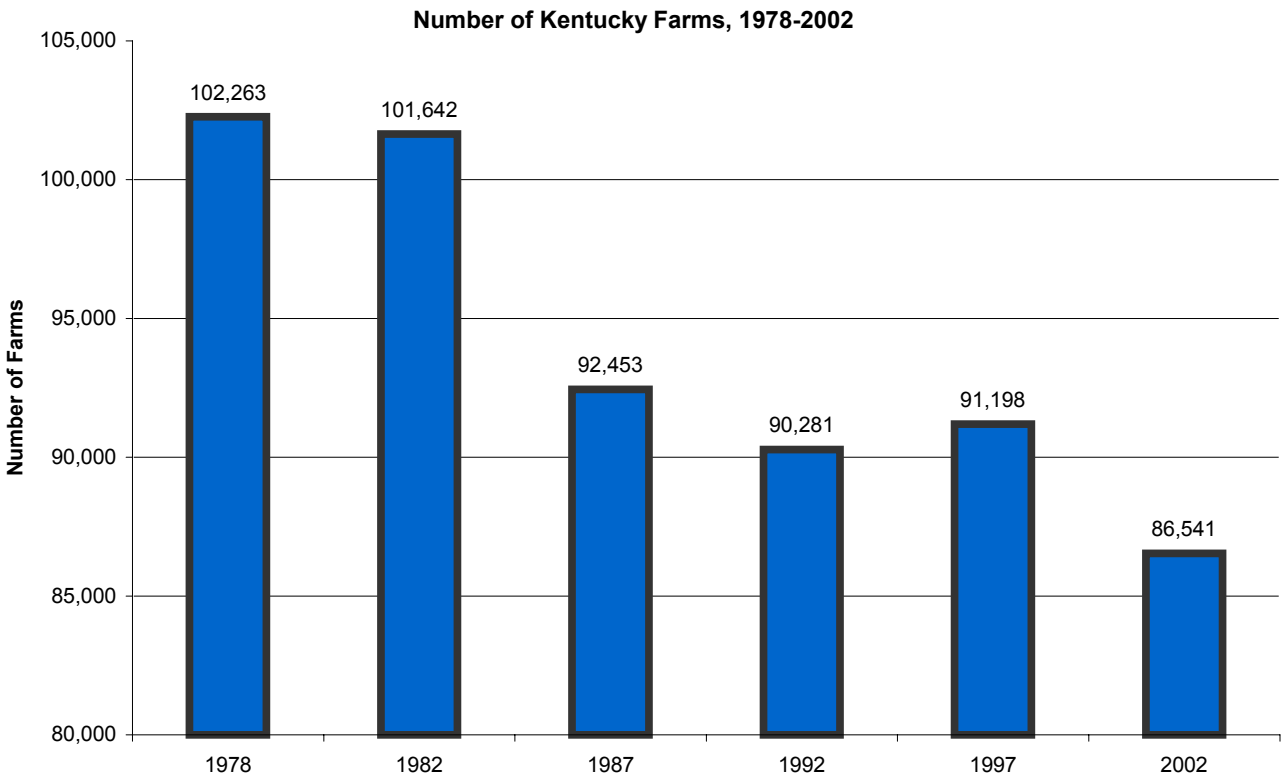


Source: Bureau of Labor Statistics

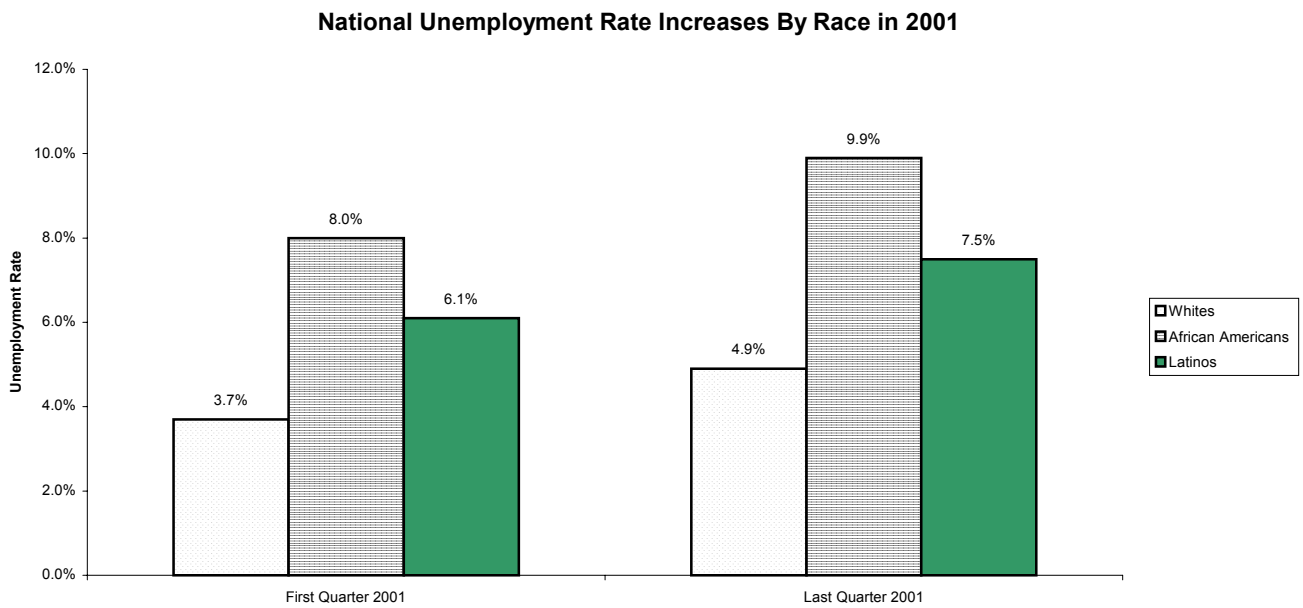
Kentucky Coal Mining Employment, 1979-2002



