

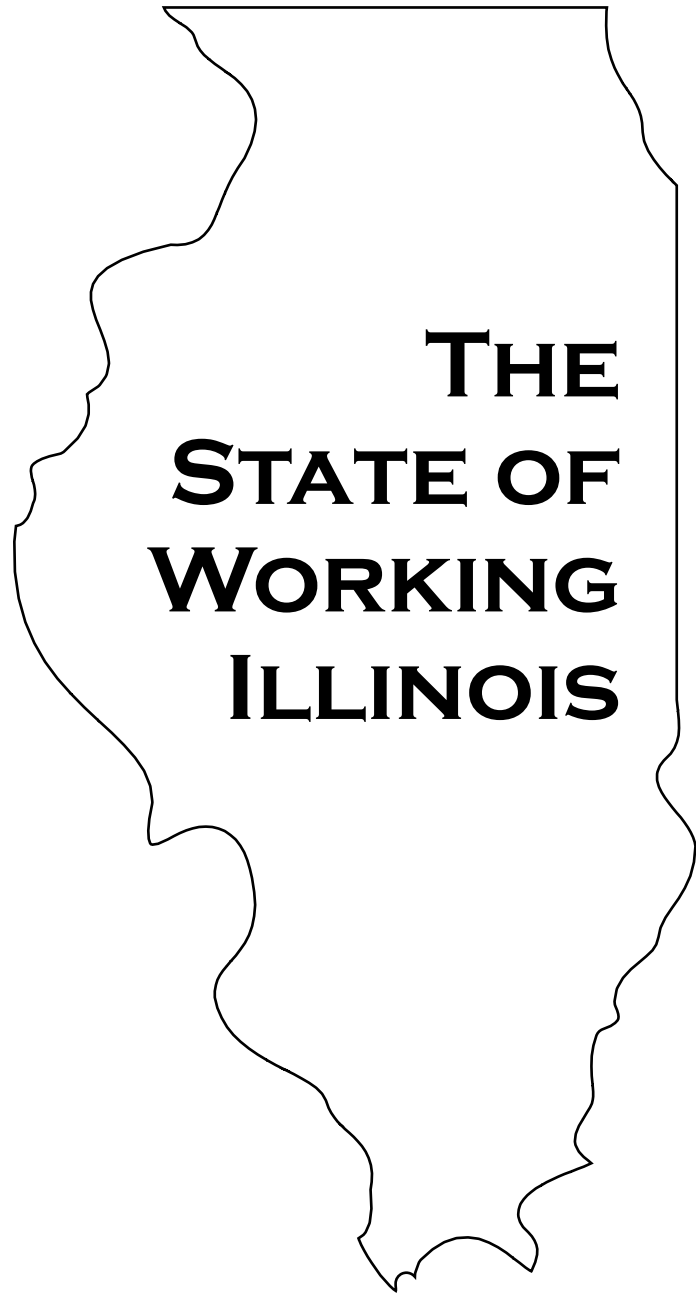
2008

**THE
STATE OF
WORKING
ILLINOIS**



Funded by The Joyce Foundation and The Woods Fund of Chicago

2008



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TABLE OF CONTENTS

List of Figures	ii
List of Tables	iii
Introduction and Summary of Findings.....	1
The Illinois Labor Force: Growth and Change	5
The Illinois Economy	5
Change in the Illinois Labor Force	6
Changing Employment Patterns.....	9
Loss of Good-Paying Jobs	10
Declining Real Wages	11
Growing Income Inequality	12
The Illinois Labor Force: Composition and Characteristics	14
Ethnic/Racial Differences in Skills and Experiences	15
Ethnic/Racial Differences in Employment Patterns	15
Education a Key Factor in Employment	17
Variations in Sectoral Employment by Gender, Ethnicity, and Race.....	18
Changes in Earnings and Job Security	20
Poverty and Household Income	20
Persisting Wage Gaps	21
Education Boosts Wages and Income.....	23
Minorities Lag in Education and Income.....	24
Union Membership Boosts Wages	26
Growing Economic Insecurity: Health Care and Pensions.....	26

List of Figures

1. Illinois 2007 Real GDP Highest in Midwest 5

2. Illinois GDP Growth Lags Nation 5

3. Illinois Labor Force Growth Remains Higher than Nation and Midwest..... 7

4. Illinois Unemployment Rate Higher than Nation and Midwest 7

5. Jan—Aug 2008 Growth in Number Unemployed in Illinois 8

6. Illinois Employment Patterns 1990 and 2008 9

7. Change in Manufacturing Employment 1990—2008..... 10

8. Average Weekly Wages in Illinois 2008 10

9. Lower-Wage Jobs Dominate 2000—2008 Growth 11

10. Jan—Aug Employment Decline in Manufacturing 11

11. Jan—Aug Employment Decline in Construction 11

12. Real Wages in Most Illinois Sectors Decline 2001—2008..... 12

13. Percentage Increase in Cost of Consumer Purchases in Illinois 2001—2008..... 12

14. Shares of U.S. Households Income by Quintiles 1970, 1980, and 2007 13

15. Shares of Household Income by Quintiles 2007..... 13

16. Average Household Income for Quintiles 2007..... 13

17. Share of Women in the Labor Force 1980—2007..... 14

18. Hispanic Share of the Labor Force 1980—2008 14

19. Share of Labor Force with Post-High School Education 14

20. Share of Labor Force by Education Categories 2007..... 14

21. Unemployment Rates Highest Among African Americans in 2007 15

22. African American Unemployment Consistently Higher
than Overall Unemployment in Illinois 1980—2007..... 16

23. Unemployment Highest Among Youngest Workers 2008..... 16

24. Illinois Unemployment in 2008 High Among 16-to-25 Cohort for All Groups 16

25. Percent 16—25 Unemployed and Out of School 2008 17

26. Unemployment Highest Among Least Educated 2008 17

27. Education Reduces Unemployment Rates for All Illinois Groups 2008 17

28. Gender Breakdown of Employment Within Illinois Industries 2008..... 18

29. Women Predominate in Lower-Paying Illinois Industries 2008 18

30. Ethnic and Racial Groups Concentrated in Particular Sectors 2008..... 19

31. Illinois African Americans and Hispanics Concentrated in Lower-paying Industries 2008 19

32. Illinois Poverty Rate Down 20

33. Fewer Illinois Children in Poverty..... 20

34. Illinois Households and Children Below 200% of Poverty 21

STATE OF WORKING ILLINOIS 2008

35. Illinois Median Household Income Below Peak	21
36. Median Hourly Wages for Women 1980—2007	21
37. Male-Female Wage Gap Diminishes	21
38. Median Hourly Wages for Illinois Minorities Lag Behind Whites	22
39. Education Boosts Illinois Median Hourly Wages	23
40. Education Raises Households Income in Illinois	23
41. More Education Leads to Higher Incomes	24
42. Total Household Income for Illinois Ethnic/Racial Groups by Education	24
43. Earnings of Illinois Whites with BA or more	25
44. Earnings of Illinois Hispanics with BA or more	25
45. Earnings of Illinois African Americans with BA or more	25
46. Union Memberships Boosts Earnings for Illinois Women	26
47. Union Membership Raises Earnings of Illinois Groups	26
48. Employer Provided Health Insurance Declined	27
49. Hispanics Lag in Access to Private Health Insurance	27
50. Employer-Provided Pensions Declined	27
51. Minorities Lag in Access to Employer-Provided Pensions	28

List of Tables

1. 2000—2008 Increases in Unemployment Widespread	7
2. Underemployment by Demographic Characteristics 2007	8
3. Illinois Employment Change by Industry Sector 1990-2008	9
4. Illinois Ethnic and Racial Differences in Age and Education	10
5. Male-Female Wage Differences 2007	22
6. White-Minority Differences In Average Weekly Earnings 2007	23
7. Percent of Each Group in Illinois Within Each Income Category	24

Introduction and Summary of Findings

The Illinois economy has changed in significant ways over the past two decades. The State of Working Illinois 2008 provides a detailed overview of the job, wage, benefit, and industry trends in the state since 1990. The picture it presents is a mixed one. The Illinois economy has grown, and the total number of jobs created by that economy has increased. But these decidedly positive developments have been at least partially offset by other economic and workforce trends operating in the state. Among these are the ongoing replacement of higher-paying manufacturing jobs that provide benefits by lower-paying jobs in service industries that offer low or no benefits; declining real wages for most workers; rising unemployment; and growing wage gaps between Caucasians and minorities. Moreover, these negative trends are apparent even though this report does not capture the impact of the recent sub-prime mortgage and financial crises. How policy makers in Illinois respond to these long-term trends, as well as to the immediate economic crises that grip the nation and the state, will impact thousands of working families, seniors and businesses, and the state's long-term economic competitiveness.

Number of actors are working simultaneously to produce the complex patterns that are changing the Illinois economy and challenging its workers. These factors include the continued restructuring of economic activities; population growth fueled in major part of by ongoing immigration; and an accelerating economic globalization whose full impact is not yet clearly understood. These changing

dynamics touch virtually every community across Illinois, regardless of whether it is a center-city urban neighborhood, a well-established wealthy suburban enclave, a fast-growing community on the edge of urban sprawl, or a small town struggling to cope with rural decline.

The complex interactions among these and other factors create challenges for Illinois workers and policy makers that are substantially different from those faced prior to the turn of the 21st century. This report does not attempt to explain the underlying causes of these changes. Nor does it suggest specific solutions to problems those changes have caused. Rather, the annual State of Working Illinois report provides reliable data to describe the major changes that have occurred in the state's labor markets and to chart the effects of these changes on different groups of workers and in different regions throughout the state. The data will hopefully inform the public debate that must occur to develop policies that help workers, their families and communities to navigate paths through the fast-changing Illinois labor market.

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, non-profit Center for Tax and Budget Accountability. Financial support for this ongoing project is provided by The Joyce Foundation and the Woods Fund of Chicago. The report's major findings are listed below.

Illinois Labor Force: Growth and Change

The Illinois Economy

- Expressed in dollars adjusted for inflation, the total value of all goods and services produced in Illinois (the state's gross domestic product, or GDP) was \$508 billion in 2007, which ranked the state fifth in the nation.
- The 2006-07 GDP growth rate for Illinois was 1.5%, which was three times larger than the Midwest as a region, but less than a third of the national rate of growth over the same period.
- Through mid-2008, the effects of the nation's mortgage, housing, and financial crises were only beginning to register in Illinois. In later months, mortgage foreclosure rates in Illinois turned sharply upward and housing values declined.

Change in the Illinois labor Force

- The Illinois labor force continued to grow, reaching 6.8 million individuals eligible for work by June 2008. This meant the state added 70,325 workers since 2007, and 857,909 since 1990.
- The number of employed workers in June 2008 was 25,028 fewer than in June 2007, and the number of jobless workers shot up by 125,977, a 37.3% increase over the 12-month period. By June 2008 the state's unemployment rate was 6.8%, which was above the region's rate for the first time since 2005.
- Increased joblessness was widespread in Illinois. The number of persons unemployed in every metropolitan area in the state showed a double-digit increase between June 2000 and June 2008.
- Unemployment in Illinois continued to grow through July and August 2008. In the latter month, there were 491,546 persons unemployed in the state, the largest number since June 1992.

Changing Employment Patterns

- Between 1990 and 2008, Illinois lost 249,000 manufacturing jobs. This loss of 27.0% of its in-state manufacturing jobs over 18 years was worse than the Midwest as whole (-23.2%) or the nation (-23.9%).
- In 1990, Manufacturing in Illinois employed more workers than any other sector (20.4%). By 2008, only 13.1% of the state's workers were employed in Manufacturing, and that sector ranked behind Professional and Business Services (17.1%), and Education and Health Services (15.4%), while remaining just marginally ahead of Retail Trade (12.5%).

Loss of Good-Paying Jobs

- Since 2000, Illinois lost 203,000 jobs in Manufacturing, as well as 8,600 jobs in the higher-paying Construction sector. During the same period, the state registered a net loss of -5,100 jobs in the higher-wage service sectors (Information Services, Financial Activities, and Professional and Business Services), while gaining 168,500 jobs in lower-wage service sectors (Education and Health Services, Leisure and Hospitality, and Other Services).
- By mid-2008, Illinois had 13.6% more persons employed in lower-wage service jobs than in the higher-wage service sectors, a much larger gap than the 1.2% difference that existed in 2000.

Declining Real Wages

- When current wages are adjusted for inflation, most Illinois workers have actually experienced declining average weekly earnings since 2001.
- Measured in "real dollars," i.e., dollars adjusted for inflation, only four sectors registered gains in earnings since 2001 – Construction, Financial Activities, Professional and Business Services, and Education and Health Services. The other seven sectors experienced declines in real average weekly earnings. Then size of these declines ranged from a high of -\$164 (or -18.0%) in Information Services to a negligible -\$1 (or -0.3%) in Leisure and Hospitality.
- While inflation-adjusted earnings of most Illinois workers declined from 2001 to 2008, the cost of items that collectively constituted most of their family budgets increased. Significant increases in the costs of essentials like food (+17.8%), gasoline (+134.6%), housing (+22.6%), and medical care (+32.4%) make it easy to appreciate how declining real wages have negatively impacted the standard of living for most working families in Illinois.

Growing Income Inequality.

- Nationally, the post-1980 economic trends worked to worsen income inequality in the country. The share of income held by the vast majority of American households, literally eight out of every ten, declined over the last quarter century. Only those fortunate enough to be in the wealthiest 20% of all households realized any increase in overall income during this period.
- Income inequality in Illinois is just as severe as it is nationally. The highest-earning quintile accounts for over 50% of total household income, while the three bottom quintiles (i.e., 60% of the households) together account for

only 26.6% of total household income, which is barely larger than the income share earned by the state's top 5% of households (22.8%).

The Illinois Labor Force: Composition and Characteristics

- The Illinois labor force has become much more diverse in the last quarter century.
 - The share of women in the labor force has grown sharply since 1980, reaching 46.3% in 2007 – less than one percentage point below its 2002 peak.
 - Minorities are also better represented in the state's labor force than they were in 1980: both African Americans and Hispanics are 14.1% of the labor force, and Asians are 4.7%.
- The state's labor force has also become better educated. In 2007, 32.3% had a college degree, while just 10.3% had failed to complete high school.

Ethnic/Racial Differences in Skills and Experiences

- On average, Hispanics are the state's youngest and least-educated workers. Over a third (38.6%) of Hispanics have not even completed high school, while another 29.9% have only a high school diploma. At the other end of the education scale, only 11.0% have a college degree or better.
- African Americans had a 10.7% unemployment rate in 2007, two and half times that of Whites and almost double the Hispanic rate. Since at least 1980, unemployment among African Americans has been higher than the state's overall rate of joblessness, which suggests that race plays a role in labor market outcomes.
- Among all groups, the youngest cohort of works has the highest unemployment. Moreover, among those unemployed in this 16-to-25 cohort, over half the Whites, more than three quarters of the African Americans, and eight of ten of the Hispanics, are unemployed and out of school. This leaves them especially vulnerable to long-term detachment from the labor market and to the resulting social problems.

Education a Key Factor in Employment

- In the globalized labor market of the twenty-first century, education is strongly associated with upward mobility and higher earnings. Nationally, regionally, and in Illinois, steeply higher unemployment rates are associated with lower levels of education.
- On the other hand, among all major demographic groups, higher levels of education are associated with

sharply lower unemployment rates. The unemployment rate for Whites fell from 17.8% for those with less than a high school diploma to 1.4% for those with a college degree or better. Similar declines occur among African Americans – from 34.4% to 2.1% -- and Hispanics – from 11.8% to less than 1.0%.

Variations in Sectoral Employment, Ethnicity and Race

- Disproportionate concentrations of women and/or minorities in some sectors, combined with comparatively low employment rates in others, indicate that diversity, while increasing in the workforce generally, has not been spread evenly across industries.
- While women predominate in some sectors, like Education and Health Services, they constitute only a minuscule proportion of workers in Construction, and are significantly underrepresented in other higher-paying sectors, like Manufacturing and Transportation and Utilities.
- Patterns of disproportionate employment – although with more access to higher-paying sectors – also appear in Illinois when analyzing workers across major ethnic and racial groups. For example, Hispanics now constitute 20.2% of the workers in Manufacturing, and 22.1% of the workers in Construction, a sector in which African Americans have had particular difficulty in gaining employment over time, and in which they currently account for just 6.1% of the workers.
- Compared to women as a group, somewhat higher proportions of African Americans and Hispanics have found employment in higher-paying sectors like Construction and Manufacturing. Nevertheless, nearly one-third of the state's Hispanic workers (32.2%) and 42.2% of its African American workers are employed in lower-paying service jobs.

Changes in Earnings and Job Security

Poverty and Household Income

By 2007, only 10.0% of Illinois households fell below the poverty line, a rate lower than at any point since 1990. The proportion of Illinois children below the poverty line has been dropping since 2004, and by 2007 it reached a new low of 14.3%.

Adjusted for inflation, the state's median household income in 2006-07 was \$51,274, a decline of nearly 10% from the 1999-2000 peak of \$56,550, but better (by 2.4%) than the recent low reached in 2002-03.

