

**AN
AUDIT
OF THE
LEXINGTON AREA
WORKFORCE**

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Conducted by:



THE PATHFINDERS

Site Selection/Location Analysis Consultants

4363 Lindbergh

Dallas, TX 75001

(972) 387-3750

Fax (972) 387-5701

E-Mail: white2735@aol.com

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LEXINGTON AREA WORKFORCE AUDIT

EXECUTIVE SUMMARY

The Pathfinders has employed its experience in workforce assessments for corporate site selection clients and a methodology developed for U.S. Department of Defense projects, in assessments of the civilian workforce in locations where military installations were scheduled for closure, to produce this assessment of the Lexington area workforce. The findings contained herein include:

- # While the unemployment rate in the Lexington area is low, a new employer will be able to attract employees from an additional pool of about 52,000 UNDEREMPLOYED workers.
- # Those workers possess the skills, experience and education to qualify them for the pay rates at which they would take a new job, ranging from less than \$7.99 to over \$25.00 per hour.
- # About 25% of those workers would take a new job for \$10.00 per hour or less; at the upper end, the 25% most qualified and experienced would command more than \$20.00 per hour.

The Lexington area has a combined civilian labor force of approximately 265,000 people, including Franklin County. About 6,600 people are shown to be in the unemployed category in that area. While some individuals in that unemployed group will be considered to be a potentially good source of employees, the type of quality employer the Lexington area is attempting to attract typically does not rely on the unemployed to staff a new operation.

As a consequence, The Pathfinders organization was retained to quantify the extent to which UNDEREMPLOYMENT exists in the area, as well as to document the cost, skills, experience and education of that hidden workforce.

The results of this assessment determined that in addition to those 6,600 unemployed people, there are approximately 52,000 people defined as UNDEREMPLOYED who would take a better job if offered by a new employer and who possess the skills, education and experience to qualify them for a better job. Almost 13,000 would do so for \$9.99 or less, while almost one-half would take that job for less than \$13.00 per hour. A detailed break-out of desired pay is presented herein.

About 25% of those individuals have some college and about 30% have a college degree. As these data relate solely to those underemployed, they will vary from data representative of the population as a whole.

In summary, if this workforce assessment were conducted for a corporate client considering the Lexington area among other candidates as a location, The Pathfinders would assure that client that a pool of labor exists in the workforce which is intelligent, and productive, but would not be characterized as low in costs.

Site searches to identify the optimum location for new facilities have been conducted by The Pathfinders for such clients at AT&T, DuPont, Celanese, 3M Corp., IMC Global, Ciba-Geigy and others of a similar stature. The availability of workers is a critical factor in selecting a location for a new operation, and a workforce analysis has been a key component of the site searches conducted by The Pathfinders for corporate clients. That experience has been applied by The Pathfinders to this assessment of the Lexington area workforce.

The information presented herein relative to the workforce has been developed independently of the client and the client has not influenced the findings. It represents The Pathfinders= objective professional view of workforce availability, cost, skills and quality that a new employer could expect in the Lexington area.

**UNDEREMPLOYED WORKERS IN
The Lexington Area**

TOTAL NUMBER OF WORKERS AVAILABLE FOR AN EMPLOYER **63,500**

Underemployed **52,000**

Unemployed, seeking work **6,600**

Not working, but contemplating
re-entering the workforce **4,900**

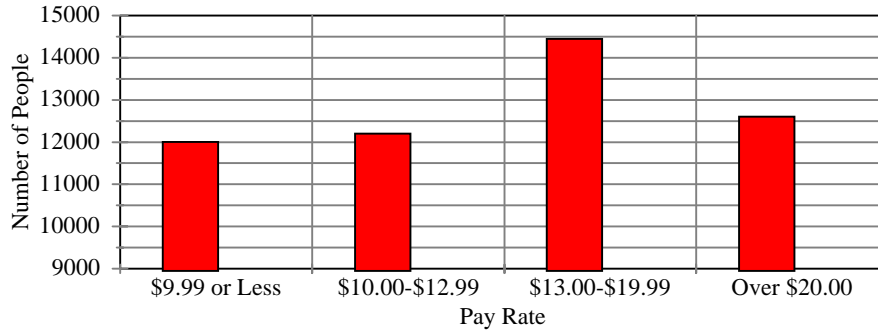
*** Number of Underemployed Available (rounded) At Specific Hourly Pay Rates:**

