

ILLINOIS INCOME REPORT

HOW ARE YOU DOING THIS TAX SEASON?



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ILEPI Economic Commentary #16**

INTRODUCTION

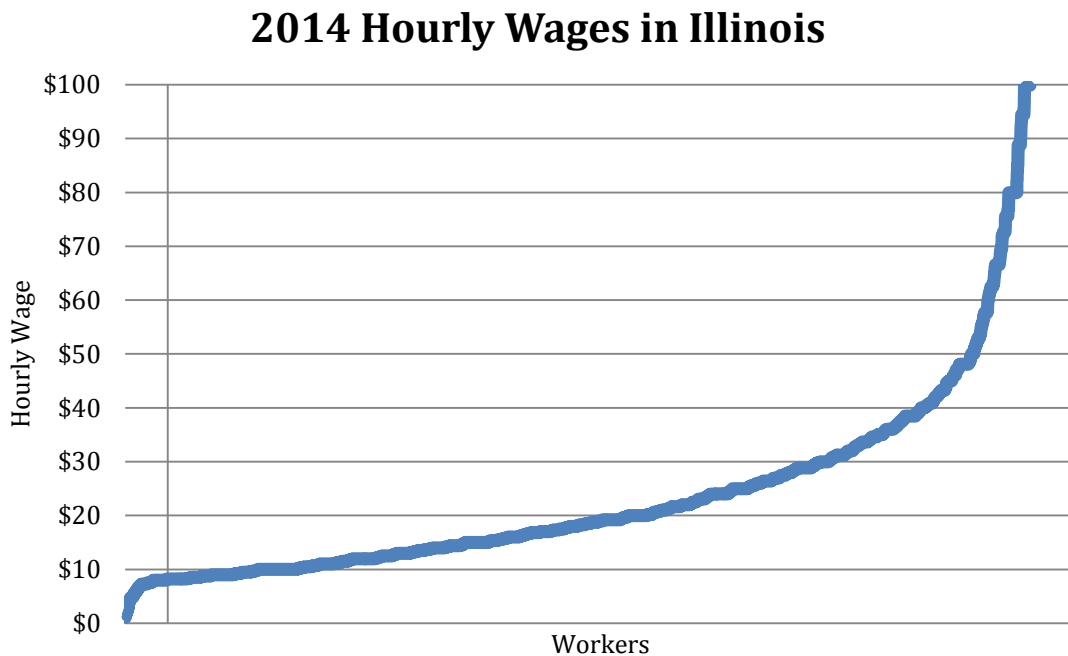
The Illinois economy improved rapidly last year. The Land of Lincoln experienced the largest year-over-year decline in unemployment in the entire country in 2014, with the unemployment rate dropping by 2.0 percentage points. The Illinois labor market also added 103,000 jobs in 2013, a job growth of 1.7 percent ([BLS, 2015a](#)). From December 2013 to December 2014, the average wage of Illinois workers increased by 56¢ per hour, or \$1,165 per year for a full-time worker ([BLS, 2015b](#)). Illinois workers are finally being put back to work.

It is tax season once again. As you file your tax returns or receive your refund, how did you do in 2014? This Illinois Economic Policy Institute (ILEPI) Economic Commentary provides the latest data on the Illinois labor market, allowing residents to see how they compare to their fellow Illinois workers.

AVERAGE HOURLY INCOME IN 2014

Figure 1 displays average hourly wages for 99 percent of Illinois workers in 2014. Last year, the average worker’s wage was \$23 per hour. The median hourly wage was \$18 per hour, while the top 99 percent of Illinois earners took home *at least* \$100 per hour, more than 5.5 times the median worker.

FIGURE 1: BREAKDOWN OF HOURLY WAGES IN ILLINOIS IN 2014, BOTTOM 99% OF EARNERS



Source: Author’s analysis of CEPR (2015) data from the Current Population Survey Outgoing Rotation Groups. Estimates are weighted to match the actual Illinois population using the earnings weight provided by the BLS.

