

**2008**

**THE  
STATE OF  
WORKING  
ILLINOIS**

**EXECUTIVE  
SUMMARY**



Funded by The Joyce Foundation and The Woods Fund of Chicago

## Executive Summary

*The State of Working Illinois 2008* offers a detailed overview of job, wage, benefit, and industry trends in the state from 1990 through the end of calendar year 2007, the most recent year for which there is complete data. It also includes some partial 2008 updates, in areas where data were available. As the most comprehensive review of Illinois specific economic information available, this report continues to build upon the picture of the state's transitioning economy documented in a series of *State of Working Illinois* reports that go back to 2005.

Although this report does not capture the impact of the recent series of severe problems that have rippled through the nation's economy, it nonetheless provides meaningful perspective on the long-term, structural changes that have taken hold in Illinois. In fact, given the transition in the Illinois economy over the last 17 years, one thing is clear—the current upheavals in the nation's economy are not the cause of negative changes in Illinois—but instead can be expected to exacerbate problems that have emerged over the last two decades.

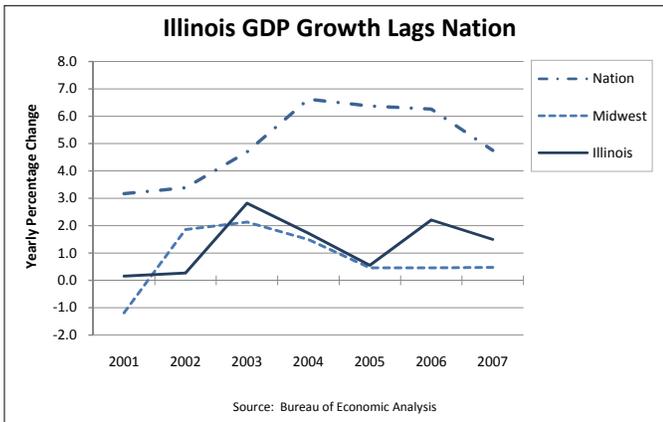
Illinois has experienced growth in its overall economy and in the net number of jobs created since 1990, but those positive developments mask more complex and troubling economic and workforce trends that have been operating in the state. These include declining real wages for most workers, rising unemployment, growing wage gaps between Caucasians and minorities, and the ongoing replacement of high paying, good benefit manufacturing jobs with low paying, low to no benefit service sector jobs.

This report is produced collaboratively by two applied research groups within Northern Illinois University (the Center for Governmental Studies and the Office for Social Policy Research), and the independent, bipartisan think-tank, the Center for Tax and Budget Accountability. Financial support for this project is provided by The Joyce Foundation and The Woods Fund of Chicago.

## The Transitioning Illinois Economy

The Illinois economy in 2007 generated a Gross Domestic Product (GDP) of over \$508 billion, in real, chained 2000 dollars (in nominal dollars that have not been adjusted for inflation, the state's 2007 GDP was just under \$600 billion).<sup>1</sup> This ranked Illinois fifth nationally, behind only the more populous states of California, Florida, New York, and Texas. As has been consistently the case since at least 1990, Illinois in 2007 had the largest GDP in the Midwest – \$118.2 billion greater than the second-largest state economy in the region.<sup>2</sup>

Viewed over time, however, the pattern of economic growth in Illinois creates cause for concern. Despite having the fifth largest economy of any state, from 1990 through 2007, real GDP in Illinois grew by 52.2%, lagging well behind the national growth rate of 98% for this period.