Source: U.S. Department of Energy

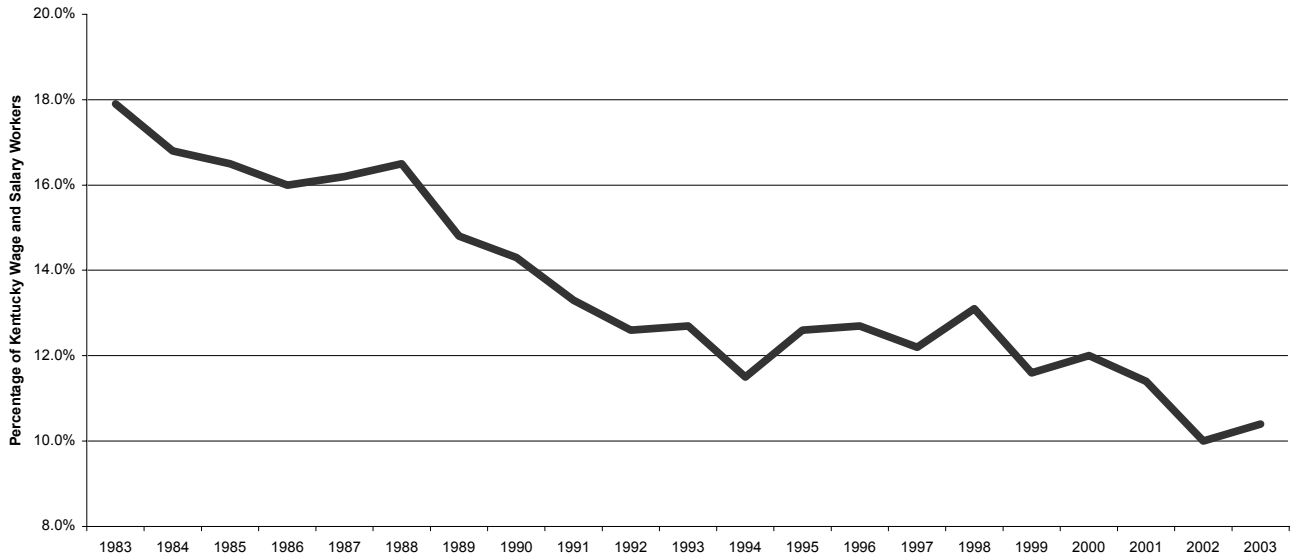


Source: USDA Census of Agriculture. (Note: Census of Agriculture data collected only every 5 years.)



Source: Applied Research Center. 2002.

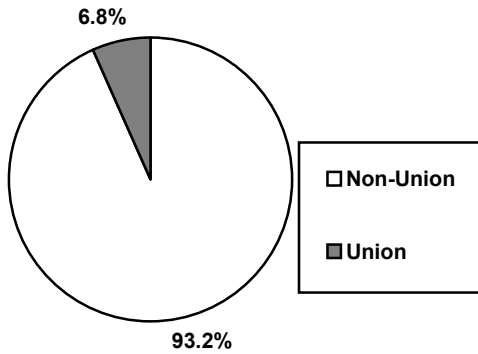
Share of Kentucky Workers Who Are Union Members, 1983-2003



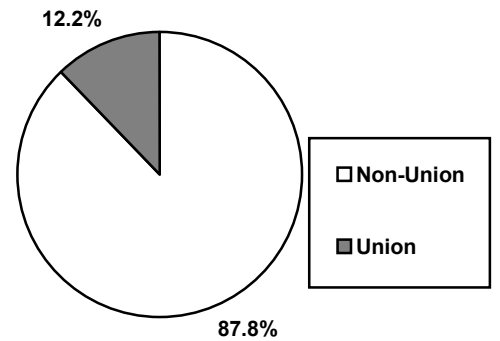
Source: unionstats.com analysis of Current Population Survey

Union Membership for Lexington & Louisville

Lexington



Louisville

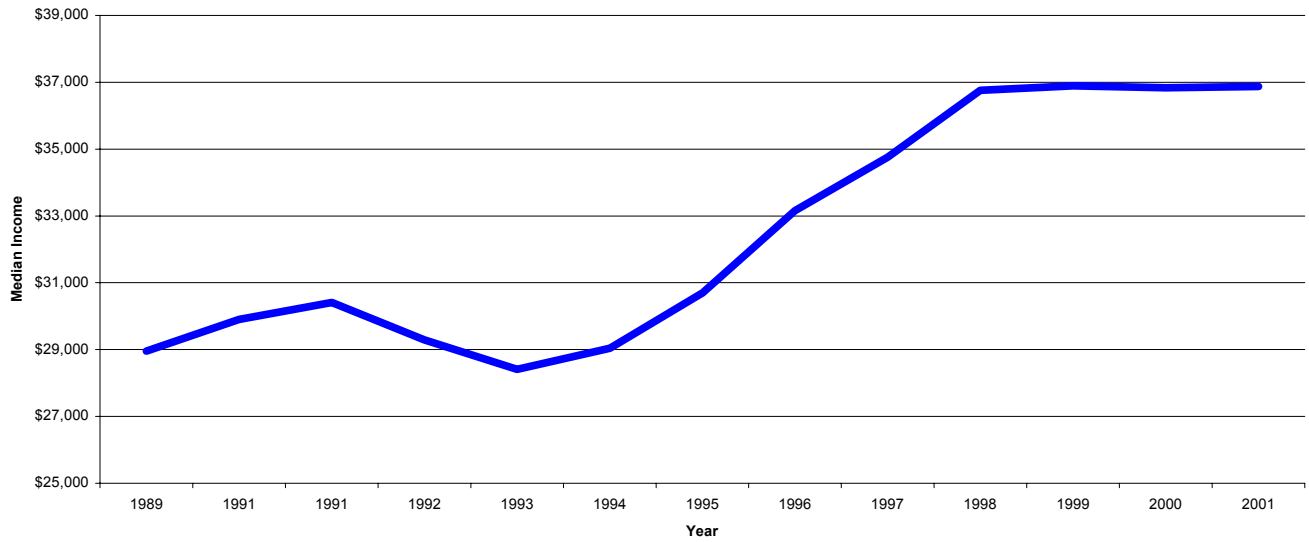


Source: Union Membership & Earnings Data Book. 1997.

