

2005

**THE
STATE OF
WORKING
ILLINOIS**

**EXECUTIVE
SUMMARY**



By the Center for Tax and Budget Accountability and Northern Illinois University
Funded by the Joyce Foundation

Overall, in 2004 Illinois ranked fifth nationally with a Gross State Product of \$485.2 billion...but economic growth lagged between 1990 and 2004 ranking 35th among the 50 states.

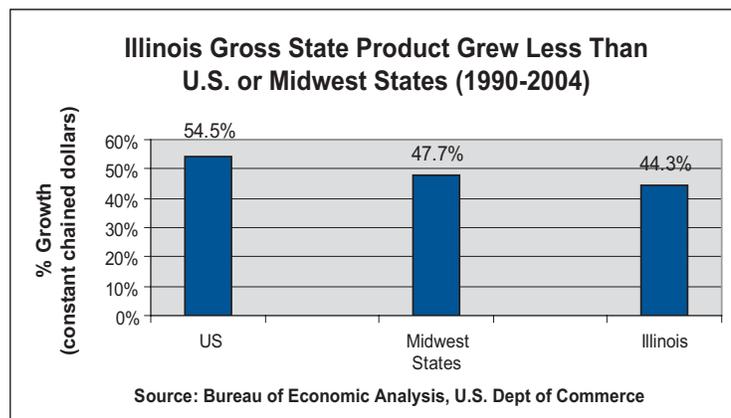
Significant changes in the state's economy over the past 15 years have substantially altered the type and quality of job opportunities available in Illinois. Some changes have been for the better, but many have been for the worse. Working families have had to cope with these changes and the impact they have had on their incomes and benefits. For many workers, and especially for minorities, the result has been increased economic insecurity.

Illinois is at a crossroads. As the state's traditional industries scale back in the face of global competition and new technologies, new industries arise that require different skill sets and, in many cases, pay lower wages. These economic changes will impact everything from the type and level of skills that workers will need, to the state's fiscal health and the demand for public education, transit, healthcare, and physical infrastructure. How Illinois responds will impact thousands of families, seniors and businesses, and the state's long-term economic competitiveness.

To provide sound data as the basis for making the crucial policy decisions needed for the state to respond productively to these changes, Northern Illinois University (NIU) and the Center for Tax and Budget Accountability (CTBA), with assistance from the Illinois Department of Employment Security, analyzed comprehensive state and federal datasets, some of which had not been previously available, to generate this study, which is one of the most detailed reviews of Illinois workforce realities ever produced. This analysis found a number of trends that can help policymakers and advocates as they confront the interconnected challenges of workforce policy and economic development.

MODERATE GROWTH – CONTINUING LOSS OF HIGHER-PAYING JOBS

While Illinois has the fifth largest state economy, it has experienced below average economic growth since 1990, ranking 35th among the states in growth of Gross State Product. Illinois' economy has created, on average, slightly more than 37,000 jobs per year. Yet the types, levels of pay, and geographic location of new jobs is changing significantly. Old jobs are being replaced by new jobs created in different business sectors and geographic regions. This "creative destruction" is to be expected as the economy shifts over time, pushing out old companies and industries and replacing them with new.



This transition has not come without costs to the workforce. The primary casualty has been the loss of relatively high-paying jobs that provide good benefits. Employment data reveal that the new jobs have significantly lower pay and fewer benefits than the jobs being replaced. Many of the jobs being lost in Illinois are family-supporting manufacturing jobs. Between 1990 and May 2005, the total number of manufacturing jobs dropped by 24.3%, a loss of over 222,500 manufacturing jobs in the state over the last 15 years.