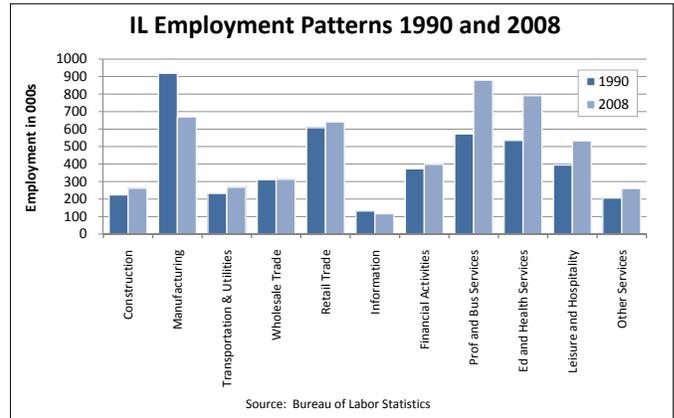


The continuing trend of losing high-paying, good benefit manufacturing jobs and replacing them with low-paying, low to no benefit service sector jobs, is a prime reason Illinois' economic growth has fallen behind the nation. Certainly, other states and the nation have experienced Manufacturing job losses, but since 1990, the percentage of Manufacturing jobs lost in Illinois (-27%) is worse than both the nation as a whole and the Midwest.

The decline of Manufacturing in Illinois employment is eye-opening. In 1990, slightly more than one of every five workers in the state – 20.4% of the total – were employed in Manufacturing. By 2008, Illinois had lost 249,000 Manufacturing jobs, leaving just 13.1% of the

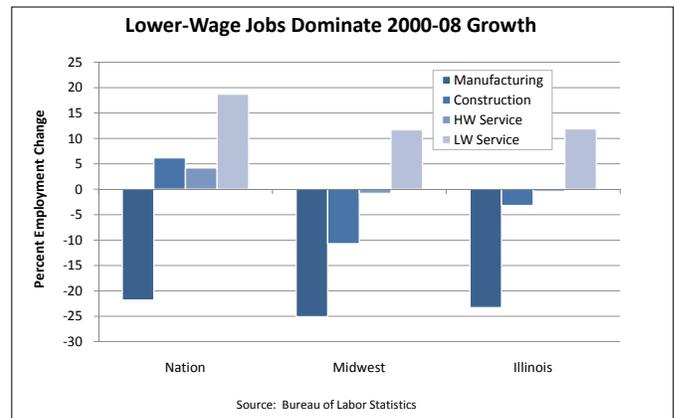
<sup>1</sup> The data are from the Bureau of Economic Analysis and represent the state's Real GDP expressed in millions of chained 2000 dollars. This is the measurement that will be used for GDP in this report.

<sup>2</sup> Ohio ranked second in the Midwest with a real GDP of \$390.3 billion. The Midwest used throughout this report consists of the five states that the Census Bureau designates as the East North Central Division: Illinois, Indiana, Michigan, Ohio, and Wisconsin.



state's employed workers in Manufacturing. Still, growth in other sectors between 2000 and 2008 boosted total employment in Illinois by 2 percent over the period. The concern is that most job growth in Illinois over this period was dominated by low-wage occupations. In fact, three of the four sectors that had the largest absolute job growth since 1990, Education and Health Services, Leisure and Hospitality, and Other Services – all paid average weekly wages below Manufacturing.

Recent developments are even less encouraging, as the state continues to experience job loss in high-paying sectors. Since 2000, Illinois lost 203,000 high-paying Manufacturing, and 8,600 high-paying Construction sector jobs. During that same period, the state also lost 31,200 high-paying jobs in Information Services and another 5,100 good Financial Services jobs. Meanwhile, low-wage service jobs in Education and Health Services, Leisure and Hospitality, and Other Services, increased their combined employment by 168,500 jobs.



During the first-eight months of 2008, the state lost another 23,800 jobs in good-paying sectors. In contrast, lower-wage service jobs continued to grow, showing a net gain of 4,600 jobs through August. The long-term

