



EKYWORKS

Workforce Analysis

08.2016



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“We used to pray for a Saturday off. Now we just pray that we will get to work at all.”

Discovered in eastern Kentucky in 1750 by a pioneer, coal was recognized not only as a resource for fuel, but also as a change agent to the area. Notably, contemporaries of that pioneer included community leaders who established the first hospital in the colonies and a world-renowned inventor who was flying a kite during a storm that led to the discovery of electricity. One might ask what does coal, healthcare and electricity have in common, the elements are the fundamental backbones that have shaped our nation.

East Kentucky, through the discovery of coal and the determination and hard work of generations, is directly tied to the

development of the industrial age and the overall economy in the United States. With the region's first mine opening in 1820, the United States began a long and arduous initiative to foster growth and development from coast to coast. Each and every American, past, present and future, owe a great debt to the pioneering men, women and children that dedicated their lives to coal mining.

When any region or local economy such as East Kentucky hinges on a single industry like the coal industry, the region has the opportunity to prosper as the market for that product allows. When the market for the product declines or dissolves, the geography and the people living within are at risk of unprecedented economic challenges. When the people living within the region experience these hardships, the region, state and nation must battle to avoid fallout such as human capital migration.

While coal may have changed the region, the people living within the region changed the fabric of Appalachia. The miners, their families and the general population are responsible for the development of some of the most rugged and treacherous terrain within the United States. The historic success of the coal industry

INTRODUCTION



has a strong correlation within the region to the birth of colleges and universities, construction of roads and highways that hug hairpin curves, development of railroads to export coal from the region to electric power plants throughout the nation, formation of conservation initiatives to protect natural resources and creation of legends like Daniel Boone that have echoed throughout the land. And inherent to nearly every indigenous person was and is a nearly indescribable spirit of perseverance, hard work, tenacity, ingenuity and dedication, while collectively fostering one of the most humble cultures within the borders of our country. Best said by one of the coal miners who graciously shared their story, “We’ve been underground in nightmare conditions but we thrive in it.”

Today, a variety of challenges in the coal industry has left the people of Eastern Kentucky facing uncertainty and fear. The loss of 8,500 jobs in the last 10 years has caused a chain reaction of that has had a ripple effect across the region. Almost 24,000 people have left the region, and the workforce has declined by 20 percent or more than 45,000 workers.

“ If there’s a job at the end of the rainbow, there’s not a whole lot I wouldn’t do.”

The East Kentucky region now seeks new opportunities and creative solutions to bring back more prosperous times. This workforce analysis has explored the many challenges and assets of the region to better understand how East Kentucky Works and how to strengthen in for the future. Economic opportunity such as new business locations, expansions of existing companies, innovative educational practices and progressive policy initiatives should be pursued to make sure East Kentucky Works today and for many years to come.

Methodology. This workforce analysis was designed to provide a better understanding of the assets and challenges of the workforce in a 27-county region of East Kentucky that has been severely impacted by job losses in the coal industry. To accomplish this, Boyette Strategic Advisors utilized a customized methodology and process developed specifically for East Kentucky Works and its unique needs.

INTRODUCTION



The process included stakeholder engagement, combined with deep, rich data and secondary research, including a review of education and training programs, a skills assessment of the coal workforce, and identification of compatible occupations that utilize those skills.

The analysis examined data points related to demographics, labor force, commuting patterns, skill attainment, and employment trends for the broad East Kentucky region and four sub-regions.

The following components were collected and analyzed as part of this process:

- Stakeholder discussions with more than 500 members of the East Kentucky workforce;
- Interviews with representative employers, educators and community leaders;
- An online survey of employers from all sectors throughout the region to ascertain availability of labor, quality and cost of labor, future demand for workers and training needs.
- An analysis of knowledge, skills and abilities of key high unemployment occupations and identification of potential compatible occupations.

- A review of workforce education and training offerings in the region.
- A review of key statistical and demographic data.

A thorough analysis of all data collected led to identification of important trends related to assets and challenges of the existing workforce, available training opportunities, and future trends that will impact the quality and quantity of the regional workforce.