Unfortunately, hundreds of thousands of workers in Illinois earn below the minimum wage. The vertical line in Figure 1 crosses where the first worker earns \$8.25 per hour. To the left, an estimated 264,508 workers earned less than \$8.25 an hour– the legal minimum wage for workers age 18 or older in firms with four or more employees in Illinois. These workers comprise 4.8 percent of the state’s workforce and earn an average hourly income of \$6.66, or \$1.59 per hour below the state’s minimum wage. While many of these workers are under 18 years old or are employed by small businesses excluded from the minimum wage law, many others are the victims of wage theft, such as tipped employees who are not paid at least the minimum wage as required by law.

WHERE DOES YOUR INCOME PUT YOU IN ILLINOIS?

Figure 2 presents the distribution of total annual income from all sources across Illinois. The median Illinois worker earns \$36,000 in total income. One-quarter of all workers take home less than \$19,000 in annual income. An annual personal income between \$19,000 and \$31,999 per year places an individual into Illinois’ lower-middle class of earners. Middle-class personal incomes range from \$32,000 to \$49,999 per year in Illinois. Additionally, the upper-middle class makes \$50,000 to \$83,999 while the upper class receives an annual income of \$84,000 or more. The top 1 percent in Illinois takes home *at least* \$475,000 per year, 13.2 times the amount of the median worker.

FIGURE 2: PERCENTILE DISTRIBUTION OF TOTAL ANNUAL INCOME IN ILLINOIS AND CLASS STATUS

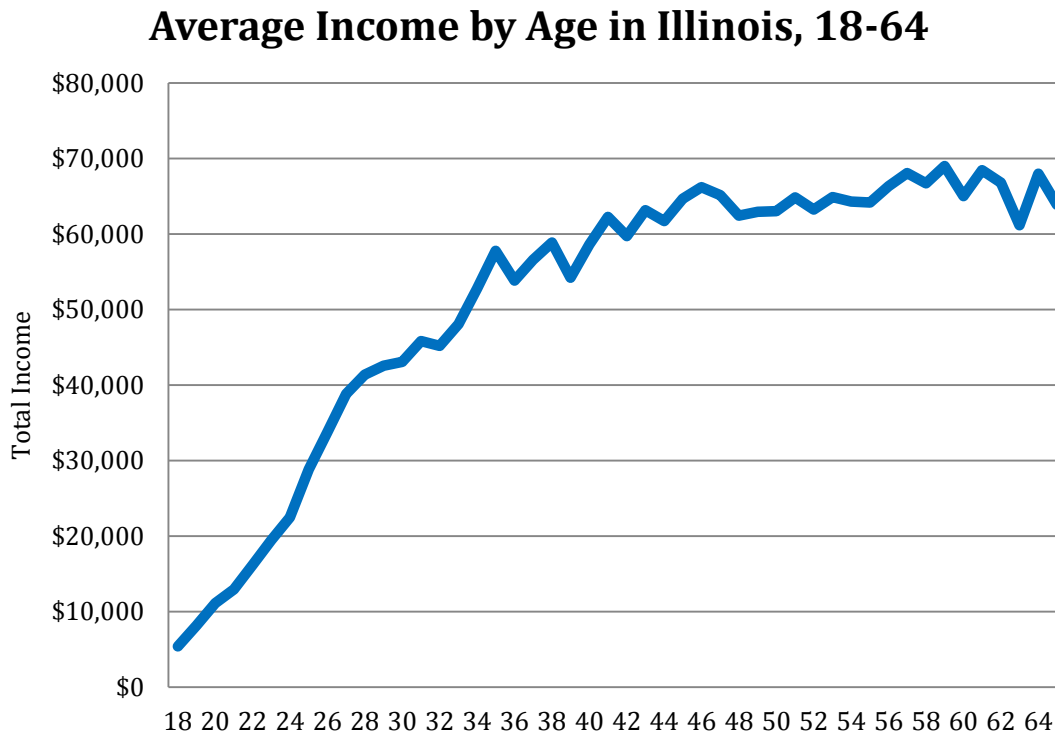
If	Income	Then	Pct.	Location	Class
If your total income is...	\$4,000	then you earn more than...	5%	of Illinois workers	Lower Class
If your total income is...	\$8,000	then you earn more than...	10%	of Illinois workers	
If your total income is...	\$12,000	then you earn more than...	15%	of Illinois workers	
If your total income is...	\$15,000	then you earn more than...	20%	of Illinois workers	
If your total income is...	\$19,000	then you earn more than...	25%	of Illinois workers	Lower-Middle Class
If your total income is...	\$22,000	then you earn more than...	30%	of Illinois workers	
If your total income is...	\$25,000	then you earn more than...	35%	of Illinois workers	
If your total income is...	\$29,000	then you earn more than...	40%	of Illinois workers	
If your total income is...	\$32,000	then you earn more than...	45%	of Illinois workers	Middle Class
If your total income is...	\$36,000	then you earn more than...	50%	of Illinois workers	
If your total income is...	\$40,000	then you earn more than...	55%	of Illinois workers	
If your total income is...	\$45,000	then you earn more than...	60%	of Illinois workers	
If your total income is...	\$50,000	then you earn more than...	65%	of Illinois workers	Upper-Middle Class
If your total income is...	\$56,000	then you earn more than...	70%	of Illinois workers	
If your total income is...	\$64,000	then you earn more than...	75%	of Illinois workers	
If your total income is...	\$72,000	then you earn more than...	80%	of Illinois workers	
If your total income is...	\$84,000	then you earn more than...	85%	of Illinois workers	Upper Class
If your total income is...	\$100,000	then you earn more than...	90%	of Illinois workers	
If your total income is...	\$140,000	then you earn more than...	95%	of Illinois workers	
If your total income is...	\$475,000	then you earn more than...	99%	of Illinois workers	

