

Louisville, KY Regional Employment Data and Thoughts on the Future

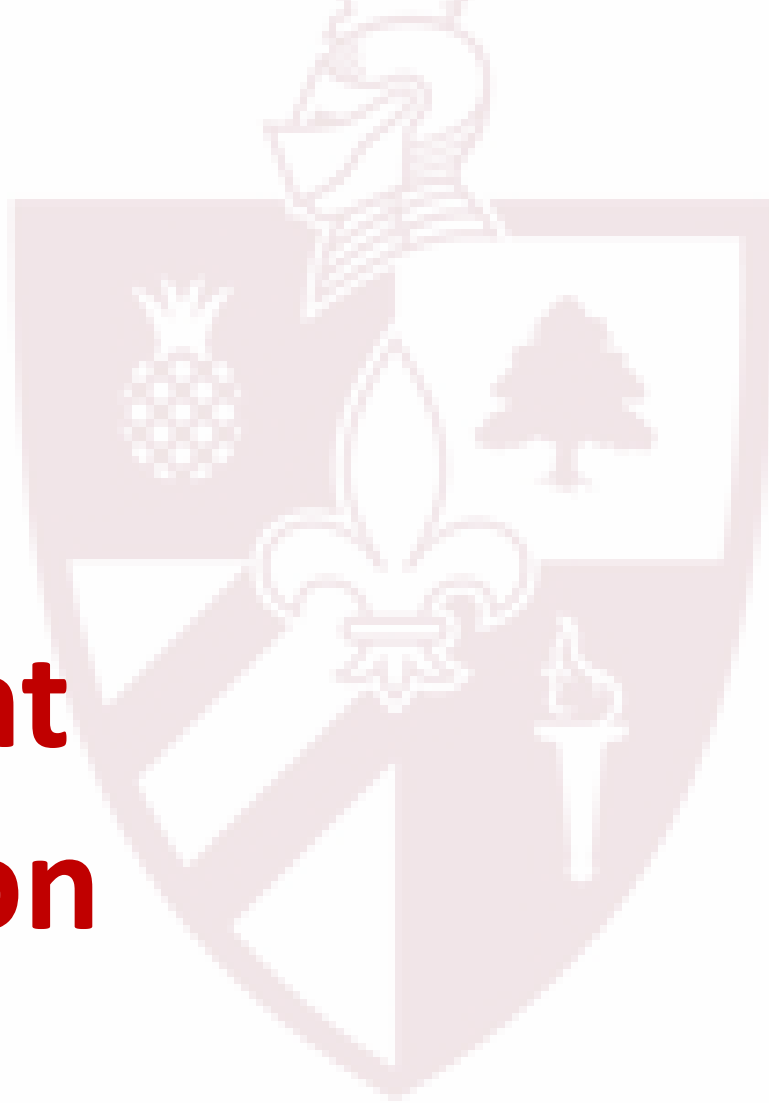
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Current State of Employment In the Region



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Federal Reserve Bank of STL *Beige Book*

January, 2019

<https://research.stlouisfed.org/publications/regional/beige-book>

Summary of Economic Activity for the 8th Federal Reserve District

- **Firms continued to report difficulties finding qualified workers.**
Overall, wage pressures have increased moderately, with contacts citing minimum wage increases as a contributing factor.
- **Reports on consumer spending were positive.**

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Federal Reserve Bank of STL *Beige Book*

January, 2019

8th District, continued

- **Activity in the manufacturing sector has increased** in recent months, although **at a slower rate** than noted in the previous report.
- District banking contacts reported **positive but slower growth in loan volumes** during the fourth quarter.
- **Agriculture conditions improved slightly** thanks to higher crop prices; **however, overall conditions remain weak** in this sector.

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Louisville Zone of FRB-STL

FR-STL Beige Book

- Contacts reported **shortages for skilled trade workers**, which has led to sharp increases in starting pay for these positions.
- Kentucky **real taxable sales increased 8 percent** from one year ago.
- **Automobile sales softer.**

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Louisville Zone of FRB-STL

FR-STL Beige Book

Continued

- Real estate contacts summarized 2018 as a generally positive year.
 - buyers are taking more time to make a decision
 - construction loan requests in the fourth quarter down slightly
- Slowdown in coal production may have negatively impacted the barge industry.

Louisville Region 12 Month Percentage Change in Employment - BLS

- **Employment Growth in Region is generally good, but somewhat inconsistent.**
 - Louisville Metro +0.2%
 - Fort Knox/E-Town +2.5%
 - Lexington +1%
 - Bowling Green +1.2%
 - Owensboro +0.2%
 - Bloomington, IN -0.5%
 - Evansville, IN +0.5%
- **Bureau of Labor Statistics, December 2018:**
 - <https://www.bls.gov/opub/ted/2019/midland-colorado-springs-and-reno-had-largest-percent-employment-gains-in-2018.htm>

2018 Unemployment Rates- BLS

- **Unemployment is Low and Steady in the Region as of Dec., 2018**

- Louisville Metro 3.5%
- Fort Knox/E-Town 3.7%
- Lexington 2.9%
- Bowling Green 3.3%
- Owensboro 3.5%
- Bloomington, IN 3.6%
- Evansville, IN 3.1%

- **Changes in UR, BLS Data, December 2018:**

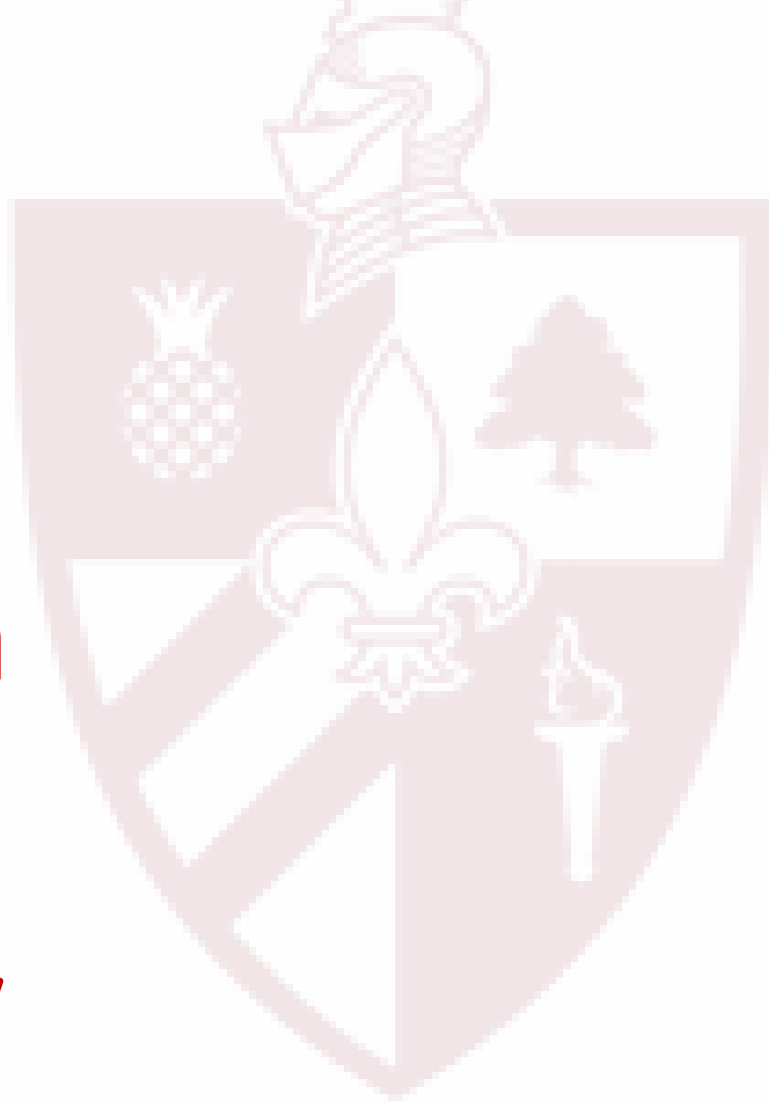
- <https://www.bls.gov/opub/ted/2019/december-2018-jobless-rates-down-over-the-year-in-250-of-388-metropolitan-areas.htm>