Income & Poverty

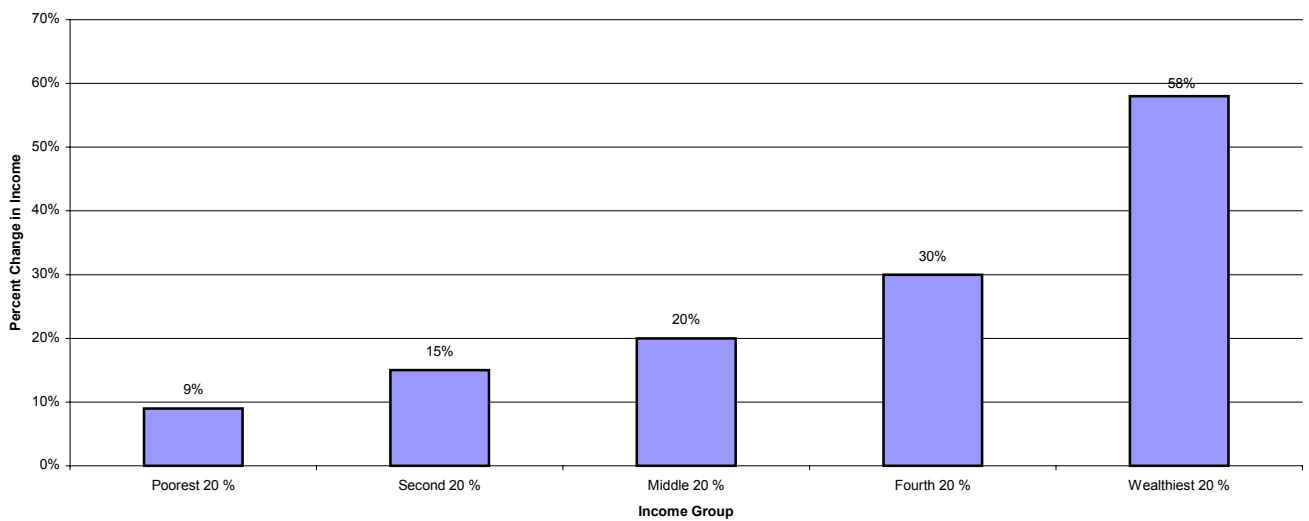
- Median household income in Kentucky steadily increased during the mid-to-late 1990s. Since 1998, however, it has remained mostly stagnant. In 1999, median household income was \$36,894. In 2000, it dropped to \$36,835 and in 2001 it was \$36,870 (with median household income, half of all households have higher and half of all households have lower incomes). Because this data is only through 2001, it does not take into account the impact of the recession and weak recovery on median household incomes.
- A 2001 study by Wider Opportunities for Women and Kentucky Youth Advocates reports that it takes significantly more than the minimum wage (\$5.15/hour) or the federal poverty level (\$7.03/hour) to meet the basic needs of a family of three. It would take \$17.18 an hour in Louisville, \$16.43 in Lexington, \$13.28 in Knott County in Eastern Kentucky, and \$13.12 an hour in Calloway County in Western Kentucky. This represents a self-sufficiency wage or the wage needed to cover the basic needs of a family without public or private assistance (i.e. housing, child care, food, transportation, health care, etc.).
- Significant disparities in income and wealth exist in Kentucky. Kentucky has the 7th highest gap in the nation between the rich and the poor. In 2001, the median net worth of white families was \$120,000 compared to only \$17,100 for families of color. In 2000, median earnings for men were \$32,357, but only \$23,285 for women.
- The overwhelming majority--87%--of Kentucky households making less than \$20,000 a year are white. 93% of Kentucky households making more than \$100,000 a year are white.
- However, within racial groups, there is serious income inequity. African Americans and Latinos are far more likely to have lower incomes than white households. While 43 percent of African American households make less than \$20,000 a year, 29 percent of white households do. And whites are over twice as likely than African Americans in Kentucky to make over \$100,000 a year.
- 14.6 percent of whites live in poverty (by the federal definition) compared to 28.2 percent of African Americans and 25 percent of Latinos. (Many scholars and policy experts say that these numbers are low because the poverty line is an outdated and insufficient measure of poverty. It was developed in the 1960s and has only been adjusted for inflation since, failing especially to take into account the rising importance of housing, child care, and health care costs to families.)

Median Household Income in Kentucky (Adjusted for Inflation)