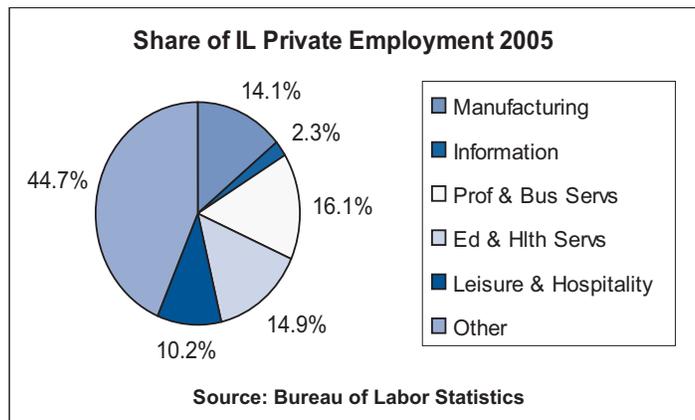
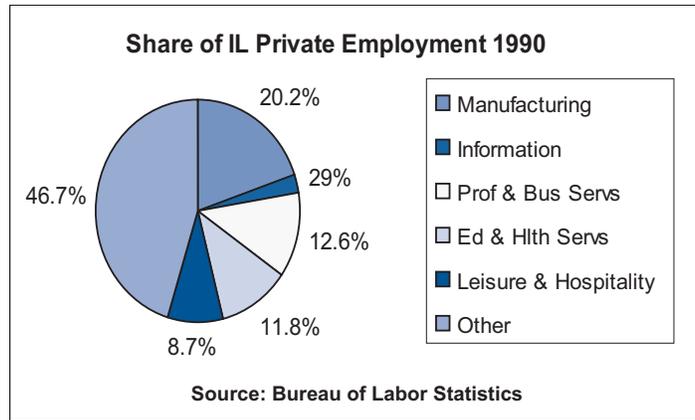
Losses in manufacturing have been offset by growth in other sectors. Three Illinois industries registered the largest proportionate job growth between 1990 and 2005 — professional and business services (41.5%), education and health services (36%), and the leisure and hospitality industry (32.2%). Taken together, these industries grew by 37.1%, adding over 559,300 jobs to the Illinois economy. One material consequence of this shift in the economy is clear: the new jobs created in all three of these high-growth sectors pay less, on average, than the jobs being replaced. The average pay in professional and business services jobs is 4.6% less than manufacturing jobs, while jobs in education, health services, and leisure and hospitality pay, on average, 29.2% less than the jobs in manufacturing they replaced.

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INCREASED DIVERSITY

As the structure of job opportunities was changing in Illinois, so too was the composition of the state's workforce. For instance, the male-female balance shifted. The number of women in the workforce grew from 42.3% in 1980 to a high of 47.0% in 2002, before dropping off slightly to 46.6% by 2004. At the same time, the Illinois workforce also became more racially diverse, even though Whites remained the dominant component. However, Whites dropped from 82.1% of the Illinois workforce in 1980 to 71.6% in 2004. Minority groups, which made up 15.7% in 1980, grew to 27.9% by 2004. Hispanic workers, whose share of the total workforce nearly tripled since 1980, accounted for the largest part of this growth.