Labor Force Participation Rates

US Congress Joint Economic Committee, January 18, 2019

- **US = 63%**
 - High of 68% in 2008
 - Men ages 25-54 = 88%
 - Women ages 25-54 = 74%
- **Kentucky = 59%**
- **Indiana = 65%**
- **Contributors to Labor Force Participation:**
 - Job matching difficulties
 - Wage expectations
 - Modern job-skill requirements
 - Child care expenses
 - Student loans

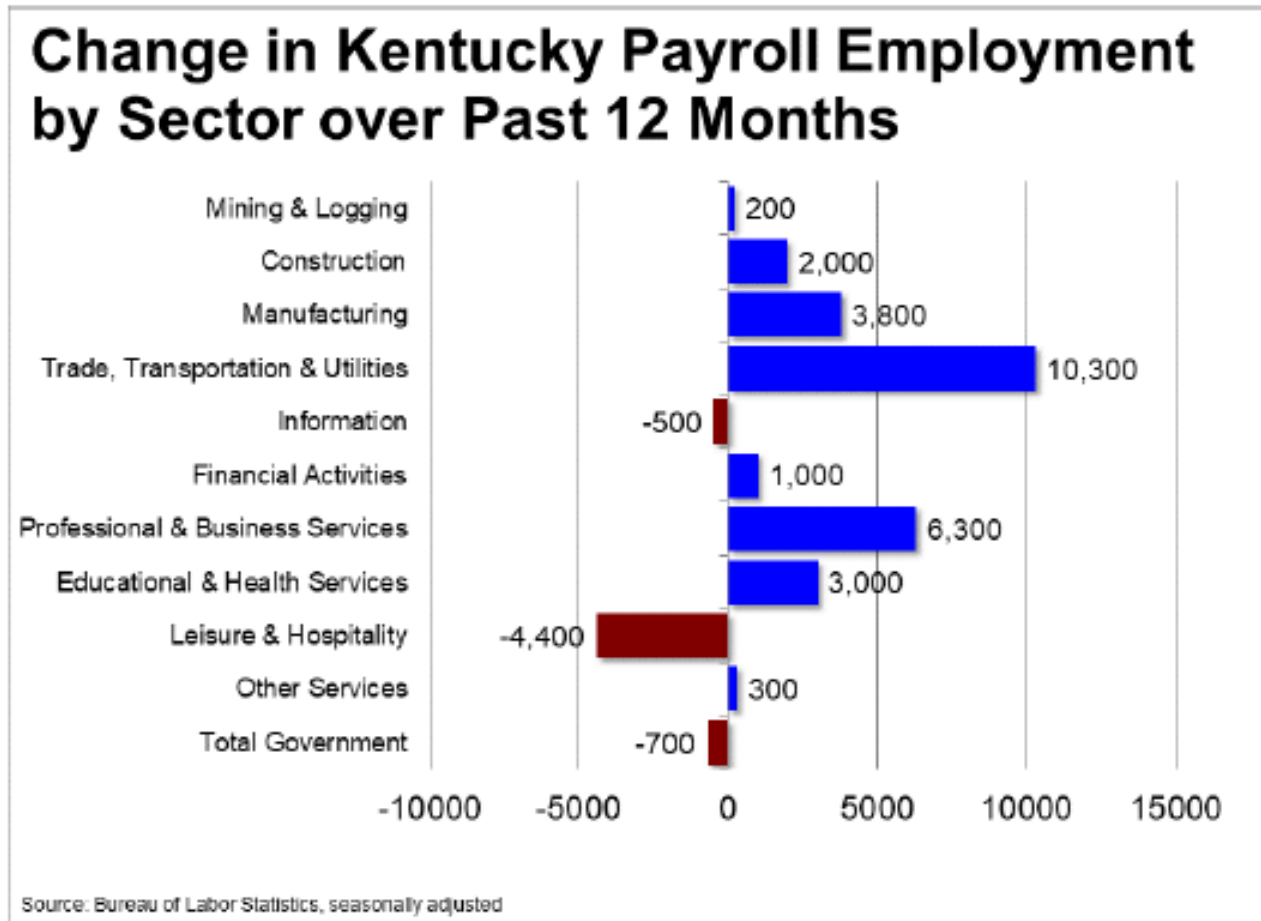
Job Growth and Contraction by Sector in Kentucky and Indiana



