ILEPI Economic Commentary #1 October 1, 2013

A STATE OF LOST LABOR
Who Are the Unemployed in Illinois?

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INTRODUCTION

On September 6, 2013, the Bureau of Labor Statistics (BLS) at the United States Department of Labor released its monthly "Employment Situation Summary." In the news release, the BLS reported that the national unemployment rate had declined to 7.3 percent in August 2013, down from an 8.1 percent average in 2012. Over the past year, the national economy has added about 2.2 million jobs.[1]

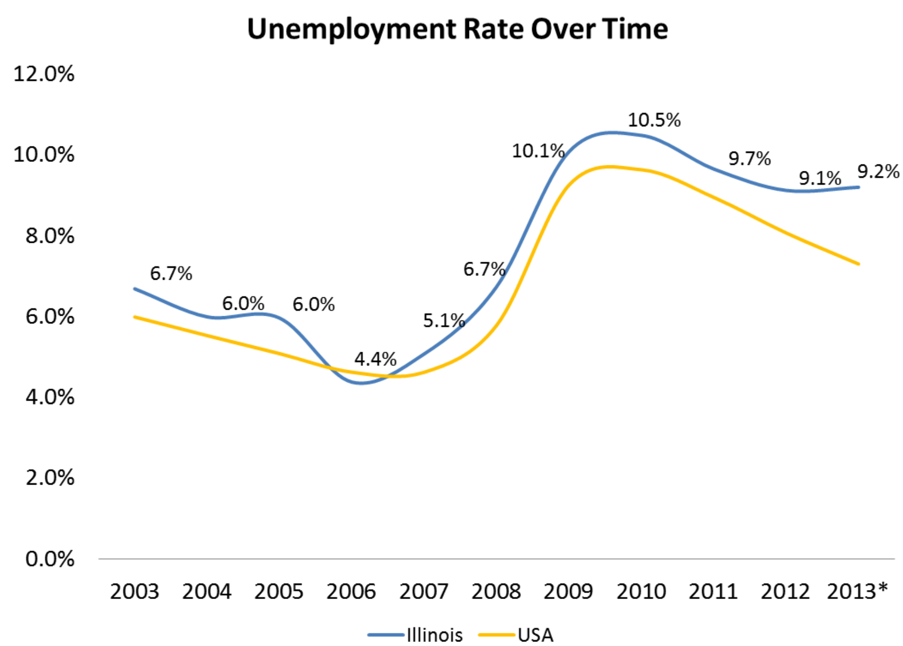
While the unemployment rate has fallen nationwide, it has remained stagnant for the State of Illinois. Since August 2012, the Illinois economy has actually lost 75,000 jobs, with employment declines largest in the manufacturing industry (-1.5 percent over the previous 12 months) and the government (-1.1 percent over the previous 12 months).[2] Illinois' unemployment rate, which averaged 9.1 percent in 2012, has ticked up to 9.2 percent as of August 2013, the worst in the nation except for Nevada (9.5 percent). Consequently, 602,000 Illinois residents remain unemployed.[3] Illinois' labor market clearly continues to suffer from weak aggregate demand.

Given that hundreds of thousands of Illinois residents remain out of work, this ILEPI Economic Commentary examines the unemployment pool in Illinois. The commentary first explores the Illinois economy's performance compared to the national labor market before investigating breakdowns of the unemployment pool by demographics and industry. The commentary concludes by offering three vital policy solutions and recapping key findings. Unless otherwise noted, all estimates are based on data from the Current Population Survey Outgoing Rotation Groups (CPS-ORG), which is collected and analyzed by the United States Department of Labor Bureau of Labor Statistics.[4]

THE ILLINOIS UNEMPLOYMENT RATE OVER TIME

Over the past decade, the Illinois labor market has underperformed compared to the national economy. Illinois has borne an unemployment rate higher than the national average every year with the exception of 2006 (Figure 1). While the national economy is slowly but steadily recuperating from the Great Recession of 2007-2009, over the past year Illinois has diverged from the national trend, remaining at above 9 percent.