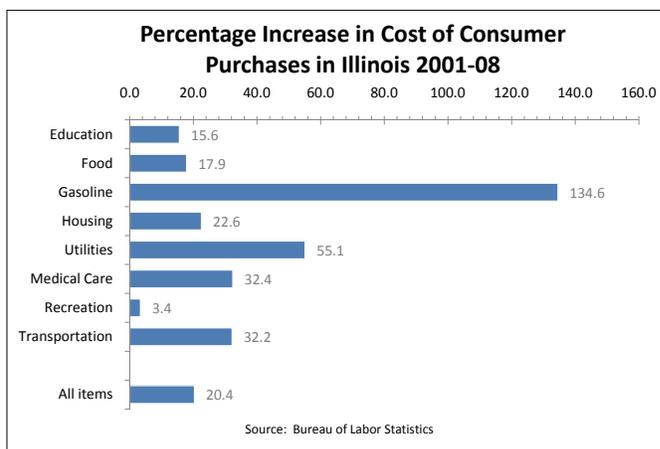
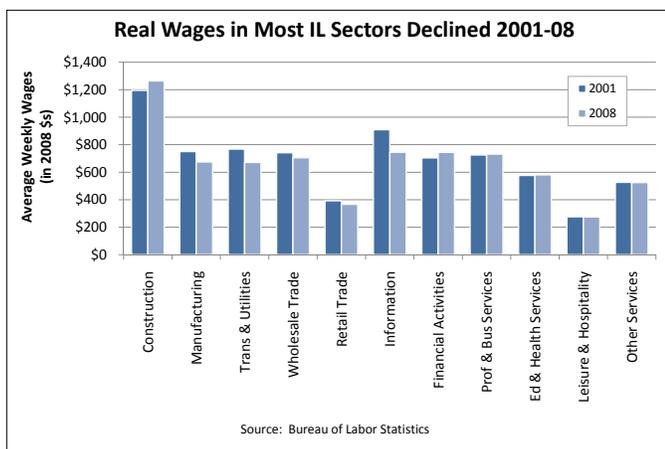
transition from high to low paying jobs has been so significant that today, low wage service sectors employ over 30% of the state's workers.

## Declining Real Wages—Increasing Household Costs

Expressed in “nominal dollars,” i.e., without adjusting for the impact of inflation, most Illinois workers experienced wage increases in recent years. But when wages are adjusted for inflation, since 2001, most Illinois workers experienced declines in their real, average weekly earnings. Earnings gains from 2001 to 2008 offset the erosive effect of inflation in only four sectors, and even then by relatively

modest amounts. Workers in all other sectors experienced declines in real average weekly earnings.

While real, inflation-adjusted earnings of most Illinois workers have declined since 2001, the cost of items that collectively comprise most of their family budgets increased by 20.4% over the period.

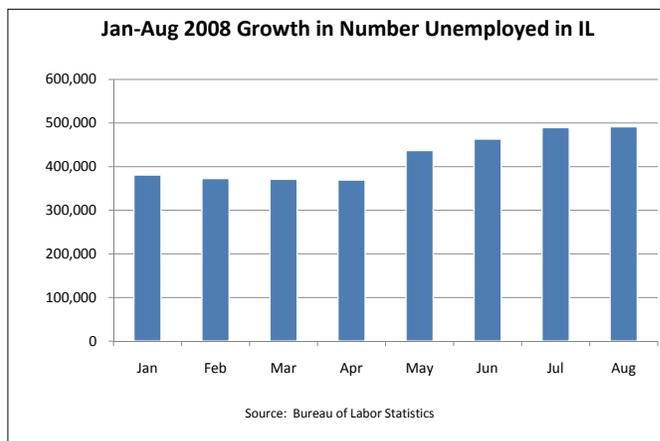


## Labor Force and Unemployment

As it had in all but three of the past eighteen years, the Illinois labor force continued to grow through the early months of 2008, and was nearly 6.8 million by June. Being counted in the “labor force”, however, does not necessarily mean having a job, as the term includes both unemployed workers and persons who are in various categories of unemployment.

Indeed, the Rockford metropolitan area had the greatest growth in unemployment, with a jobless rate that was 101.8% worse in 2008 than 2000.