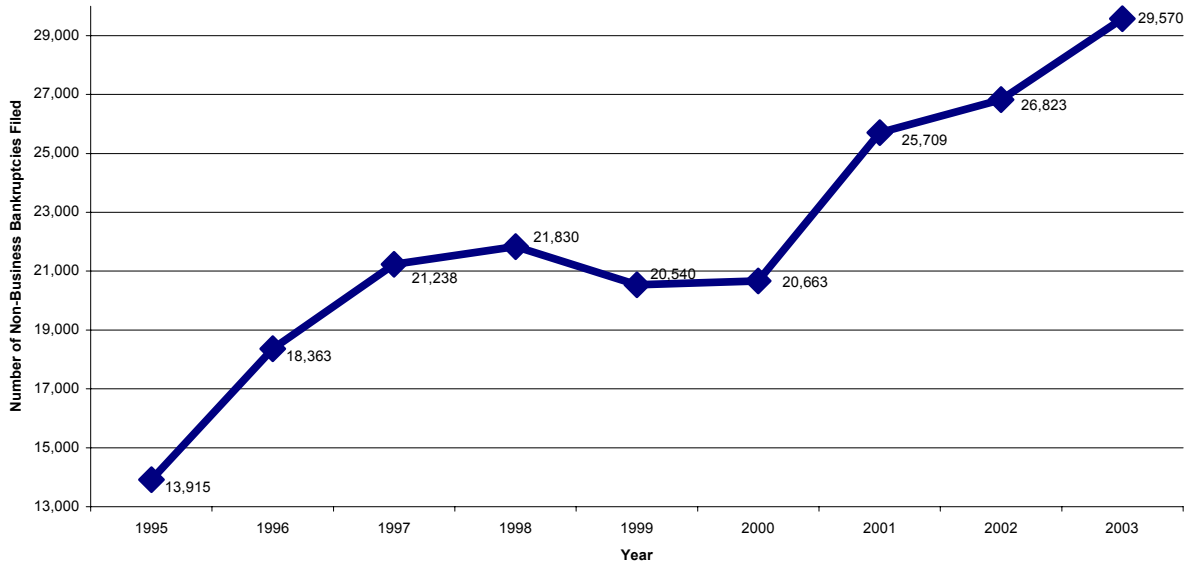
Source: National Priorities Project

Income Changes for Kentucky Families Between Late 1970s and Late 1990s



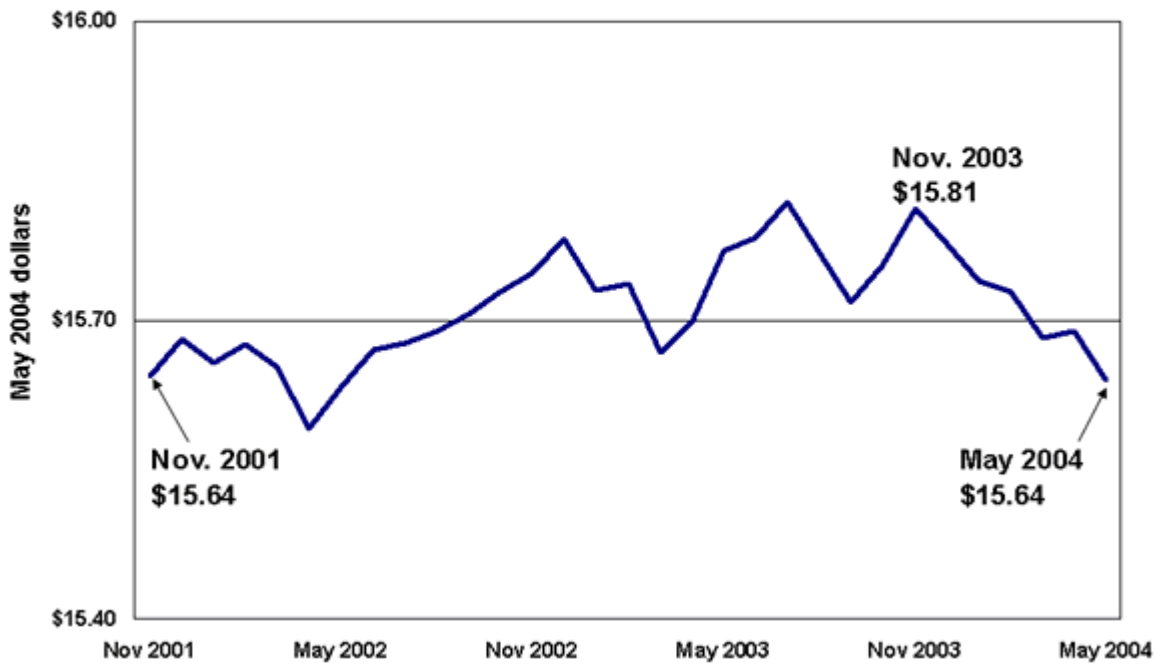
Source: Center on Budget & Policy Priorities

Annual Kentucky Non-Business Bankruptcy Filings 1995-2003



Source: American Bankruptcy Institute

Real hourly wages since the recession ended, November 2001-May 2004



Source: Economic Policy Institute

Basic Family Budget

Minimum Wage = \$5.15/hour

Poverty Level = \$7.03/hour

But a study by Kentucky Youth Advocates estimates that the wage needed to provide for the basic needs of a family of three living in

Louisville = \$17.18/hour

Lexington = \$16.43/hour

Knott County = \$13.28/hour

Calloway County = \$13.12/hour

Source: Kentucky Youth Advocates, *Real Budgets, Real Families*. 2001.

