Kentucky’s labor market conditions stand out among the Fourth District states. Indeed, its December unemployment rate of 4.5% was the lowest in the District and almost a full percentage point below the U.S. average; by that measure, Kentucky outperformed the nation throughout 2004. However, it failed to keep up with U.S. employment growth over the same period. Last year, employment in Kentucky grew by 0.8%, compared to the nation’s 1.7% increase. And from the last business cycle peak in March 2001, Kentucky lost 0.8% of its employment, while the nation saw a slight gain.

U.S. employment finally surpassed the March 2001 business cycle peak this January, ending the longest recovery period for employment since the Great Depression. If Kentucky had followed its average employment gains in past business cycle expansions, it would have added 10% more jobs at this point. Typically, it has reached prerecession employment levels 22 months after the previous business cycle peak; by December, 45 months had passed since the peak. Indeed, much like the U.S. as a whole, Kentucky’s economy has grown, but with less-than-typical employment gains.

One factor affecting employment is the economy’s industrial makeup. Kentucky looks much like the nation for many sectors. However, it has notably larger manufacturing, transportation and warehousing, and utilities and agricultural sectors—all three being slow growth sectors.

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Although the December unemployment rate was lower in Kentucky than in Ohio, Pennsylvania, or the U.S., Kentucky’s per capita income was only $27,610 in 2004:IIIQ, much lower than in Ohio ($31,379), Pennsylvania ($33,149), or the U.S. ($32,879). In fact, this has been the case since 1948, when the data series on states’ personal income became available. Nevertheless, since 2001:IIQ, personal income has been growing faster in Kentucky than the U.S.

Lower per capita personal income generally is associated with higher poverty rates, and Kentucky is no exception. Its poverty rates are 1.3 to 1.4 times higher than those of the U.S. for many major categories.

Differences in poverty rates can be partly explained in terms of educational attainment, with higher education levels typically associated with better incomes. In both 1990 and in 2003, the U.S. had a more educated population than Kentucky; in 2003, it had 2% more citizens with a graduate or professional degree and 6% more with a bachelor’s degree.

However, although a gap remains, Kentucky has made significant gains during the last decade. Between 1990 and 2003, the share of Kentucky’s population without a high school diploma declined from 35% to 21%. Moreover, the share of Kentuckians with at least some post-secondary education increased roughly 11 percentage points during this period, from about 33% to 44%.