

Chapter 4 Economy, Business Activity and Economic Development

Labor Force, Type of Employment and Sources of Income:

According to Census 2010 data, the size of the labor force in Pikeville increased by 532 between 2000 and 2010, yet the unemployment rate also increased from 6.6% to 10.6% for the same period. Unemployment figures from June, 2013, put the rate at 11.6%, the same as the rate for Pike County, but significantly higher than the unemployment rates for the nation (7.8%) or the state (8.6%) for the same period. While this rate is significantly higher than it was in 2000, it reflects the significant downturn in the coal industry but still remains lower than the 1990 unemployment rate of 13.0%.

	1980	1983	1990	1993	2000	2003	2010	2013
Labor Force	2,024	N/A	2,558	N/A	2,394	N/A	2,926	N/A
Unemployment Rate	4.5%	N/A	13.0%	N/A	6.6%	N/A	10.6%	11.6%

Source: U. S. Department of Commerce, Bureau of the Census, , Kentucky Workforce Department Cabinet

Comparing the unemployment rate of the City to that of Pike County finds that the fluctuations in the County are quite different. The unemployment rate in the County is

higher in 2000 than it was in 2010, although the current 2013 rates of unemployment for the City and County are calculated at the same level of 11.6% (Table 4-2).

	1980	1983	1990	1993	2000	2003	2010	2013
Labor Force	30,330	31,784	25,683	25,683	24,416	25,717	24,200	N/A
Unemployment Rate	6.2%	23.2%	7.2%	13.9%	9.0%	6.6%	7.8%	11.6%

Source: U. S. Department of Commerce, Bureau of the Census, Kentucky Workforce Department Cabinet

In general, employment in non-mining sectors has increased over the last several decades, while employment in mining has steadily diminished, with a sharp decline over the last several years. However, in May, 2013, High Ridge Mining announced it would be opening seven new mines in Pike County and employing 250 people which may shift some of those numbers. While the economic history of Pikeville and Pike County are inextricably intertwined with the coal industry, labor statistics indicate that the area currently has a much more diversified economic base. Data from the American Community Survey (2007-2011) indicate that 53.6% of workers within the City are in management, professional and related occupations, an increase of 12% since 2000. An additional 23.0% work in sales and office occupations, a decline from the 30.1% in 2000. Another 15.5% are employed in service occupations (up from 12.9%), and another 5.1% in production, transportation and material moving (down slightly from 6.6% in 2000). Despite the numerous construction projects within the City (the Federal Courthouse, classroom and dormitory buildings at UPike, and the extensive hospital expansions), the rate of employment in the construction, extraction and maintenance occupations dropped precipitously from 8.1% to 2.8% according to the American Community Survey (ACS), likely a result of significant decline in mining jobs.

By far the greatest industry sector is the education, health and social services area, comprising 39.2% of City workers, an increase from 32.6% in 2000. This is well above the next highest categories of trade, retail trade, at 13.3%. The American Community Survey indicates that the majority of employment is in the private sector, with private wage and salary workers comprising 71.3% of the labor force, and government workers making up only 21.9%. Self-employment is low, at only 6.9%, a reflection of the tenuous economy which is not conducive to starting new small businesses (Table 4-3).