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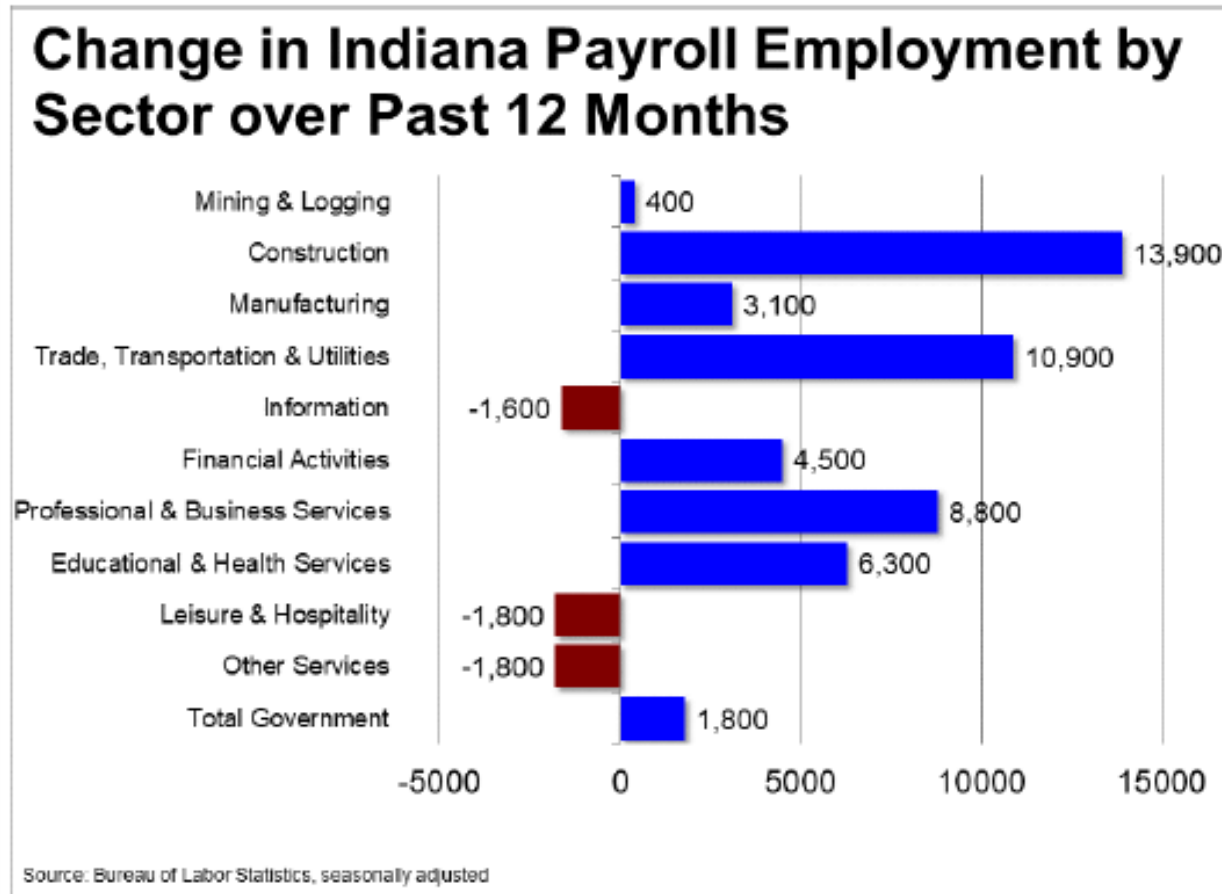
Job Growth and Contraction by Sector in Kentucky

US Congress Joint Economic Committee, January 18, 2019



Job Growth and Contraction by Sector in Indiana

US Congress Joint Economic Committee, January 18, 2019



Louisville Metro Jobs and Wages, BLS Data

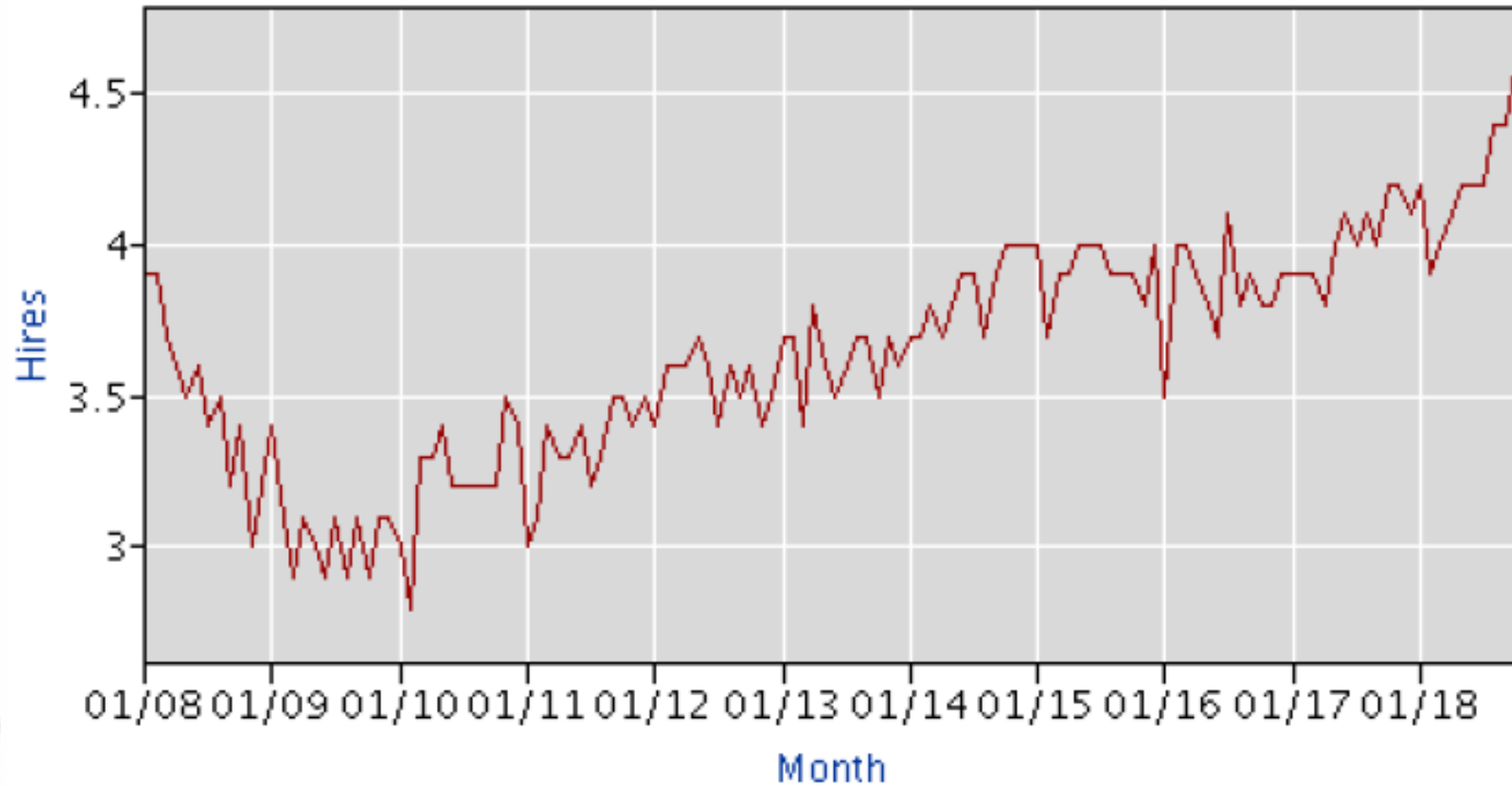
Table A. Occupational employment and wages by major occupational group, United States and the Louisville/Jefferson County Metropolitan Statistical Area, and measures of statistical significance, May 2017