Persisting Wage Gaps

- Median hourly wages for women have increased, reaching \$13.73 in 2007. This represented a 14.8% gain in inflation-adjusted dollars since 1980 and has helped reduce the male-female wage gap.
- While the male-female wage gap declined between 1980 and 2007, those between Whites, on the one hand, and African Americans and Hispanics, on the other, have worsened. Measured in dollars adjusted for inflation, the gap between the median hourly wages of Whites and African Americans increased by \$1.92 per hour (or 126.3%) since 1980. The White-Hispanic gap during the same period grew by \$1.52 per hour (or 39.7%).

Education Boosts Wages and Income

- Median wages over time have consistently varied directly with education levels, and the relationship is growing more pronounced. In 1980, the median hourly wage for those with a college degree was \$7.21 more than that for workers who had not completed high school. By 2007, the gap between these two categories of wage earners had grown to \$13.66, an increase of 89.4% over 1980.

Minorities Behind in Education and Income

- Since African Americans and Hispanics in Illinois generally have lower levels of education than Whites, it is not surprising that their incomes lag. Among African Americans, 51.5% earned less than \$50,000 annually, as did 52.1% of Hispanics, but only 32.2% of Whites fall below this earnings threshold.
- While African American and Hispanic household incomes lag behind their White counterparts, increased education works powerfully to boost the incomes of these groups. Moreover, within each of these groups, household incomes for those with college degrees are substantially higher than for those without that post-secondary credential.

- Education does not erase all income disparities between Whites and minorities. Just 14.6% of African Americans, and 15.5% of Hispanics, with college degrees earn over \$150,000 per year. In each case, this is just slightly more than half the proportion of college-educated Whites (27.4%) who reach this annual income level.

Union Membership Increases Wages

- In addition to education, one other factor works to boost 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 non-union members.
- The earnings premium that derives from union membership also works to boost the wages of women and minorities. For women, union membership yields a wage premium of about 26.0% compared to women who are not union members. African Americans who are union members have average weekly wages that are 22.8% higher than their non-union counterparts, and the boost for Hispanic workers is 22.9%. White workers derive about a 16.7% premium in average weekly wages from union membership.

Growing Economic Insecurity: Health Insurance and Pensions

- The proportion of workers who benefit from work-based health insurance programs continues to fall. By 2005-07, over 40% of Illinois workers lacked access to an employer-provided health insurance program. The proportion of Illinois residents lacking any kind of health insurance was 13.4% in 2007, an increase from 10.9% in 1990.
- The decline in private sector health insurance has left Hispanic workers and their families especially vulnerable, since only 46.4% of them have employer-provided coverage.
- Similar declines have occurred in employer-provided pensions. By 2005-07, only 48.0% of workers in Illinois benefited from any employer-provided pension plan, down from 55.6% in 1979-81.

The Illinois Labor Force: Growth and Change

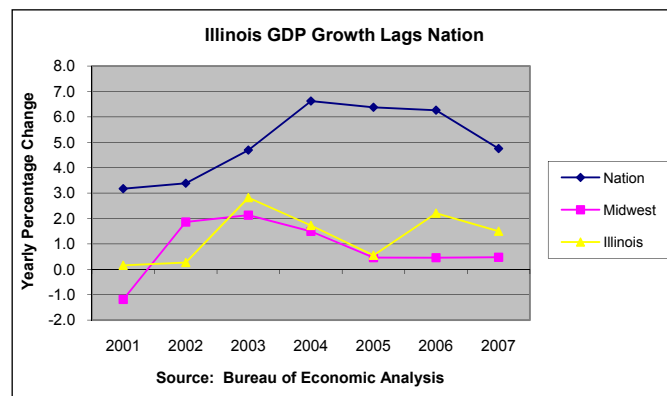
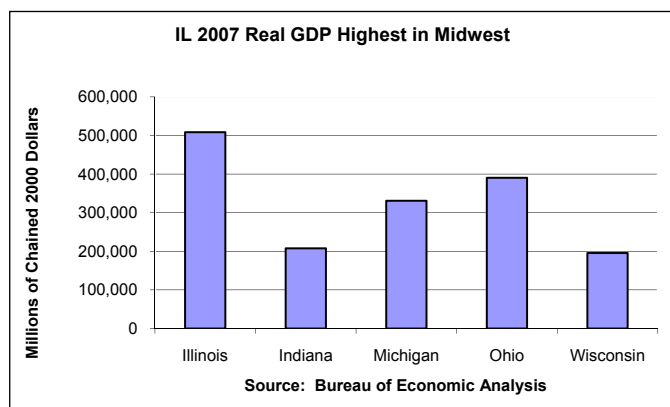
The State of Working Illinois 2008 offers a detailed overview of the job, wage, benefit, and industry trends in the state since 1990. The picture of the state's economy that emerges is a decidedly mixed one. On the one hand, Illinois has experienced overall growth in its economy and in the net number of jobs created by that economy. But these positive developments do not by themselves adequately capture the complex sets of 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 manufacturing jobs that pay good wages and provide benefits with service sector jobs that are lower paying and typically provide low or no benefits. Moreover, this report does not capture the impact of recent national economic developments – such as the sub-prime mortgage crisis, its attendant ripple effects, and the associated federal bailout.¹

The Illinois Economy

The Illinois economy in 2007 generated a Gross Domestic Product (GDP) of over \$508 billion.² 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.³ In fact, the Illinois GDP represented 31.1 % of the total GDP

of the five Midwestern states, slightly larger than its 30.6% share in 2006.

The 2006-07 GDP growth rate for Illinois was 1.5%, the highest in the region, and three times the anemic growth rate (0.5%) for the region as a whole. But that just meant Illinois was first in a region of laggards, since the state's rate of growth was less than a third of the national rate of growth (4.7%) over this period. Moreover, this national economic growth rate, which outpaced Illinois by three times, has itself been trending downward since 2003-04. Viewed over longer time spans, the picture of economic growth in Illinois is considerably more mixed. From 2000 through 2007, the state's 9.6% real GDP growth rate was well above the region's 5.8%, but the nation's growth rate (40.9%) outpaced Illinois, as did Wisconsin's (11.2%) within the region. Over the longer 1990 through 2007 period, real GDP in Illinois experienced a robust 51.2% growth rate, increasing by over \$172.2 billion. This modestly exceeded the region's 48.0% growth rate, but lagged well behind the national rate of 98.0%. Moreover, during this seventeen-year period, within the Midwest both Indiana (58.4%) and Wisconsin (64.1%) experienced higher rates of real GDP growth than Illinois.



¹ Earlier reports in this series were published in 2005, 2006, and 2007. These earlier reports and the associated complete data series are available at www.stateofworkingillinois.niu.edu.

² The data are from the Bureau of Economic Analysis and represent the state's Real GDP expressed in chained 2000 dollars, which is the measurement that will be used for GDP in this report. Expressed in nominal dollars that have not been adjusted for inflation, the Illinois GDP in 2007 was just over \$609 billion.

³ 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.

It is necessary to be aware of the fact that comparisons of economic growth rates through the end of 2007 only capture the earliest phase of the sub-prime mortgage crisis that erupted about mid-2007, quickly extended well beyond the sub-prime market, and has since ballooned into a virtually full-scale meltdown of the country's financial system. Data through 2007 barely register the associated effects of this crisis: declining home values, near bankruptcy of many mortgage-lending institutions, virtual paralysis of the nation's mortgage and real estate markets, and the ways in which these financial upsets have rippled through the economy, impacting consumer spending, industrial activity, and employment.

During the first quarter of 2008, GDP at the national level

grew at the sickly rate of only 0.9%. Growth in the second quarter increased to 2.8%, mainly due to a surge in exports (12.3%) and a steep decline in imports (-7.3%).⁴ Yet despite the over-hyped federal economic stimulus package, personal consumption expenditures in the second quarter grew by only 1.7%, while private domestic investment shrunk by -12.0%. In the third quarter, the nation's GDP contracted by -0.3%, due in large part to declines in personal consumption expenditures (-3.1%), durable goods production (-14.1%), and non-durable goods production (-6.4%).⁵ None of these developments are yet reflected in the national year-on-year comparisons through 2007, and the Bureau of Economic Analysis makes available state-level GDP data only for full calendar years. In other words, data for regional and state economic accounts will not reflect the mortgage, housing, and financial crises and their associated consequences until at earliest the end of the 2008 calendar year. So, the negative economic and employment trends that mark the early months of 2008 can be expected to continue, and to accelerate and deepen, through the later months of the year. Nevertheless, it is useful to look at some of the indicators of the early effects of these crises in Illinois.

By mid-2007 many borrowers with questionable or poor credit who had secured sub-prime mortgage loans were defaulting on their obligations. Weaknesses in the job market, increases in living costs, – especially skyrocketing fuel prices and associated jumps in food costs – and stagnant wages combined to make it impossible for many of these borrowers to make their mortgage payments or to refinance their loans. But these now nearly worthless mortgages had long since been packaged into securities sold on the country's and world's financial markets. Thus, the sub-prime collapse immediately imperiled not only the institutions that had originated the mortgages but also other financial institutions that had invested in the mortgage-backed securities. The immediate effect showed itself in a severe contraction of credit available for consumer and business loans. As mortgage credit dried up, sales of houses dropped steeply and market values declined, often below the level of the outstanding mortgage. Borrowers with excellent credit and good payment records, but with "balloon" mortgages or adjustable-rate mortgages found themselves unable to

refinance to secure an affordable mortgage rate. In this way, the default contagion quickly spread into the prime mortgage market as well. By early September 2008, the Mortgage Bankers Association estimated that nearly one in ten mortgages in the country was in trouble.⁶

With the onset of the sub-prime crisis and its quick spread into the prime mortgage market, foreclosure rates soared. Nationally, foreclosure filings in 2007 were up 75.0% from 2006, while in Illinois they increased by "only" 25.3%.⁷ In the six-county Chicago metropolitan area, foreclosures were up 31.8% compared to 2006.⁸ Indicating that the trend is worsening in the state, by the end of the first quarter of 2008, mortgage foreclosures in Illinois were 41.7% higher than they had been a year earlier, and the state ranked eleventh nationally in the number of foreclosure filings. By July the foreclosure filings in Illinois jumped to 61.2% above the rate of a year earlier, and by August the state had earned the dubious honor of cracking the top ten in foreclosure rates.⁹

As foreclosures increased in Illinois, sales of single-family homes and condominiums declined. By the end of the second quarter of 2008, sales were off 25.4% statewide from a year earlier, and 28.9% in the Chicago metropolitan area. Average home sale prices dropped by -6.8% statewide, although only by -2.3% in the Chicago metro area.¹⁰ This 2007-08 drop in home values in the Chicago metro area appears modest, but compared with the September 2006 peak home value it represented a much larger -10.8% drop in the value of existing homes.¹¹ For those Illinois working families whose major – or even sole – financial asset was their home, these drops in housing values constituted major losses that put their financial security at jeopardy.

Change in the Illinois Labor Force

As it had in all but three of the past eighteen years, the Illinois labor force continued to grow through the early

4 The Commerce Department originally reported second-quarter growth at 3.3%, an estimate that economists doubted. See Michael M. Grynbaum, "Growth Rate of Economy Revised Up," *The New York Times*, 29 August 2008, pp C1-C2; and for doubts about the credibility of this upward revision, see Ellen Simon, "Economists not buying revised GDP," *Chicago Tribune*, 10 September 2008, 3:7. Later the Commerce Department produced the new 2.8% estimate: see Tribune News Services, "2nd-quarter GDP growth rate revised downward," *Chicago Tribune*, 27 September 2008, 2:3.

5 Bureau of Economic Analysis, "Gross Domestic Product: Third Quarter 2008" (30 October 2008).

6 Associated Press report, "9% of home loans in trouble," *Chicago Tribune*, 6 September 2008, 2:3.

7 RealtyTrac, U.S. Foreclosure Market Report; available at <http://www.realtytrac.com>. Unless otherwise indicated, all data pertaining to foreclosures is from RealtyTrac.

8 "Foreclosures In the Chicago Region Continue to Grow At An Alarming Rate," report by the Woodstock Institute, March 2008.

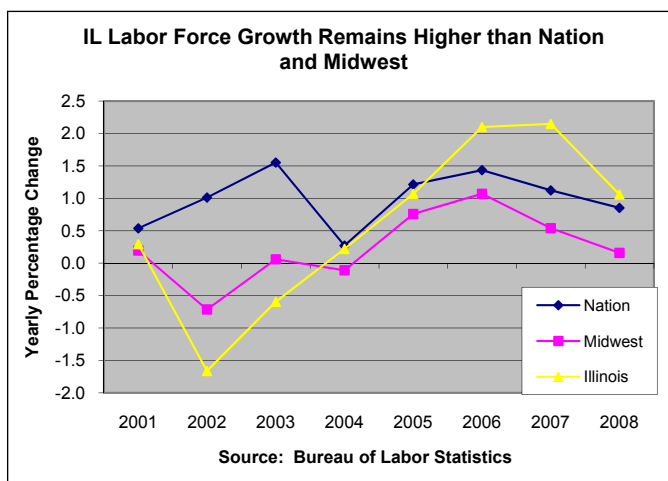
9 Associated Press report, "Filings for foreclosure jump 27% in August," *Chicago Tribune*, 12 September 2008, 3:2.

10 Francine Knowles, "Foreclosures soar, homes sales drop," *Chicago Sun-Times*, 14 August 2008, p 38.

11 Calculated from Standard & Poor's Case-Shiller Home Price Index. This index is calculated monthly, using a three-month moving average and published with a two-month lag.

STATE OF WORKING ILLINOIS 2008

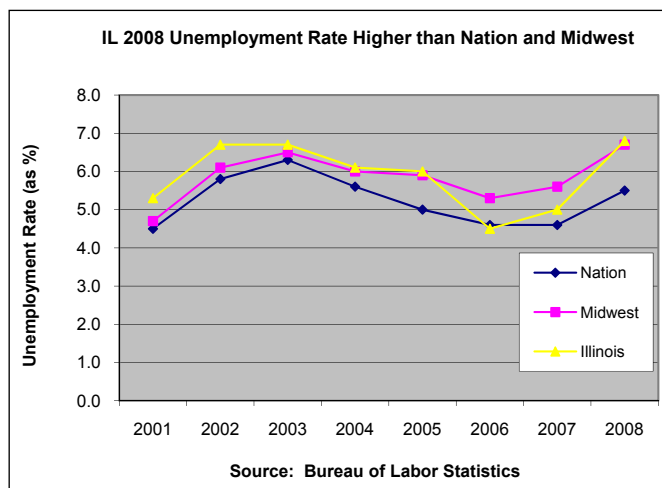
months of 2008 and was nearly 6.8 million by June.¹² Being counted “in the labor force” does not necessarily mean having a job. Four separate components comprise the labor force: persons who are working; persons who have a job but are not at work; persons unemployed but looking for work; and persons unemployed on layoff from a job. Between 2007 and 2008, the state added 70,325 to the ranks of its labor force (1.0%), bringing the total increase since June 1990 to 857,909 (14.5%), for an average annual gain of about 40,115 per year.¹³ After two years of negative growth (2001-03), the state’s labor force has grown every year, and since 2005-06 its annual rate of increase has exceeded that of both the nation and the Midwest.



As the state’s labor force grew since 1990, so did the total number of jobs. In fact, through June 2007, job growth outpaced the increased size of the labor force, and the number of employed persons reached a high of just under 6.4 million. As a result, there were then 25,028 (-6.9%) fewer unemployed in Illinois than there had been in June 1990. But between June 2007 and June 2008, the number of persons employed dropped by -55,652 (-0.9%) – as the number of unemployed shot up by 125,977, an astounding 37.3% increase over the twelve-month period, and an increase of over 179,000 (63.0%) compared to 2000. The Illinois unemployment rate in June 2008 stood at 6.8%, which for the first time since 2005 put the state above the region’s unemployment rate (6.7%).

¹² Here and throughout, unless otherwise indicated, all year-on-year comparisons use seasonally adjusted data for the mid-year month of June. In May the state’s labor force stood at 6,824,185 (seasonally adjusted), and it declined in size in each of the next two months.

¹³ Arithmetic averages are often distorted by extreme values, so this estimate of average annual increase derives from fitting the linear trend ($Y = a + bX$) to the 1990-2008 time series. The slope of the regression line (b in the formula) represents the numerical increase per year (X in the formula). The extent to which a straight line fits the data can be judged by how scattered the data points are: the better the fit, the higher the value of the measurement metric, r^2 – which has a maximum value of +1.0. In this instance, the trend is strongly linear, with $r^2 = .876$.



This sharp increase in unemployment was not confined to a single region or metropolitan area within the state. The largest 2000-08 increase in the number of unemployed 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 (see Table 1). Indeed, the Rockford metropolitan area led the state in growth of unemployment with an unemployment rate that was 101.8% worse in 2008 than in 2000. Moreover, only three of the ten metropolitan areas in Illinois had unemployment rate growth that was less than 50.0%.