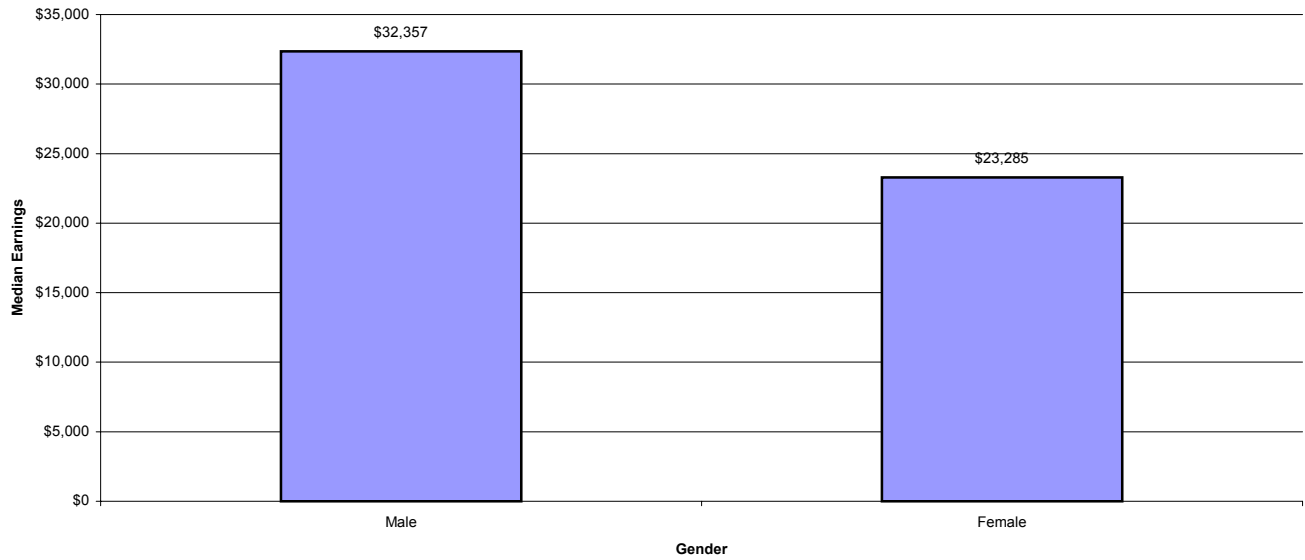
Income Inequality

Kentucky has the 7th highest gap in the nation between the rich and the poor.

The average incomes of the richest 20 percent of Kentucky families are **10.4 times larger** than the average incomes of the poorest 20 percent of Kentucky families.

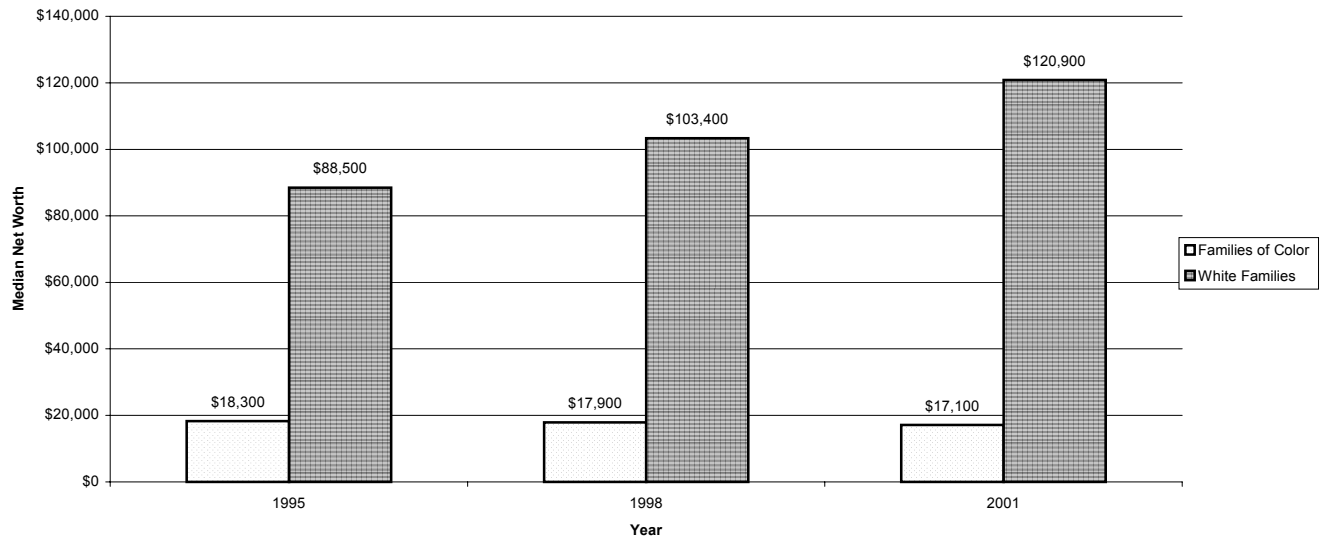
Source: Center on Budget & Policy Priorities