Major occupational group	Percent of total employment		Mean hourly wage		
	United States	Louisville/ Jefferson County	United States	Louisville/ Jefferson County	Percent difference ⁽¹⁾
Total, all occupations	100.0	100.0	\$24.34	\$21.68*	-11
Management	5.1	4.8*	57.65	49.19*	-15
Business and financial operations	5.2	4.7*	36.70	30.77*	-16
Computer and mathematical	3.0	2.4*	43.18	35.16*	-19
Architecture and engineering	1.8	1.5	41.44	34.97*	-16
Life, physical, and social science	0.8	0.3*	35.76	32.17*	-10
Community and social service.....	1.5	1.2*	23.10	21.49*	-7
Legal.....	0.8	0.6*	51.62	39.36*	-24
Education, training, and library.....	6.1	4.0*	26.67	25.07	-6
Arts, design, entertainment, sports, and media.....	1.4	1.1*	28.34	22.82*	-19
Healthcare practitioners and technical	6.0	6.4	38.83	35.82*	-8
Healthcare support.....	2.9	2.5*	15.05	15.04	0
Protective service	2.4	1.8*	22.69	16.96*	-25
Food preparation and serving related	9.3	9.3	11.88	10.59*	-11
Building and grounds cleaning and maintenance.....	3.1	2.6*	13.91	13.07*	-6
Personal care and service.....	3.6	3.1*	13.11	12.78	-3
Sales and related	10.2	9.4*	19.56	18.57*	-5
Office and administrative support.....	15.4	16.2	18.24	16.69*	-8
Farming, fishing, and forestry.....	0.3	0.1*	13.87	15.79*	14