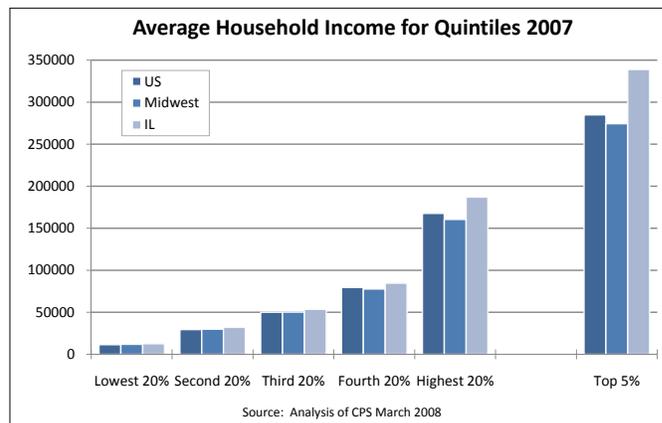
Overall, unemployment grew in Illinois from June 2007 through June 2008, when 125,977 workers lost their jobs, a 37.3% increase for the 12-month period. Illinois’ dramatic job loss during this period now looks like a harbinger of what was to transpire nationally.



The state’s sharp increase in unemployment was not confined to a single region or metropolitan area. The largest 2000-08 increase in the number of unemployed persons came in the Chicago-Naperville-Joliet metropolitan area, the state’s most populous. But the rate of job loss there (61.0%) was topped by five other metropolitan areas.

## Increasing Income Inequality

The bad news is, since 1980, income inequality grew nationally. The worse news is income inequality is more severe in Illinois than nationally or in the Midwest region. In Illinois, those fortunate to fall into the highest quintile of household income, hold 50.6% of the state's total income, while the bottom three quintiles (i.e., 60% of the state's households) together account for only just 26.6%, minimally more than the income share of the top 5% of households (22.8%).



## Growing Diversity and Inequity

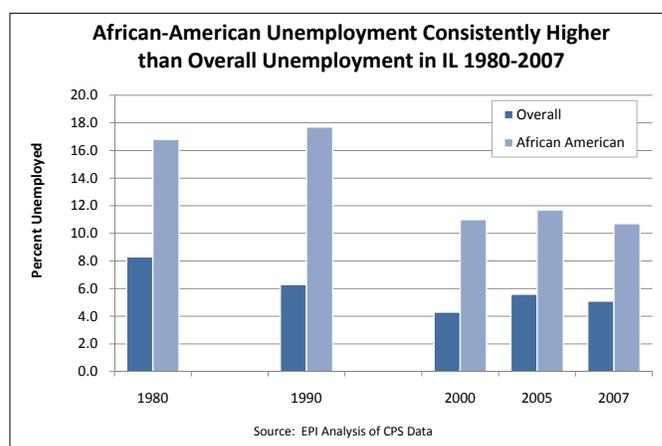
As the state's overall population has become more diverse over the past 18 years, so has its labor force. The balance between men and women in the labor force has changed, with women now accounting for 46.3%, four percent more than in 1980.

And while Whites remain the dominant component of the state's labor force, their share dropped from 82.1% in 1980, to 69.9% in 2007. African Americans, Hispanics, and Asians, who collectively made up only 15.7% of Illinois' labor force in 1980, grew to 29.5% by 2007. For the first time ever, African Americans and Hispanics comprise identical shares of the Illinois labor force, at 12.4% each.

The educational profiles of White and African American workers show higher proportions with post-secondary education and college degrees than Hispanics. But this narrowing of the education gap between Whites and African Americans has not eliminated either employment or wage differentials. At every level of education, even among those with college degrees, Whites in Illinois earn more on average than African Americans, and have lower unemployment rates.