Median Earnings by Gender in Kentucky



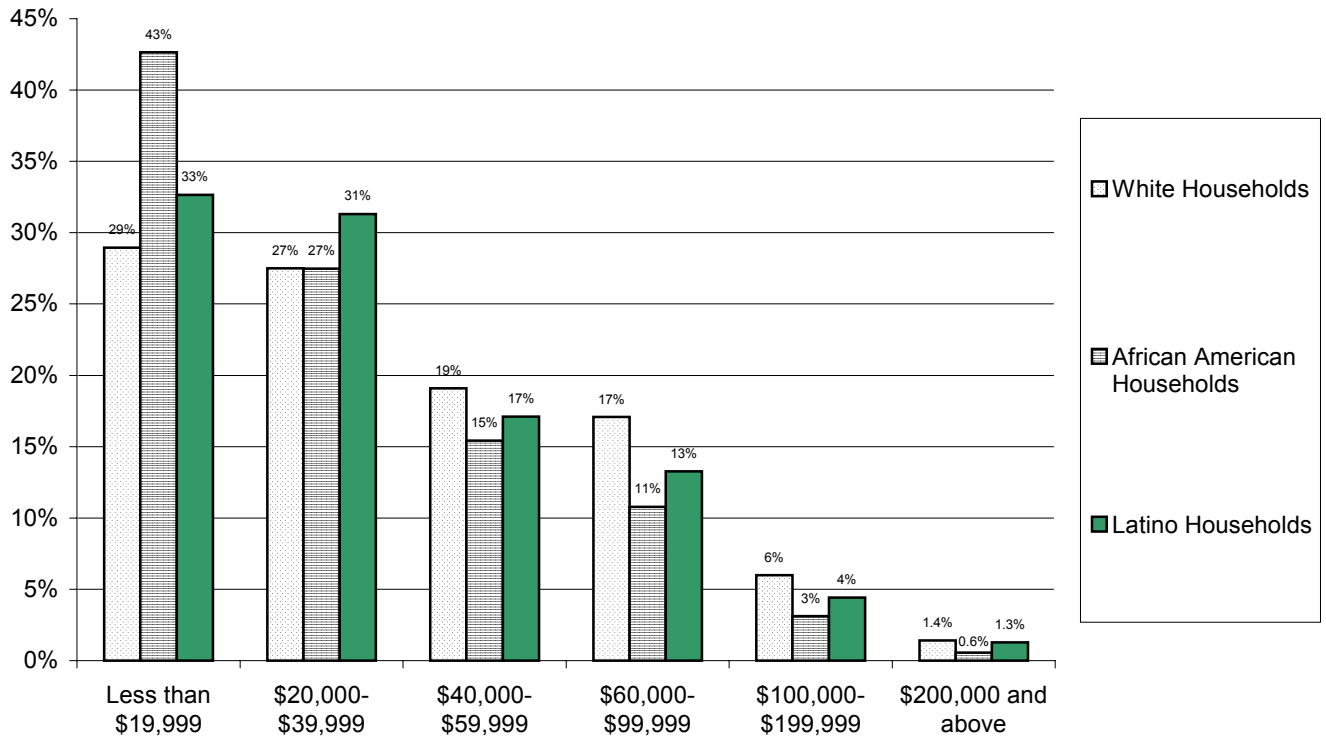
Source: Census 2000

Median Net Worth (Assets Minus Debts)

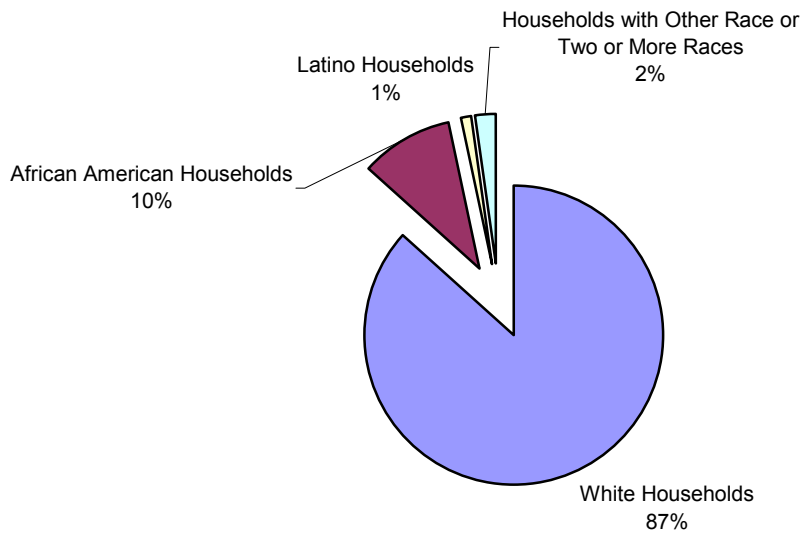


Source: United for a Fair Economy

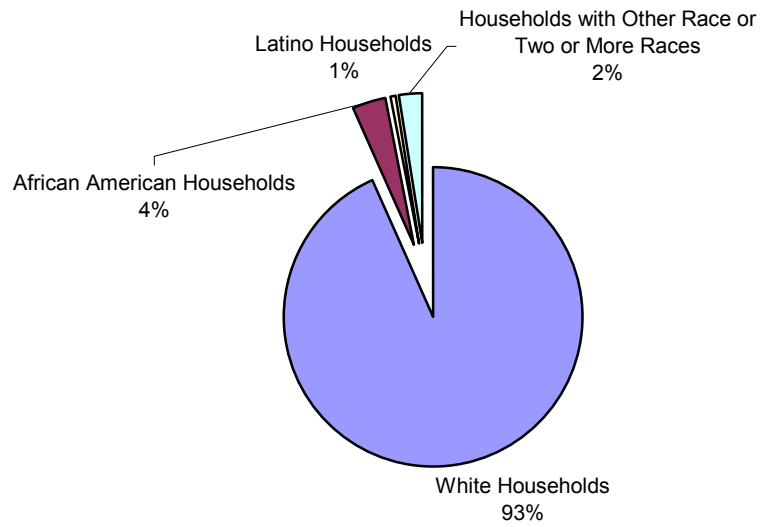
Distribution of Household Income Within Race in Kentucky



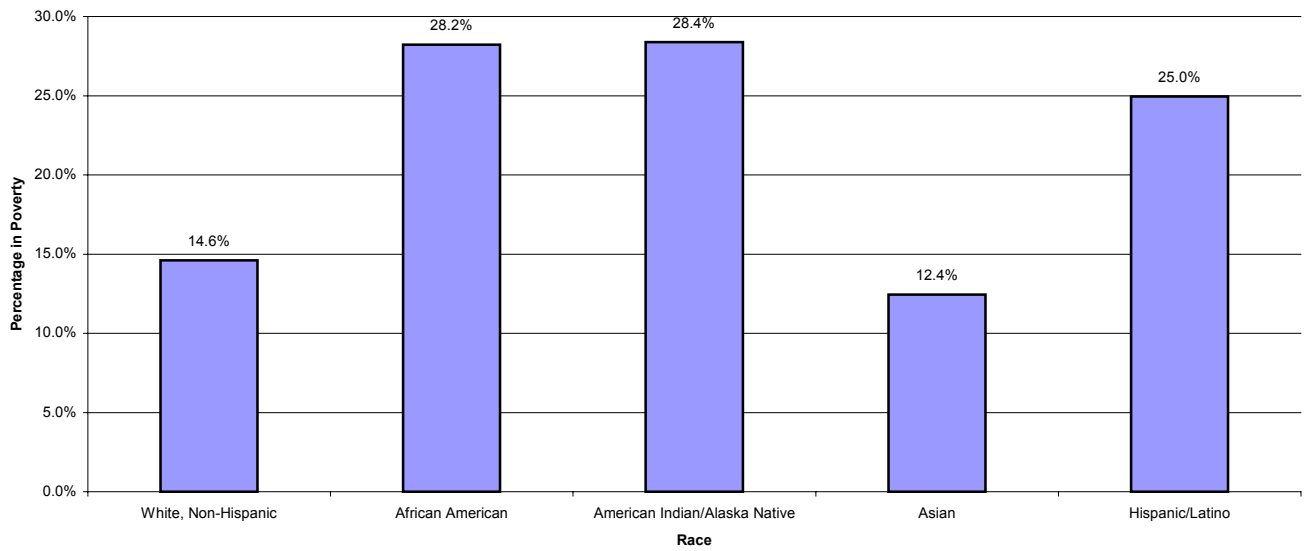
Share of Kentucky Households with Less than \$20,000 in Income, By Race