<u>\$7.99 or Less</u> 3,000	<u>\$8.00 to \$8.99</u> 6,700	<u>\$9.00 to \$9.99</u> 2,350	<u>\$10.00 to \$10.99</u> 3,550	
<u>\$11.00 to \$11.99</u> 3,950	<u>\$12.00 to \$12.99</u> 4,700	<u>\$13.00 to \$13.99</u> 3,100	<u>\$14.00 to \$14.99</u> 2,000	<u>\$15.00 to \$15.99</u> 1,550
<u>\$16.00 to \$19.99</u> 7,800	<u>\$20.00 to \$24.99</u> 5,900	<u>Over \$25.00</u> 6700		

***Percentages and numbers are rounded which affects cumulative totals**

Desired Wage Rate

Lexington Area Underemployed



Many expressed their wage requirements in weekly, monthly or annual terms, but all figures in this report are presented in hourly rates. Selected conversions may add perspective to the hourly rates.

Hourly	Weekly	Monthly	Annually
\$ 8.00	\$320.00	\$1,386.00	\$16,640.00
\$10.00	\$400.00	\$1,733.00	\$20,800.00
\$15.00	\$600.00	\$2,600.00	\$31,200.00
\$20.00	\$800.00	\$3,466.00	\$41,600.00

Percent Of Underemployed Workers In The Lexington Area Possessing Selected Skills:

<u>Office & Word Processing</u> 46%	<u>Warehouse/ Materials Handling</u> 18%	<u>Maintenance</u> 8%
<u>Technician</u> 15%	<u>Industrial/Machine & Welding</u> 12%	<u>Assembly</u> 16%

Previous Experience of those Underemployed Workers In The Lexington Area:

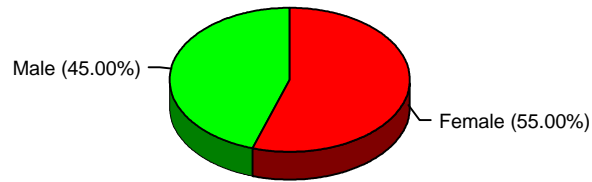
<u>Manufacturing/Industrial</u> 29%	<u>Retail/Wholesale</u> 28%	<u>Transportation</u> 6%	<u>Construction</u> 9%
<u>Government/ Education/Medical</u> 31%	<u>Service</u> 29%	<u>Food/ Hospitality</u> 15%	<u>Other</u> 20%

Education: Post-Secondary	<u>High School Graduate Only</u> 25%	<u>Some College</u> 25%	<u>Associate Degree</u> 8%	<u>College Degree</u> 30%	<u>Graduate Degree</u> 12%
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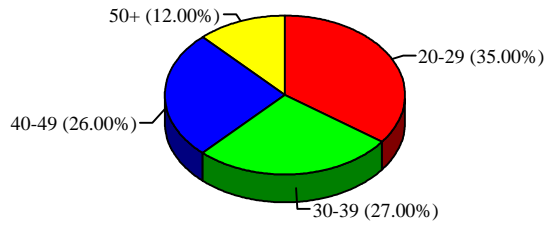
Age:	<u>20 - 29</u> 35%	<u>30 - 39</u> 27%	<u>40 - 49</u> 26%	<u>50+</u> 12%
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Commuting Patterns:	<u>Under 20 Miles</u> 75%	<u>20 - 29 Miles</u> 15%	<u>30 - 39 Miles</u> 5%	<u>Over 40 Miles</u> 5%
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Female/Male Underemployed Workers



Age



TRAINING INTERESTS OF THE UNDEREMPLOYED

In addition to those characteristics identified above, The Pathfinders also asked survey respondents "Would you be interested in any training courses?" The course areas and results are depicted in the table below.

The survey of individuals in the workforce indicates that many have an interest in participating in training programs which might be offered. Of the respondents to the workforce verification survey, a significant number expressed possible future interest in training programs. The extent to which that interest is strong and those individuals might actually enroll in a training program is not known. That would obviously be influenced by scheduling, costs, length of the course and other factors. Nevertheless, it is clear that a significant public interest in training exists.