Total Non-Farm Hires- South

Includes Kentucky

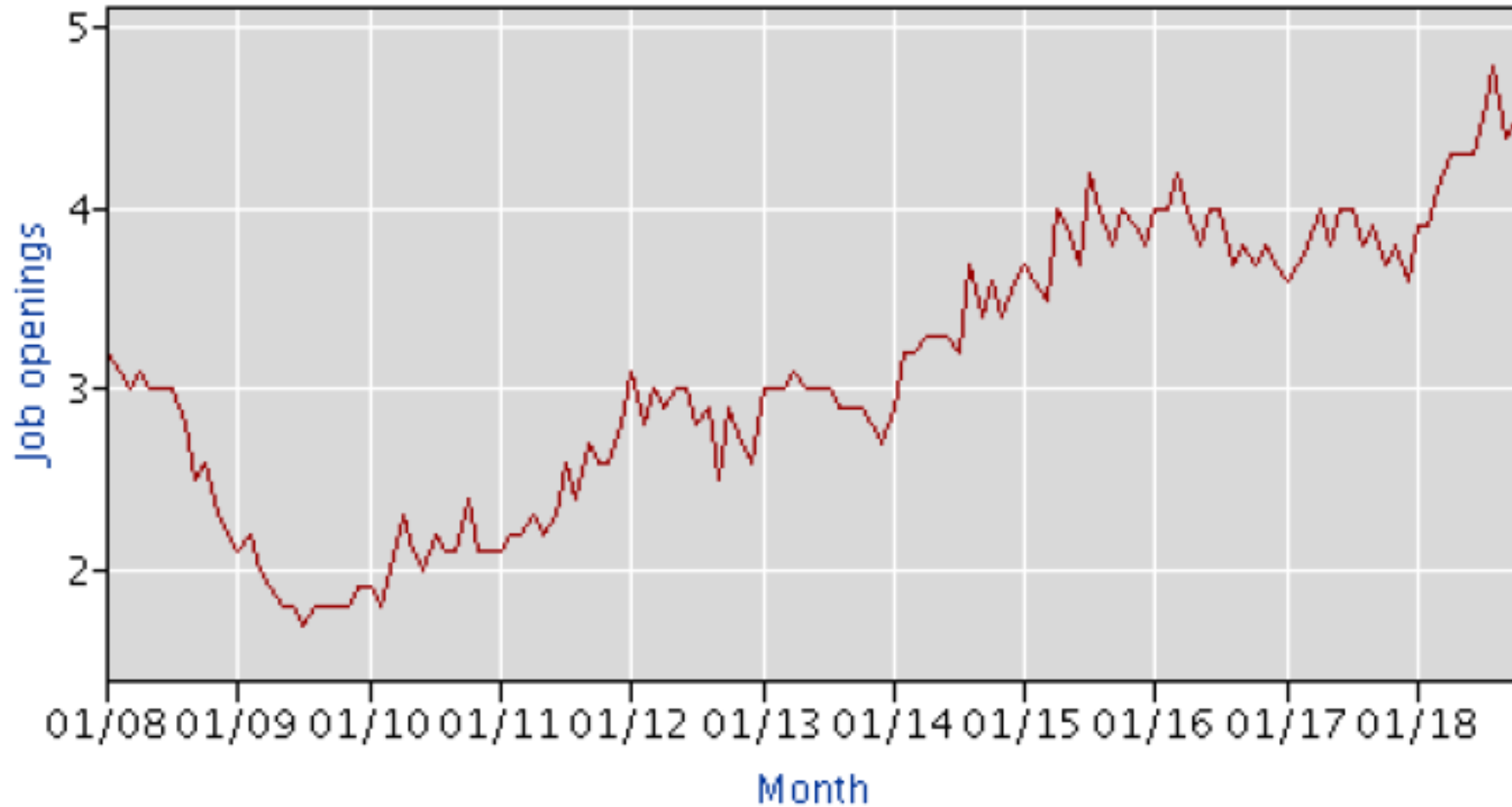
Source: BLS-JOLTS



Total Non-Farm Job Openings - South

Includes Kentucky

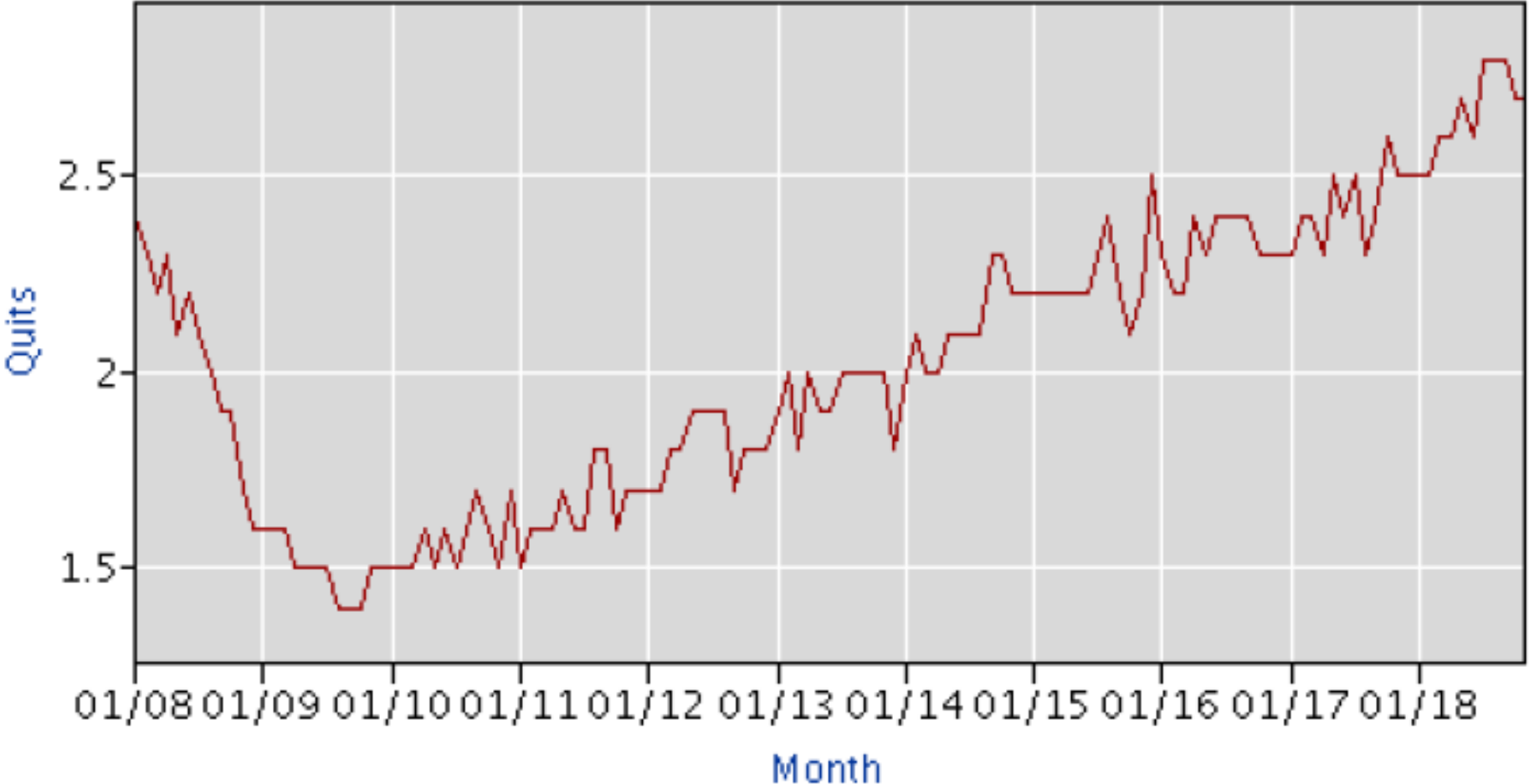
Source: BLS-JOLTS



Total Non-Farm Voluntary Job Separations (Quits)- South

Includes Kentucky

Source: BLS-JOLTS



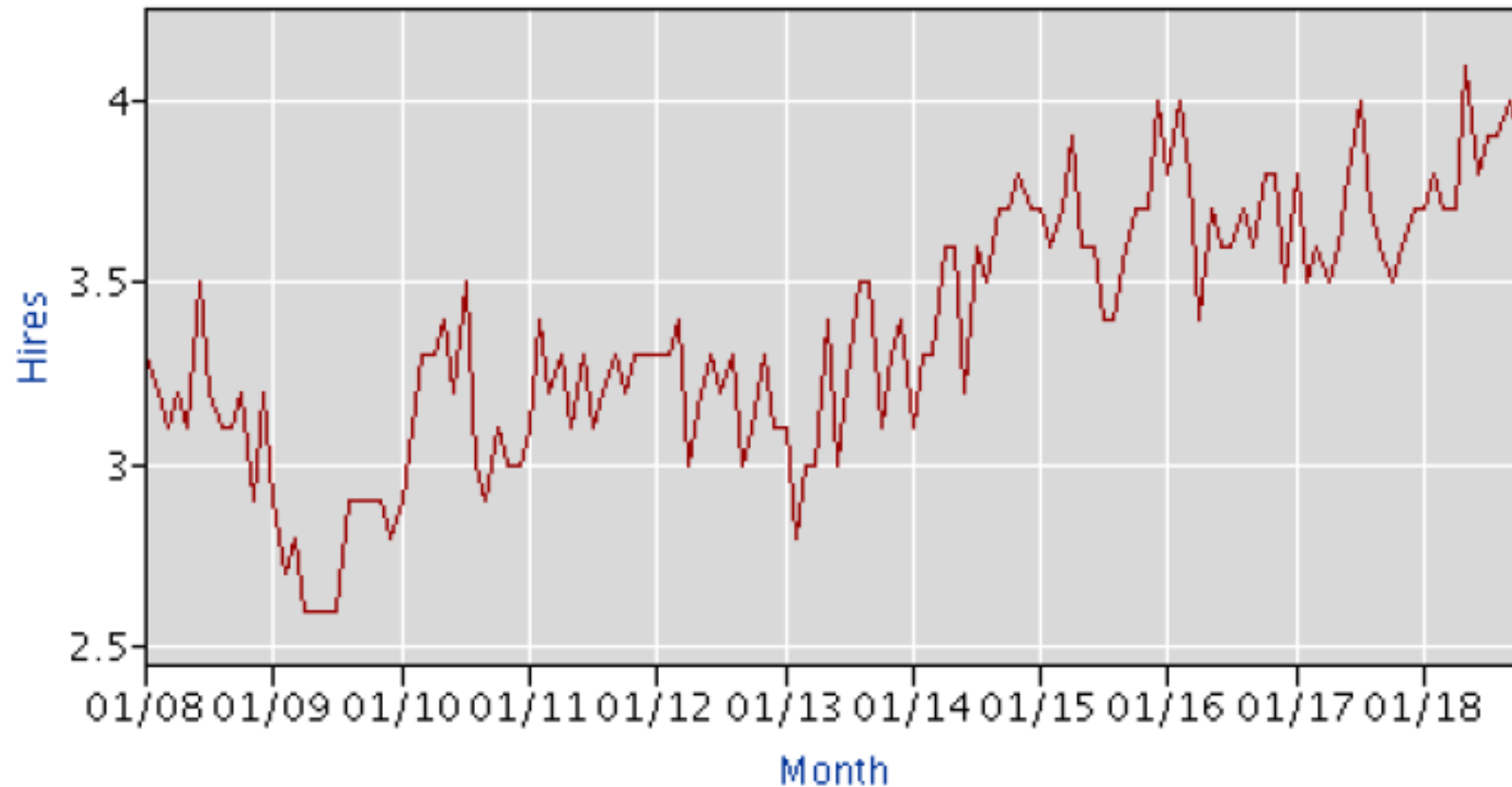
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Total Non-Farm Hires- Northern Midwest

