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Kentucky economy's recovery will be a slow climb, expert says

annual conference outlines prospects

By Cheryl Truman

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- Highlights of the report

Conference attendees received copies of the 2012 Kentucky Annual Economic Report, which covered a wide range of issues, including the state's economy, demographic trends and intellectual capital development. Among its findings:

- Kentucky made minor progress relative to the nation and surrounding states from 1990 to 2009 based on economic, education, health, environmental, community and governmental factors.
- The state's demographic patterns during the past decade bode poorly for Eastern and Western Kentucky, but the state's urban triangle of Lexington, Louisville and Northern Kentucky grew faster than the nation as a whole.
- Kentucky employers are frequently affected by ill health — the state leads the nation in chronic disease prevalence — but strategies for integrating health promotion programs can help improve worker health and be cost-effective for business.
- The health literacy of Kentuckians is low, but if increased, it could help improve residents' health.
- New or pending environmental regulations could have significant effects on the cost of electric power generation and the price of electricity, which could hinder the state's productivity and employment growth.

The economies of the Lexington area and Kentucky will return to pre-recession levels in employment and housing, but it will be a slow and steady climb rather than explosive growth, a University of Kentucky economist said Tuesday.

"If you're looking for a job, that's cold comfort," Kenneth Troske said. "But we will get back to normal."

He spoke at the 23rd annual Economic Outlook Conference, presented by UK's Gatton College of Business and Economics' Executive Education Center. About 400 business leaders attended the conference at Lexington Convention Center.

"Employers are expecting very productive workers," Troske said. "You have to be more productive than you were before to keep your job."

Nonetheless, employment in the state remains below pre-recession levels, Troske said: about 74,000 fewer workers than peak levels in the state, and 10,000 below peak in Lexington and its surrounding counties.

And, Troske said, "output doesn't vote. People do."

He said employment levels are not likely to return to pre-recession levels before 2014, and even then, the unemployment rate will not take into account population growth in the interim.

As the economy recovers, Kentucky faces a long-term challenge in placing workers with low skill levels, Troske said.

Home prices have been fairly stable in the Lexington area and Kentucky, Troske said, but that's because construction of new homes fell significantly enough to preserve the value of current homes. That might be good news for area homeowners, but the construction industry will have to make a sharp recovery to spur the economy again, he said.

"Housing leads recoveries," Troske said.

Aaron Yelowitz, an economics professor in the business college, told attendees that another concern for Kentucky is the effect of the Affordable Care Act in 2014. The federal law will require businesses with 50 or more employees to provide "affordable" insurance to full-time workers or pay a tax penalty of \$2,000 for each employee.

Using a detailed econometric model, Yelowitz estimated that 283,549 of 2.4 million Kentucky workers could be affected. Analyzing by industry, Yelowitz estimated that workers in the administrative, waste management, manufacturing, mining and transportation sectors might be most affected.

The region most likely to be affected is in southeastern Kentucky, although all areas of the state would have a number of businesses that will need to respond to the health care mandate.

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