Percent Expressing Training Interests In:

<u>Computer Courses</u> 44%	<u>Communication Skills or Supervisory Training</u> 32%	<u>Office Skills</u> 23%
<u>Basic Electrical/Electronics</u> 12%	<u>Industrial Machine Operations</u> 10%	<u>Machining/ Metal Trades</u> 4%

It should be noted that several employers in expressing opinions on local training needs mentioned basic communications, and there appears to be significant interest among workers in such training courses. There is less interest in traditional manufacturing skills training.

WORKFORCE REPORT

The current state of the nation=s economy is very strong, with production and business activity at near record levels. There has been a consequent increase in the demand for workers. In most regions of the nation, employers are expressing difficulty in finding workers. That is historically true for skilled workers, but The Pathfinders recent experience is that today more employers across the nation are expressing the same opinion relative to unskilled workers. The result is an unavoidable upward pressure on wage rates.

The Lexington area shares in that strong economy, with resultant low unemployment rates. As a consequence, The Pathfinders organization was retained to quantify the extent to which UNDEREMPLOYMENT exists in the area, as well as to quantify the cost, skills, experience and education of that hidden workforce.

In this study, The Pathfinders employed a methodology developed for U.S. Department of Defense projects to determine civilian workforce characteristics and availability in communities across the nation where military installations were scheduled for closure. That methodology was then refined by senior site selection and human resources executives among The Pathfinders corporate clients to produce the workforce information needed in assessing communities as a location for a new operation.

In this workforce assessment, The Pathfinders used mail to individual residents in the survey area. That area included the counties in the MSA as well as Franklin County. Those individuals were stratified across age (19-49), sex, household income (up to \$100,000) and zip codes. The purpose was to ascertain availability for work with a new employer, to determine desired pay rates, and to collect information on age, education, experience and skills. Sufficient surveys were completed with individuals to produce results for that entire population group which vary by no more than plus or minus 5 percentage points.

At that level of variance, the 52,000 people identified as underemployed might actually be as many as 54,600 (plus 5 %) or as few as 49,400 (minus 5 %). If the survey were repeated 100 times, 95 times out of 100 the results would be the same as those if the entire population had been surveyed.

The Pathfinders also applied a proprietary process to the analysis of the data to produce a correction for invalid responses. That process considers that to be counted as underemployed the individual must be willing to take another job at a pay rate commensurate with personal skills, education and experience. Moreover, persons with nineteen or twenty years (for example) with their present employers are not considered to be true candidates for new jobs for the purposes of this study. Those indicating that they would take a new job but also indicating the desire for increased pay that is not reasonable are also not counted in the results.

As previously stated, an underemployed individual must be willing to take a new job to be counted as such for the purposes of this report. An individual, for example, who may be truly underemployed but is within a very few years of qualifying for retirement benefits with his or her existing employer may state a willingness to change jobs but is not considered likely to do so and is, therefore, not included in the results presented herein.

Current pay is not alone a qualifying factor as underemployment in this study. Individuals, for example, making \$6.50 per hour, possessing no high school degree or skills and being in the workforce for less than one year may consider themselves to be underemployed but are not considered to be in this report. On the other hand, education, skills and experience may qualify the person making \$22.00 per hour as underemployed.

While the unemployment rate indicates that about 6,600 people are unemployed, the result of this workforce assessment indicates there may be an additional 4,900 people not employed or actively seeking work who would re-enter the workforce and take a good job if offered. About 80% of those

are female and the education of that group roughly mirrors that of the underemployed members of the workforce. The same is true for their skills and experience. The pay rate which they would require to re-enter the workforce and take a job would appear to be in a range between \$6.50 and \$20.00, with \$10.00 per hour the median. These determinations for this segment of the workforce have a larger statistical variance than that for the underemployed.

The following observations are made relative to the most recent data that show low unemployment rates in the area. While some individuals within that unemployed group will be considered to be a potentially good source of employees, the type of quality employer the area is targeting generally does not rely on the unemployed to staff a new operation. The primary source of good employees is the Underemployed— those now working and desiring a better job and possessing skills, education and experience which would qualify them for better jobs.

Those in that category who possess the skills, experience and education to qualify them for a better job and indicate a willingness to take a better job are defined in this report as being UNDEREMPLOYED.