Metropolitan Area	Increase	% Change
Rockford	7831	101.8
Kankakee—Bradley	2302	95.3
Springfield	2963	68.8
Champaign—Urbana	3066	68.7
Bloomington—Normal	1930	63.1
Chicago—Naperville—Joliet	135578	61.0
Peoria	4245	54.1
Decatur	1236	40.6
Davenport—Moline—Rock Island	2868	36.4
Danville	853	36.0

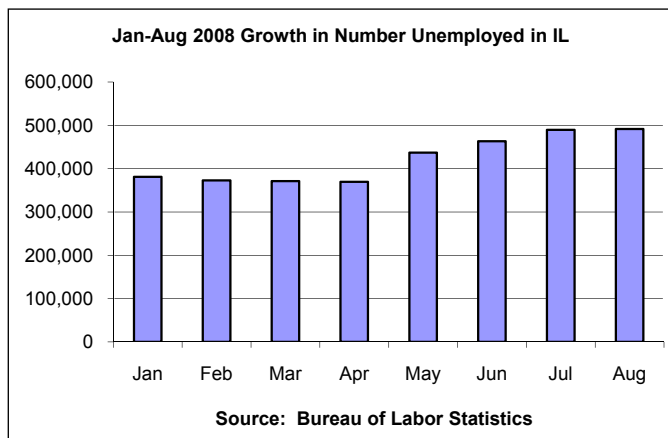
Source: Bureau of Labor Statistics

The shift in the past year appears to include the early impact of the mortgage and housing crises. From June 2007 through April 2008, the number of persons employed grew, while the number of unemployed inched upward by 31,994. The unemployment rate in April 2008 was still only 5.4%, a mere 0.4 percentage points above the rate in June 2007 and the annual rate for the full year. Through the first-four months of 2008, and for the first-ten months of the twin financial crises, the state’s economy had held up reasonably well.

But in late spring the negative trends accelerated sharply.

STATE OF WORKING ILLINOIS 2008

The number employed dropped while the number of unemployed increased in May, June, July, and again in August. Between April and August of 2008, the number employed shrunk by -207,348 (-3.2%), while the number of unemployed grew by 122,144 (+33.1%). The state's unemployment rate jumped to 6.4% in May, a full percentage point increase from April, inched upward to 6.8% in June, then to 7.2% in July, and reached 7.3% by August.¹⁴ In that month, there were 491,546 persons unemployed in Illinois, which was the largest number recorded as unemployed since June 1992, a sixteen-year interval.



As bad as these numbers are, they don't full capture the extent of joblessness. When the Bureau of Labor Statistics (BLS) measures unemployment, it does not include "marginally attached workers," i.e., those unemployed persons who have given up looking for work but indicate they want and are available for a job.¹⁵ The BLS unemployment survey also doesn't include persons categorized as "part-time for economic reasons," i.e., those who want a full-time job but have been able to land only part-time employment. Including these two categories along with the officially unemployed produces a more complete and accurate measure of labor underutilization or underemployment. BLS reported a 5.7% rate of unemployment at the national level for July 2008; but when marginally attached workers and the part-time for economic reasons are added, the seasonally adjusted underemployment rate ballooned to 10.3%, a level over 80% above the official unemployment level.¹⁶

¹⁴ These are all seasonally adjusted figures from the Bureau of Labor Statistics, and the August figure is the Bureau's preliminary estimate for that month. For these developments, see James P. Miller, "Jobs storm strengthens," and "Jobless rate up, signals 'R' word," *Chicago Tribune*, 15 August and 6 September 2008, 3:1 and 6, and 2:1-2.

¹⁵ "Discouraged workers," a subset of the marginally attached, give a job-market related reason for not currently looking for a job.

¹⁶ BLS, "Economic News Release," 5 September 2008, and the link to Table A-12, Alternative measures of labor underutilization. The August unemployment rate was reported at 6.1%, and the underutilization rate at 10.7%.

Month-by-month underemployment reports are unavailable at the state level. However, Table 2 presents the underemployment rate for Illinois in 2007, both for all workers and for discrete demographic categories.

Table 2
Underemployment by Demographic Characteristics 2007

	Nation	Midwest	Illinois
All	8.3%	9.6%	8.6%
Male	8.4%	9.8%	9.3%
Female	8.3%	9.5%	7.9%
16-24 yrs	17.3%	19.2%	16.6%
25-54 yrs	7.0%	8.2%	7.4%
55 yrs and older	6.1%	6.6%	6.1%
White	7.0%	8.4%	7.3%
African American	13.5%	18.6%	16.6%
Hispanic	11.1%	11.3%	9.7%
Asian/Pacific Islander	5.9%	5.5%	4.6%
Less than HS	17.7%	21.9%	18.5%
HS Graduate	10.0%	11.6%	10.9%
Some college	7.3%	8.5%	7.6%
BA or higher	4.0%	4.4%	4.3%

Source: EPI Analysis of CPS Data

As Table 2 shows, the overall underemployment rate for Illinois was above the national level but below that of the Midwest. The state's 8.6% underemployment rate was also 72% higher than its official 5.0% unemployment rate for 2007. If we assume that the measured unemployment rate continues to understate total underemployment by about the same amount, then the May through July 2008 underemployment rates are likely to be at least 60-to-70% higher than the official unemployment rate. This means that the 7.3% Illinois unemployment rate for August corresponds to a total underemployment rate between 11.6% and 12.4%. Whatever the precise number, double-digit underemployment is not an economically healthy condition for the state.

Table 2 also shows that exceptionally high rates of underemployment characterize some demographic groupings. The youngest cohort of workers, African Americans, and the two cohorts without any college education have very high rates of underemployment, although typically lower than the rates for the same categories in the Midwest region. This suggests, and other data in this report will confirm, two fundamental realities of the state's economy: first, education is vital to employment and good earnings in Illinois; second, there continues to be significant disparities in economic well being among ethnic and racial groups, with African Americans in Illinois faring worse than others.

Changing Employment Patterns

Recent and large-scale shocks to the nation’s economy are clearly beginning to register their effects in Illinois. That said, these upheavals have not caused the state’s economic problems, but rather have exacerbated long-term, negative shifts in both the state’s economy and its employment patterns.

Between 1990 and 2008, the nation lost over 4.2 million jobs in Manufacturing. The five states of the Midwest lost 919,200 of those jobs, and Illinois accounted for 27.1% of this loss. During this 18-year period, the state lost over 249,000 of its Manufacturing jobs, a 27.0% rate of decline that was worse than those of the region (-23.2%) and the nation (-23.9%). Illinois’ losses of Manufacturing employment, combined with large-scale job creation in other sectors—especially in service activities—altered the distribution of its workforce across major industrial sectors and had significant—and mostly detrimental—consequences on both wages paid to and the benefits received by the state’s workers.

Table 3 shows the extent of the shift in the state’s employment patterns. In 1990 Manufacturing employed more workers than any other sector. But by 2008 Manufacturing ranked only third in total employment. Professional and Business Services and Education and Health Services, which had ranked only 3rd and 4th in 1990, enjoyed robust growth during the intervening years (53.8% and 47.9%, respectively) and jumped into 1st and 2nd places, respectively, by 2008. Employment in Retail Trade grew by only 32,400 (5.3%) and dropped to 4th place in total employment, although still accounting for 12.5% of employed workers. The Leisure and Hospitality and Other Services sectors also grew robustly – by 34.8% and 26.4%,

respectively, adding 137,500 and 54,400 employees.¹⁷ Apart from Manufacturing, only the Information sector lost ground during the period – dropping by 15,700 employees (-11.9%). And like Manufacturing, jobs in the Information sector typically pay high wages and offer good benefits.

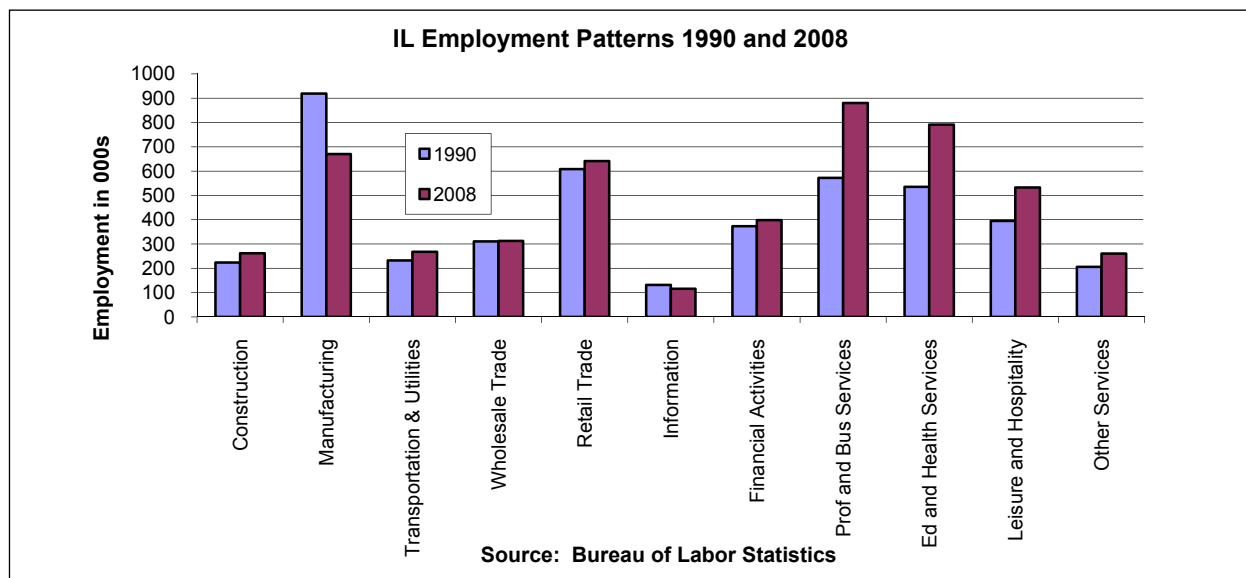
Table 3
Illinois Employment Change by Industry Sector 1990-2008

	Employment (in 000s)		% of Total Employment	
	1990	2008	1990	2008
Construction	223.7	262	5.0	5.1
Manufacturing	919	669.9	20.4	13.1
Transportation & Utilities	232.2	267.9	5.2	5.2
Wholesale Trade	310.8	312.4	6.9	6.1
Retail Trade	608.5	640.9	13.5	12.5
Information	131.8	116.1	2.9	2.3
Financial Activities	373.6	398.2	8.3	7.8
Prof and Bus Services	572.3	880	12.7	17.1
Ed and Health Services	535.1	791.3	11.9	15.4
Leisure and Hospitality	394.9	532.4	8.8	10.4
Other Services	206.1	260.5	4.6	5.1
TOTAL	4508	5131.6	100.0	100.0

Source: Bureau of Labor Statistics

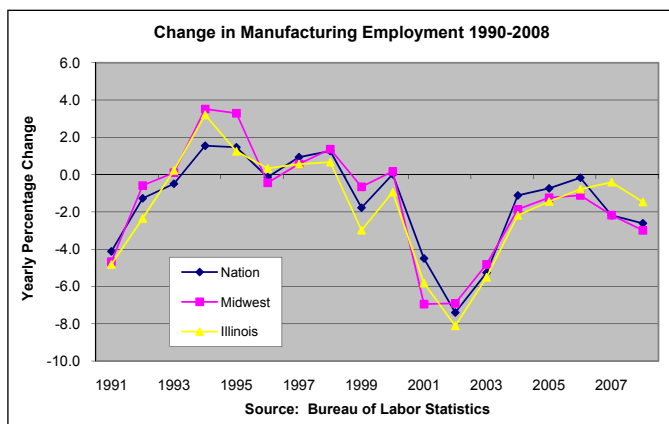
The most important change that occurred in Illinois employment was the decline in significance of Manufacturing. As Table 3 indicates, in 1990 slightly more than one of every five workers in the state—20.4% of the total—were employed in Manufacturing. By 2008 only 13.1% of the state’s employed workers held Manufacturing jobs, and the sector employed smaller proportions of the state’s

¹⁷ Other Services is a category reported by the Bureau of Labor Statistics. It includes Repair and Maintenance, Personal and Laundry Services, Religious, Grantmaking, Civic, Professional, and Similar Organizations.



workers than Professional and Business Services (17.1%) and Education and Health Services (15.4%), and was only marginally ahead of Retail Trade (12.5%).

Other states in the Midwest and the nation as a whole also experienced job losses in the Manufacturing sector, but between 1990 and 2008, the rate of Manufacturing job loss in Illinois was worse than both. Moreover, the pattern of job loss in Manufacturing was not uniform over the eighteen-year period. In the mid- and late-1990s, the shrinkage stopped and for several years the number of jobs in Manufacturing actually increased in Illinois, the Midwest, and the nation. By 1998 Illinois had 908,400 Manufacturing jobs, just 10,600 (or -1.1%) below the sector's employment level in 1990. But after 2000 the decline resumed and its pace accelerated. In each of the three years following 2000, Illinois registered job losses of over 5.0% annually. Overall, between June 2000 and June 2008 Manufacturing employment in Illinois dropped by 203,000, a 23.3% decline.¹⁸



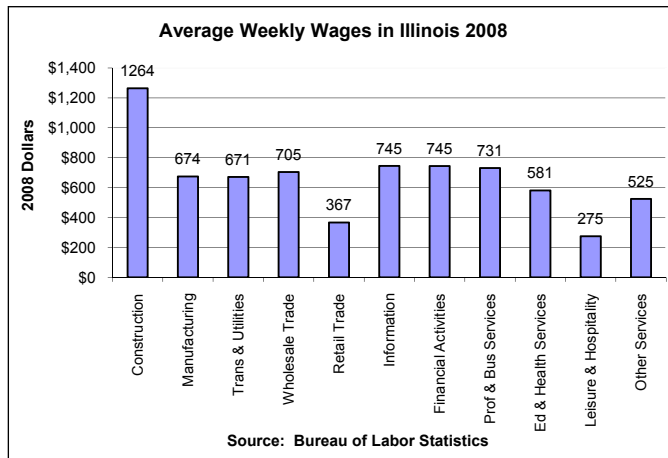
Loss of Good-Paying Jobs

Despite the steep employment decline in the Manufacturing sector, growth in other sectors between 2000 and 2008 boosted total employment in Illinois by 2.0%. Since overall employment increased, why be concerned about shifts in employment patterns? What difference does it make to workers, to their families, and to the state's economy? The answer is simple – these changes in Illinois employment patterns have had significant economic implications for the state, its economy, and its working families. For the most part, these shifting employment patterns have involved replacing good-paying jobs with ones that provide lower wages and fewer benefits.

Not all jobs in the service sector, or in other sectors that grew robustly since 2000, pay lower wages than

¹⁸ The nation lost over 3.7 million jobs in Manufacturing between 2000 and 2008 (-21.8%), and the Midwest lost over 1 million (-25.0%).

Manufacturing. In June 2008, average weekly earnings for Illinois' Manufacturing sector jobs was \$674, or \$590 less than average weekly earnings in Construction, the state's highest-paying sector.¹⁹ And the average weekly earnings in several other sectors -- Wholesale Trade, Information Services, Financial Activities, and Business and Professional Services -- all topped those in Manufacturing. But three of the four sectors showing the largest absolute job growth since 1990 – Education and Health Services, Leisure and Hospitality, and Other Services – all had average weekly wages below those in Manufacturing. Moreover, the principal driver of growth in Professional and Business Services, which had the largest absolute job gain between 1990 and 2008, was the Administrative and Support Services component, whose average weekly wages were -\$104 below those for the sector as a whole, and \$47 below Manufacturing.



For the most part, the sectors, or components of sectors, generating the largest numerical job growth since 1990 have been ones whose average earnings were lower than those associated with the Manufacturing jobs that were disappearing. Good-paying jobs were increasingly being replaced by lower-paying ones, with clearly negative consequences for the state's economy and its working families.

The patterns of change since 2000 are even less encouraging, as the state experienced job loss in high paying sectors, led by Manufacturing. For instance, since 2000, Illinois lost 203,000 Manufacturing jobs 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 in Financial Services. While there was a gain of 31,200 jobs in Professional and Business Services, overall these three high wage service sectors

¹⁹ All BLS weekly wages are for June 2008, are expressed in current 2008 dollars, and have been rounded to the nearest dollar.

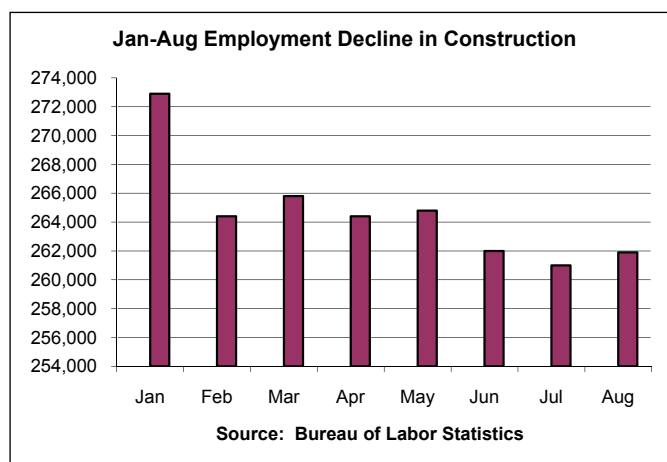
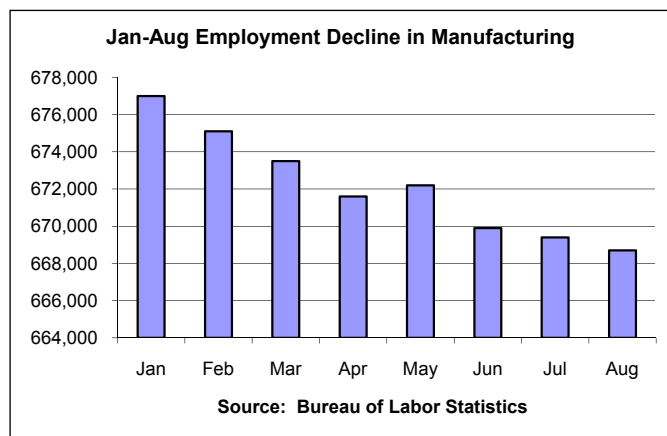
STATE OF WORKING ILLINOIS 2008

registered a net loss of -5,100 jobs. On the other hand, the low wage service sectors – Education and Health Services, Leisure and Hospitality, and Other Services – increased their combined employment by 168,500 jobs. As a result, by mid-2008 there were 189,900 more persons employed in lower-wage service jobs than in the higher-wage service sectors, a 13.6% difference. While it is likely that Illinois has always had more persons in lower-wage service jobs than in higher-wage ones, the current gap is appreciably higher than the 5.4% difference in 1990 or the 1.2% difference in 2000.