Source: Author’s analysis of King et al. (2014) data from the American Community Survey 1% Sample. Estimates are weighted to match the actual Illinois population using the person weight provided by the Census Bureau.

TOTAL INCOME BY AGE, EDUCATION, AND OCCUPATION

Individuals born in 1955 had the highest average income in Illinois in 2014, as shown in Figure 3. Economic data illustrate that 59 years old is the peak age of total annual earnings in the state’s labor market, with those workers earning \$69,008 on average. Starting at age 24, the average income is over \$20,000 per year for older age groups. Then, commencing at age 28, the average income is \$40,000 or more for all older age groups. Finally, the average annual income is over \$60,000 per year for all cohorts 41 years old or older.

FIGURE 3: AVERAGE ANNUAL TOTAL INCOME IN ILLINOIS BY AGE, WORKERS AGED 18 TO 64



Source: Author’s analysis of King et al. (2014) data from the American Community Survey 1% Sample. Estimates are weighted to match the actual Illinois population using the person weight provided by the Census Bureau.

Higher levels of education are strongly related to improved economic outcomes for individual workers in Illinois. Figure 4 presents income and unemployment information for workers, sorted by educational attainment. For workers without a high school degree, the median worker earns a lower-class income of \$18,700 per year and the average worker earns only a lower-middle class annual income of \$22,973. At the same time, the unemployment rate for the lowest-educated individuals in Illinois was 16.1 percent in 2014. On the other end of the spectrum, workers with an advanced (masters, professional, or doctorate) degree earn an upper-middle class income of \$73,000 on median, earn an upper-class income of \$103,814 on average, and experience an unemployment rate of just 2.8 percent. While 1.4 percent of those without a high school degree or equivalent are in the state’s upper class, 42.0 percent of those with an advanced degree earn upper-class incomes in Illinois. An associate’s degree is typically the entry level of educational attainment which provides a middle-class lifestyle: 70.3 percent of workers with associate’s degrees earn above the lower-class threshold and below the upper-class threshold.

FIGURE 4: PERSONAL ECONOMIC OUTCOMES IN ILLINOIS BY LEVEL OF EDUCATIONAL ATTAINMENT

Educational Attainment	Median	Average	Percent in Lower Class	Percent in Upper Class	Unemployment
Less than High School	\$18,700	\$22,973	50.1%	1.4%	16.1%
High School	\$28,200	\$36,060	30.9%	5.6%	9.5%
Some College, No Degree	\$28,800	\$37,585	33.5%	7.2%	8.2%
Associate's	\$36,000	\$42,870	21.3%	8.5%	5.3%
Bachelor's	\$50,000	\$68,165	14.6%	24.4%	4.2%
Advanced	\$73,000	\$103,814	7.2%	42.0%	2.8%

Source: Author's analysis of King et al. (2014) data from the American Community Survey 1% Sample. Unemployment estimates provided by CEPR (2015) Current Population Survey Outgoing Rotation Groups data for 2014. All estimates are weighted to match the actual Illinois population using respective statistical weights.