There are 52,000 people in that category in the age bracket 19-49 in the Lexington area. Roughly one-quarter of those would change jobs for less than \$10.00 per hour and one-half for \$13.00 per hour or less. Only about 6% would do so for under \$8.00 per hour. They have a variety of skills, with about half having some degree of familiarity with usage of computers. That is reflective of changing technology in the workplace and in schools. Almost one-third have manufacturing or industrial experience.

EMPLOYER INTERVIEWS

In developing a profile of the existing workers in the Lexington area, The Pathfinders considered such factors as labor availability, productivity, unionization, attitudes, costs, and education. The analysis is based upon interviews conducted by The Pathfinders with senior management and human relations professionals from local companies in each of the counties in the survey area which in total employ approximately 20,000 workers. Each of these companies operates in the industrial, commercial, or service sectors. The interview sampling was sufficiently large to make valid workforce judgements.

The Pathfinders asked those employers interviewed to provide a subjective view of their workers, in addition to objective and quantitative measurements of labor productivity, availability, attitudes, and costs. Those employers with operations in other regions of the United States were asked to compare their experiences in those areas with those in the Lexington area.

The area workforce received high marks for productivity, with more than 80% of the companies reporting productivity as excellent or good. That is consistent with the fact that many of the companies interviewed stated that their local operation compared very favorably with operations in other locations in terms of profitability and production. That is indicative not only of good management but also of a very productive workforce.

Applicant-to-job opening ratios are indicative of labor availability, and the employers reported sufficient (many more than twenty) applicants for each job opening. That is indicative of good labor availability, although in the skilled worker positions only 38% of the companies reported availability to be good. This is typical of most other locations.

It should be noted that employers with low starting wages (below \$7.50 per hour) generally rate availability to be fair or poor and those with higher starting wages rate availability as good or excellent.

Based upon The Pathfinders' experience in evaluating the labor force in various locations, a definite correlation between productivity, absentee rates, tardiness rates and turnover appears to exist. That correlation goes beyond the fact that an absent worker is obviously unproductive. Rather, those factors are indicative of an employee's attitude toward the job. Overwhelmingly, the companies interviewed judged absenteeism and tardiness to be low and manageable. Fifteen percent of the companies interviewed reported turnover to be high (30% or more), while the remainder showed it to be moderate or low. Average turnover for the companies interviewed was 14.5%.