DECLINING WAGES AND INCOME

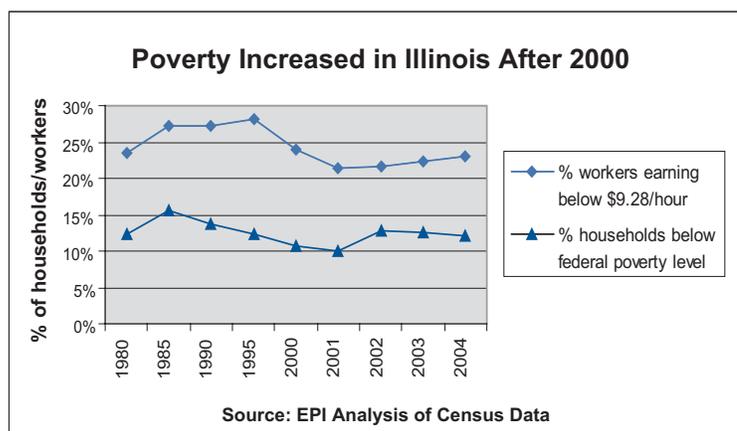
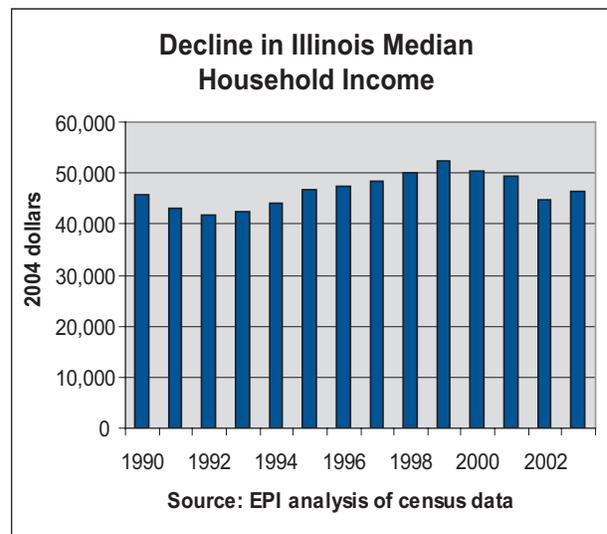
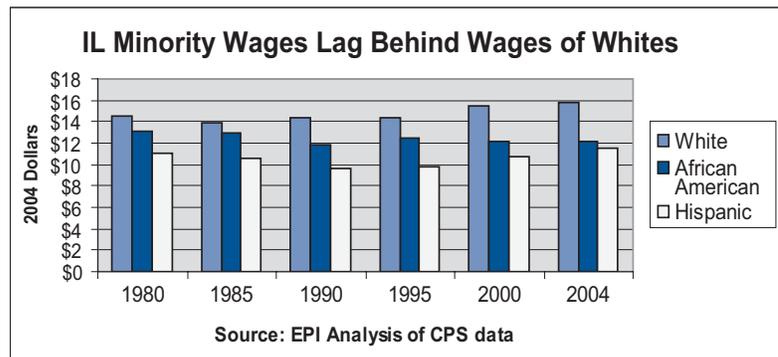
The median hourly wage (the level at which half the hourly wages are above and half are below) paid to women hit a high of \$12.79 in 2004. That represented a gain of \$1.95 (17.9%), since 1980. On the other hand, men saw their median wage fall to \$16.25 in 2004, a decline of \$1.35 (7.6%), since 1980. Clearly, neither men nor

women dramatically improved their economic positions – as measured by median hourly wages – over the last 24 years. Since male wages declined in real dollars while female wages rose, the persistent gender-based wage gap narrowed by \$3.30, a decrease of 48.8% from 1980.

An examination of median wages paid to the state’s ethnic and racial groups reveals some troubling information. First, the median hourly wage paid to Whites is consistently greater than that paid to the state’s minorities.

Second, the White hourly wage increased over time, peaking at \$15.74, a gain of \$1.23 since 1980. That gain, which amounts to less than 1% per year (in constant dollars), does not represent dramatic improvement. African Americans and Hispanics fared worse. African Americans have seen their median hourly wage decline by \$1.01 per hour (7.6%) since 1980. The Hispanic median wage moved somewhat erratically after 1980, sometimes declining when the other series advanced or vice versa. But it began to show steady improvement after 1998 and reached a recent high of \$11.45 in 2004. But that high was only \$.40 above the 1980 level, a gain of a mere 3.6% in 24 years or less than half the gain in wages paid to Whites.

After improving during the mid-1990s, the state’s poverty indicators increased in 2000 and after. By 2004, 12.2% of Illinoisans were below the national poverty line, as were 17.7% of the state’s children under 18 years of age.



The negative impact of economic changes in recent years has been felt widely, not just affecting the poor. The state's median household income has also declined sharply. After reaching a high of \$52,515 in 1999, median household income in Illinois dropped to \$46,132 in 2004, about the same as it was fifteen years ago in 1989. The post-1999 decline represented a loss of \$6,383 (12.2%). This was the second-sharpest decline among all 50 U.S. states – whether measured in proportionate or dollar amounts – and it was larger than the 3.8% decline at the national level over the same period.