Share of Households with More than \$100,000 in Income, by Race



Poverty Status by Race in Kentucky



Taxes & Budget

- A critical factor in how Kentucky's people are doing and in how our economy is doing is what government is doing. In Kentucky's tax system, low-income families pay a larger percentage of their income in taxes than any other group, while corporations take advantage of loopholes and tax cuts are heavily skewed to the wealthy.
- In Kentucky's budget crisis, cuts have been made to programs and services including education and Medicaid. Such cuts make Kentuckians more dependent on their personal income to meet basic needs.
- The budget crisis also means that Kentucky does not have the funds to make investments that would enhance the quality of life for all Kentuckians.
- Governor Fletcher's "tax modernization" plan would make Kentucky's tax system more unfair and would have done nothing to raise additional revenue to meet Kentucky's needs. Under his plan, the wealthiest 1 percent of Kentuckians would get an average tax cut of \$1,397 while the poorest 20 percent would have to pay on average \$27 more.
- The recent federal tax cuts unfairly benefited wealthy Kentuckians the most. The wealthiest 20 percent of Kentuckians received 66 percent of the tax cuts coming to Kentucky. The richest 1 percent of Kentuckians got an average tax cut of \$33,194 while the poorest 20 percent got \$51 on average.

Kentucky's Tax System Is Inadequate

- By 2010, state revenue will be at least \$2.3 billion short of current levels of spending.
- Medicaid faces a \$1.4 billion shortfall over the next 2 years.
- Kentucky's public elementary and secondary schools are under-funded by \$740 million to \$2.3 billion.
- Kentucky's colleges and universities have raised tuition between 10 and 19 percent this year alone.

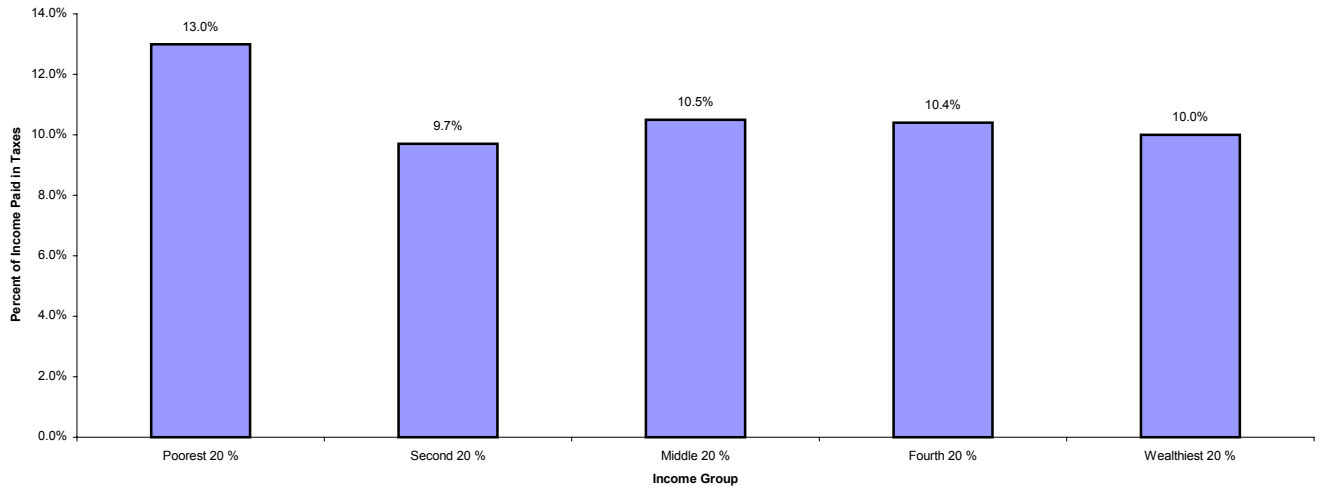
Kentucky's Tax System Is Unfair

- The poorest 20 % of Kentuckians pay more than 13 percent of their income in taxes while the wealthiest 20 % pay only 10 percent of their income in taxes.
- Kentucky families begin paying taxes at only \$5,500 of income, the second lowest threshold in the nation.
- Kentucky families at the poverty line face the highest income tax bill of any state.
- In 1990, 10 % of state revenue came from corporate taxes. In 2002, only 5 % came from these sources.