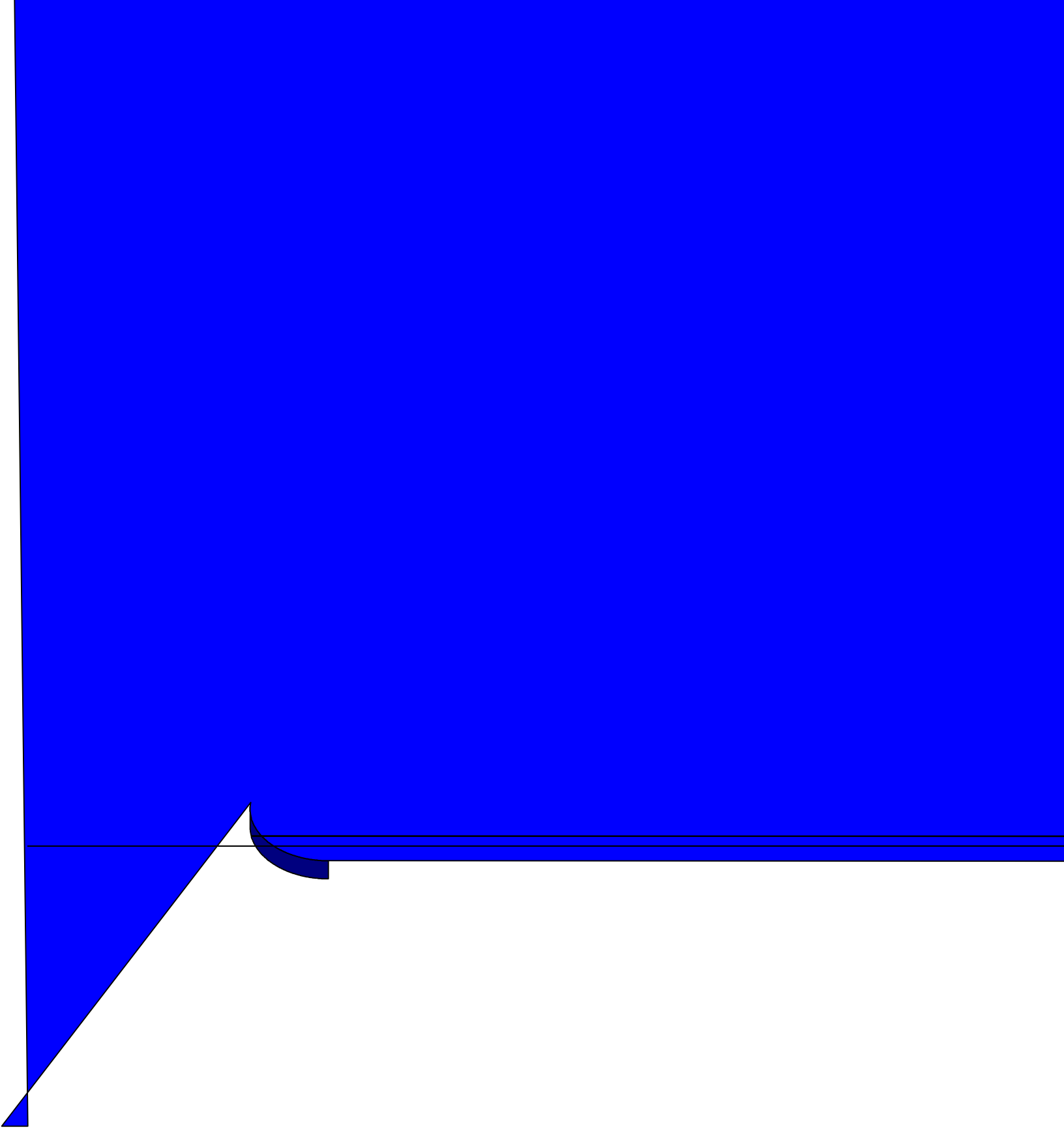
The most common employer complaint throughout the nation relates to a shortage of skilled workers and basic educational competencies of the workforce. The availability of skilled workers in the Lexington area must be viewed from the perspective of comparative availability when other areas of the state and nation are considered. Skilled workers are in great demand and difficult to find in the vast majority of locations.

In the Lexington area, some employers expressed concern about the availability of skilled workers, although over one-third of employers rated the availability of skilled workers to be good and nearly 60% expressed similar findings for unskilled workers with 6% of those calling it excellent. Roughly one-half of employers rated professional availability as good or excellent with only 8% classifying it as poor. Less than 10% rated unskilled availability as poor.

An employer seeking a non-union environment will find it in the Lexington area. There appears to be a very low incidence of union activity in the area.

More than half of the Lexington area employers give employees in the general labor categories "good" for ratings relative to basic educational competencies such as reading, communications and calculations competencies.

	Excellent	Good	Fair	Poor
Reading/Writing Competency	12%	53%	29%	6%
Calculations Competency	6%	44%	44%	6%



COMPARATIVE OBSERVATIONS

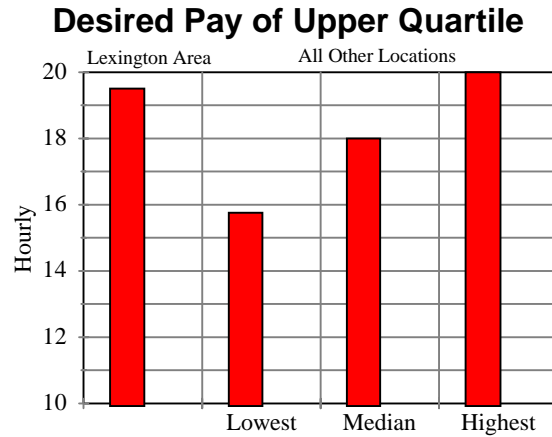
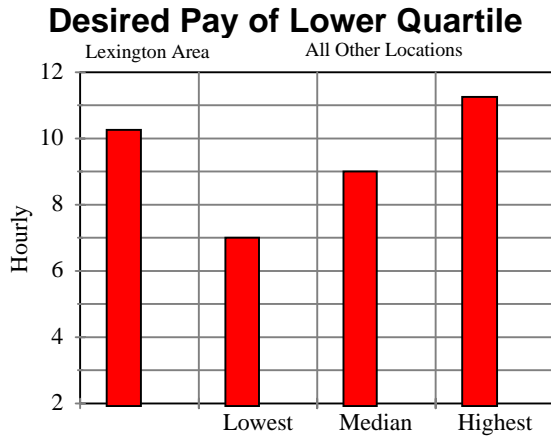
As a matter of course in site selection projects, The Pathfinders evaluates published government workforce statistics. Those statistics, however, depict the entire workforce while only a minority segment of those workers will be considered for or have an interest in new jobs with a company. The characteristics of this select underemployed workforce group represented in this report may vary significantly from the workforce as a whole as reported in published government data. Accordingly, the information presented in the workforce audit report for the Lexington area covers those members of the workforce who are, by virtue of their underemployment, potential candidates for new jobs.