HEALTH CARE AND PENSION UNCERTAINTIES

In addition to stagnating and declining real wage earnings, Illinois workers and their families face other aspects of heightened economic insecurity, particularly involving health care and pension benefits. Private sector employer-provided health insurance coverage has declined consistently over the past twenty years or more — from 75.4% of the workforce during the 1979-1981 period to 60.8% during 2001-2003. In addition to stagnating earnings and declining health insurance coverage, Illinois workers are receiving less pension coverage. During the 1979 to 1981 period, 55.6% of Illinois workers were covered by private sector employer-provided pension plans. However, during the 2001 to 2003 sequence, 49.8% of the workforce had access to an employer-provided pension plan.

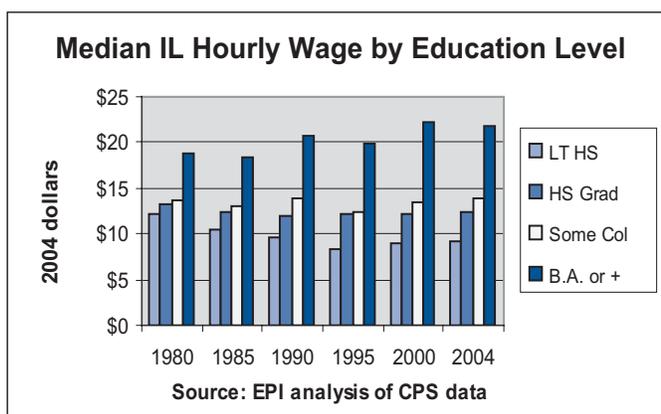
STRATEGIES TO IMPROVE INCOMES

As the economy became increasingly service-oriented and as the number of high-paying manufacturing jobs declined, one would expect wages to vary ever more closely with skills or what can proxy for them — education levels. An examination of median wages by education category suggests the operation of such a process.

EDUCATION

Expressed in real dollars, the median wage for those with less than a high school diploma fell by \$3.06 (25.0%) between 1980 and 2004. Those with only a high school education experienced a 6.2% drop. On the other hand, those who had at least some college saw their median wage increase by \$.31 (2.2%). Only those with a B.A. or higher saw any sizeable gains — \$3.14 per hour (16.7%).

The relationship between median wages and level of education grew more pronounced over time. By 2004, the gap between those who had a college degree and those lacking a high school diploma was \$12.74 per hour, an increase of 94.8% over the corresponding gap in 1980. Since the state's minority groups have generally lower levels of education than Whites, their household incomes cluster toward the bottom categories. Among African Americans, 71.1% earned less than \$50,000 in 2004, as did 60.5% of



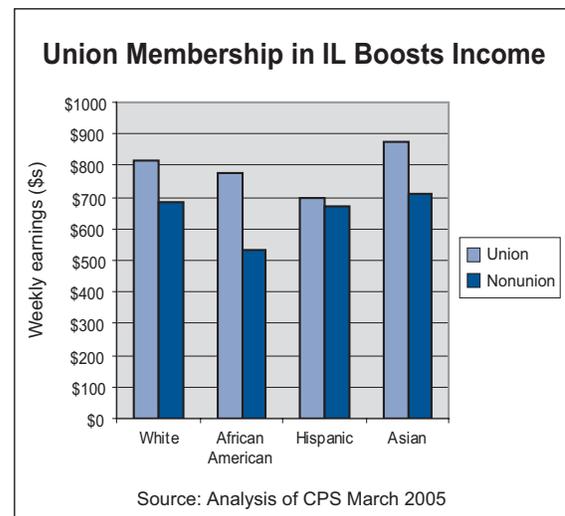
the Hispanic households. Only 36.2% of the White households earned under \$50,000. A slight majority of Whites (51.5%) earned \$75,000 or more, and 11.2% of them earned over \$150,000, the top income category. In contrast, 12.5% of African Americans and 13.6% of Hispanic households earned \$75,000 or more.

When education is taken into account, the group income distributions remain skewed, although somewhat less. Whites retain their edge since 64.3% of them with a B.A. or higher earn over \$75,000. Meanwhile, 38.8% of Illinois African Americans with a B.A. or higher, and 33.9% of Illinois Hispanics, earn \$75,000 or more.