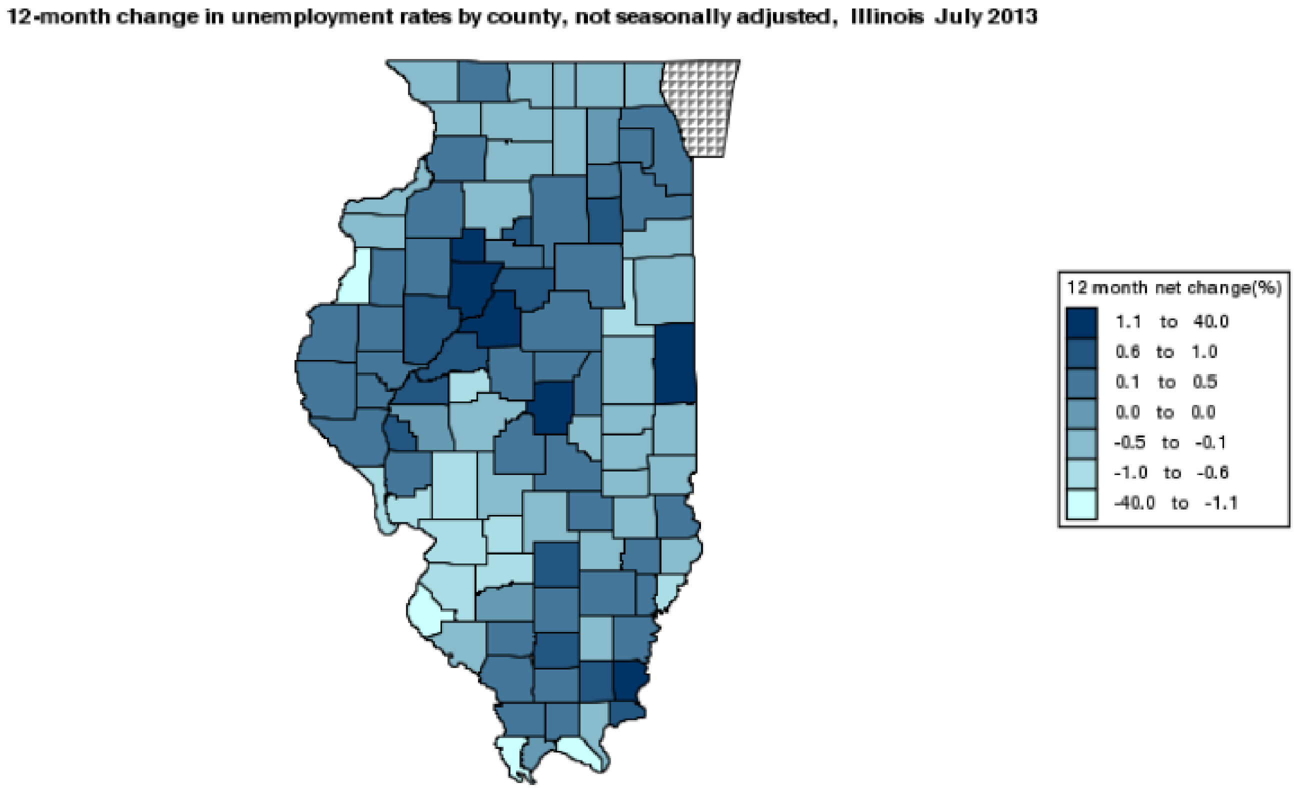
Figure 1: Unemployment rate over time, Illinois vs. USA, 2003-2013



*Source: Author's analysis of CPS-ORG data from 2003 to 2012. *Note: 2013 rates are August 2013 estimates by the U.S. Department of Labor Bureau of Labor Statistics (Sept. 6, 2013).*

Within Illinois, unemployment rates declined in 37 out of 102 counties over the 12 months from the end of July 2012 to the end of July 2013, the most recent period for which county-level data are available (Figure 2).[5] The unemployment rate declined by one percentage point or more in six counties– Henderson, Monroe, Alexander, Massac, Calhoun, and St. Clair– and was essentially unchanged for 22 counties (i.e., the rate was the same or ±0.1 percentage points different). For the 43 remaining counties in Illinois, the unemployment rate experienced an uptick. The rate increased by one percentage point or more in seven counties: Macon, Stark, Peoria, Gallatin, Tazewell, Vermilion, and Saline.

Figure 2: Change in Illinois county unemployment rates, July 2012 to July 2013



Source: Map generated by author on Sept. 25, 2013 on U.S. Department of Labor Bureau of Labor Statistics "databases and tools" feature: "Local Area Unemployment Statistics Map."