Existing employers, or new employers recruited to the Lexington area, typically will not depend on the unemployed to staff a new operation or to fill vacancies in existing operations caused by turnover or expansions. Companies look to the ranks of people who are already employed but are seeking to better themselves. Those individuals in that category who possess the education, skills and experience to merit a better job are classified as UNDEREMPLOYED.

The workforce survey report issued by The Pathfinders documents the availability of underemployed workers as well as the skills, experience, education and costs of individuals in that hidden workforce in the Lexington area. This section of the report provides a comparison of the characteristics of that the Lexington area underemployed workforce with the workforce in other communities surveyed throughout the nation. The database is for 1998 and includes over 500,000 workers in communities across the nation for whom The Pathfinders has conducted workforce verification surveys.

A prospect company considering the Lexington area as a location will judge its workforce on a comparative basis. This section of the report will allow the local economic development professionals to view its workforce in relation to others across the nation. Moreover, it will allow judgements to be made about relative skills shortages which might be addressed by training or relative abundances of skills which might influence the recruitment targets.

Pay Desired-Underemployed Workers Lexington Area Versus Other Locations



The workforce verification report documented the number of underemployed workers in the Lexington area which would be available for an employer at various pay rates ranging from below \$7 per hour to \$20 per hour or above, and which have the skills, experience and education to justify the desired pay rates.

The chart on the left above shows that 25% of the underemployed workers in the Lexington area merit and would take a new job for \$10.25 per hour or less. In all locations which have been surveyed, the lowest pay rate in that lower quartile is \$6.95 or less, the median \$9.09 or less and the highest pay \$11.19 or less.

Those in the upper quartile have superior education, greater skills and more experience, yet based on current pay rates are still underemployed. In the Lexington area, those individuals in that upper 25% can command \$19.40 per hour or more. That wage is above the median of \$17.94 for that upper quartile in all areas surveyed and below the high for that upper quartile of \$21.24.

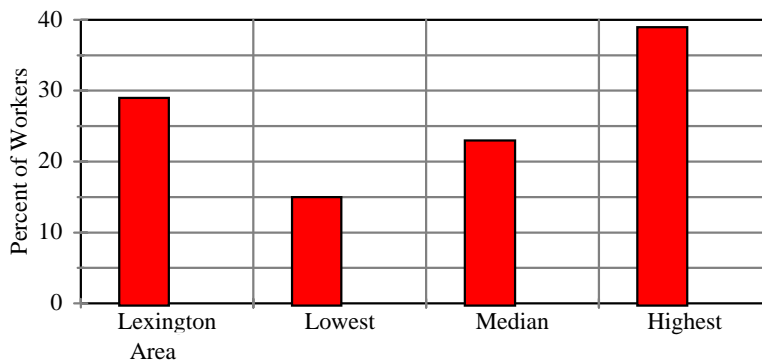
Experience of Workers

Lexington Area Versus Other Locations

(500,000 Workers in Surveys)