In addition to data findings, a series of strategic recommendations were developed for enhancing the region's workforce assets and better preparing workers to meet the challenges of the future.

Following delivery of the report, Boyette also provided a training session for economic developers in the region related to how to manipulate and utilize the data contained in the report.



SUMMARY OF **FINDINGS**



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Summary of Findings. All data collected for this project was reviewed and analyzed to determine key trends, assets, challenges, and opportunities for further developing and marketing the East Kentucky workforce. Data points were further validated through in-depth stakeholder engagement with residents and employers throughout the region.

Stakeholder Engagement. Face-to-face conversations, combined with online surveys, provided opportunities for residents and employers to share their perspectives related to job opportunities, workforce quality, training needs, and commuting patterns.

In talking with residents at a series of regional forums and job fairs held in five locations, more than **500 workers** discussed their current employment situation and their dreams for the future. The following trends were identified as part of these discussions:

“Our people are intuitive, energetic and care about their work. They are as good as any people you will deal with.”

EKY Employer

- The regional workforce is **very humble** and is challenged to discuss their skills and assets of value to current or potential employers.
- As a group, they are **disappointed** with the current situation facing East Kentucky and believe the region has been “forgotten” by state and federal leaders.
- The workforce has a very **strong work ethic**, is **loyal** to its employers, and offers **broad skill sets** but limited credentials to demonstrate those skills to employers.

SUMMARY OF FINDINGS



- Most residents are willing to pursue **additional skills training** if it will enhance their job opportunities.
- While many workers have historically worked near their home, virtually all indicated a **willingness to commute** at least one hour for a “good” job and many would commute up to two hours.

Almost **1,800 regional residents** also completed an online survey. Of those, 62 percent were currently unemployed. Survey respondents also indicated an interest in **additional training opportunities** if it would lead to additional job prospects. Half of the unemployed respondents said they would accept a new job paying **\$14.99 per hour or less**. To further validate the commuting information gathered through discussions, 55 percent of survey respondents said they are **willing to commute** more than 45 minutes one-way for work, with almost 30 percent willing to travel an hour or more.

More than **200 employers** also responded to an online survey, representing large and small employers from virtually all industry sectors throughout the 27-county region. An impressive **80 percent of respondents are satisfied or very**

satisfied with the quality of the East Kentucky workforce. The majority also said the **cost of labor in the region is about right or less expensive** compared to quality. Survey data also validated the loyalty of the regional workforce, with employers indicating that more than 60 percent of their workforce has been with the company six years or more.

Data Analysis. Data points related to demographics, labor force, wages, and key occupations was examined. Following are key findings of that analysis:

- The regional **population is projected to decline** by just less than two percent over the next five years.
- The **median age** of the region population, at 41.3 years, is higher than both the Commonwealth of Kentucky (39.1) and the U.S. (38.0).
- **Educational attainment** in the region is below both the Commonwealth and the U.S. A total of 19 percent of the region’s population age 25 plus holds an associate’s degree or higher, compared to 28.8 percent for Kentucky.

SUMMARY OF FINDINGS



- The total **labor force in the region has declined** significantly in the last 10 years, with a decrease of almost 20 percent since 2006 and now totals 187,759. During the same period, total employment has declined by 21 percent.
- The regional **labor participation rate is 44.74 percent**, which is considerably lower than Kentucky (59.8 percent) and the U.S. (63.9 percent).
- The declining labor force and labor participation rate are due, at least in part, to a significant number of **long-term unemployed and discouraged workers**, both now and previously during the recession from 2007 – 2009.
- **Average hourly earnings** for all sectors in the region total \$17.53, which is lower than the Commonwealth at \$19.13 and the U.S. at \$22.57.
- Occupations that have **compatible skill sets** to key mining sector occupations are found in metal and equipment manufacturing, transportation equipment manufacturing, plastics product manufacturing, wood product manufacturing, and transportation and

warehousing. The **rail industry** provides a particularly strong match from a skills perspective.