Figure 3 reports current unemployment rates of select Illinois counties. The five counties with the highest unemployment rates all have rates over 12 percent (Macon, Franklin, Hardin, Perry, and Alexander). Meanwhile, Cook County, Illinois' most populous county, ranked 27th-highest in the state, with a 10.2 percent rate of unemployment. At 5.0 percent, Brown County had the lowest unemployment rate in Illinois. It is important to note, however, that this unemployment rate is still above the level it was for the *entire state* in 2006, and is presently higher than eight other U.S. states.[6]

A BREAKDOWN OF THE UNEMPLOYED

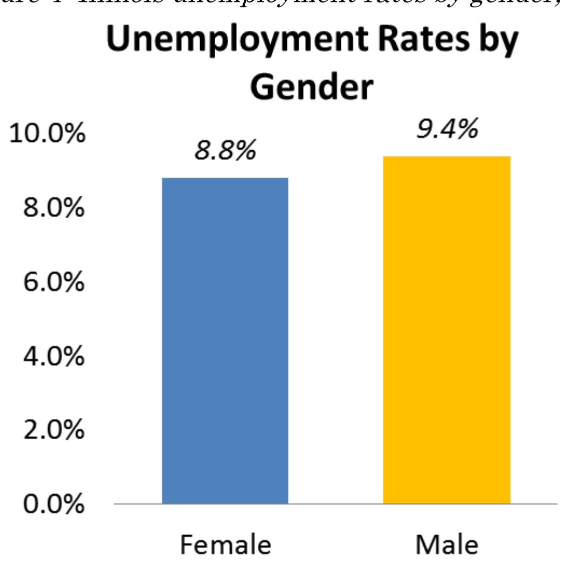
Although the economic downturn negatively impacted all Illinois residents, it did not affect all demographic groups equally. Male workers, for example, currently face an unemployment rate that is 0.6 percentage points higher than their female counterparts (9.4 percent compared to 8.8 percent) (Figure 4). Presently, 330,000 men are looking for work in the state compared to 275,000 women.

Figure 3: Illinois county unemployment rates, July 2013, select counties

County	Current rate	12-month change	Rank
Five counties with the highest unemployment rates			
Macon	13.2%	1.9%	1
Franklin	12.9%	0.8%	2
Hardin	12.8%	0.9%	3
Perry	12.7%	0.5%	4
Alexander	12.1%	-1.1%	5
Twelve most populous counties			
Winnebago	11.5%	-0.2%	13
Cook	10.2%	0.3%	27
Peoria	10.1%	1.5%	29
Will	9.8%	0.4%	38
St. Clair	9.6%	-1.0%	40
Kane	9.0%	0.0%	53
Champaign	8.9%	-0.2%	59
Lake	8.5%	-0.3%	70
Madison	8.5%	-0.8%	72
McHenry	8.3%	-0.3%	77
Du Page	8.1%	0.2%	79
Sangamon	8.0%	-0.1%	81
Five counties with the lowest unemployment rates			
Jo Daviess	6.8%	-0.3%	98
Adams	6.7%	0.1%	99
Menard	6.7%	-0.9%	100
Monroe	6.4%	-1.2%	101
Brown	5.0%	0.3%	102

Source: U.S. Department of Labor Bureau of Labor Statistics "databases and tools" feature: "Local Area Unemployment Statistics Map."

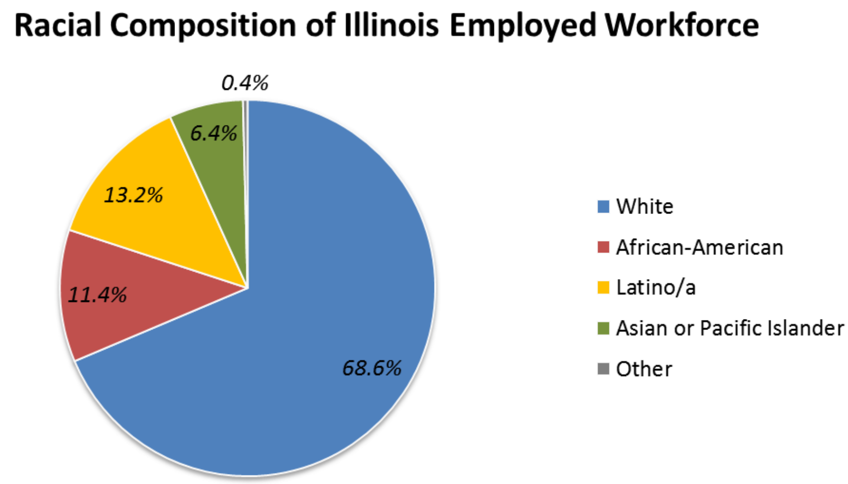
Figure 4: Illinois unemployment rates by gender, 2013 estimate



Source: Author's analysis of CPS-ORG data from 2012. Given that the Illinois unemployment rate has changed by less than a tenth of a percent since the end of 2012, the current labor market is assumed to mirror that of 2012, with all estimates based on 2012 data.