Finally, Figure 5 details average employee incomes of occupational groups, sorted from highest to lowest earning jobs. On average, legal, management, and financial operations occupations support an upper-class income in Illinois. Upper-middle class occupations tend to be those in the sciences. These include jobs in computer and math, architecture and engineering, healthcare practitioners (such as doctors, dentists, and registered nurses), and life, physical, and social sciences. Protective service occupations such as police officers and firefighters are the highest-paying blue-collar jobs, with average incomes in the upper-middle class.

FIGURE 5: AVERAGE ANNUAL TOTAL INCOME IN ILLINOIS BY OCCUPATIONAL GROUP

Occupational Group	Average Income
Legal	\$139,103
Management	\$101,221
Financial Operations	\$87,627
Business Operations	\$81,785
Computer and Math	\$79,621
Architecture and Engineering	\$78,087
Healthcare Practitioners	\$76,373
Life, Physical, and Social Sciences	\$68,782
Sales	\$52,444
Protective Service	\$51,402
Arts, Entertainment, Sports, and Media	\$50,387
Construction	\$48,079
Education and Training	\$47,034
Installation and Maintenance	\$46,761
Community and Social Service	\$44,406
Production	\$37,139
Transportation and Material Moving	\$35,998
Office and Administrative Support	\$35,713
Farm, Fishing, and Forestry	\$31,190
Building, Grounds, and Cleaning	\$25,789
Healthcare Support	\$25,254
Personal Care Service	\$22,873
Food Preparation and Serving	\$17,019

Source: Author's analysis of King et al. (2014) data from the American Community Survey 1% Sample. Estimates are weighted to match the actual Illinois population using the person weight provided by the Census Bureau.

Occupations with firm middle-class incomes are those that have historically experienced higher levels of unionization. Each of the following jobs earns a middle-class income on average in Illinois: construction occupations such as carpenters, education and training occupations such as teachers or librarians, installation and maintenance occupations such as mechanics, community and social service occupations such as social workers, production occupations such as welders, transportation and material moving occupations such as truck drivers, and office and administrative support occupations such as receptionists. Global economic trends, innovations in technology and automation, changes in consumer demand, fiscal tightening of public sector budgets, and declines in union membership rates have all squeezed these occupations across the State of Illinois.

Lastly, other than agricultural jobs, service occupations account for all of the lower and lower-middle class jobs in the state. Jobs such as janitors, veterinary assistants, home healthcare aides, cosmetologists, bartenders, and waiters pay less than \$32,000 on average. Unfortunately, lower-class occupations are the fastest-growing jobs across the country. According to the United States Department of Labor, nine of the ten fastest-growing occupations are “low-paying” ([BLS, 2015c](#)).

CONCLUSION

While Illinois’ productive output has fully recovered from the Great Recession that began over half a decade ago, economic outcomes for workers have only recently begun to improve. In Illinois, the average worker earns \$23 per hour and the median annual income is \$32,000. The upper class of earners takes home \$84,000 or more while the lower class earns \$19,000 or less. In addition, once Illinois workers turn 41 years old, they earn an average of \$60,000 or more. Education is also highly correlated with improved economic outcomes for Illinois workers, with associate’s degrees typically providing an entry into the middle class for workers. Finally, middle-class occupations in Illinois are those that have historically had higher degrees of union density (and continue to have relatively higher union membership rates). These occupations, however, are shrinking as a proportion of the Illinois labor market while the lowest-paying jobs are growing the fastest.

These data are intended to allow you as an Illinois resident to see how you stack up against your counterparts across the state. Economists have long understood that (among other factors) your age, your educational attainment, and your occupation are all strong predictors of personal economic outcomes. Now you can see how you are doing in Illinois compared to other residents like you.

So, how are you doing?

SOURCES

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