STRATEGIC

RECOMMENDATIONS



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“ The whole area will be a ghost town before long, because everything revolves around coal.”

STRATEGIC **RECOMMENDATIONS**

The decline of the coal industry has created a unique set of challenges and opportunities related to the East Kentucky workforce. If the tremendous assets of this workforce are to be retained and enhanced, these challenges must be addressed. Following are recommendations related to education and training; business recruitment and job creation; and marketing strategies related to the regional workforce.

EDUCATION & TRAINING

The East Kentucky workforce possesses unique and valuable skills that can be utilized to sell the region to potential new employers. Many of the workers interviewed for this analysis

expressed an interest in additional training to enhance their opportunities for future employment. Additionally, some members of the workforce would benefit from soft skills training and other tools to make them more marketable to new employers.

Following are specific recommendations related to enhancing the skills of the East Kentucky Workforce:

Recommendation 1 – Education Coalition

In order to efficiently address the education and training needs of the workforce across East Kentucky, a regional education coalition should be established. This group would bring together educators, training institutions, employers, workforce organizations and economic developers to focus on opportunities to align and integrate the region’s workforce training system and address skills enhancement needs of the regional workforce.

Recommendation 2 – Soft Skills Training

In conversations with residents in every area of the 27-county region, it was apparent that many people, particularly coal workers, are very humble and perhaps have lost confidence in



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their value to employers. This has led some Kentucky employers in other areas of the state to express concerns about their ability to successfully interview for new jobs.

To address this challenge, a soft skills training program focused on interview skills and general motivation, should be developed. This program should be led by someone local who understands the regional culture and is trusted by area residents.

The program could also include a “train the trainer” component where some of those who complete the training and successfully secure new employment are used to deliver training to others. To make the offering convenient for all residents and to encourage participation, the program could be done in partnership with local churches and held in church facilities throughout the region.

In addition to a program to assist those who are seeking new employment, possibly by transitioning to a new industry, a component might also be developed for women who have not been in the workforce for an extended period. Many of these women have historically relied on their spouses’ income, but are now in situations that require two incomes.

Recommendation 3 – Fast-Track Credential Training

Many coal miners possess a broad range of skills that have been acquired through on-the-job training and experience. Some of these skills are in areas where certification is available and often required to be considered for employment outside the mining industry. The areas with the greatest number of people trained but holding no credentials include welding, electrical, and plumbing. Additionally, many miners are trained as Mine Emergency Technicians (MET).

Currently, for these workers to secure credentials would require lengthy training that does not account for their years of experience in the mines. Education and training providers should develop fast-track programs to allow them to obtain credentials that would increase their value to potential new employers. A process for stackable credentials might also be explored to build on qualifications over time.

For each of the previously mentioned skills, miners should have the opportunity to be evaluated to determine their skill level and what training would be necessary to get them to certification levels of expertise. In the case of METs, there should be an opportunity to allow them to complete



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Emergency Medical Technician (EMT) training that considers their skills as METs.

This evaluation for some positions could be accomplished in a “boot camp” format to quickly assess skills and offer the upgrades needed to qualify for positions in a manufacturing environment. Regional economic development professionals should work with training providers to identify occupations to be assessed in this format.

To efficiently deliver the training, a mobile training unit could be developed that would be equipped for the fast track programs and travel throughout the region to make the training accessible. Alternatively, the training might be offered at area high schools when other education facilities are not available in the local area.

Recommendation 3 – Apprenticeship Program

The Commonwealth of Kentucky has recently re-launched an apprenticeship program that gives employers the opportunity to develop intensive on-the-job training programs, combined with technical instruction, to allow workers to be paid while

“ It’s not all just blue collar skill sets. They are as well educated and trained as someone on an automotive assembly line.”

EKY Employer

completing the training. The program is employer driven and primarily funded by participating companies.

EKY Works should work with local educational institutions to develop an aggressive apprenticeship program model that meets the Commonwealth program criteria. The model would then be available to existing companies wishing to expand their workforce, as well as new companies considering a location in the region. As the model is developed, it should provide a mechanism for collaboration between multiple employers who have similar needs for technical instruction as part of the apprenticeship program.