Similarly, Illinois joblessness varies by racial and ethnic group. Of the employed workforce (i.e., the Illinois population that has a job), more than two-thirds (68.6 percent) of workers are white non-Latino, 13.2 percent are Latino or Latina, and 11.4 percent are African-Americans (Figure 5). In comparison, white non-Latino residents make up about half of all those who are unemployed in Illinois (53.9 percent). Latinos and Latinas (17.1 percent) and African-Americans (24.5 percent), on the other hand, are overrepresented in the state's unemployment pool (Figure 6). In total, about 325,000 white residents, 103,000 Latino/a residents, and 148,000 African-American residents are out of a job and searching for work.

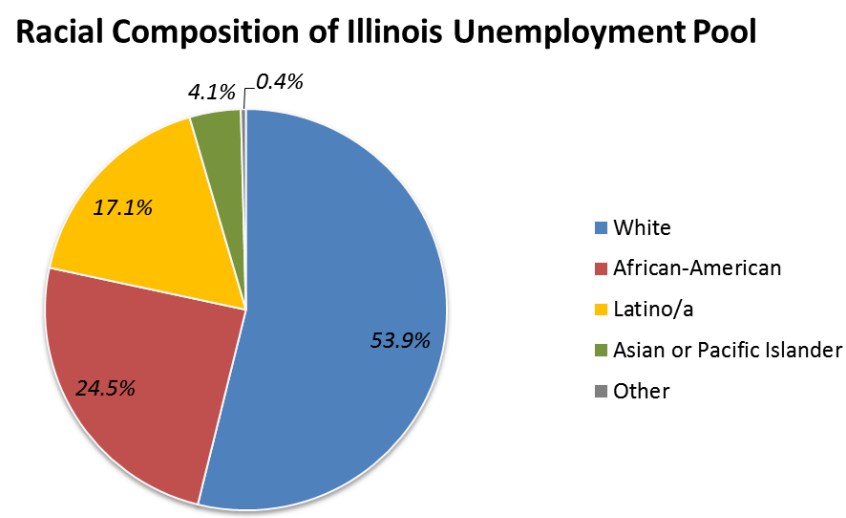
Figure 5: Racial/ethnic composition of the Illinois employed workforce, 2013 estimate



Source: Author's analysis of CPS-ORG data from 2012. Given that the Illinois unemployment rate has changed by less than a tenth of a percent since the end of 2012, the current labor market is assumed to mirror that of 2012, with all estimates based on 2012 data.

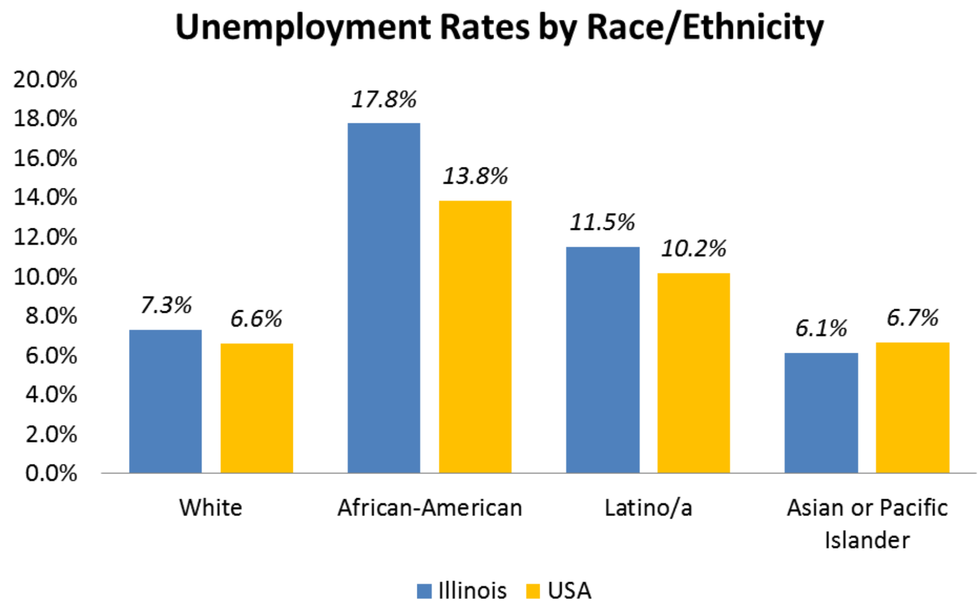
Figure 7 displays the Illinois and national unemployment rates by racial or ethnic group. Compared to the Illinois unemployment rate of 9.2 percent, white non-Latino workers are facing a 7.3 percent unemployment rate, African-American workers are confronting a high 17.8 percent rate, and the rate is presently 11.5 percent for Latino/a workers. The Illinois figure for each of these racial or ethnic groups is higher than their counterparts in the national economy as a whole. For the Asian or Pacific Islander demographic group, however, the unemployment rate in Illinois is lower (6.1 percent) than the analogous national rate.