Includes Indiana

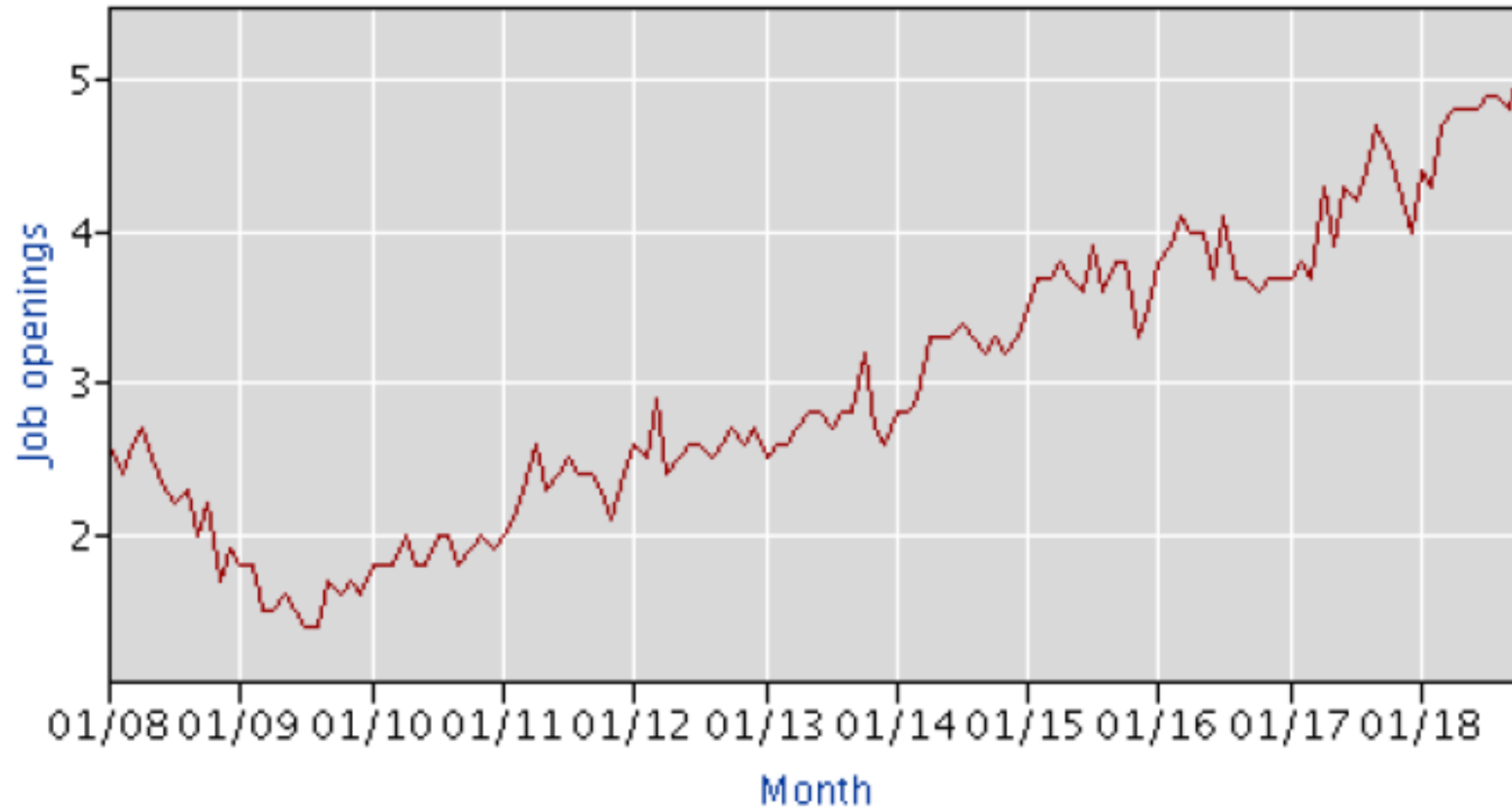
Source: BLS-JOLTS



Total Non-Farm Job Openings - Northern Midwest

Includes Indiana

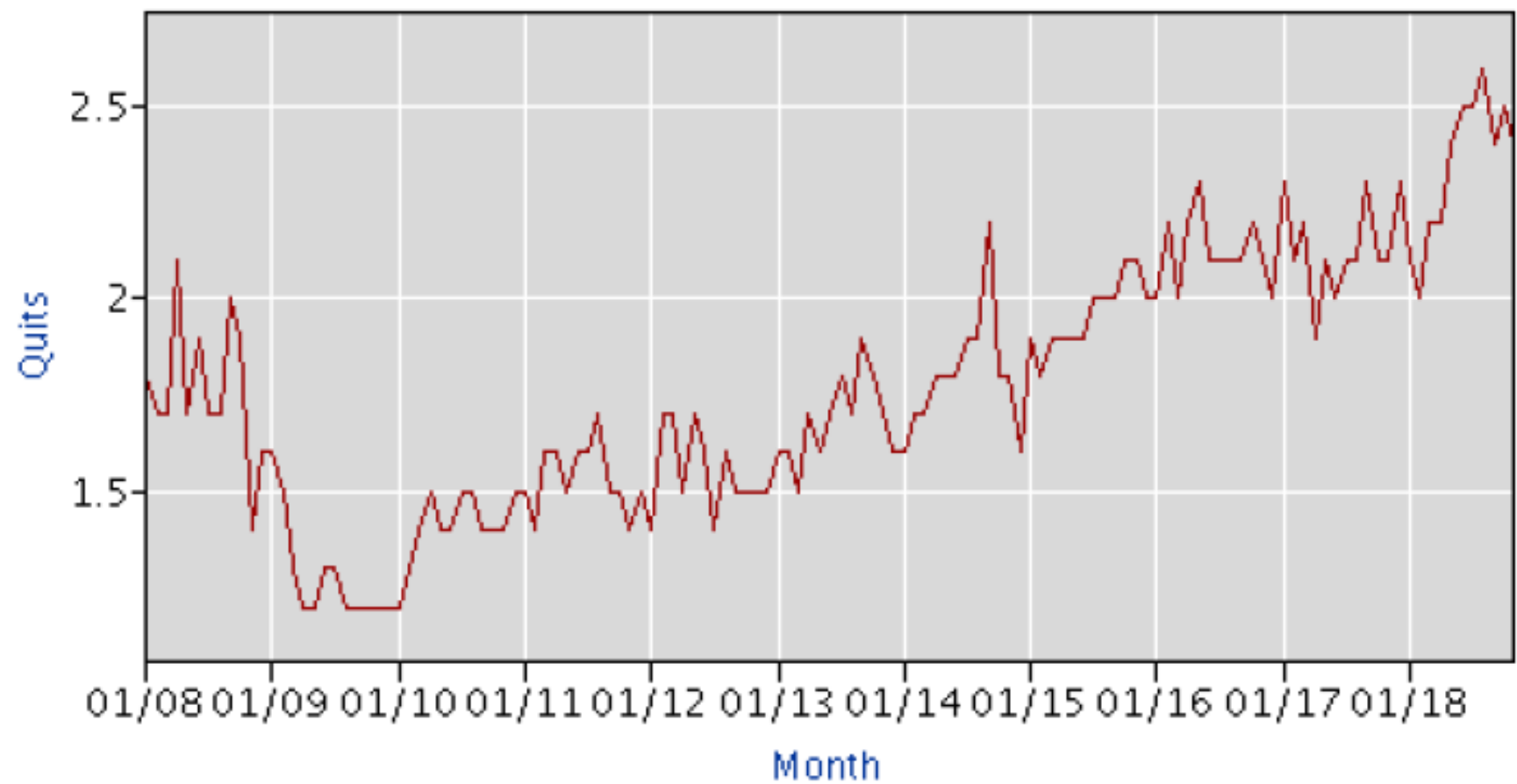
Source: BLS-JOLTS



Total Non-Farm Voluntary Job Separations (Quits)- Northern Midwest

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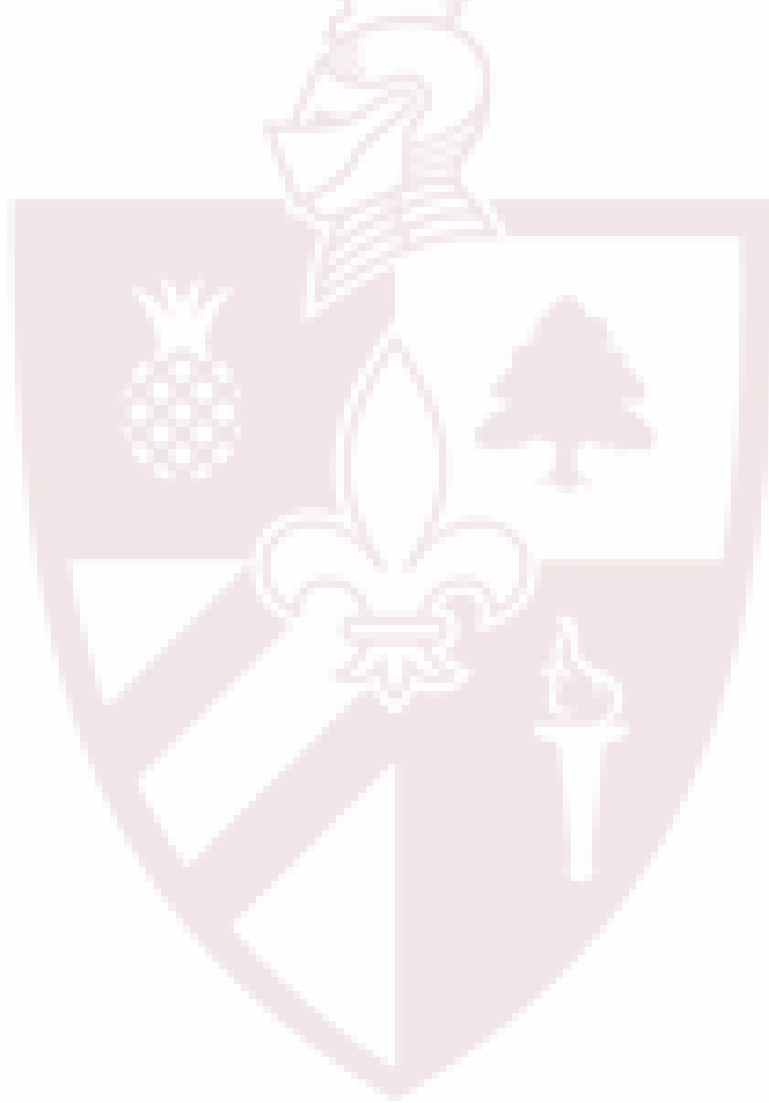


What do these Labor market trends tell us?

- **In both the Midwest and South, job openings exceed new hires**
 - This indicates a tight job market due to job matching problems:
 - Lack of labor mobility?
 - Modern skills in short supply?
- **“Quits” are much higher**
 - Workers are confident in labor market opportunities

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Future Trends



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Future Trends- Jobs at Risk to Automation

On the Economy Blog, FRB-STL, October 22, 2018

- **“Jobs that are repetitive or routine-intensive have the highest probability of this happening,”** Hong and Shell of FRB-STL recently noted.