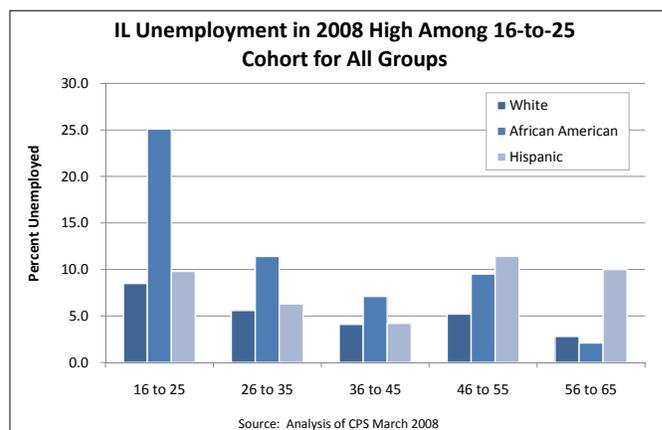
While Hispanics are by far the youngest and least educated ethnic category of Illinois workers, they do not have the highest unemployment rate—African Americans do. The African American unemployment rate in Illinois for 2007 was 10.7%, two and half times that of Whites (4.2%) and almost double the Hispanic rate (5.6%). The fact African Americans are on average better educated and older than their Latino peers would suggest that absent discrimination their unemployment should be lower than the Hispanic rate.

Relatively high unemployment for African Americans has



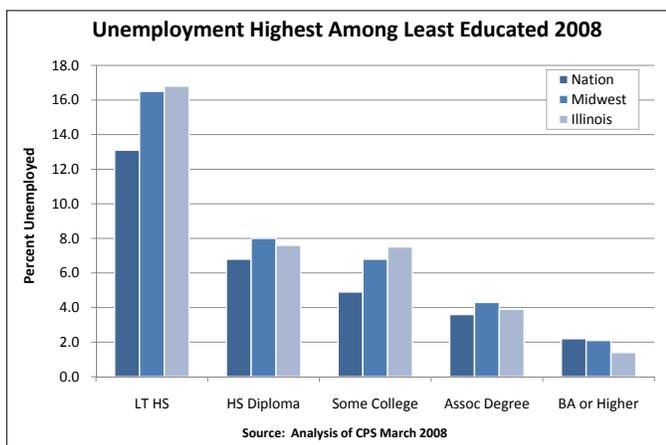
been a consistent overtime in Illinois. Typically, it has been at least double, and sometimes nearly triple, the overall unemployment rate in Illinois, in good times or bad.

Age is also related to unemployment. Not surprisingly, unemployment is highest among the youngest cohort, the 16-to-25 year-old group, which had an unemployment rate of 10.9% in 2008.

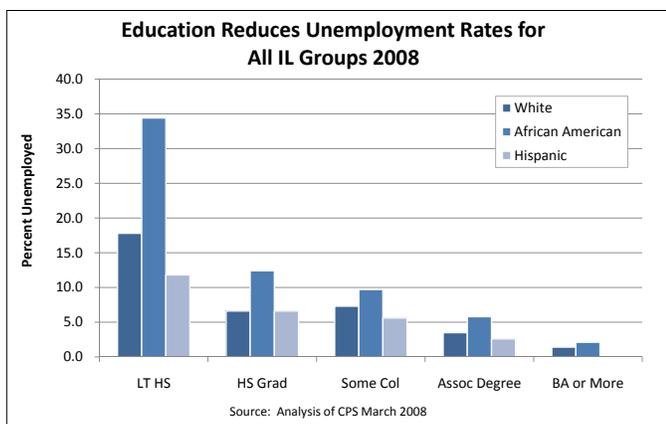


Among those unemployed in the youngest cohort in Illinois, 61.4% of Whites, 78.0% of African Americans, and 86.0% of Hispanics are both out of work and out of school. Those who are neither working nor pursuing an education that would enhance future employment prospects are particularly vulnerable to long-term detachment from employment and the concomitant social problems.

In the twenty-first century's globalized labor market, education is a strong prerequisite for upward mobility, higher earnings, and income security. Nationally, regionally, and in Illinois, higher unemployment rates are associated with lower levels of education. For instance, individuals in Illinois with less than a high school education are twelve times more likely to be unemployed than those with a B.A. or more.