Figure 6: Racial/ethnic composition of the Illinois unemployment pool, 2013 estimate



Source: Author's analysis of CPS-ORG data from 2012. Given that the Illinois unemployment rate has changed by less than a tenth of a percent since the end of 2012, the current labor market is assumed to mirror that of 2012, with all estimates based on 2012 data.

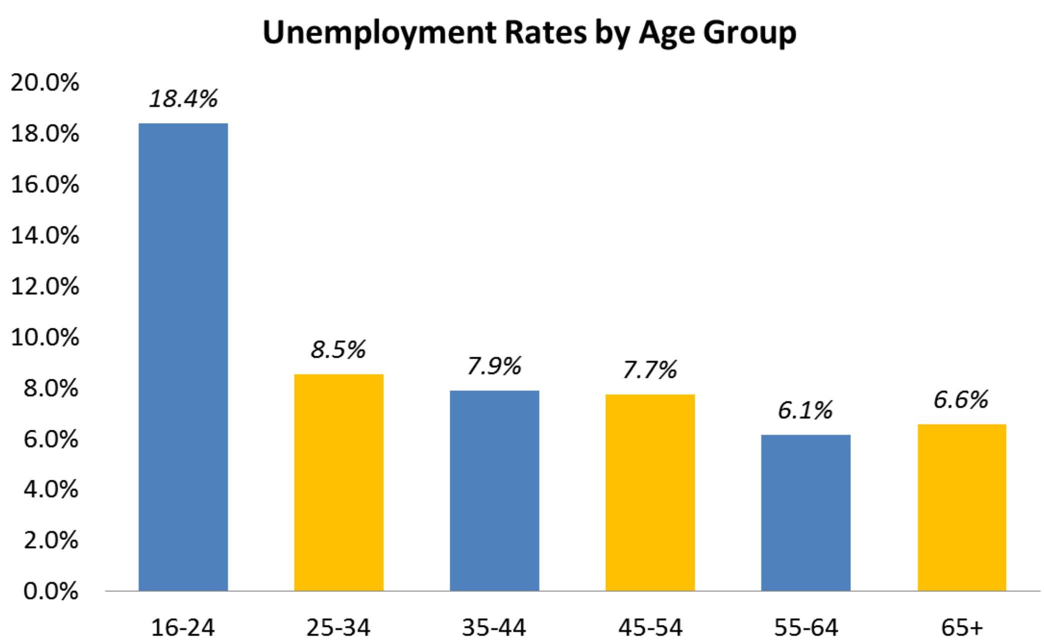
Figure 7: Unemployment rates by race/ethnicity, Illinois and the United States, 2013 estimate



Source: Author's analysis of CPS-ORG data from 2012. Given that the Illinois unemployment rate has changed by less than a tenth of a percent since the end of 2012, the current labor market is assumed to mirror that of 2012, with all estimates based on 2012 data.

Unemployment is prevalent for young workers in Illinois (Figure 8). Of those aged 16 to 24 who are in the civilian labor force, 18.4 percent are out of work. Comparatively, around 8 percent of those aged 25 to 54 are unemployed. The unemployment rate dips further to 6.1 percent for Illinois workers aged 55 to 64 but ticks up to 6.6 percent for elderly workers (65 years or older). Ultimately, the average age of an employed Illinois worker is 41.9 years old while unemployed Illinois residents are slightly younger, at 37.1 years old on average.