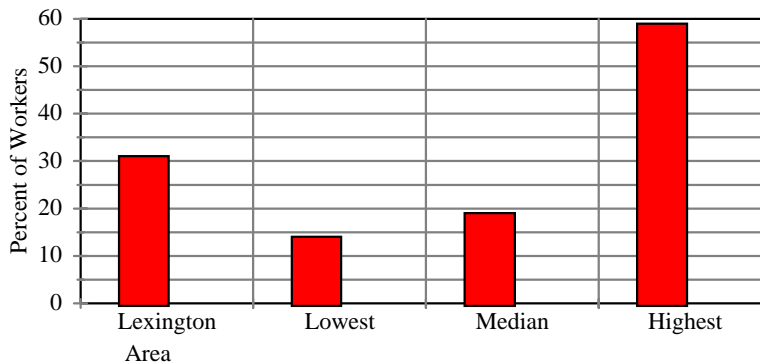
Manufacturing/Industrial

Experience Possessed



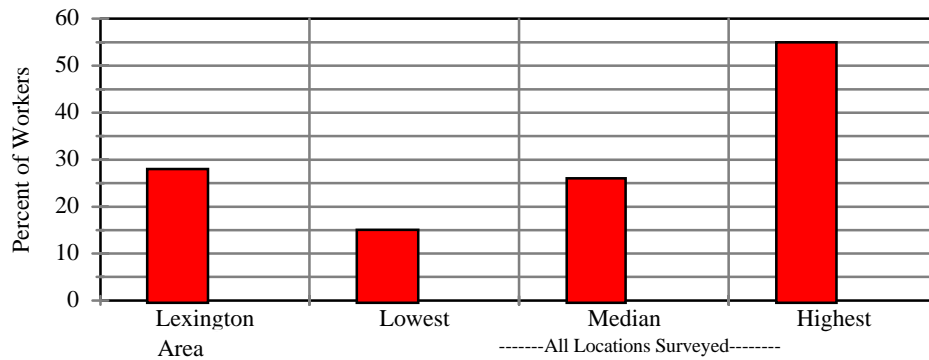
Government/Education/Medical

Experience Possessed



Experience of Workers Lexington Area Versus Other Locations

Retail/Wholesale Experience Possessed



Skills of Workers

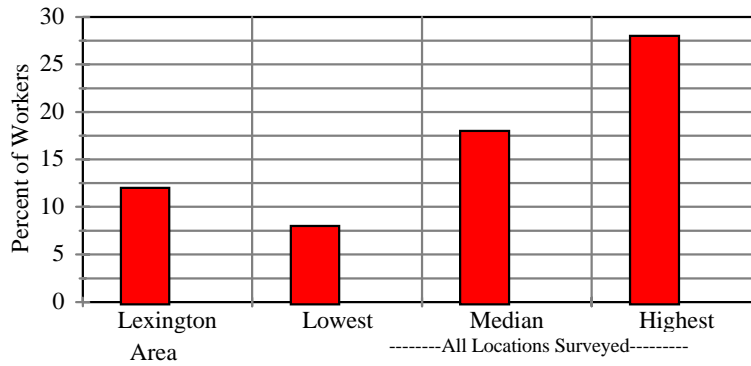
Lexington Area Versus Other Locations

(500,000 Workers in Surveys)