During the first-eight months of 2008, Manufacturing employment in Illinois dropped by 8,300, and employment in Construction by 11,000. Professional and Business Services grew by 3,700 jobs, but this was offset by losses in Information Services (-1,600) and Financial Activities (-6,600). These three higher-wage service sectors collectively registered a net loss of -4,500 from January through August 2008. Combine these with the losses in Construction and Manufacturing, and the state saw 23,800 jobs in good-paying sectors disappear during just the first-eight months of this year. In contrast, lower-wage service jobs continued to grow, although at a much slower rate than earlier, and showed a net gain of 4,600 jobs through August. These month-on-month numbers may appear modest compared to those associated with longer-term changes, but they represent a continuation of the pattern of good-paying jobs being replaced by lower-paying ones, a pattern that is likely to accelerate and deepen as the effects of the nation's housing and financial crises ripple through the Illinois economy.²⁰

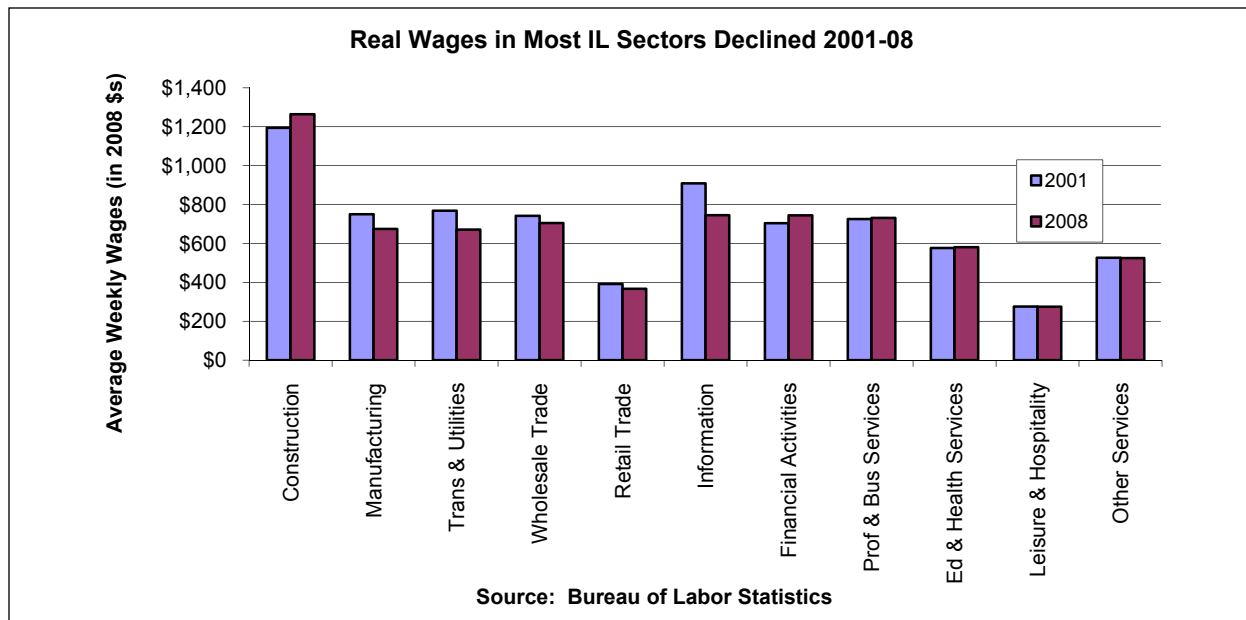
²⁰ The August figures for employment by industry sector are preliminary estimates by the Bureau of Labor Statistics. The figures for August are likely optimistic, since they were made before the current meltdown in the nation's financial system. For example, BLS estimates that from July to August employment in Financial Activities, Professional and Business Services, and Construction will all show increases. It seems likely that in these cases (and even in others) BLS will have to revise its August estimates downward, as it did its earlier July estimates.



Declining Real Wages

Even workers who did not face the loss of employment, or the need to shift to another sector to remain employed, faced problems associated with shrinking earnings. Expressed in "nominal dollars," i.e., without adjusting for the impact of inflation on purchasing power, most Illinois workers experienced increases in their wages in recent years. Between 2001 and 2008, the increases in nominal dollars ranged from a high of \$301 in average weekly earnings in Construction to lows of \$12 in Information Services, which was losing jobs, and \$51 in Retail Trade. But when the wage gains expressed in nominal dollars are adjusted for the impact of the inflation that occurred during the interval, workers in most sectors in Illinois 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. Measured in "real dollars," i.e., dollars adjusted for the effect of inflation, the largest gain in real earnings was in Construction -- \$69 or a 5.9% increase in average weekly earnings. Other sectors registering gains in real average weekly earnings were Financial Activities (\$40 or 5.6%), Professional and Business Services (\$6 or

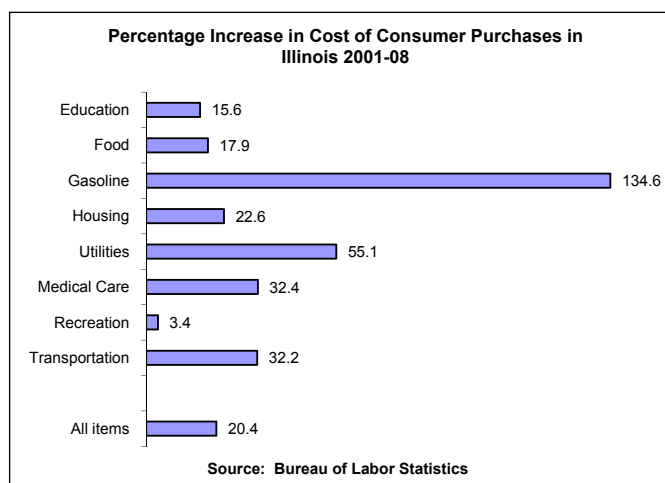


0.7%), and Education and Health Services (\$5 or 0.8%). All other sectors experienced declines in real average weekly earnings. The size of these declines ranged from a high of \$164 (or -18.0%) in Information Services to a negligible \$1 (or -0.3%) in Leisure and Hospitality. Employees in Manufacturing lost \$76 (or -10.1%); those in Transportation and Utilities lost \$97 (or -12.5%); those in Wholesale Trade lost \$37 (or -5.0%); those in Retail Trade lost \$25 (or -6.4%); and those in Other Services lost \$2 (or -0.3%).

While the real, inflation-adjusted earnings of most Illinois workers have declined since 2001, the cost of items that collectively comprise most of their family budgets have been increasing. Since the Bureau of Labor Statistics tracks changes in the costs of consumer items solely in urban areas, increases in the cost of these items likely are not as large in non-urban areas. Nevertheless, the data for metropolitan Illinois show significant increases in the costs of essentials like food, housing, health care, gasoline, utilities, and transportation.²¹ Overall, the cost of living increased by 20.4% during the 2001-08 period, when real wages for most working families were declining.²² It is easy to understand how these developments negatively impacted the standard of living for most working families and constrained or eliminated their capacity to save.

²¹ The data used here are from the Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers, for the Chicago-Gary-Kenosha metropolitan area. Base Period: 1982-84 = 100. And the comparisons are for June of the respective years.

²² Developments after June 2008 show no improvement in these trends of declining real wages and escalating prices for consumer goods; see Maura Reynolds and Tiffany Hsu, “Annual inflation highest in 17 years,” and Tribune News Services report, “Fed report points to inflation, weakness,” *Chicago Tribune*, 15 August and 4 September 2008, 3:1 and 6, and 3:3. Also see Michael M. Grynbaum, “Living Costs Rising Fast, And Wages Are Trailing,” *The New York Times*, 15 August 2008, C3, C9.



Growing Income Inequality

Declines in Manufacturing employment and other higher-paying sectors, like Information Services, combined with growth in lower-paying service sectors have contributed to growing income inequality. National data show how post-1980 trends have worked to worsen income inequality in a dramatic way. Between 1970 and 1980, there was virtually no change in the income distribution. In fact, the share commanded by the top 5% actually fell slightly – from 17.2% to 16.5%. But the distribution for 2007 shows that the economic and fiscal policies initially adopted during the early 1980s and reinforced in 2001, which aimed at producing an upward redistribution of income, have worked quite effectively.

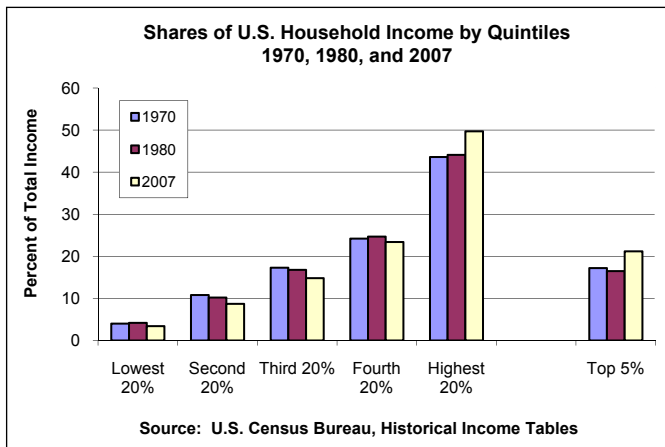
Taken together, the income share associated with the four bottom quintiles (i.e., the bottom 80% in household

STATE OF WORKING ILLINOIS 2008

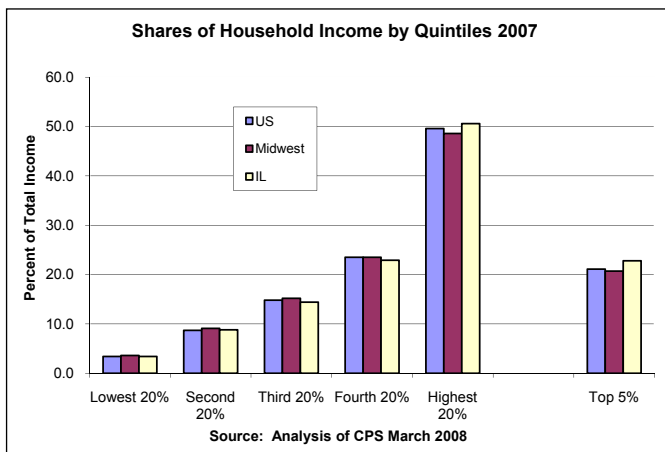
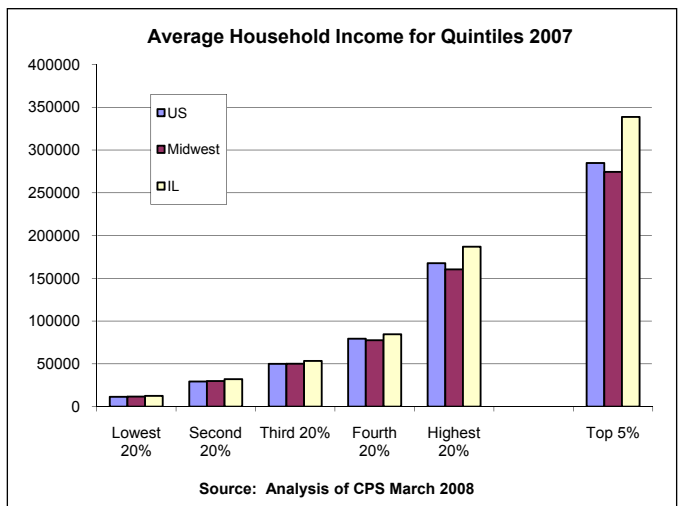
incomes) in 1980 was 55.9%, but by 2007 this share had shrunk to 50.3%. This means that the share of income held by the overwhelming majority of American households, literally eight out of ten, has dropped. Only those in the wealthiest 20% of all households realized an increase in overall income during the period – from 44.1% to 49.7%. And the top 5% of income earning households saw its share of income increase from 16.5% to 21.2%. Shifting employment patterns, which are themselves at least in part responses to national economic policies, are not the sole cause of this drastically worsening inequality in the distribution of income, but they clearly played a material contributing role.

households in Illinois account for 22.8% of income, higher than the top 5% garners nationally (21.1%) or in the region (20.7%).

The severity of existing income inequality is starkly illustrated by the differences in average annual household incomes for each of the income quintiles and for the wealthiest 5% of households. The lowest income quintile in Illinois had a meager household income of only \$12,594, slightly above the national and regional averages for this income category, but not nearly enough to cover typical living expenses. Meanwhile, the wealthiest 20% of Illinois households earned \$186,957 on average, well above the national and regional averages for this quintile. But the income gap becomes even more dramatically evident when compared to the average income of \$338,702 of the top 5% of Illinois households. The average income for the top 5% of earners in Illinois is \$53,897 more than the top 5% nationally and \$64,333 more than the Midwest's top 5%.



Current measurement of income inequality shows that it is even more severe in Illinois than it is nationally or in the region as a whole. In Illinois, those fortunate to be in 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 26.6%, which is only minimally larger than the income share earned by the state's top 5% of households (22.8%). The highest earning quintile in Illinois also accounts for a larger share of income than it does in the nation (49.6%) or the Midwest (48.6%). And the top 5% of income-earning



The Illinois Labor Force: Composition and Characteristics

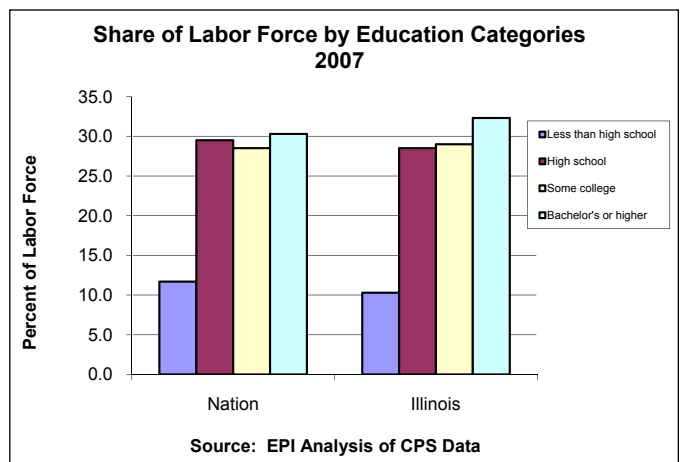
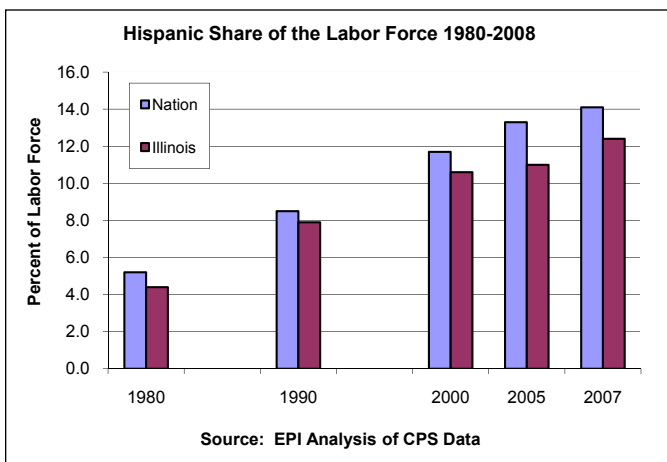
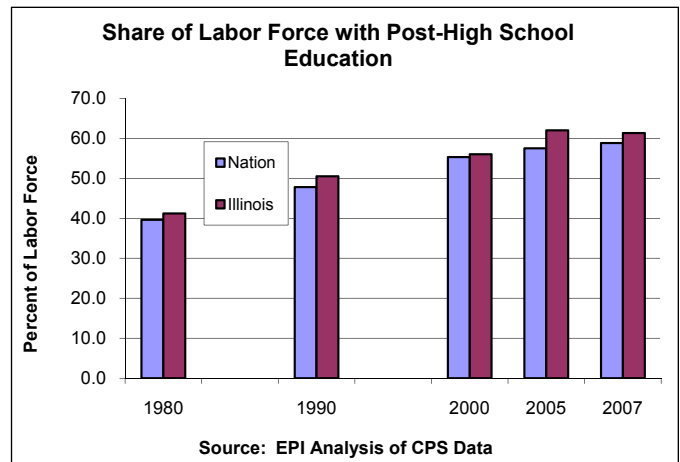
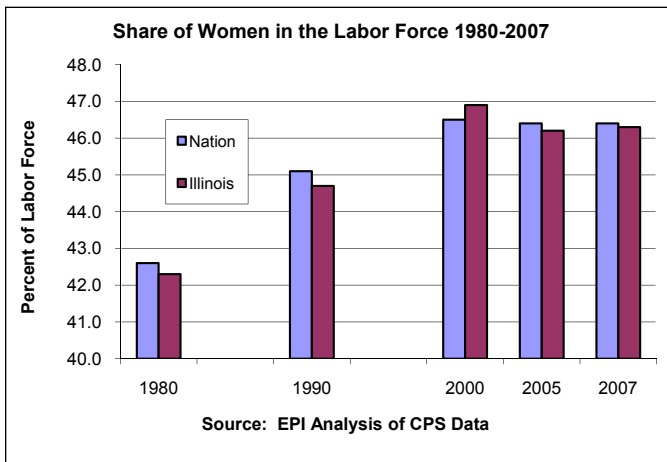
The Illinois labor force has grown in size since 1990, and there have been economically significant shifts in its employment patterns across industrial sectors. At the same time as these changes were occurring, the demographic composition of the state's labor force was also changing. Just as the state's overall population has become more diverse over the past 18 years, so has its labor force.