**TABLE 4-3
 OCCUPATION INDUSTRY & CLASS OF WORKER
 PIKEVILLE, KY (2007-2011)**

Subject	Pikeville city, Kentucky			
	Estimate	Margin of Error	Percent	Percent Margin of Error
OCCUPATION				
Civilian employed population 16 years and over	2,561	+/-253	2,561	(X)
Management, business, science, and arts occupations	1,372	+/-228	53.6%	+/-5.9
Service occupations	398	+/-126	15.5%	+/-4.7
Sales and office occupations	590	+/-138	23.0%	+/-5.0
Natural resources, construction, and maintenance occupations	71	+/-39	2.8%	+/-1.5
Production, transportation, and material moving occupations	130	+/-55	5.1%	+/-2.3
INDUSTRY				
Civilian employed population 16 years and over	2,561	+/-253	2,561	(X)
Agriculture, forestry, fishing and hunting, and mining	98	+/-56	3.8%	+/-2.1
Construction	44	+/-42	1.7%	+/-1.6
Manufacturing	53	+/-35	2.1%	+/-1.3
Wholesale trade	122	+/-88	4.8%	+/-3.4
Retail trade	340	+/-121	13.3%	+/-4.6
Transportation and warehousing, and utilities	66	+/-35	2.6%	+/-1.4
Information	26	+/-30	1.0%	+/-1.1
Finance and insurance, and real estate and rental and leasing	127	+/-79	5.0%	+/-2.9
Professional, scientific, and management, and administrative and waste management services	246	+/-129	9.6%	+/-4.8
Educational services, and health care and social assistance	1,003	+/-188	39.2%	+/-6.6
Arts, entertainment, and recreation, and accommodation and food services	234	+/-98	9.1%	+/-3.8
Other services, except public administration	49	+/-41	1.9%	+/-1.6
Public administration	153	+/-87	6.0%	+/-3.3
CLASS OF WORKER				
Civilian employed population 16 years and over	2,561	+/-253	2,561	(X)
Private wage and salary workers	1,825	+/-251	71.3%	+/-6.2
Government workers	560	+/-140	21.9%	+/-5.2
Self-employed in own not incorporated business workers	176	+/-82	6.9%	+/-3.2
Unpaid family workers	0	+/-89	0.0%	+/-1.3

Source: U.S. Census Bureau, 2007-2011 American Community Survey

The trend away from manual and agricultural jobs to professional, education and health services is reflected in the mean income based on earnings: while the overall median household income for the City was only \$27,100, the mean earnings income was significantly higher at \$62,034, covering 60% of Pikeville’s population. The ACS also estimates that 45.7% of the population age 16 years and older in the City of Pikeville is employed, with only 3.7% unemployed and the remaining 50.3% not in the labor force (Table 4-4).

**TABLE 4-4
 EMPLOYMENT STATUS
 PIKEVILLE, KY (2007-2011)**

Subject	Pikeville city, Kentucky			
	Estimate	Margin of Error	Percent	Percent Margin of Error
EMPLOYMENT STATUS				
Population 16 years and over	5,609	+/-183		
In labor force	2,788	+/-273	49.7%	+/-4.7
Civilian labor force	2,767	+/-258	49.3%	+/-4.5
Employed	2,561	+/-253	45.7%	+/-4.4
Unemployed	206	+/-86	3.7%	+/-1.5
Armed Forces	21	+/-35	0.4%	+/-0.6
Not in labor force	2,821	+/-282	50.3%	+/-4.7
Civilian labor force	2,767	+/-258	2,767	(X)
Percent Unemployed			7.4%	+/-3.0
Females 16 years and over				
In labor force	1,373	+/-169	45.0%	+/-5.0
All parents in family in labor force	214	+/-87	60.6%	+/-18.3
Own children 6 to 17 years				
All parents in family in labor force	683	+/-133	68.2%	+/-11.6

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urce: U.S. Census Bureau, 2007-2011 American Community Survey

Interestingly, agricultural activity for Pike County overall appears to be increasing, and demonstrates no real trend over the last 35 years. The latest available data indicate that the number of farms in the county has increased dramatically over the last decade, and that those farms are larger, and comprise twice as many acres in the county as in 2002 (Table 4-5). This may provide some new economic opportunities and benefit to residents and businesses in the City who may be able to secure agricultural materials and commodities directly from these producers with higher quality and lower prices. Opportunities for agricultural development within the City limits should also not be ruled out as there remain significant portions of undeveloped acreage within the corporate boundaries. This may prove a beneficial use of land reclaimed following surface mining which is unsuitable for other development.

	1982	1987	1992	1997	2002	2007
Number of Farms	53	38	57	44	45	70
Land in Farms (acres)	4,570	4,809	6,158	6,576	7,194	14,228
Average Size of Farm (acres)	109	127	1080	149	160	203

Source: U.S. Department of Commerce, Bureau of the Census, [1982 Census of Agriculture](#), [1987 Census of Agriculture](#), [1992 Census of Agriculture](#), [1997 Census of Agriculture](#), [2002 Census of Agriculture](#), [2007 Census of Agriculture](#)