The unemployment rate is higher for African Americans than for Whites or Hispanics, regardless of education level. For instance, the unemployment rate for those who did not complete high school is 47.8% among African Americans – about four times the corresponding rate among Whites and Hispanics. Similarly the unemployment rate among African American college graduates is 7.6% — more than three times the corresponding rate among Whites — which is consistent with the operation of discrimination in access to the labor market.

UNION MEMBERSHIP

Apart from education, one other factor serves to boost earnings – union membership. Overall, the average weekly earnings of union members are \$124, or 18.4% greater than those who are not union members. The earnings premium that derives from involvement in a labor union also works to boost the wages of women and minorities. For women, union membership results in a wage premium of about 23.1% compared to non-union female workers. African Americans who are union members earn average weekly wages that are 41.0% greater than their non-union counterparts; while the boost for Hispanics is about 4.0% and for Asians 23.2%.



NOT ENOUGH HIGHER-PAYING JOBS BEING CREATED

IDES occupational projections of the new jobs expected to be created in Illinois (based on current industry trends) indicate that Illinois will not generate the high-wage jobs needed to counter growing income inequality. Less than half—only 43.6%—of the new jobs projected to be created will have wages that exceed the current average of occupational wages (\$38,139) in Illinois. Illinois is expected to create slightly more low-wage jobs than high-wage jobs, which will reinforce and exacerbate both negative trends of growing wage inequality and the decline in median wages. The state’s Northeastern region, anchored by the Chicago metropolitan area, is projected to have the greatest number of high-wage jobs. Only two regions – Northeastern and Southern – are expected to produce more high-wage jobs than low-wage jobs through 2012.

UNEVEN DISTRIBUTION OF JOBS ACROSS ILLINOIS

The benefit of the growth in jobs was not evenly distributed across the state, with only 30 counties registering significant job gains since 2000. This uneven distribution is projected to continue through 2012. The most obvious trend is the disparity between the percent of projected growth in the Northeastern region versus the rest of Illinois. Only four counties outside the Northeastern region are expected to meet or exceed the state's overall rate of job growth: Peoria, Woodford (in the Peoria metro area), Boone (Belvidere), and Madison (a portion of the St. Louis suburbs). Growth within the Northeastern region is not projected to center solely on the so-called "collar counties" of the Chicago metropolitan region. In a reverse of past trends, Cook County is also projected to participate in the region's relatively strong economy.

RELATIVELY FEW, MOSTLY LOWER-PAYING OCCUPATIONS ACCOUNT FOR MUCH OF PROJECTED JOB GROWTH

Of the more than 770 occupations in Illinois, just 30 – less than 4.0% of the total – are expected to account for 49.1% of all anticipated job growth through 2012. Preparation required for these few high-growth occupations ranges from less than one month of on-the-job training to professional degrees. Fully, 17 of the 30 anticipated high-growth occupations require workforce skills gained through only short- or moderate-term on-the-job training (less than one year). On the high end, eight of the anticipated high-growth occupations will require a bachelor's degree or higher.

Preparation levels are strongly related to wages. An associate's degree earns substantially more than on-the-job and post-secondary vocational training with the highest wage paid in occupations requiring a combination of a bachelor's degree and related work experience. Of the jobs in the 30 fastest growing occupations, 120,000 (40.5%) fall below \$25,000 annually and 110,000 (37.2%) are above \$45,000. Five of the 30 projected high-growth occupations will pay less than the 2005 poverty level, which is \$19,350 for a family of four.

The data reviewed for this report indicates that during the next decade Illinois policymakers and advocates should be prepared to deal with a changing economy that will, for the most part, continue to create many new jobs that pay stagnant to declining wages, provide fewer healthcare and pension benefits, and continue to yield inequitable results according to gender, race, and ethnicity. Coping with and overcoming these long-term trends will create substantial challenges for state and local policymakers and for all those who seek to improve the quality of life for the residents of Illinois.

One clear trend that the state's employment data reveals is that most of the new jobs created (and projected to be created) have significantly lower pay and fewer benefits than the jobs being replaced.

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