One of the more significant changes was that, beginning slowly in the 1970s and accelerating in later decades, larger numbers of women sought employment outside of the home. As a result, the balance between men and women in the labor force changed: women grew from 42.3% of the state's workers in 1980, to a peak of 47.0% in 2002. But after reaching that high, the female share of the labor force fell slightly, dipping to 45.8% in 2006 then rising to 46.3% in 2007.

The Illinois labor force is also becoming more diverse ethnically and racially. Whites remain the dominant component of the state's labor force, but their share of the labor force dropped from 82.1% in 1980 to 69.9% in 2007. African Americans, Hispanics, and Asians collectively

made up only 15.7% of the Illinois labor force in 1980, but have since grown to 29.5% by 2007. The African American share peaked in 2000 at 13.5%, but fell by 2007 to 12.4%, just 1.1 percentage points above the 1980 level. The Asian share of the state's labor force nearly doubled between 1990 and 2007, growing from 2.4% to 4.7% in the latter year. But the largest shift in the ethnic/racial mix in the labor force was the growth of Hispanic participation. The Hispanic share of the labor force in Illinois increased from 4.4% in 1980 to 12.4% in 2007, still slightly lower than the group's share at the national level (14.1%). But for the first time, African Americans and Hispanics comprise identical shares of the Illinois labor force.

The Illinois labor force has also become much better educated over the past two decades. In 1980 only 41.2% of the state's workers had any educational experience beyond high school, and only 19.9% had achieved a college degree, which was close to the national rate of college educated workers (19.4%). Moreover, a fifth of the state's workers (20.5%) had failed to complete high school, again close to the national rate (20.7%). In the intervening decades, the state's proportion of workers with a college



degree grew to 32.3%, while the share of those who had failed to complete high school shrunk to 10.3%. By 2007, more than six of every ten workers in Illinois (61.3%) had some education beyond high school. On all of these measures, the state's performance surpassed that of the nation as a whole.

Ethnic/Racial Differences in Skills and Experiences

Access to the higher-paying jobs that are essential to upward mobility and the capacity to accumulate wealth over the course of a career depends on work experience and the skill sets that individuals bring to their jobs. By using age and education as reasonable proxies, we can examine differences in skill sets and experiences among the state's ethnic and racial groups (see Table 4).

Table 4
IL Ethnic and Racial Differences in Age and Education

	White (%)	African American (%)	Hispanic (%)
AGE CATEGORIES			
16 to 25	18.4	17.6	22.0
26 to 35	18.3	20.9	33.1
36 to 45	22.2	27.2	24.6
46 to 55	27.3	26.1	14.9
56 to 65	13.8	8.2	5.5
EDUCATION CATEGORIES			
Less than High School	6.0	10.9	38.6
High School Graduate	27.5	32.2	29.9
Some College	21.6	28.3	14.8
Associate's Degree	9.4	7.6	5.7
Bachelor's Degree or Higher	35.5	21.0	11.0

Source: Analysis of CPS March 2008

The state's ethnic and racial groups bring greatly dissimilar social characteristics to the labor market. Whites are by far the oldest group, with 13.8% in the oldest category and 41.1% over 45 years of age. Hispanics are the youngest group: only 5.5% are in the oldest category and 55.1% are under 36 years of age. African Americans are between these two extremes, with 38.5% under 36 and 34.3% over 45. Judging by age alone, Whites constitute the most experienced and Hispanics the least experienced workers.

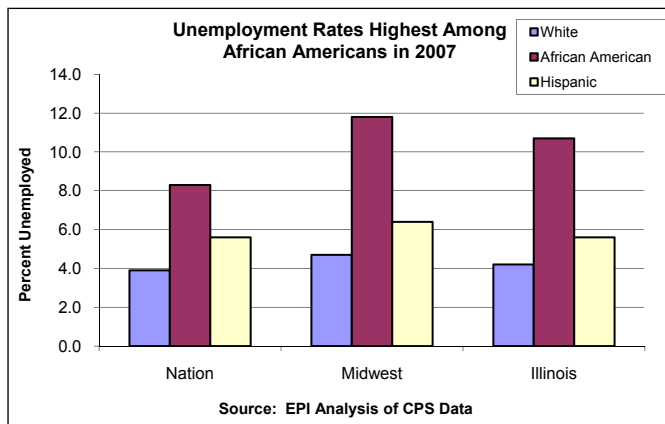
As a group, Whites are the best educated in the state's labor force. Nearly two-thirds (66.5%) of the Whites have some education beyond high school; and the largest category, 35.5% of them, have a bachelor's degree or more. Only a third of the White workers (33.5%) have no post-secondary education, and only 6% have failed to finish high school. Among African Americans, 43.1% lack education beyond high school, while 56.9% have had some post-secondary education. Only 21.0% of African Americans have earned at least a bachelor's degree, while 28.3% have had only some exposure to college. Over one-third of Hispanics in

the labor force (38.6%) have failed to finish high school, and another 29.9% have only a high school diploma. This means that over two-thirds of Hispanic workers (68.5%) have had no post-secondary education, while only 31.5% have. Just 11.0% of the Hispanics have earned at least a bachelor's degree, by far the smallest percentage among the state's main ethnic/racial categories. At a time when post-secondary training is increasingly required for good-paying jobs, the educational profile of Hispanic workers indicates that most of them face serious obstacles to future upward mobility and economic advancement.

The educational profiles of Whites and African Americans show higher proportions with post-secondary education and college degrees than Hispanics. The profiles for these two groups are also basically similar to each other, with the major exception of the much higher proportion of Whites with college degrees. But, as shown below, this narrowing of the education gap between Whites and African Americans has not eliminated wage differentials. In fact, at every level of education, even among those with college degrees, Whites in Illinois earn more on average than African Americans.

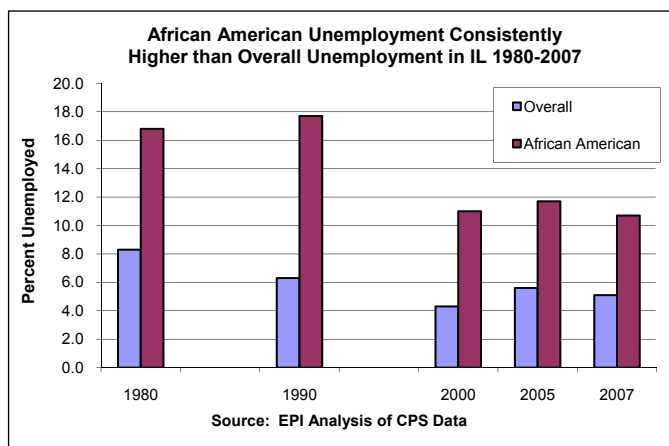
Ethnic/Racial Differences in Employment Patterns

While Hispanics are by far the youngest and least educated ethnic category of the state's 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%). This, despite the fact African Americans are on average better educated and older than their Hispanic peers, which would suggest that absent discrimination, the African American unemployment rate should be lower than the Hispanic rate. This pattern also characterized the nation and the Midwest, although the Illinois unemployment rate for African Americans was above the national (8.3%) and below the Midwestern rate (11.8%).

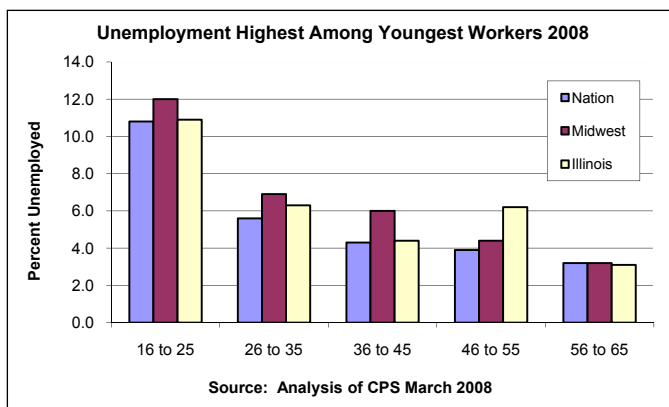


STATE OF WORKING ILLINOIS 2008

Relatively high unemployment has been a consistent characteristic of the African American labor force in Illinois. Whether economic conditions are good or bad, unemployment for African Americans is higher than the state's overall rate of unemployment. Typically, it has been at least double, and sometimes nearly triple, the overall rate of unemployment in the state. This persisting condition by itself suggests that something more than impersonal labor-market dynamics are operating to produce the comparatively high rates of joblessness for African Americans.



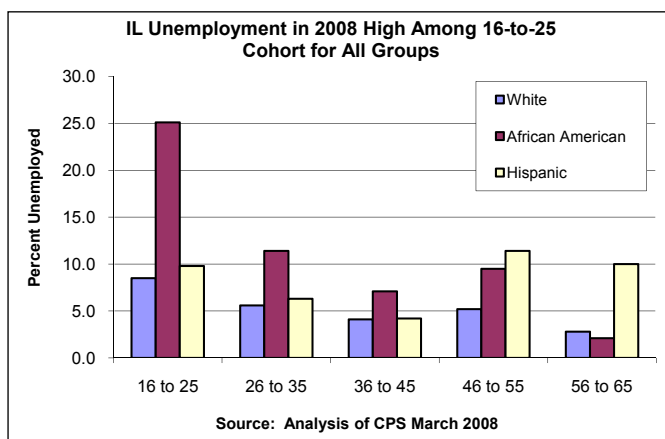
Age is also related to the unemployment rate. Not surprisingly, unemployment is highest among the youngest age cohort, the 16-to-25 year-old group. This is the case in the state, the region, and the nation. The 2008 unemployment rate for this youthful group of Illinois workers was 10.9%, below the region's rate (12.0%), and about the same as the national rate (10.8%). However, joblessness in 2008 among the youngest cohort in Illinois was 3.9 percentage points above its 2007 level.



The pattern of high unemployment among the youngest age cohort characterized all of the state's major ethnic and racial categories. Yet again, joblessness was especially

high among young African Americans as compared to Whites and Hispanics, with: 25.1% of African Americans aged 16-to-25 and 11.4% of African Americans aged 26-to-35 out of work. In 2008, unemployment among the youngest group of African Americans was 9.5 percentage points higher than it had been in 2007. It is the very high rates of unemployment among these two age cohorts of African Americans that work to push the group's total rate of joblessness above that of the overall rate of Illinois. It also has potentially long-term, negative implications for African American workers in the future, since the unemployed generally are not gaining either the hard or soft skills needed to obtain future employment.

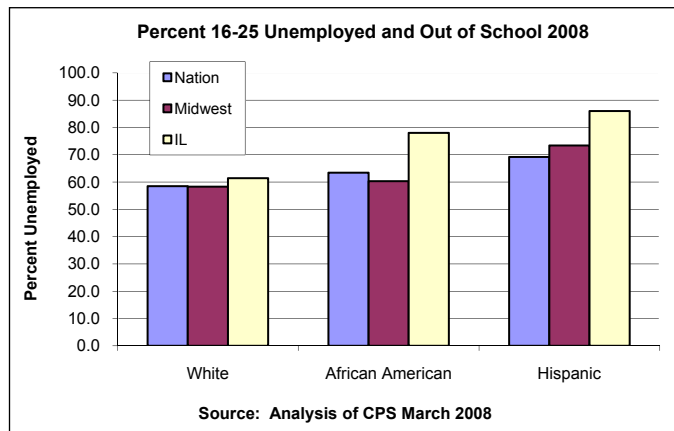
Unemployment among the youngest Hispanic cohort (9.8%) was higher than the White rate (8.5%), and these rates were higher than those for the other age cohorts of both groups, with the exceptions of the 11.4% and 10.0% rates for the two-oldest cohorts of Hispanics.²³ This differential for Hispanics suggests that language issues may be acting as more of a barrier for older Hispanic workers than for other Hispanics.



Among those unemployed in the youngest cohort in Illinois, 61.4% of the Whites, 78.0% of the African Americans, and 86.0% of the Hispanics are both out of work and out of school. This means that over 42,000 White youth, 29,000 African American youth, and better than 15,000 Hispanic youth are neither working nor pursuing an education that would enhance their future employment prospects. The fact that these young people are neither working nor pursuing educational opportunities leaves them particularly vulnerable to long-term detachment from employment and to the social problems that result from that condition. For all three groups, the rates of "dual detachment" are higher in Illinois than they are for the

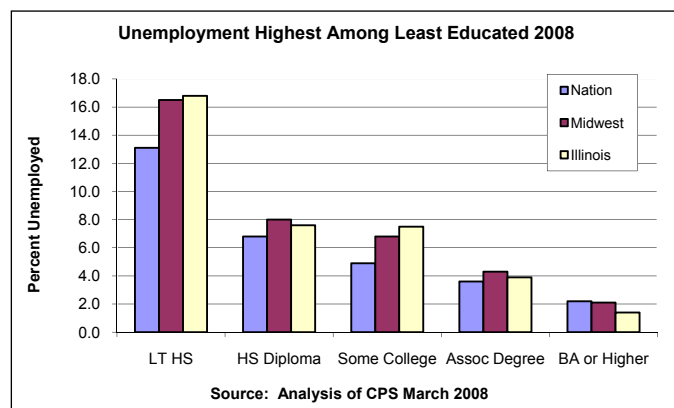
²³ In 2007 Hispanics registered unemployment rates for the two-oldest cohorts that were higher than that for the youngest group. Since that pattern recurred in 2008, it may not be an anomaly due to sample size.

nation or the Midwest, but the gaps are especially large for African Americans and Hispanics.²⁴ Part of this may be related to the delivery of K-12 education in Illinois, given that over 93% of the state's African American students, and over 60% of its Hispanic students, attend school districts with poverty rates in excess of 30%.²⁵



Education a Key Factor in Employment

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. 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. In the Midwest as a whole, persons with less than a high school diploma are nearly eight times more likely to be jobless than those with a B.A. or more, and almost

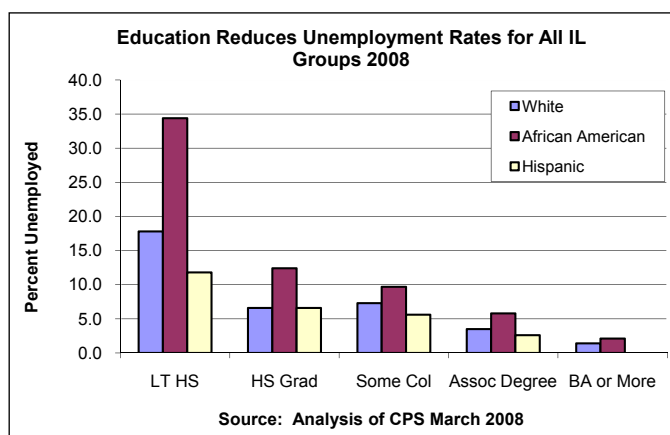


24 The White rates are within about 3 percentage points across all three levels. The "dual detachment" rate for African Americans in the nation is 63.4% and 60.3% in the Midwest. The corresponding rates for Hispanics are 69.2% for the nation and 73.4% for the region.

25 Center for Tax and Budget Accountability, *Money Matters: How the Illinois School Funding System Creates Significant Educational Inequities that Impact Most Students in the State* (Chicago, IL: September 2008).

six times more likely at the national level. Within each of these geographies, the relationship is straight forward: the higher the level of educational attainment, the lower the rate of unemployment.

This same relationship persists when we examine the main ethnic and racial categories in Illinois. Among Whites, African Americans, and Hispanics, with a single exception, the unemployment rate declines as the level of educational attainment increases.²⁶ For example, the jobless rate for Whites fell from 17.8% for those with less than a high school diploma to 1.4% for those with a B.A. or better. Similar declines occurred among African Americans – from 34.4% to 2.1% -- and Hispanics – from 11.8% to less than 1.0 percent.



At every level of educational attainment, however, joblessness among African Americans was higher than among Whites or Hispanics. For African Americans with less than a high school diploma, the unemployment rate was almost three times that of Hispanics and nearly double that of Whites with the same education. For African Americans with some college, joblessness ran more than two percentage points higher than that of Whites and over four percentage points above Hispanics. Even at the highest educational level, those with a B.A. or more, African American unemployment was almost a percentage point higher than college-educated Whites and over two percentage points above the Hispanic rate. Comparatively high unemployment rates irrespective of the educational accomplishment of African Americans strongly suggests the operation of discriminatory mechanisms in the labor market.