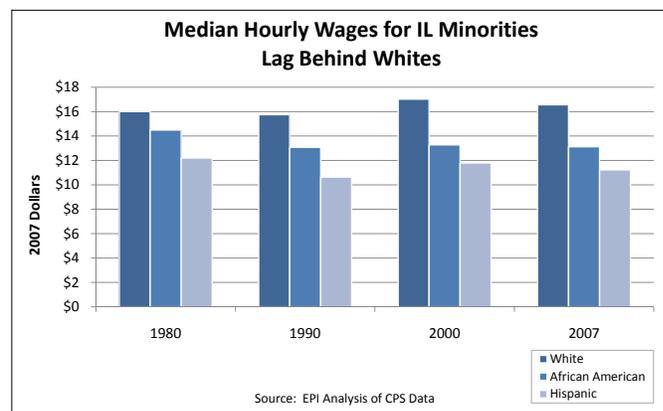


At every level of educational attainment, however, joblessness among African Americans was higher than among Whites or Hispanics, supporting concerns about discrimination.



These concerns are strongly reinforced by the growth in wage gaps between Whites and minorities in Illinois since 1980, even as the wage gap between men and women declined. The difference between the median hourly wages of men and women in Illinois in 1980 was \$7.46, but dropped to \$3.30 per hour by 2007, a 55.7% reduction over the period. While this represents progress, the Illinois wage gap between men and women remained 5.4% higher than the national wage gap.

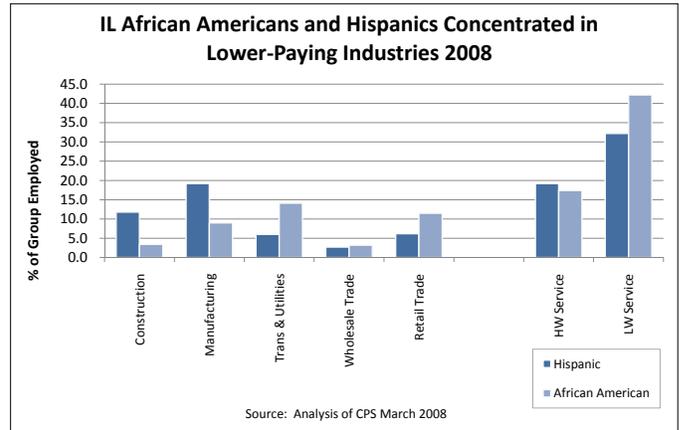
Interestingly, while increases in real hourly wages for women have been a factor in reducing this wage gap, even more significant has been the decline in real median hourly wages for men, which accounts for 57.4% of the narrowing of this gap.



Meanwhile, the wage gap in Illinois between Whites and minorities has worsened considerably. The gap between the median hourly earnings of Whites and African Americans has increased by 126.3% since 1980 (from \$1.52 to \$3.44), and the gap between Whites and Hispanics jumped by 39.7% (from \$3.82 to \$5.34).

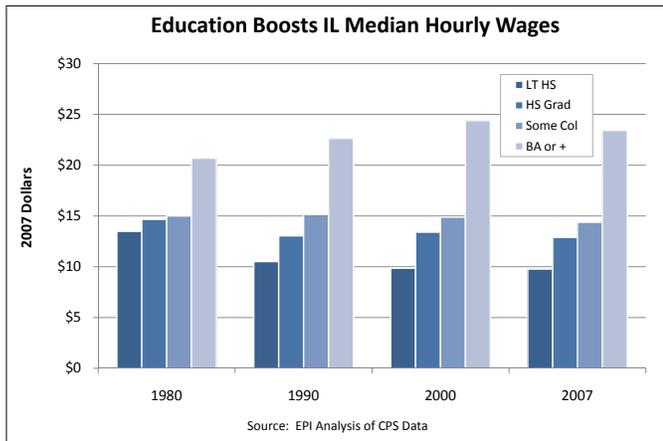
## Variations in Sectoral Employment by Gender, Ethnicity, and Race

Disproportionate concentrations of women and/or minorities in some sectors, combined with relatively low employment rates in others, indicate that while labor force diversity is increasing generally, it has not been spread evenly across industries. For example, nearly one-third of all women in the workforce (32.1%) are employed in the lower-paying Education and Health Services sector, where they constitute nearly three-quarters (74.5%) of all employees. Meanwhile, nearly one-third (32.2%) of the state's Hispanic workers and 42.2% of its African Americans are employed in lower-paying service jobs. In stark contrast, just 19.2% of Hispanic workers and 17.4% of African Americans hold jobs in higher-paying service activities.