All of this indicates that as the region can depend less and less upon coal mining and the extraction of other minerals and natural resources as the backbone of the economy, Pike County and Pikeville are accommodating the need for broader and more diversified economic activity. Growth in most of these sectors remains relatively slow and still behind the rates of growth in these areas for the state overall. Achieving and maintaining a competitive rate of growth in these sectors is imperative to establish Pikeville as an attractive, vibrant and viable economy to potential individual, business and retail investors. The most significant area of growth for Pike County and particularly for the City of Pikeville, has been in the health services sector: Pikeville Medical Center employs large numbers of people from the City, County and surrounding region, draws professionals to the City, and has created a breadth of spin-off businesses, services and jobs ranging from construction to related health services. These figures do not yet reflect the most recent gains, and those anticipated as a result of the most current expansions and affiliation of Pikeville Medical Center in the Mayo Clinic Care Network. In addition, the rapid expansion of the University of Pikeville holds promise for economic development in the City. The impact of the new Coleman College of Business and its MBA and MS in Sports Management programs, as well as the goals for additional professional school are as yet unknown, but hold great promise for the City.

Economic Development Activity:

The City of Pikeville is working diligently to develop sound, thoughtful and successful economic plans for its future. The establishment of the Southeast Kentucky Chamber of Commerce has positioned Pikeville as the regional hub of economic and commerce, and the Southeast Chamber takes this responsibility seriously.

The Southeast Kentucky Chamber of Commerce is a non-profit, membership based organization dedicated to creating a business network that can improve the local

economy, create regional unity, conduct political advocacy and promote economic development to improve quality of life through the region. Housed in Pikeville, with the goal of creating “One Eastern Kentucky, the Southeast Kentucky Chamber of Commerce has attracted support and investment from the major businesses and corporations in the region, particularly those in the City of Pikeville. Since incorporating in 2011 with 385 members, it has increased membership by 46% and currently has 513 members from Pike County and seven surrounding counties of Floyd, Johnson, Knott, Lawrence, Letcher, Magoffin and Martin. This broad membership enables the organization to draw on the expertise and knowledge of the most successful entrepreneurs in the community. However, the Southeast Kentucky Chamber of Commerce recognizes that under the extreme conditions of the present economic shifts, outside consultation would be beneficial. To that end, the Chamber is working with Insights Consulting to provide a comprehensive economic and business assessment of Pikeville and then collaborate to develop a sound plan for continued economic development. This plan will include business maintenance strategies to retain existing companies and incentive plans to attract new businesses, and it will identify opportunities for public-private partnerships. The assessment process includes site visits to Pikeville and the surrounding region, review of all existing data, stakeholder interviews and focus groups, and consultation with existing economic planning and business entities including the University of Pikeville Coleman College of Business, the University of Kentucky Extension Service, and others. The consultation also includes work with the Big Sandy Area Development District and an array of local and regional city and county government bodies, as well the regional Small Business Development Centers through Morehead State University. The Southeast Kentucky Chamber of Commerce is also holding an array of activities designed to engage all segments of the population in this process and the future of Pikeville and the surrounding region, including town hall forums, luncheons, educational projects and legislative updates.

The opportunity for a thorough and comprehensive assessment should not be taken lightly or dismissed as one more futile academic effort. The Chamber has worked hard to ensure that this assessment appreciates the unique and divergent traits that characterize Pikeville and the surrounding region. Pikeville is not typically rural, nor does it match the usual small town suburban or metro-area type of city. And, despite being practically the central point of Appalachia, in many ways Pikeville does not fit the typical Appalachian characteristics. Using traditional Metropolitan Statistical Area (MSA) classification, Pikeville and the surrounding areas fall into a number of different MSA categories, which further compounds the difficulty of understanding the region. Thus, it is imperative that a keen understanding of the population, its economic characteristics and potential, the influence of culture and history, and the role of government is all considered.

The role of the private sector is imperative to the future of Pikeville. As seen in the data from the American Community Survey noted above, the great majority of economic

activity is occurring in the private sector, led by the University of Pikeville and Pikeville Medical Center. Other significant private efforts are occurring in the financial sector, with the huge expansion of Community Trust Bank over the last decade to include a vast array of financial services as well as 81 branch locations throughout eastern, central northern and south central Kentucky as well as northeastern Tennessee and southwest West Virginia. Other area banks are also growing and strongly involved in the Southeast Kentucky Chamber activities. Areas for consideration in developing the economic development blueprint include opportunities for outside investment in the region, opportunities to enhance local capital investment, opportunities for business education, ways to foster healthy business competition, the role of the financial sector in promoting economic growth, and opportunities for technology-based industry that does not require geographical accessibility.