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BUSINESS RECRUITMENT/JOB CREATION

While ensuring a prepared workforce is a critical component in providing quality jobs for area residents, many of the sectors for which the East Kentucky workforce is qualified do not currently have a significant presence in the region. Additionally, unemployment rates are very high, which will continue to contribute to declining populations and reduced labor force participation if not addressed quickly. For those reasons, aggressive business recruitment tactics must be implemented to create high-value jobs for the regional workforce.

Following are recommendations for job creation to maximize the available workforce in East Kentucky:

Recommendation 1 – SOAR To Take Lead as “Redevelopment Authority”

The opportunities and challenges related the decline of the coal industry and many and varied and require focused attention to ensure that the region moves forward. For that reason, SOAR – Shaping Our Appalachian Region – should take the lead as a “Coal Redevelopment Authority.”

Redevelopment authorities generally serve to guide the reuse and redevelopment of an area impacted by the loss of a single industry or entity such as a federal installation and serves as the community point of contact for state and federal government partners. SOAR could be positioned to serve in that role and guide and support all opportunities for recovery.

As such, SOAR or a sub-entity would be responsible for managing implementation of the recommendations in this document, as well as others that have been proposed by additional organizations. Coordination of this effort would allow the region to maximize access to resources such as the Appalachian Regional Commission and any additional state and federal government agencies and programs that support of value to the redevelopment effort.

The structure for the organization would be similar to redevelopment authorities that have been created around the closing of a military base or other federal installation, such as USEC in Paducah. Those organizations typically address issues related to re-employment of the workforce; services for those impacted by job loss; potential re-use of closed properties; and general economic development of the region.



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Recommendation 2 – Create Tax-Free Zones

The East Kentucky region has long been dependent on the coal industry to drive its economy, often at the expense of developing other sectors. It is now essential that the region diversify its economy and work to create manufacturing jobs in the region. Many of the compatible occupations identified for coal workers through this study are found in the manufacturing sector, yet very few of those jobs currently exist in the region.

To spark development of the manufacturing sector, the East Kentucky region should be designated as a tax-free zone for manufacturers. This incentive would be available to companies qualifying for other Kentucky incentives and would be in addition to any other incentive programs they might access.

Recommendation 3 – Encourage Entrepreneurship

Some residents who participated in this process have expressed a strong interest in entrepreneurship and starting their own business, yet most indicated that adequate resources are not currently available to assist them. The first step toward providing those resources would be creating an

entrepreneurial ecosystem that ensures that entrepreneurs are aware of available services and how to access them.

A key component to developing an ecosystem in rural areas is access to broadband technology, which allows entrepreneurs and their support system to interact electronically. In addition, networking opportunities should be provided to allow those interested in starting businesses or who have a fledgling business underway to connect with one another and share ideas and resources.

Additionally, all existing programs should be inventoried to determine what support is available, what gaps exist and if there is duplication of effort. This inventory would then be the basis to align existing programs and create new ones to ensure that a comprehensive entrepreneurship ecosystem is developed and nurtured.

The region should provide and promote tools to support small businesses with tasks such as developing business plans, accessing financing, navigating government regulations, and marketing their product. To further support development of new businesses, the region could establish Start-up Zones to provide tax incentives to start-up businesses in designated



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areas. These zones might also focus on selected types of start-ups that have a greater opportunity for success. For example, given the current economic struggles in the region, e-commerce may be a better choice because it relies on purchases from outside the region. Offering specific programs to support e-commerce start-ups would potentially boost success of that entrepreneurial sector in the region.

Recommendation 4 – Government Contracts

The federal government has a history of assisting regions like East Kentucky that have suffered economically as the result of losing one industry or major installation that has been impacted by government policies. East Kentucky must develop

a targeted strategy to engage Kentucky's congressional delegation and key state leaders to pursue opportunities for government contracts that would create new investment and jobs in the region.