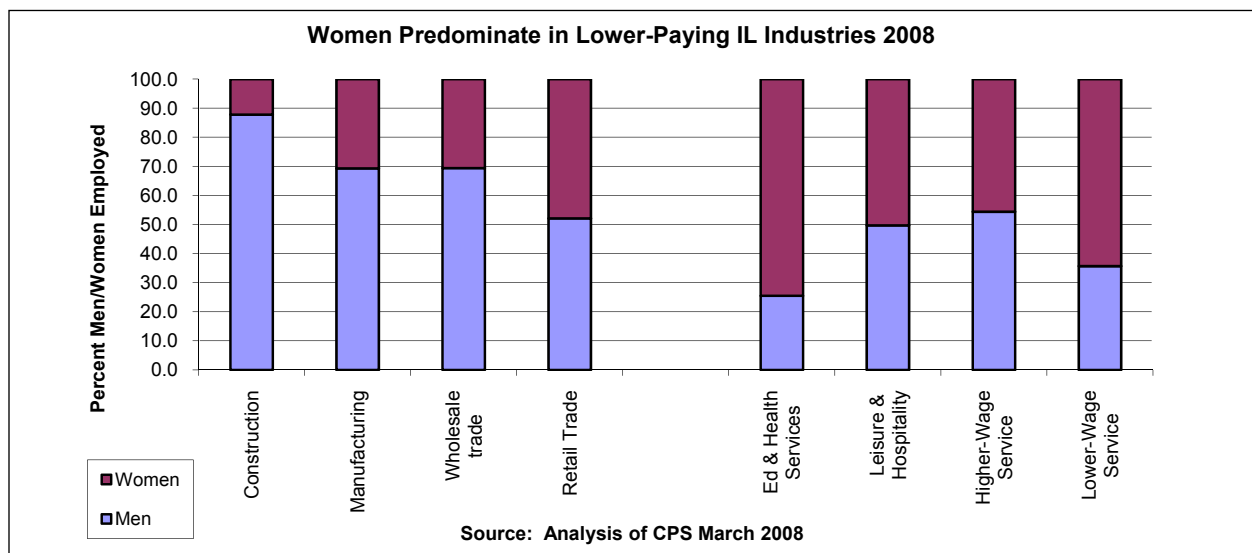
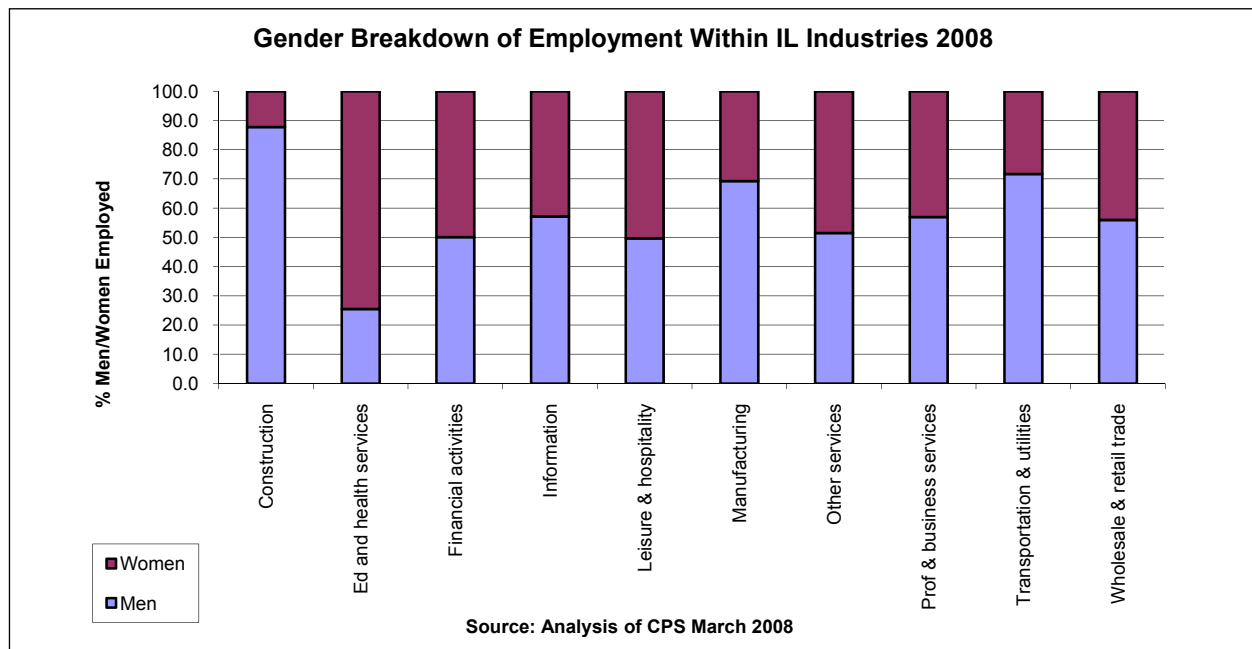
26 The exception: Whites who are high school graduates have a 6.6% unemployment rate, while those who have had some college have a 7.3% rate.

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 diversity, while increasing in the labor force generally, has not been spread evenly across industries, or even nearly so. 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 make up nearly three-quarters (74.5%) of all employees. Meanwhile, women constitute a minuscule 12.2% of the workers in the Construction sector. Women make up larger shares of the workers in Manufacturing (30.7%) and Transportation

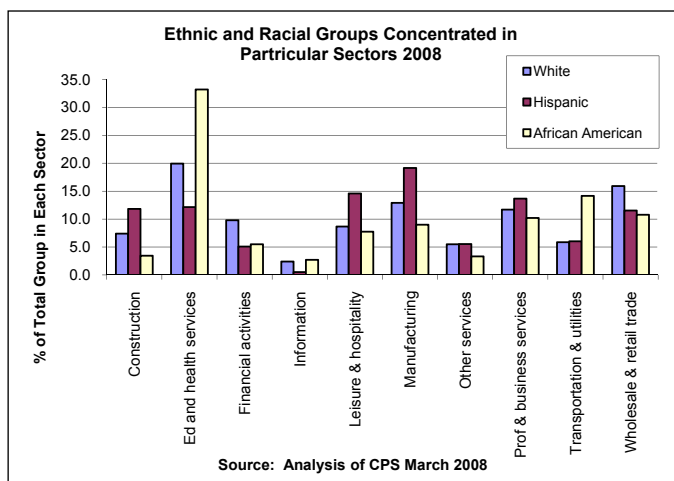
and Utilities (30.3%), two other higher-paying sectors, but they still represent less than one-third of the workers in either. These data indicate that employers in some sectors are still resistant to hiring women.

As a result, women appear to be gaining employment opportunities mainly in lower-paying sectors. Women predominate in lower-paying service activities, making up 64.3% of the employees in these sectors; but they constitute only 45.6% of the employees in higher-paying service activities. Women make up 44.0% of the combined Wholesale and Retail Trade sector, but a more detailed breakdown shows that men constitute 69.4% of the employees in the higher-paying Wholesale Trade sector, while women are 47.9% of the workers in the



lower-paying Retail Trade sector.²⁷ Moreover, within each of these categories of activity, men earn more on average than women. In 2007, men holding jobs in Wholesale Trade earned on average \$1040 per week, while women earned only \$762. In Retail Trade men earned on average \$735 per week and women \$448. Thus, men not only remain disproportionately concentrated in better-paying industrial sectors, but even within sectors men typically earn more on average than women.

Patterns of disproportionate employment – though with somewhat more access to higher-paying jobs – also appear in Illinois when analyzing workers across major ethnic and racial groups. Particular ethnic and racial groups tend to concentrate in specific industries. For example, 19.2% of all Hispanic workers are employed in the Manufacturing sector. As a result, Hispanics in 2008 comprise 20.2% of the Manufacturing workforce in Illinois, even though they constitute just 12.4% of the state’s total workers. Hispanics also make up 22.1% of the total number of workers in the Construction sector, a sector in which African Americans historically have had particular difficulty in gaining employment.²⁸ Hispanics are also heavily employed in the Leisure and Hospitality sector: 14.6% of all Hispanic workers are in this sector, where they comprise 21.8% of all workers. On the other hand, Hispanics were only 3.3% of the workers in Information Services, 8.2% in Education and Health Services, and 8.3% in Financial Activities.



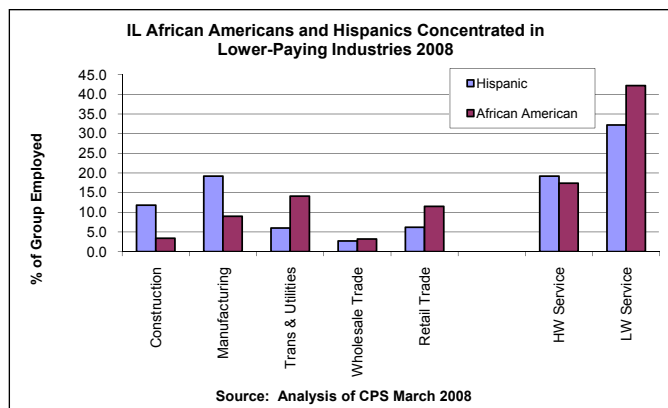
The largest share of the state’s African American workers (33.2%) are employed in the Education and Health Services sector, where they comprise 21.4% of the sec-

²⁷ The average weekly earnings for all employees in Wholesale Trade in 2007 was \$959, while in the Retail Trade sector the corresponding level of earnings was only \$593. These and other weekly earnings data are from an analysis of the Current Population Survey Outgoing Rotation Group (ORG) for 2007.

²⁸ In 2008 African Americans were 12.4% of the state’s workforce, but they were only 6.1% of the total employees in the Construction sector.

tor’s total employment. Only 14.1% of the state’s African American workers are employed in the Transportation and Utilities sector, but that represents 27.0% of the sector’s employees. Patterns of under-representation of African Americans continue, however: African Americans make up just 6.1% of all workers in the Construction sector and 8.5% in both Financial Activities and Other Services.

Compared to women as a group, slightly higher proportions of African Americans and Hispanics in Illinois found employment in higher-paying industries, like Construction, Manufacturing, and Transportation and Utilities. Nevertheless, 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, only 19.2% of the Hispanic workers and 17.4% of the African Americans hold jobs in higher-paying service activities.



Since Whites account for 69.9% of the state’s workers, they also comprise a majority of the employees in all industrial sectors. They exceeded their proportionate share of the workforce in four higher-paying sectors: Construction (70.4%), Financial Activities (78.0%), Information Services (75.5%), and Wholesale Trade (75.8%). They are also highly represented in one of the components of the lower-wage service group, Other Services (72.3%). Overall, Whites made up only 66.6% of lower-wage service employees, but 72.1% of those in higher-wage service jobs.

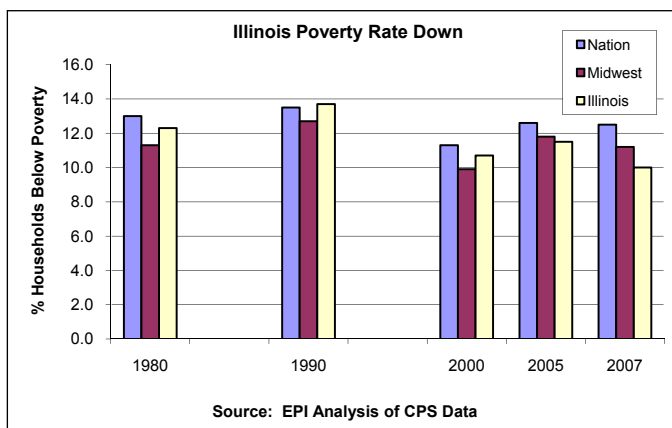
Any one of several factors could be operating to produce these patterns of ethnic/racial concentration. The skills, experiences, and education levels that individuals bring to the labor market may limit their options. Networks of friends and relatives may provide access to sectors where employment is known to be available. Or, discriminatory employment practices may be operating. Regardless of which factors are working, the outcome is that access to job opportunities, earnings, and future economic mobility and security is at least somewhat related to race and ethnicity.

Changes in Earnings and Job Security

Poverty and Household Income

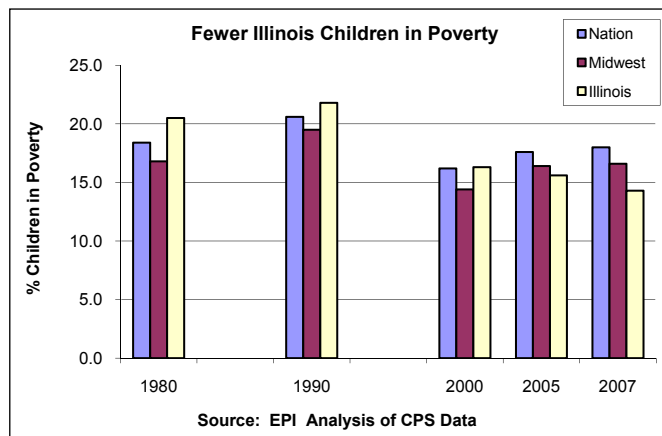
The economic trends that have impacted both the nation and Illinois over the past two decades have not invariably been beneficial to the state's workers and their families. As a result, and even before the effects of the current housing and financial crises have been registered, the economic security of the state's workers has not been substantially boosted.

While there is a virtual consensus that the current way the federal government measures poverty is flawed and inaccurate, Illinois's performance on the indicator has improved slightly in recent years.²⁹ The proportion of Illinois households falling below the official poverty line dropped during the economically prosperous 1990s, reaching a recent low of 10.1% in 2001. That rate was the second highest in the Midwest and was half a percentage point above the regional rate.³⁰ But as the effects of the 2001 recession and the terrorist attacks in September of that year reverberated throughout the economy, the poverty rates for Illinois, the Midwest, and the nation all moved upward. But Illinois rebounded fairly quickly, and by 2005 its household poverty rate (11.5%) was below the region's and was the second-lowest in the Midwest. The state's poverty rate continued to drop in 2006 (to 10.6%) and reached a new low point of 10.0% in 2007. The Illinois poverty rate in 2007 was below the national and regional levels and was lower than that of any other state in the Midwest.



The measure of poverty among the state's children has generally followed the same trajectory as the household poverty rate. It improved throughout the 1990s, hit a low point in 2001 (15.8%), then worsened over the following

three years, reaching 18.1% in 2004. But the proportion of Illinois children below the poverty line has been dropping annually since 2004. By 2007 it was 14.3% -- even below its 2001 level -- lower than the national rate and the lowest rate among the five states of the Midwest.



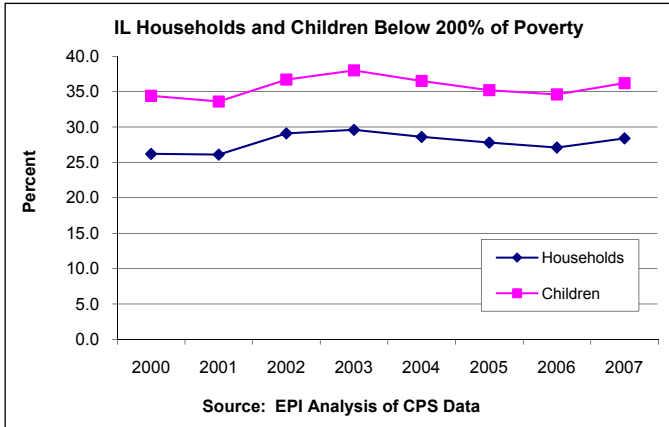
The official poverty line is very broadly recognized as an unrealistically low indicator of whether a family has sufficient income to support itself. For example, the national poverty guidelines issued by the Department of Health and Human Services establish the poverty threshold for a family of four at \$21,203 for 2007. Several years ago, the Economic Policy Institute (EPI) completed an analysis of the income needed to cover the bare essentials for a family of four both in rural Illinois and in Chicago.³¹ Adjusting EPI's analysis to 2007 dollars, a subsistence budget for a family of four in rural Illinois would require \$40,125 annually, almost double the official poverty level. In Chicago, the same subsistence budget would require \$48,166, more than double the federal poverty standard.

Given the cost of a subsistence budget in Illinois, it is far more realistic to use 200 percent of poverty (the "Subsistence Level") as the measurement for whether a family's annual income is at least adequate to cover basic living expenses. Both the percent of households below 200% of poverty and the percent of children below that level moved over time in about the same fashion as the general poverty rate. That is, they dropped during the booming 1990s, and then began increasing after 2001. Both measures peaked in 2003: the household indicator at 29.6%, and the percentage of children at 38.0%. Both also declined annually thereafter through 2006, but turned upward again in 2007. In that year the percentage of households below 200% of poverty was 28.4%, and the

29 Rachel L. Swarns, "Bipartisan Calls for New Federal Poverty Measure," *The New York Times*, 2 September 2008, pp. A14 and A21.

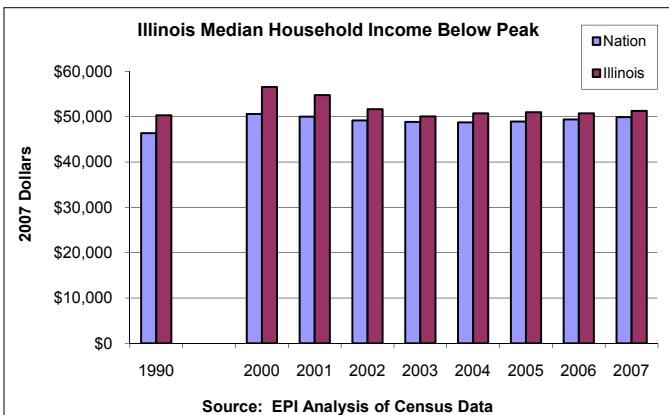
30 Only Ohio's 10.5% rate was higher than the Illinois rate in 2001.

