Chapter 5: ECONOMY

The recent economic recession and slow recovery the nation has undergone has caused the economy to be a primary topic of concern in the community. Understanding the current state of the economy provides information on how to strengthen the competitiveness of this region and continue to make Kenton County a preferred place to live, work and play. This chapter gives an overview of the county’s economy for the past ten years including income, poverty, employment, industries and education. Generally when the economy is doing well there are well paying jobs in a variety of industries and personal incomes are adequate. Improving jobs and employment was one of the primary concerns of participants at Direction 2030 public input meetings.

Income and Poverty

Per capita income, which is the mean income of population within an area, is one of the primary indicators for economic health. High per capita income indicates a strong economy and overall wealth. Kenton County has the highest per capita income in Northern Kentucky at $39,555 and compares well with the national per capita of $39,937. Since 2000, per capita income has increased 32.64 percent which is a larger increase than the National and Cincinnati metro increases. Only Campbell County raised per capita income more with an increase of 33.83 percent. This increase in per capita income is the first indicator that Kenton County’s economy is doing well.

Figure 5.1 shows Kenton County’s per capita income rose steadily through most of the last decade until 2007 at which time incomes started to stagnate. While the income dropped in 2008-2009 in conjunction with the recession it increased again to a new high in 2010.

Since 1980 Northern Kentucky has consistently had lower poverty rates than the national average and the Cincinnati metro average as shown in Figure 5.2. In 2000, the national average was 9.5 percent and Kenton County’s was 7.1 percent. Due to the economic recession, the national poverty rate rose to 13.8 percent and Kenton County’s poverty rate rose to 11.4 percent in 2010.

Employment and Unemployment

Northern Kentucky has traditionally followed the national average fairly closely in unemployment rates. This continued through the recent economic recession and recovery as illustrated in Figure 5.3. In terms of unemployment, this indicates that Northern Kentucky weathered the recession in a similar fashion as the rest of the nation.

Employment changes over time and understanding these changes is necessary to understanding a region’s economy. A method known as shift-share attempts to determine how much of regional job growth can be attributed to national trends and how much is due to unique regional factors. To accomplish this, employment growth and decline is separated into three categories: 1. National share – changes due to the U.S. economy, if the nation experienced job growth or not; 2. Industry-mix share
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– changes due to the specific industry’s employment growth or decline throughout the country; and 3. Regional share – changes due to the industry group in the region growing or declining. These three types of employment changes are added together to arrive at the actual growth or decline in employment. Figure 5.4 shows that all three Northern Kentucky Counties outperformed the national average of 4.99 percent as well as the metro area average growth of 0.92 percent.

The reason for the increase in employment was an increase in all three measures. Kenton County has a mix of industries that experienced growth, coupled with local industries that outperformed their counterparts nationally.

‘Management of companies and enterprises’ was the primary engine for employment growth in the County with a 304 percent increase during the past decade. Other industries that experienced employment increases were ‘professional and technical services,’ ‘manufacturing,’ and ‘finance and insurance. Industries that suffered significant losses in employment were ‘construction’ ‘accommodation and food service,’ ‘health care and social assistance,’ and ‘education.’ The industries that experienced an increase in employment tend to have somewhat higher paying jobs than those that lost employment. This could be an underlying reason for the strong per capita income level Kenton County enjoyed even through the recession.

Economic Base

Economic base analysis is one of the most widely used techniques in understanding a local economy². A basic industry is an industry that exports part or all of its goods and/or services to destinations outside its boundaries. To determine a region’s base industries a factor called location quotient is used. This equation determines if an industry is producing more goods or services than the area needs by comparing it with the national average. The surplus goods and services that are exported bring new revenue into the area.

Figure 5.5 indicates the location quotient for each industry in Northern Kentucky in 2000 and 2010. The region has become economically stronger with more base industries than a decade ago. In 2000, the region had three base industries; ‘retail trade,’ ‘transportation and warehousing,’ and ‘accommodation and food services.’ In 2010, the region lost ‘retail trade’ as a base industry but gained ‘manufacturing,’ ‘management of companies,’ ‘wholesale trade,’ and ‘finance and insurance.’ A larger number of base industries give the region a more solid economic foundation by giving the region more industries that export products and services, thus bringing in more income. Also, a larger number of base industries provide the region protection in case one industry experiences a decline.

Significant changes are observed in the ‘management of companies’ category which grew from being a near base industry to the largest base industry in Kenton county as shown in Figure 5.5. The national average for management jobs pays significantly more than the average construction job, $69,520 vs. $36,899 respectively⁴. Professional and technical services also moved from a non-base industry to a base industry. Jobs in this category also offer higher incomes. With six base industries compared to three ten years ago Kenton County is in a much stronger economic position. More base industries mean the County’s economy is broader with more avenues of income due to varied employment opportunities.

Educational Attainment

There is a strong connection between the strength of the economy and the education level of the County’s
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An educated workforce is necessary for today’s job requirements. To attract and keep a well-educated workforce the county needs to be an attractive place to live, work and play. How the County’s residential, commercial, industrial, and green spaces are designed and built have a profound impact on the attractiveness of the area and whether an educated workforce will want to live here or not.

In today’s workplace, education is becoming the most important component in being competitive. Most jobs today require some amount of training and the higher paying jobs require higher levels of training and education. As Figure 5.6 shows, in 1990 the Northern Kentucky Counties trailed the national average for post-secondary education. Since 1990, however, there has been a steady increase in education attainment. By 2010, all three counties had made significant progress. Boone County surpassed the national average and Kenton County virtually tied with the national average. To attract and keep a well-educated workforce the area needs not only have jobs but it also needs to be an attractive place to live and play.

**Summary**

Kenton County performed well during the last decade despite the economic recession. Per capita income stayed up with the national average and poverty rate is below the national average. The unemployment rate is slightly below the national average. These are all strong basic indicators that the economy is in decent shape. Other factors add to this sense of well-being for the economy. Kenton County added employment faster than the national average and the metro area. The County also increased the number of economic base industries from three to six. Add to this the increase in the number of Kenton County residents with some post-secondary education and you have all the ingredients for a strong economy going into the next decade. Kenton County needs to continue to focus on developing new jobs and expanding into new industries in order to broaden its base even further to provide employment for the expected increase in population. In addition the nexus between attracting a talented workforce to the area and providing the types of communities they desire should be explored.
Endnotes

1. Cincinnati Metro is the Ohio counties of Brown, Clermont, Hamilton, Warren and Butler, the Kentucky counties of Boone, Campbell, Gallatin, Grant, Kenton, Pendleton, and the Indiana counties of Dearborn, Franklin and Ohio.
3. NC: Not Calculable - data does not exist or it is zero; ND: Not Disclosable