Kentucky's Tax System Is Outdated

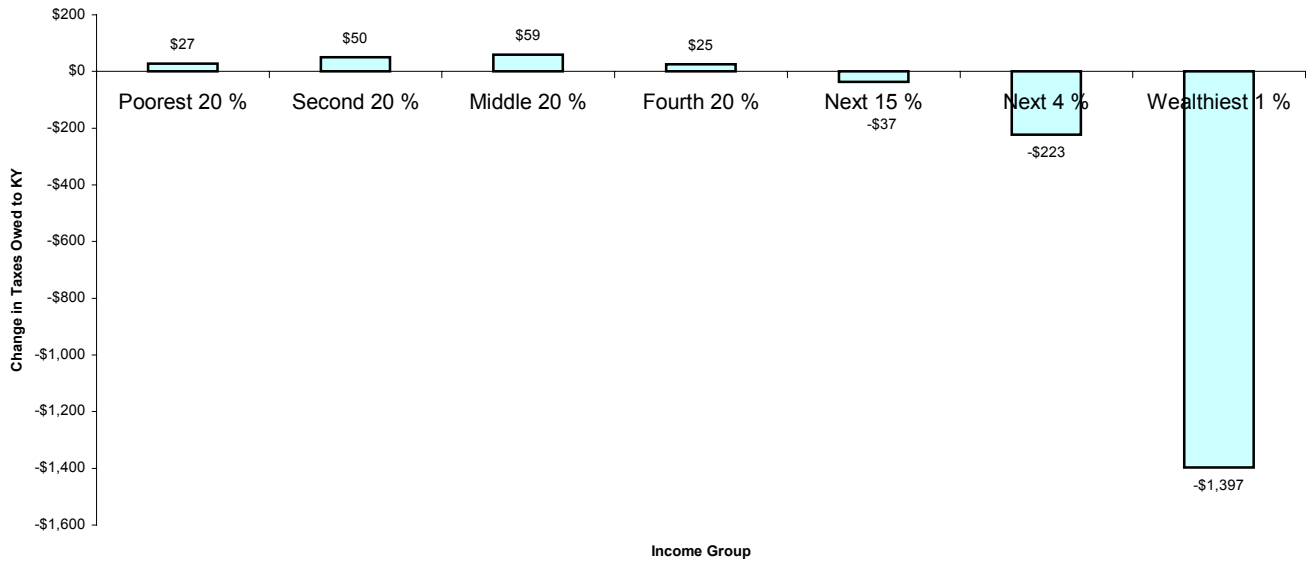
- Kentucky's personal income tax brackets have not been updated since 1950. Every Kentuckian who earns at least \$8,000 a year is in the highest bracket.
- The sales tax has not been updated to cover services, although they are the growing part of the economy.

Low Income Families Pay a Higher Percentage of Their Income in Taxes



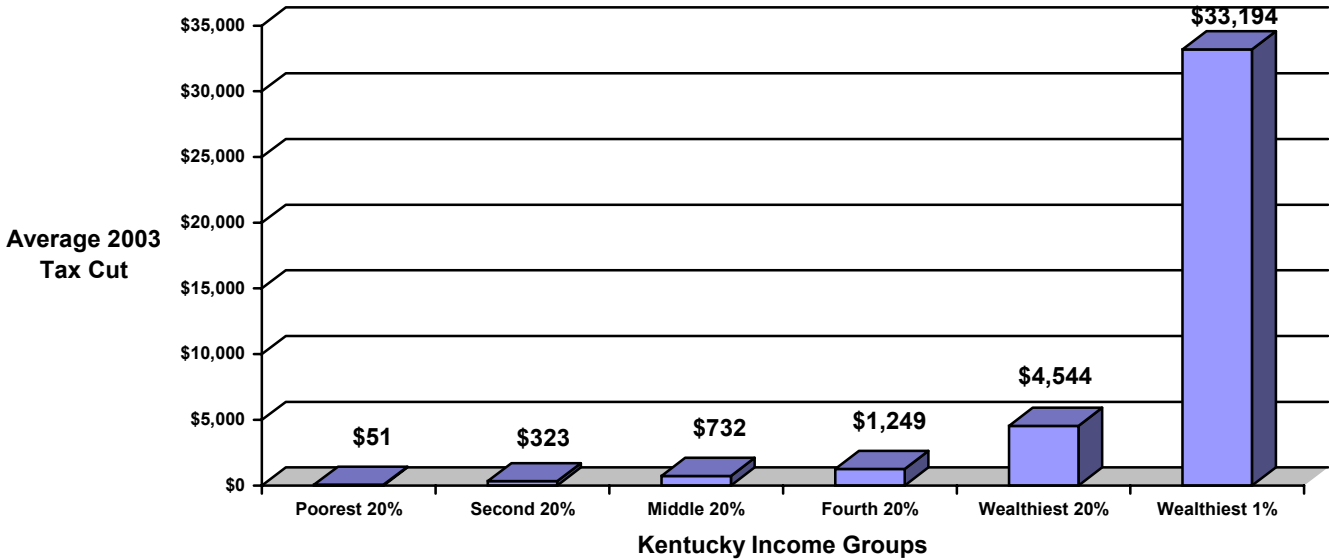
Source: Fox Report. <http://162.114.4.13/ijcomm/a&r/taxpolicy/kyfinalreport.pdf>

Governor Fletcher's Tax Plan Would Make Kentucky's Tax System More Unfair



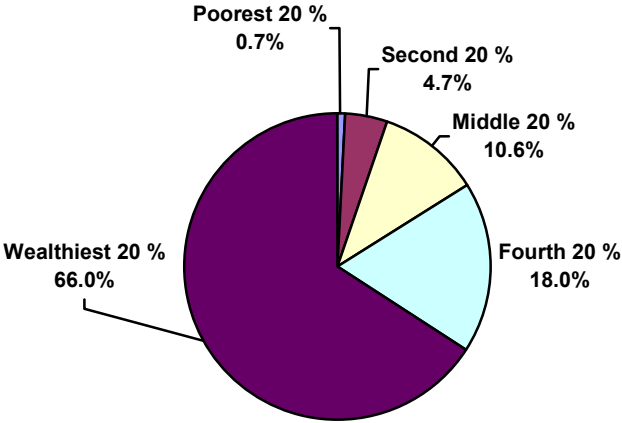
Source: Institute on Taxation & Economic Policy

**Unfair Impact of Federal Tax Cuts:
Average Tax Cuts by Kentucky Income Groups**



Source: Citizens for Tax Justice

**Unfair Distribution of Federal Tax Cuts:
The Wealthiest 20% of Kentuckians
Received 66% of the Tax Cuts**



Source: Citizens for Tax Justice