31 Sylvia Allegretto, "Basic Family Budgets" (Washington, D.C.: Economic Policy Institute, 2005).



percentage of children in the same category was 36.2%. Both of these levels were below the 2003 peak but well above the 2001 lows of 26.2% for households and 34.4% for children.

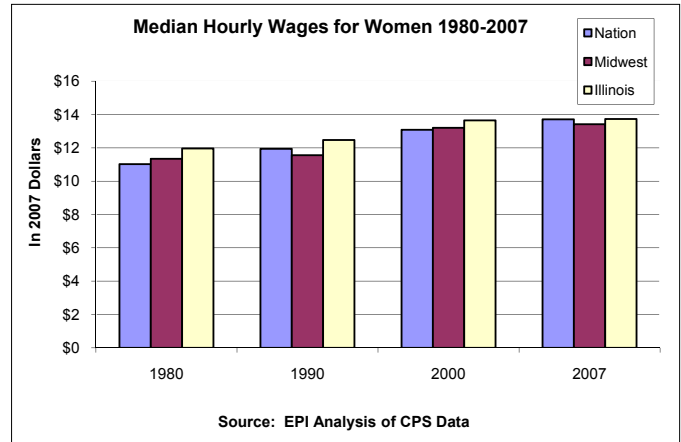
It isn't just those at the bottom of the economic ladder who have felt the effects of recent economic trends. Measured in constant (2007) dollars, the state's median household income has declined from its 1999-2000 peak of \$56,550.³² The measure reached a low of \$50,067 for 2002-03, which was \$6,483 (or 11.4%) below the peak. Thereafter the state's median household income measure inched upward and for 2006-07 stood at \$51,274, which was \$1,207 (or 2.4%) above the 2002-03 low point but still -\$5,276 (or -9.3%) below the 1999-2000 peak. Viewed over a longer time perspective, the 2006-07 median household income in Illinois was \$976 (or 1.9%) above the level registered in 1989-90. Given much sharper increases in the costs of items that comprise basic family budgets, it is hard to escape the conclusion that most working families in Illinois have experienced deterioration in their living standards.



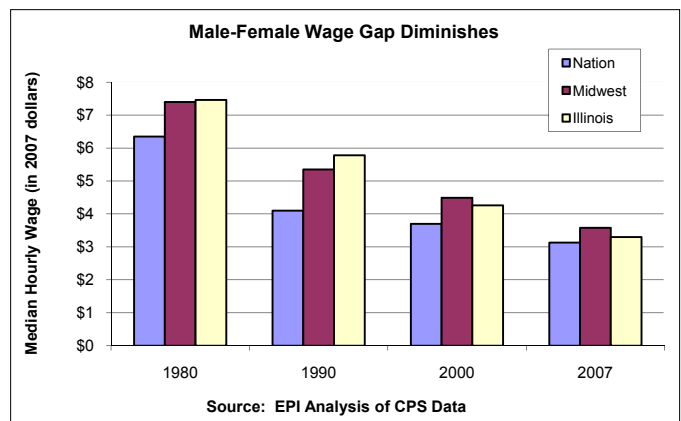
³² To avoid distortion caused by short-term economic changes, the measure for median household income averages the income for two years. In this case, the measure is a two-year moving average, i.e. each year is used as both the first and the second of the two years—e.g., 2000-01, 2001-02, 2002-03, etc. In the accompanying graphic, the years indicated are the second of the two; e.g. 2000 is the two-year moving average for 1999-2000, 2007 is the two-year moving average for 2006-07, and so on.

Persisting Wage Gaps

Viewed over time, there have been some notable changes in the economic standing of major demographic groups in Illinois. For example, median hourly wages for women have increased, reaching \$13.73 in 2007.³³ This represented a gain of \$.08 (0.6%) since 2000, but a somewhat more striking gain of \$1.77 (14.8%) since 1980. Median hourly wages for women in Illinois have consistently been higher than at the national or regional levels.



The incremental growth in median hourly wages for women since 1980 has not been large enough to eliminate the male-female wage gap. The difference between the median hourly wages of men and women in Illinois in 1980 was \$7.46, which was higher than the corresponding differential in the nation or the Midwest. This gap narrowed over time, reaching \$3.30 per hour in 2007, a 55.7% reduction over the intervening 27-year period. While this represents some progress toward equality, the Illinois wage gap between men and women in 2007 still remained 5.4% (or \$.17 per hour) higher than the national wage gap, although it was 7.8% (or \$.28 per hour) below the gender-based wage gap in the Midwest as a whole.



³³ Here and throughout this section, hourly and weekly earnings are expressed consistently in 2007 dollars. The earlier discussion of declining inflation-adjusted wages at the sectoral level used BLS data which was reported in 2008 dollars.

Although small in recent years, the increases in real hourly wages for women have been an important factor in cutting the male-female wage gap. But an even more significant contributor to that development has been the fact that real median hourly wages for men have declined by \$2.39 (or 12.3%) since 1980. Measured in inflation-adjusted (2007) dollars, the increase in women’s median hourly wages since 1980 accounts for 42.5% of the total decline in the wage gap in Illinois, while the erosion of real wages for men contributed 57.4%.

There has been a steady decline in the male-female wage gap over the past 27 years. In 1980, women on average earned about \$.62 for every dollar earned by their male counterparts; by 2007 this earnings ratio had improved to nearly \$.82 for every dollar of male earnings, a 33.8% increase. Nevertheless, despite this obvious progress, it is still the case that in Illinois in 2007 women earned on average 19.3% less than their male counterparts. Moreover, as the data in Table 5 show, the gender-based wage gap is considerably larger in several important industries in Illinois.³⁴

Table 5
Male-Female Wage Differences 2007

	Median Hourly	Average Weekly
Accommodation and Food Service	\$1.50	\$155
Education Services	\$2.01	\$173
Finance and Insurance	\$11.85	\$549
Health Care and Social Assistance	\$4.72	\$350
Information Services	\$10.94	\$329
Prof., Scientific and Technical Services	\$10.33	\$536
Retail Trade	\$3.98	\$287
Wholesale Trade	\$2.93	\$278

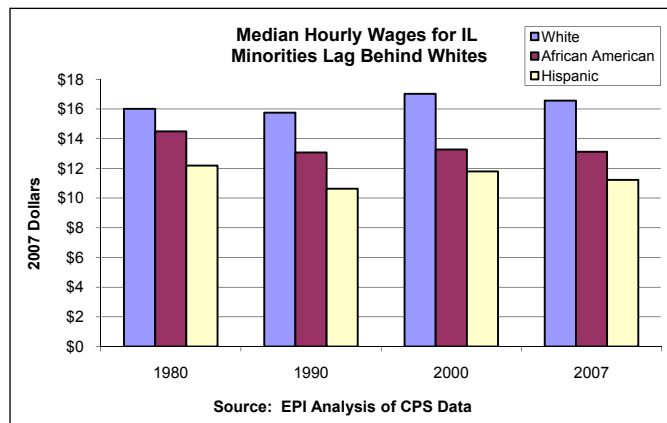
Source: Analysis of CPS March 2008

Examining the wages paid to the state’s major ethnic and racial groups reveals a significantly more pronounced pattern of unequal outcomes. So, while the male-female wage gap narrowed between 1980 and 2007, those between Whites, on the one hand, and African Americans and Hispanics, on the other, have worsened.

Median hourly wages for Whites in Illinois have been consistently higher over the years than those for African Americans and Hispanics. Moreover, while inflation-adjusted wages for Whites increased modestly between 1980 and 2007 (by \$.55 per hour, or 3.4%), those for African Americans and Hispanics declined. Median hourly wages for African Americans dropped by -\$1.37 per hour (or -9.4%) between 1980 and 2007, while those for Hispanics declined by -\$0.97 per hour (or -7.9%) during the same period.

As a result of this two-way movement, the wage gap in

³⁴ The data in the table show by how much the male wage exceeded the female wage in each of the itemized industries.



Illinois between Whites and minorities worsened considerably. The gap between the median hourly earnings of Whites and African Americans grew from \$1.52 in 1980 to \$3.44 in 2007. This represents an increase of \$1.92 per hour (or 126.3%) since 1980. The gap between the earnings of Whites and Hispanics has been consistently larger than the gap between Whites and African Americans. It grew from \$3.82 per hour in 1980 to \$5.34 in 2007, an increase of \$1.52 per hour (or 39.7%).

An examination of the earnings ratios between Whites and each minority group starkly illustrates the latter’s deteriorating position. In 1980, African Americans in Illinois on average earned about \$.91 for every dollar earned by their White counterparts. By 2008, that ratio had slipped to only \$.79. Hispanic workers in 1980 earned about \$.76 for every dollar earned by White workers, but by 2008 the corresponding earnings ratio was only \$.68.

A closer analysis of earnings differences within important industries shows additional income inequality. In each of the industries displayed in Table 6, there is a gap between the average weekly earnings of Whites, on the one hand, and African Americans and Hispanics, on the other.³⁵ The gaps in some of the higher-paying activities are especially large. For example, Hispanics are increasingly finding employment in the Construction and Durable Goods Manufacturing sectors, which are higher paying. But the data in Table 6 show that in those sectors (as well as in others) their average weekly wages lag considerably behind their White co-workers, and the size of the disparity in both cases is greater than would have resulted from the general gap in hourly wages.³⁶ Thus, as the data in Table 6

³⁵ The data in Table 6 reflect the differences between the average (i.e., mean) weekly earnings of Whites in 2007 and those of African Americans and Hispanics. All of the earnings data were expressed in 2007 dollars, and positive numbers indicate higher White earnings.

³⁶ The overall White—Hispanic median hourly wage gap is \$5.34 per hour. Assuming a 40-hour work week, that would produce a gap in weekly earnings of \$214. Gaps larger than that cannot be explained solely by the general gap in hourly wages. For African Americans, who had a hourly gap of \$3.44 with Whites, the predicted gap in average weekly earnings would be \$138.

suggest, even when African Americans and Hispanics are able to secure jobs in higher-paying sectors, they typically do not earn as much from that employment as their White co-workers.

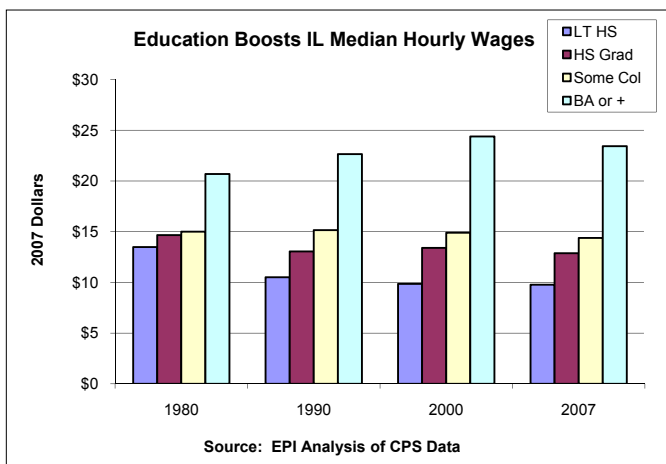
Table 6
White-Minority Differences In Average Weekly Earnings 2007

	African American	Hispanic
Accommodation and Food Service	\$40	\$57
Construction	\$132	\$273
Durable Goods Manufacturing	\$298	\$382
Finance and Insurance	\$322	\$254
Management, Administrative & Support	\$138	\$212
Health Care & Social Assistance	\$165	\$247

Source: Analysis of CPS 2007 ORG File

Education Boosts Wages and Income

As the Illinois economy has changed over the past decades, so have the requirements for good-paying jobs. The decline of manufacturing jobs and the growth of service activities have shifted the skill sets needed to access and retain good-paying jobs. As a result, wages vary ever more closely with skills, or with what can serve as a proxy for them, educational attainment. An examination of median hourly wages by education levels illustrates this development.



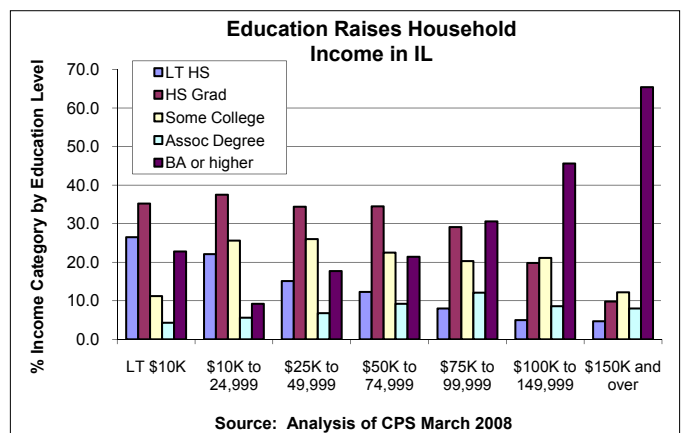
Expressed in real (2007) dollars, between 1980 and 2007, median hourly wages for those without a high school diploma fell by -\$3.71 (-27.5%). Persons with only a high school diploma experienced a -12.1% decline (-\$1.78 per hour). Workers with some college but no degree saw their median hourly wage drop by -\$0.62 (-4.1%). Only those with at least a college degree experienced any gains: \$2.74 per hour (13.2%).

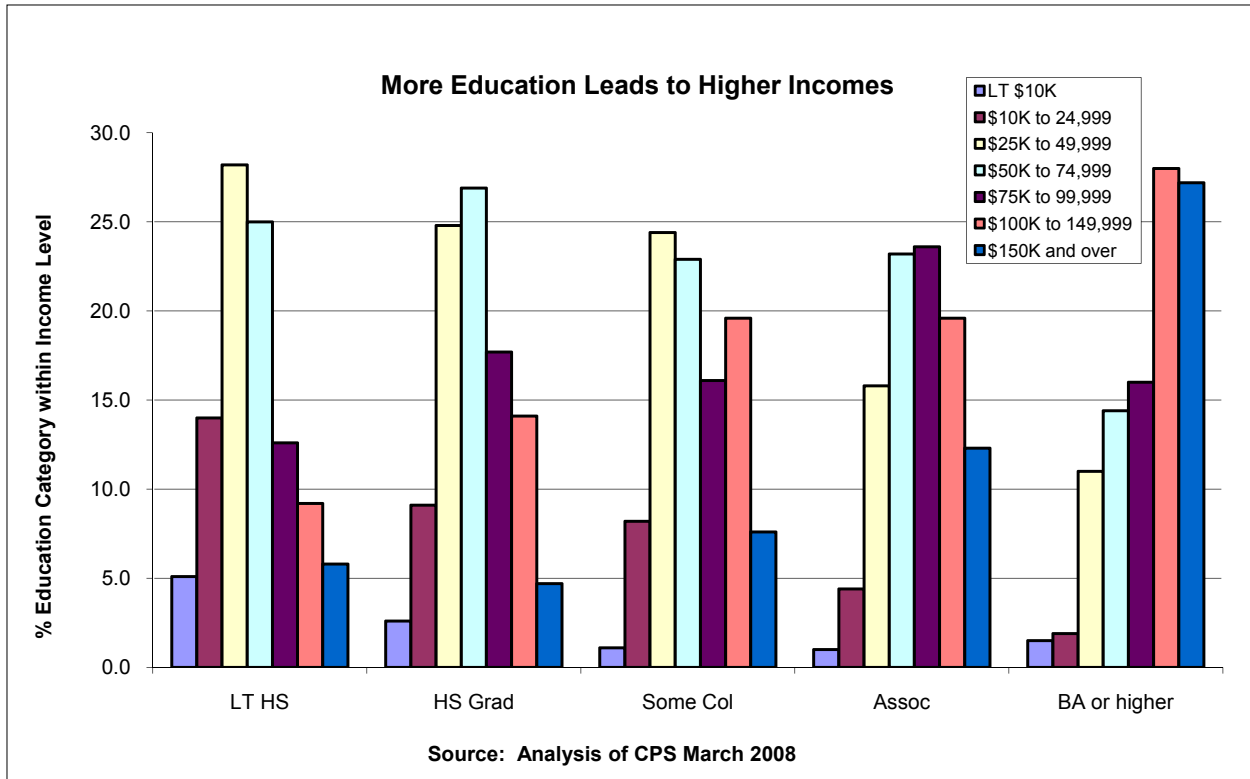
While median wages over time have consistently varied directly with levels of educational attainment, the relationship has grown stronger. In 1980, the median hourly wage for those with a high school diploma was 65.1%

of the size of the corresponding wage for those with at least a college degree, and the difference between the two median hourly wages was \$7.21. By 2007, those with less than a high school diploma were earning a median hourly wage that was only 41.6% of that earned by those in the top education category, and the gap between the two median wages had grown to \$13.66, an 89.4% jump from the size of the 1980 gap.