Continued attention to nurturing local leadership will be important. Participation by Pikeville citizens in programs such as Leadership East Kentucky, Women Leading Kentucky, Leadership Kentucky and the Kentucky Department of Education Leadership Networks, should be promoted. The City of Pikeville and the Southeast Kentucky Chamber of Commerce should continue to actively participate in regional conferences and efforts including the East Kentucky Leadership Conference, Brushy Fork Annual Institute, and the newly proposed Shaping Our Appalachian Region (SOAR) summit. Opportunities for youth leadership development exist through the University of Kentucky Cooperative Extension, Kentucky Farm Bureau, school-based programs such as Future Farmers of America (FFA), Family, Career and Community Leaders of America (FCCLA), the Stay Together Appalachian Youth (STAY) program and Stay Summer Institute, and the Young Leaders Academy at the University of Louisville. City support for citizens and student participation in leadership programs will help spawn commitment by local residents to the City and the region now and for the future.

The initial site visit from Insight yielded positive feedback about the available property at Marion's Branch, which was seen as a prime piece of property that is ready for development. The assessment of the available workforce was also very positive, with recognition that the skill set and work ethic possessed by coal miners are both considered strong and need to be promoted. Challenges are also being identified: The need for zoning is paramount, an area that Pikeville has successfully addressed but remains problematic in much of the surrounding region. The price of accessible property in the region also remains a challenge. The ability to render available sites accessible and usable with necessary road and utility infrastructure is an ongoing challenge for the City, and one requiring creative partnerships with regional, state and federal entities as well as the private sector.

Certainly, economic development in Pikeville, and throughout all of eastern Kentucky, faces many challenges: The location, topography and geography of the region restrict transportation of goods primarily to trucking, with some rail services available but no

water or air cargo transport available. The mountainous topography also increases the costs of infrastructure development, maintenance and access. Other challenges in the past have included lower than average levels of education among the adult work force; limited exposure to and experience with high technology among the available work force; limited venture capital available for investment and start-ups; and a comparatively remote and rural location, far from a major metropolitan area. The 2003 Community Assessment for Pike County conducted by the Kentucky Industrial Development Council (KIDC) and the Kentucky Cabinet for Economic Development (KCED) identified a number of challenges: limited zoning, lack of venture capital, a “risk aversion to dealing with small businesses”, a lack of coordinated and coherent vision for economic development and the future within the community and among the community leaders (including business leaders and volunteers), a lack of trust among community members, the negative media stereotypes that prevail about the region elsewhere, the assumption among young people that in order to be successful you have to leave the area, and the reality of the severe and repetitive economic cycles of boom and bust that have plagued the area for the last half century.

However, the City of Pikeville has countered many of these historical challenges and is well positioned to chart a new course in economic growth – in fact, this course is already underway. In large part that is the result of deliberate efforts by the City to:

- ensure zoning is in place and enforced
- promote trust and collaboration with private business and other government entities
- foster creative public-private partnerships
- provide infrastructure support as required
- support and maintain a high quality of infrastructure throughout the city
- engage citizens in the political and planning processes

The unprecedented growth and change in the City of Pikeville over the last decade is proof that the City is committed first and foremost to improving the quality of life for all citizens and visitors. But while this commitment resulted in a decade of construction projects, downtown improvements, creative development and unceasing activity, this pace cannot and should not continue. The City has provided the foundation for economic growth, but it cannot create the economic engine to run on that foundation. Given that the majority of employment in the City is within the private sector, it is clear that the next phase of economic development must be in that arena. The City has fostered a number of public private partnerships: management of the East Kentucky Expo Center, construction of the Scholar House with UPike, construction of the new Jenny Wiley Theatre facility, partnering with WestCare, Inc. to manage the Homeless Shelter. The development and creative utilization of human capital in Pikeville is the next step towards economic prosperity to benefit not only the City but the entire region. Creative partnerships are the first step in ensuring that human capital is nurtured,

developed and supported. The private sector – both business and individual – must join with the City in continuing to develop the human capital potential in Pikeville to ensure the City's future as the leader and hub of eastern Kentucky's future.