- Hong and Shell found that the **8th District had a slightly higher percentage of jobs at risk of automation (60%) than the national average (57%).**
- Authors listed **Bowling Green, KY in the top three cities in 8th District at risk.**

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Which Jobs will be in Greatest Demand?

The service and technology sectors will continue to grow, *while other sectors shrink*

Due to Aging Population:

- Health care providers
- Health care staff and administrators

Due to Service Expectations and Entertainment:

- Skilled Trades-men and Trades-women
- Accountants and other financial service providers
- Information technology specialists
- Emerging Media Technologies
- Food and Beverages

Due to Business Driven Efficiency:

- Analytics and Computer Science
- Engineering
- Math and Science

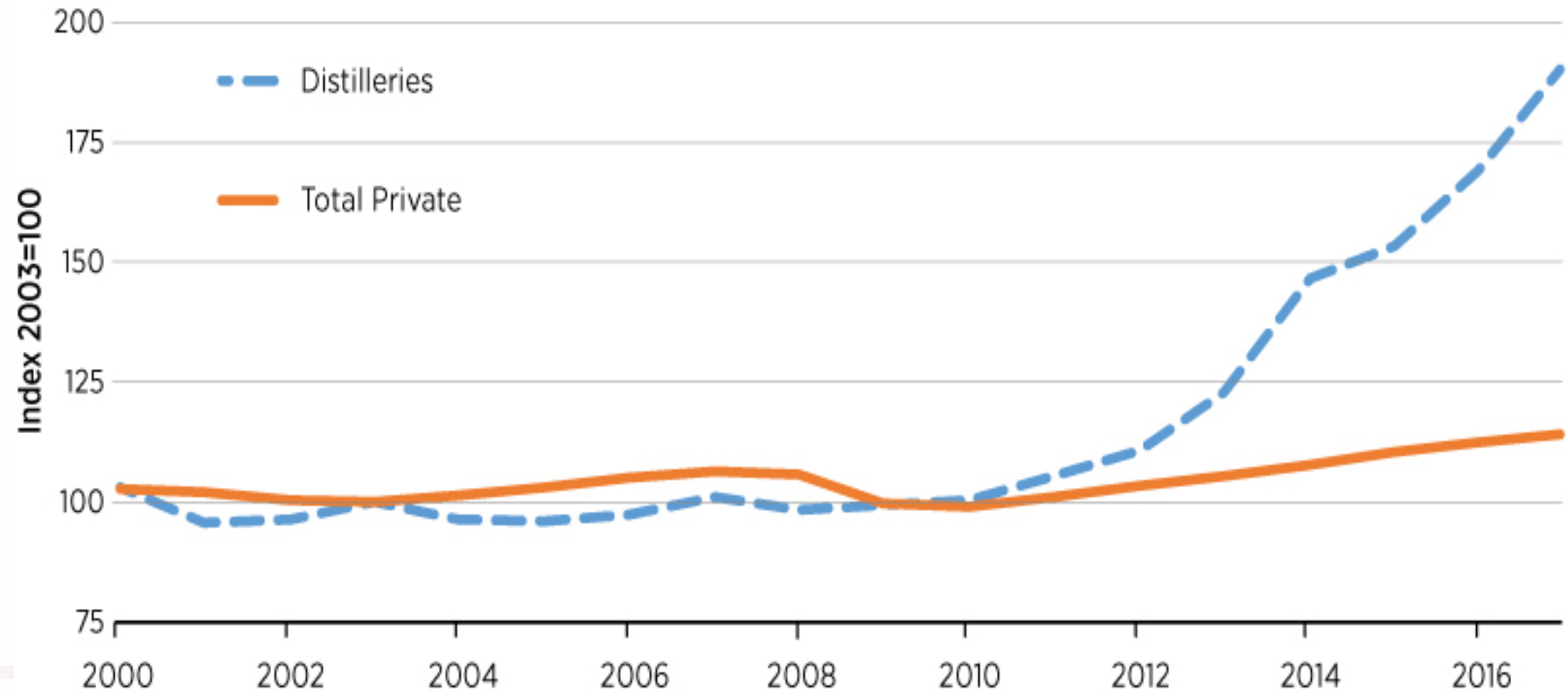
And many of which we are currently unaware...