Skills of Workers

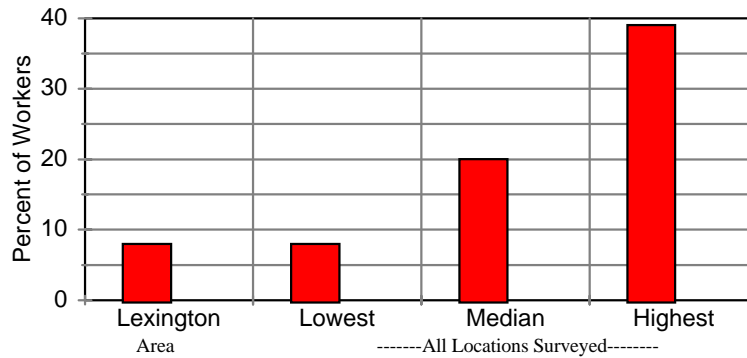
Industrial Machine

Skills Possessed



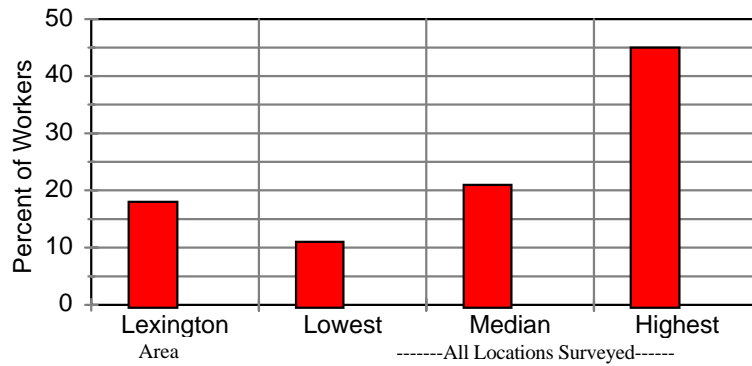
Maintenance

Skills Possessed

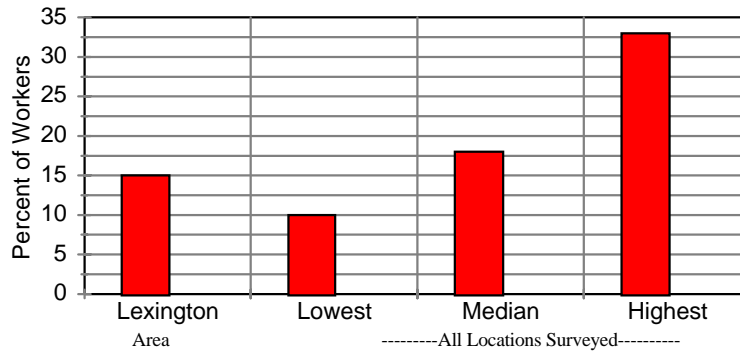


Lexington Area Versus Other Locations (500,000 Workers in Surveys)

Materials Handling/Warehouse Skills Possessed



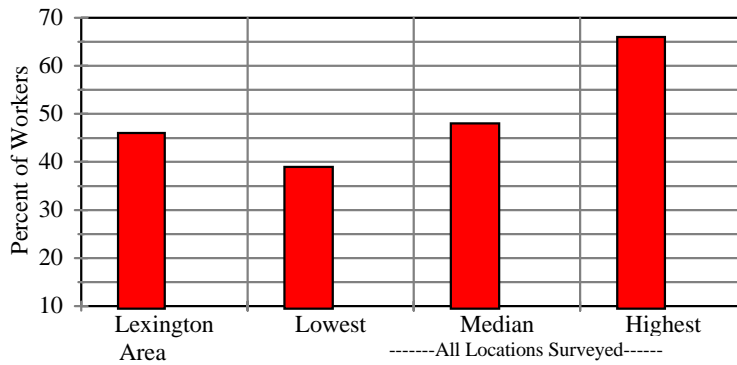
Technician Skills Possessed



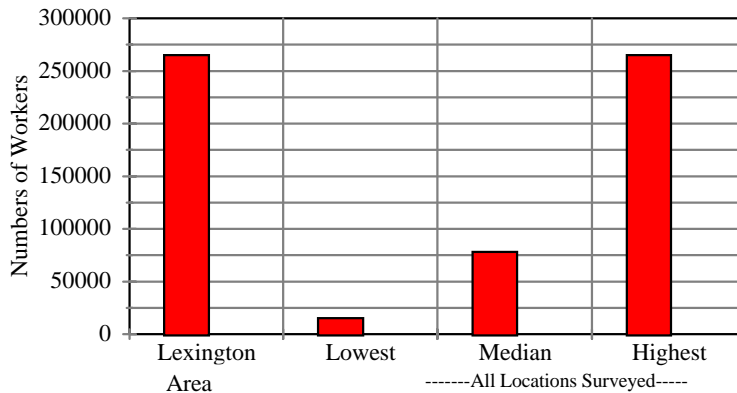
Skills of Workers

Lexington Area Versus Other Locations

Office Related Skills Possessed



Size of Area Workforce



ACKNOWLEDGMENTS

The “Lexington Area Workforce Audit” was commissioned and funded by the cooperative efforts of the following agencies and businesses.

Capital Community Economic/Industrial Development Authority

Lexington United

Jessamine County Economic Development Authority

Richmond Industrial Development Corporation

Scott County United

Winchester-Clark County Industrial Development Authority

BellSouth

Columbia Gas of Kentucky

GTE

Kentucky Utilities Company

For the purposes of this audit, the Lexington Area includes the combined areas of seven central Kentucky counties. These include the six counties in the Lexington Metropolitan Statistical Area—Bourbon, Clark, Fayette, Jessamine, Madison, Scott, and Woodford—and Franklin County.