Future Needs:

As noted above, nurturing locally centered entrepreneurial activity so that regional economies have a more diverse economic base and can rely on a number of healthy, locally connected, small businesses as opposed to being solely dependent on a few large absentee-owned businesses, is critical. This is part of the shift away from a rural economy dependent upon unskilled labor employed by outside corporations to one rooted in the current knowledge-based economy providing more stability. Recent history demonstrates that jobs which are not highly skilled continue to move offshore, while more skilled and precision-oriented positions are less apt to be outsourced. A knowledge-based economy with intelligent jobs demands not only a more skilled labor force, but a more creative and proactive management approach. In this age of information and technology, computer technology and infrastructure render geography and location less critical, and economic activity gravitates towards areas of creativity and innovation. With less emphasis on the physical location of these high tech activities, the incentive to remain in an area will be the supports, resources, and personal connections to the location. The development of a mix of locally-owned and operated businesses with employment of local workers is a means of capitalizing on the personal connections to place that have historically been very strong in eastern Kentucky. Such activity is a means of retaining talented and skilled workers, including young people, as well as a way of preserving financial resources within the community.

Support for entrepreneurial activity requires technical support and assistance as well as local interest and investment. Current literature indicates that the most successful approaches begin with local leadership and investment, utilize available sources of local investment and public funding, and involve both private and public expertise to augment these efforts. The infusion of venture capital from the Pikeville area into local economic activities seems to have largely been missing from economic development approaches in the past, and must be pursued in order to maximize local interest in, support for and sustainability of economic gains. The establishment of the Center for Entrepreneurship at the University of Pikeville should help to address this need to connect local capital with burgeoning projects, and can replace the Mountain Ingenuity Venture Capital Club. The opportunity for consultation is critical to thoughtful economic development and the current Southeast Kentucky Chamber of Commerce efforts is a critical first step.

Geographic challenges have always made technology-based industry seem attractive for the region. Several service call centers established with great fanfare over the last

decades did not live up to expectations to remain in the region and ultimately closed. But, this does not eliminate opportunities for technology or service-based ventures for the future. The possibility of a technology park or information technology oriented businesses remains and should be considered. Currently, technology access within the City is reportedly meeting the needs of businesses, the University and Pikeville Medical Center. However, it is unclear if all business proprietors understand the degree to which technology can benefit their business. Opportunities for technology education and cooperative/ shared technology consultation might be beneficial to local business owners who do not have the benefit of large in-house Information Technology departments.

Downtown and tourism development are flourishing: improved parking and pedestrian access, increased high quality lodging, restaurants and retail establishments; continued downtown revitalization and beautification; support for the development of an arts and culture district; and the promotion of Pikeville as a small conference convention destination have been successful and should continue. The City has worked diligently to establish the infrastructure a foundation and supportive climate to scaffold these activities. Creative public-private partnerships, local leadership from the private business sector in addition to the leadership demonstrated by the City, and investment in new businesses is the next step. The City should continue to support the existing entities, and encourage additional growth and investment through infrastructure support, partnering and promotion of Pikeville; the private sector must now join with the City in these efforts.

Economy and Economic Development Goals and Objectives:

Goal: The City of Pikeville will support, promote, encourage and pursue economic development to create a stable, sustainable economic environment with opportunities for future growth and employment for the City and surrounding region. This will include consideration of all opportunities and strategies for economic development.

- Participate as an active member of the Southeast Kentucky Chamber of Commerce:
 - Support current economic planning process with Insights Consulting
 - Partner with other Chamber members to implement recommendations
 - Forge ongoing collaborations with other Chamber members
 - Work regionally to promote “One Eastern Kentucky”

- Support creative collaborations for the benefit of the City of Pikeville through:

- Public-private partnerships with businesses, not-for-profits, educational institutions, etc.
 - Infrastructure development for ongoing economic development
 - Infrastructure and guidance to local non-profits
 - Regional Tourism Partnerships
 - Support for local leadership development
- Promote commercial air traffic to Hatcher Field
- Support community partnerships with local institutions and businesses:
- University of Pikeville, particularly the Coleman College of Business
 - Pikeville Medical Center
 - Community Trust Bank
 - Other businesses and institutions
- Maintain infrastructure in and around the City of Pikeville
- Continue ongoing maintenance programs
 - Assist with funding for infrastructure upgrades identified by Utilities Management Group
 - Promote road improvements and lobby for funding for such
 - Support Main Street programs for Downtown revitalization and beautification
 - Address Zoning issues as needed
- Continue to support Tourism efforts and activities
- Support Pikeville Tourism
 - Partner with regional tourism agencies
 - Develop an arts & culture district
 - Support local development of hospitality services