Bourbon- an example of a modern service driven business

The FRB-STL reports that bourbon “distillers face rosy tourism, vexing tariffs.”

<https://www.stlouisfed.org/publications/regional-economist/fourth-quarter-2018/bourbon-whiskey-distillers>

Job Growth: U.S. Distilleries versus U.S. Private Sector



SOURCE: Quarterly Census of Employment and Wages.

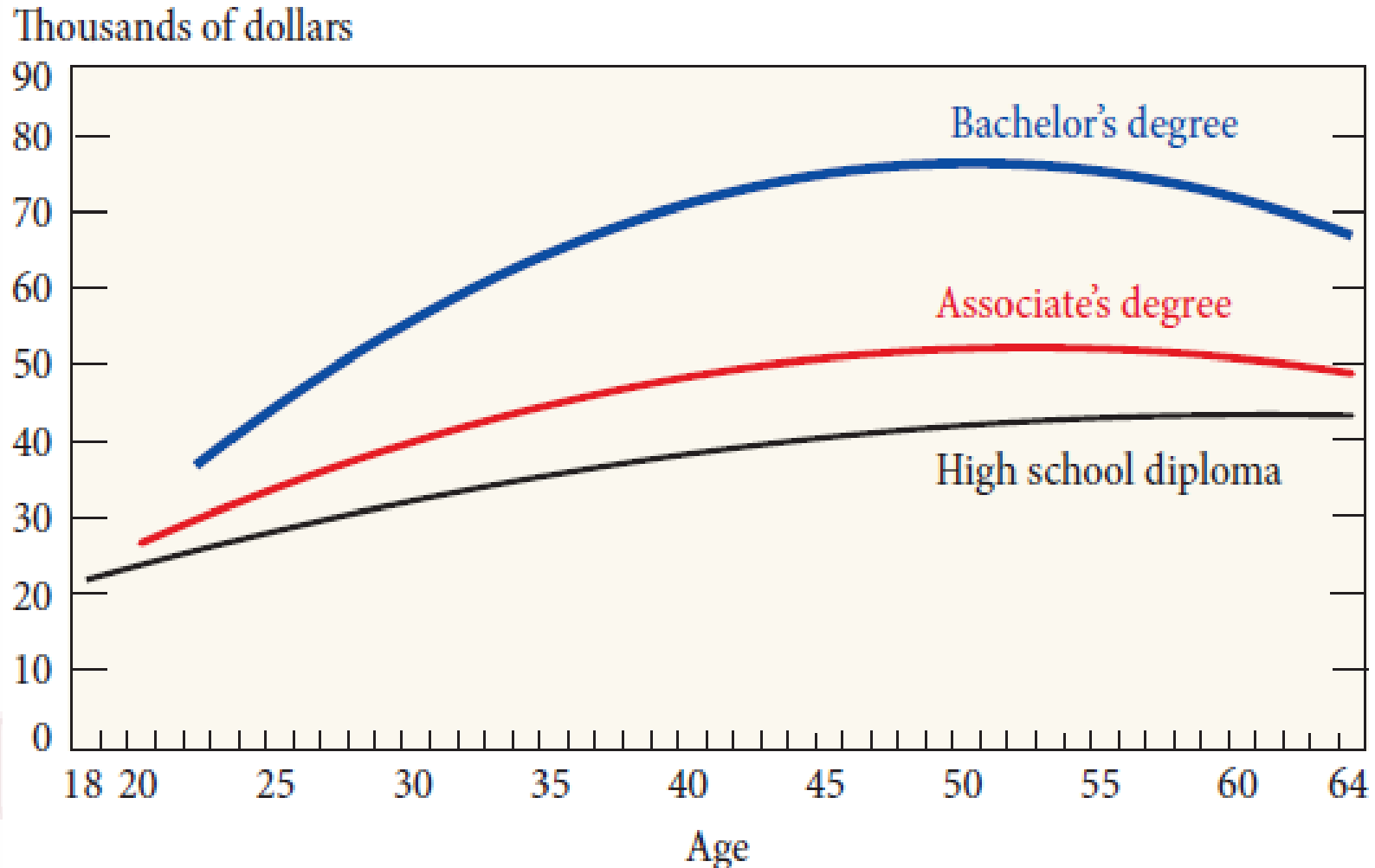
■ FEDERAL RESERVE BANK OF ST. LOUIS

LEBC

Life Cycle Wage Profiles by Education

College is still a great investment

FRB-NY, *Current Issues in Economics and Finance*, 3(20) 2014



Impact of Trade Restrictions on Labor

What history and logic have taught us

- Government favors a few chosen industries (but not all) purportedly damaged by international competition.
- Fewer job losses in traditional industries.
- Higher job losses in export industries.
- Consumers face higher prices, less choice.
- Protected businesses have less incentive to innovate.
- Fewer jobs are created in modern or innovative sectors.
- Fewer workers have incentive to seek modern skills.
- On average wages fall in traditional industries, rise in innovative industries.

Key Take-Aways

- Employment in the region is currently strong and stable, particularly in our traditional industries.
- Employment in businesses reliant on technology and innovation is somewhat weaker.
- Automation poses a significant risk to jobs in traditional industries, and the region is at greater risk than the national average.
- Most job growth with higher salaries will be in the service and technology sectors.
- Trade restrictions could inhibit incentives of workers to seek STEM training necessary for future jobs.