To ensure a focused approach to pursuing federal contracts, the region should identify a limited number of sectors for which the area has the resources to compete and explore the associated contract opportunities. This could include potential re-use of abandoned mines and surrounding property for new purposes.



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MARKETING

As the training opportunities and business recruitment strategies are implemented, both will need to be supported by marketing efforts. Following are specific recommendations for marketing the assets of the East Kentucky workforce:

Recommendation 1 – Develop Messaging

The creation of new regional organizations such as SOAR and One East Kentucky have provided opportunities to promote and market the region for economic and business development. To focus that marketing effort, a series of key messages should be developed about the region and its potential for development of new business sectors. The messages at right are general messages about the entire EKY region, which could then be localized for use by local and regional economic development organizations across the area.

To further support the marketing of the region, workforce snapshots should be developed using information contained in this report. These snapshots should provide a quick overview of the data important in the site selection process and be specific to the industry sectors being recruited to the area.

KEY MESSAGES

- The East Kentucky workforce is rooted in the challenging coal industry, which leads to a population with a strong work ethic, loyalty to employers and broad skill sets.
- Unemployment data does not adequately tell the story of the East Kentucky workforce, which has a significant level of underemployed and discouraged workers that are not included in unemployment rates.
- Employer satisfaction with the workforce is very high, with 80 percent of East Kentucky employers being satisfied or highly satisfied with their current workforce.
- The cost of the East Kentucky workforce is viewed as a value by employers, with many saying the cost of labor is in line with or less expensive compared to quality.
- While much of the regional workforce possesses a wide variety of technical skills, many do not hold the related credentials but are eager to obtain additional training to enhance their job skills.
- The coal industry workforce possesses a variety of transferable skills that are important to the metal, plastics, wood and transportation equipment manufacturing sectors, as well as the transportation/warehousing industry.



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Similar to the key messages, these snapshots can be localized to focus on the specific strengths and assets of the local workforce. A sample snapshot for the 27-county region is found below as a starting point for local marketing tools.

To further enhance the marketing of the workforce, a profile of the coal worker should also be created. This will provide a means for highlighting the broad-based skills of the coal workforce and how those skills can be easily transferred to

other sectors. Additionally, it will give potential employers a look at the coal worker's culture and how that impacts their strong work ethic and loyalty as an employee.

SOAR and its associated redevelopment authority should create a social media EKY Works! marketing campaign featuring the regional workforce and its assets available to new companies locating in the region.

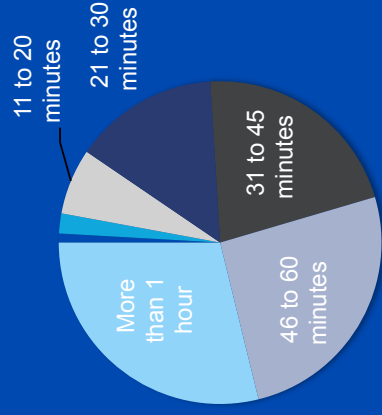
EAST KENTUCKY WORKFORCE SNAPSHOT

The East Kentucky regional economy has been rooted in the coal industry for generations. With the decline of coal, the region seeks new opportunities and creative solutions to bring back more prosperous times. The people of East Kentucky have a nearly indescribable spirit of perseverance, hard work, tenacity, ingenuity and dedication, while collectively fostering one of the most humble cultures within the borders of our country.

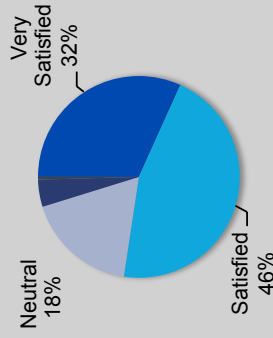
Quantifying the Workforce



WILLINGNESS TO COMMUTE



OVERALL EMPLOYER SATISFACTION



“If we post a job for operators, we will get 1,500 applicants. And the majority of them are qualified.”

East Kentucky Employer

Workforce Quality

“Our people are intuitive, energetic and care about their work. They are as good as any people you will deal with.”

East Kentucky Employer

Give us a call to learn more about how EKY Works.

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