Workers with only a high school diploma didn't fare much better. Those with only high school diplomas in 1980 earned a median hourly wage that was 70.8% of the corresponding wage earned by those with at least a college degree, and the gap between the two medians was \$6.03 per hour. By 2007, the median hourly wage earned by those in the category of high school graduates was only 54.9% of that earned by persons in the top education category, and the gap between the two medians had increased to \$10.55 per hour, a 74.9% increase. This deterioration in wage status for those lacking a post-secondary education demonstrates that they are more likely to be consigned to lower-paying jobs that lack pathways for significant upward economic mobility and income security.

In light of the strengthened relationships between hourly wages and educational attainment, it is not surprising that household income in Illinois is strongly linked to education levels. Workers with low levels of education clustered in the lower-income categories. Of those with less than a high school education, 47.3% earned less than \$50,000, as did 36.5% of those who had only graduated from high school. It was only as workers moved up the education ladder – and especially as they attained a post-secondary credential – that the household incomes they reported improved appreciably. Of those who had achieved an associate degree, 55.5% earned \$75,000 or more. Among those with at least a B.A. degree, 71.2% earned \$75,000 or more, and 27.2% of them – more than double the proportion of any of the other education categories – were in the top category of income earners, making \$150,000 per year and over.





Minorities Lag in Education and Income

The state’s largest minority groups – African Americans and Hispanics – generally have lower levels of education than Whites, so it is not surprising that their household incomes cluster toward the lower categories. Among African Americans, 51.5% earned less than \$50,000, as did 52.1% of the state’s Hispanics. Only 32.2% of White households fell into these three lowest categories of earnings. At the other end of the income scale, while African Americans and Hispanics have improved their shares of income in recent years, they still lag considerably behind Whites. Only 28.5% of the state’s African Americans, and 22.9% of its Hispanics earn \$75,000 or more, while 47.0%

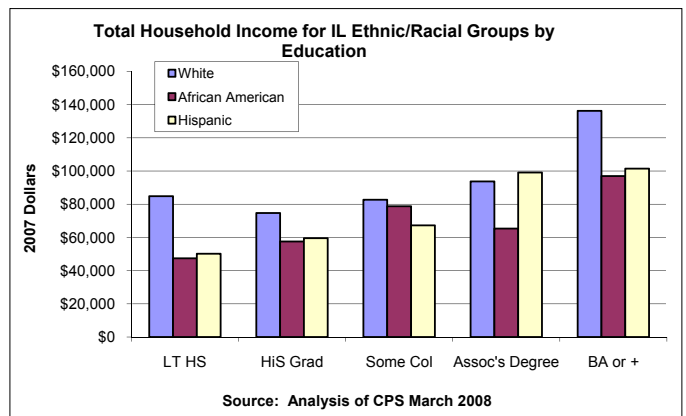
of the Whites earn at that level. Finally, only very small proportions of African Americans (4.8%) and Hispanics (2.3%) fall into the top earnings category — \$150,000 or more — but 13.1% of the Whites reported earnings at this level.

While African American and Hispanic households lag behind Whites, increased educational attainment works powerfully to boost the incomes of these groups. For all of the state’s major ethnic/racial groups, increased education levels correlate with higher household incomes. Moreover, within each of these groups, household incomes for those with a college degree is substantially higher than for those who have only attained a high

Table 7
Percent of Each Group in Illinois Within Each Income Category

Income Category	White (%)	African American (%)	Hispanic (%)
LT \$10K	2.8	6.6	3.6
\$10K to 24,999	8.3	15.4	11.8
\$25K to 49,999	21.1	29.5	36.7
\$50K to 74,999	20.8	20.0	24.9
\$75K to 99,999	15.4	12.2	12.1
\$100K to 149,999	18.5	11.5	8.6
\$150K and over	13.1	4.8	2.3
TOTAL	100.0	100.0	100.0

Source: Analysis of CPS March 2008

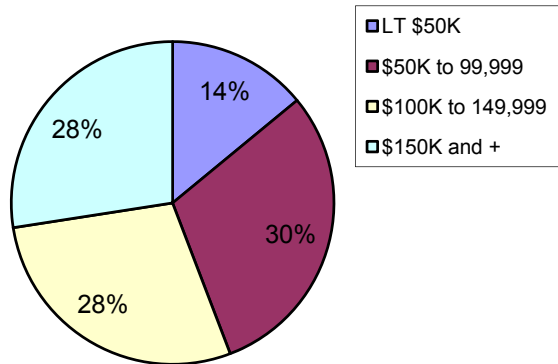


school diploma. For African Americans, the average annual income for those with a college degree is 1.6 times higher than that for high school graduates, 1.6 times higher for Hispanics, and 1.8 time greater for Whites. This demonstrated importance of educational attainment to higher earnings obviously raises questions concerning access to quality K-12 education generally, the increasing costs of post-secondary training specifically, and the extent to which these factors operate to restrict opportunity for different, ethnic, racial, and income groups.

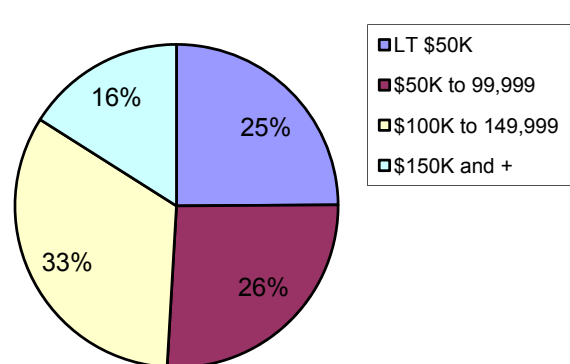
Education does not eliminate all income disparities between Whites and minorities. Even when education is taken into account, Whites retain a clear earnings edge over African Americans and Hispanics. For example, among Whites with a college degree, 55.7% earn over \$100,000 per year, and 27.4% of Whites are in the highest earnings category, \$150,000 or more. Smaller proportions of African Americans and Hispanics have at least a bachelor's degree (21.0% and 11.9%, respectively), but even at-

taining this level of education does not increase incomes as broadly for them as it does among Whites. Only 43.6% of the African Americans with college degrees, and 47.5% of the Hispanics who are college educated, achieve the \$100,000 annual earnings level. And among college educated African Americans and Hispanics, only 14.6% and 15.5%, respectively, fall into the top category of income earners. As these data show, even at the highest level of educational attainment, appreciably greater percentages of Whites than African Americans and Hispanics realize top economic benefits. While the route to increased household incomes for these minority groups in Illinois is clearly through education, the substantial disparities in earnings that persist even within the same high level of educational accomplishment reinforce earlier suggestions of unequal outcomes.

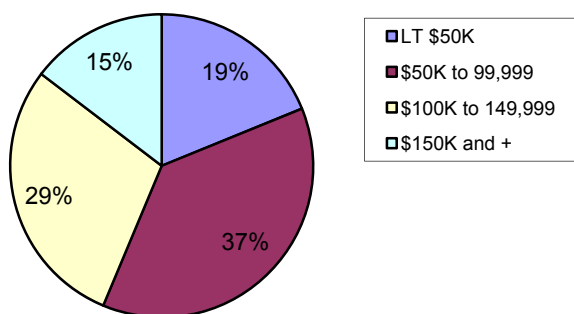
Earnings of IL Whites with BA or more



Earnings of IL Hispanics with BA or more

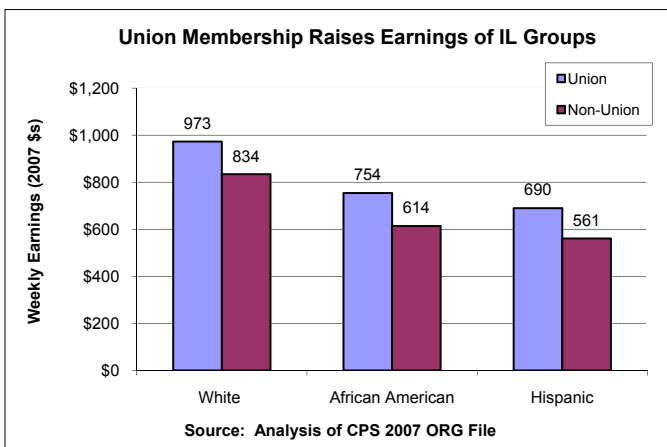
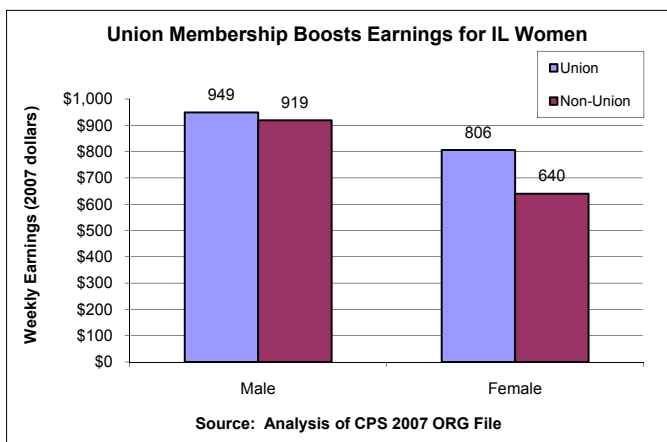


Earnings of IL African Americans with BA or more



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.³⁷ The average weekly earnings of union members are \$898 compared to \$780 for those who are not union members. The earnings premium that results from union involvement also works to boost the wages of 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%. White workers also derived a boost from union membership – about \$139 or 16.7%.



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

and a drop of 18.5% from the 2000 level. Moreover, union membership among women and members of minority groups has typically been even lower than the state's overall rate.

The rate of union membership also varies considerably across the state's major industrial sectors. Only 2.0% of the workers in the Professional, Scientific, and Technical Services sector are union members, as are only 12.4% of those in the Management, Administrative, and Support Services sector. Together these are the two largest components of the Professional and Business Services sector, which since 1990 has been the fastest growing sector in Illinois. Other activities with low proportions of union membership include: Retail Trade (7.7%); Health Care and Social Assistance (6.4%); Accommodation and Food Service (1.6%); and Other Services (8.0%).

Growing Economic Insecurity: Health Care and Pensions

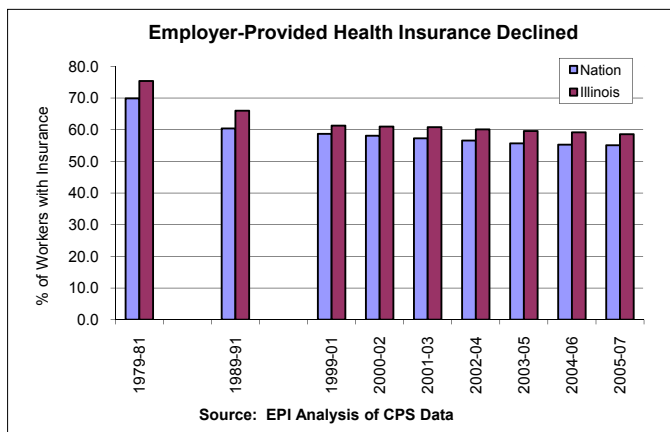
In addition to the loss of higher-paying jobs and declines in real wages, Illinois workers and their families have had to cope with other aspects of heightened economic insecurity, especially the decline of employer-provided health care and pension benefits. All aspects of the costs associated with health care have been rising, and at a rate well above that of the general rate of inflation and of nominal wage increments. Per capita health care costs in 2006 were \$7,026, which was an increase of 46.6% over 2000, and 149.7% over 1990.³⁸ The average annual rate of increase in per capita health care expenditures was 6.5% between 1993 and 2000, but accelerated to 7.9% between 2001 and 2005. The 2005-06 increase of 6.7% was slightly above the 2004-05 rate (6.5%), but lower than the annual increases earlier in the decade. These rapidly escalating health care costs have been accompanied by increases in private health insurance premiums. Between 1993 and 2000, the average annual increase in health insurance premiums was 6.7%, but it increased on average by an even larger 8.1% between 2001 and 2005. Between 1993 and 2006, the overall increase in premiums for employer provided health insurance was 144.8%.

In the face of the dramatic cost increases, many employers have eliminated or drastically scaled back their health insurance plans for employees. The National Bureau of Economic Research reported three years ago that 14.0% of small businesses were offering their employees significant incentives not to participate in company medical plans, or aggressively encouraging them to enroll in

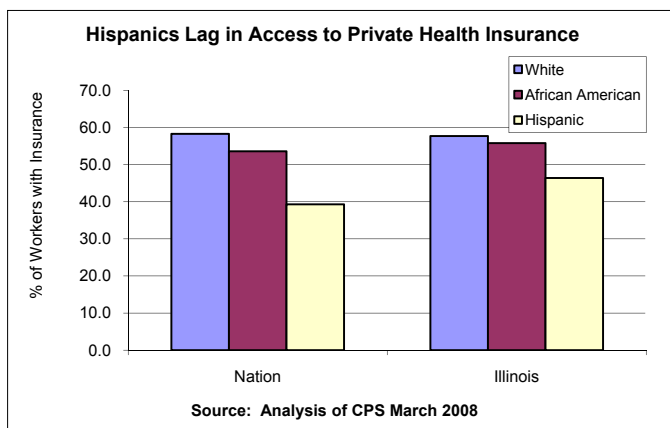
³⁷ The data are from an analysis of the CPS Outgoing Rotation Group (ORG) for 2007, and are expressed in 2007 dollars.

³⁸ Data on the costs of health care and private health insurance premiums are from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData>.

a spouse's plan.³⁹ Nationally and in Illinois, private sector employer-provided health insurance began declining in the 1980s. At the beginning of that decade, 69.9% of the nation's workers and 75.4% of those in Illinois had employer-provided coverage; but by the end of the 1980s, those percentages had dropped to 60.4% and 66.0%, respectively. The decline continued thereafter, although at a slower rate. By 2005-07, only 55.1% of the nation's workers and 58.6% of those in Illinois had employer-provided health insurance.



In Illinois, as well as nationally, minorities lagged behind Whites in access to employer-provided health coverage. At both levels of geography, Hispanics were the most likely to lack employer-provided health coverage, although the gap in Illinois was not as large as at the national level.

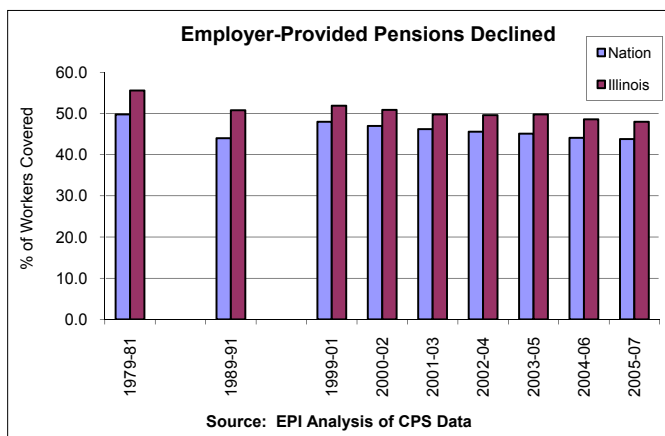


While overall 58.6% of Illinois workers had employer-provided health insurance in 2007, the coverage was lower in several growing sectors of the state's economy. In Accommodation and Food Service, for example, only 24.2% of the employees had employer-provided health insurance; in Non-Durable Goods Manufacturing, only

38.9%; in Information Services 33.5%; and in Real Estate, Rental, and Leasing only 41.9%.

The decline in employer-provided health coverage means that an ever increasing number of Illinois workers and their families lack the basic security of access to affordable medical care. The proportion of Illinois residents without any health insurance coverage increased from 10.9% in 1990 to a recent high of 14.0% in 2006, and then fell slightly to 13.4% in 2007. While that is below the 15.3% rate of uninsured at the national level, it does mean that large numbers of citizens are routinely placed in medical jeopardy, unable to afford treatment for themselves and their families. Moreover, even those with health insurance have had to incur more health related costs out of their family budgets due to increases in insurance premiums, higher co-pays, prescription drug price increases, or all three.

Changes in pension coverage – especially in reducing or eliminating employer-provided programs – have also reduced the economic security of many Illinois workers. During the 1979-81 sequence, 49.8% of workers nationally and 55.6% of those in Illinois, were covered by private sector employer-provided pension plans, nearly all of which were defined benefit plans. A sharp decline in coverage began during the 1980s, and by 1989-90 national coverage had dropped to 44.0% and the Illinois coverage to 50.8%. Small gains in coverage occurred during the 1990s, but the decline resumed after 2000. By the 2005-07 sequence, only 43.8% of workers nationally, and 48.0% of the state's workers, had an employer-provided pension.



Access to employer-provided pensions varies considerably across industrial subsectors in Illinois. Among workers in Accommodation and Food Service, only 24.5% have pension plans available to them. In Information Services, only 29.3% have such plans; 39.4% in Retail Trade; 42.4% in Art, Entertainment, and Recreation; 29.9% in Other Services; and only 36.8% in Non-Durable Goods Manufacturing.

³⁹ National Bureau of Economic Research, *The NBER Digest* (August 2005).

While 48.0% of the state's workers overall have an employer-provided pension plan, the rate of coverage for the state's largest minority groups is lower. Only 47.3% of the state's African American workers and 36.8% of Hispanic employees had access to an employer-provided pension plan. The rate of coverage for African Americans lagged the national rate for that group, although Hispanics in Illinois were faring marginally better than Hispanics nationally. But even the highest rate of coverage in Illinois – that for Whites (56.8%) – means that only slightly more than half of the group had the economic security of access to an employer-provided retirement plan.