## Education Boosts Wages and Income

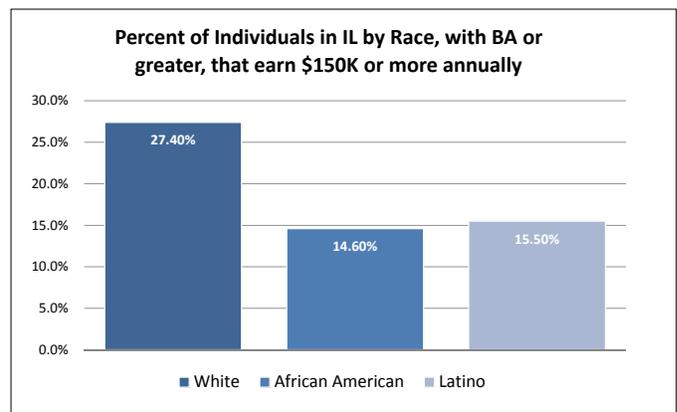
As the Illinois economy has changed over the past decades, so have the requirements for good-paying jobs. Wages now vary ever more closely with skills, or with what can serve as a proxy for them, educational attainment. In fact, since 1980, only those Illinois workers with at least a college degree experienced a real growth in income. Every other class of workers saw their incomes decline over this period after adjusting for inflation.



In real (2007) dollars, between 1980 and 2007, median hourly wages for those without a high school diploma fell by -\$3.71 (-27.5%). Persons with only a high school diploma experienced a -12.1% decline (-\$1.78 per hour). Workers with some college but no degree saw their median hourly wage drop by -\$0.62 (-4.1%).

Increased educational attainment works powerfully to boost the incomes of all workers, regardless of race, ethnicity or gender. Moreover, within each racial and ethnic group, household income for those with a college degree is substantially higher than for those who have only attained a high school diploma.

However, education does not eliminate income disparities between Whites and minorities. Even when education is taken into account, Whites retain a clear earnings edge. For instance, among Whites with a college degree, 27.4% are in the highest annual earnings category of \$150,000 or more. But among college educated African Americans and Hispanics, only 14.6% and 15.5%, respectively, reach this top category of income earners.



## **Union Membership Boosts Wages**

In addition to education, one other factor operates to increase the earnings of Illinois workers – membership in labor unions. Overall, the average weekly earnings of union members in the state are \$188 per week, or 15.1%, higher than those for non-union workers. The earnings premium from union involvement also boosts wages for women and minorities. For women, union membership yields a wage premium of \$166 per week, or 26.0%, compared to women who are not union members. African

American union members have average weekly wages that are \$140, or 22.8% higher, than their non-union counterparts, and the boost for Hispanic workers is \$128 or 22.9%.

While union membership boosts earnings, comparatively few Illinois workers avail themselves of this involvement. In 2007, only 14.5% of the state's workers were union members, a decline from 20.8% in 1990.

## **Growing Economic Insecurity: Health Care and Pensions**

In addition to the loss of higher-paying jobs and declines in real wages, Illinois workers and their families have had to cope with other aspects of heightened economic insecurity, especially the decline of employer-provided health care and pension benefits. In 1980, 75.4% of workers in Illinois had employer-provided health coverage; but by 2005–07, only 58.6% had employer-provided health insurance.

Changes in pension coverage have also reduced the economic security of many Illinois workers. During the 1979–81 sequence, 55.6% of Illinois workers had employer-provided pension plans, nearly all of which were defined benefit plans. By the 2005–07, only 48.0% of the state's workers had employer-provided pension benefits.

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