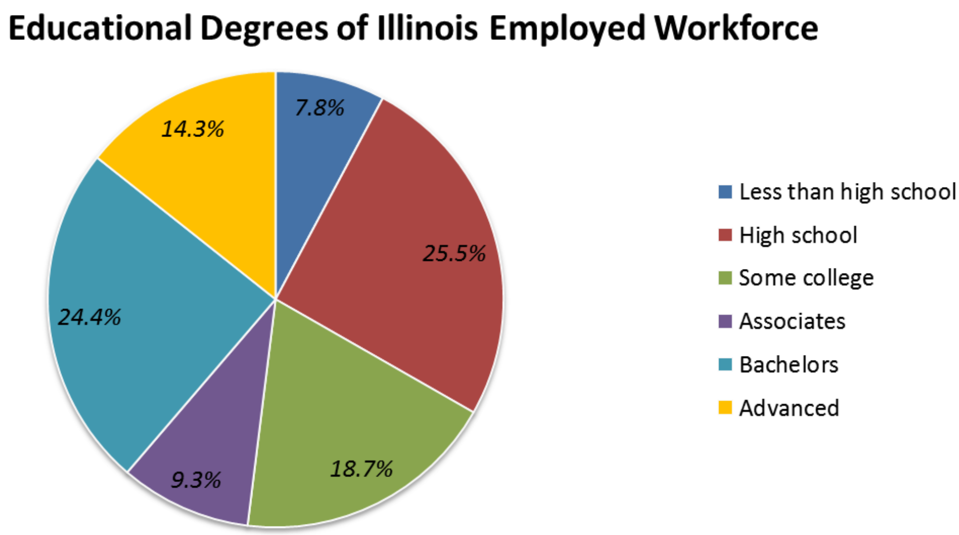
Figure 8: Illinois unemployment rates by age group, 2013 estimate



Source: Author's analysis of CPS-ORG data from 2012. Given that the Illinois unemployment rate has changed by less than a tenth of a percent since the end of 2012, the current labor market is assumed to mirror that of 2012, with all estimates based on 2012 data.

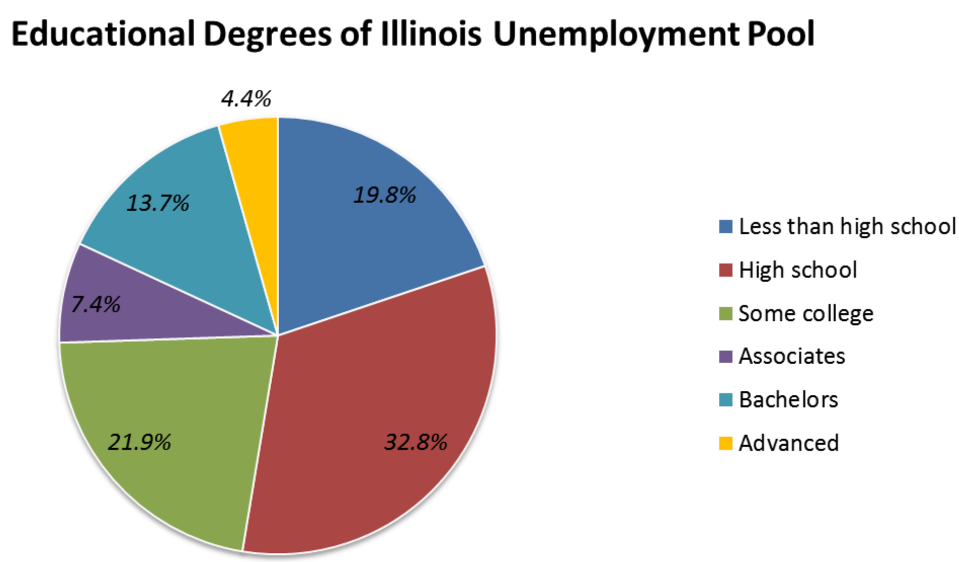
The higher one's educational attainment, the more likely he or she is to be employed in both Illinois and America. The employed Illinois workforce is very highly educated, as roughly half (48.0 percent) of workers hold at least a two-year college degree (Figure 9). Another 18.7 percent of workers have attended some college but do not have a formal degree. Only one-third (33.3 percent) of all workers in Illinois currently have a high school degree or less.

Figure 9: Breakdown of Illinois employed workforce by educational attainment, 2013 estimate



Source: Author's analysis of CPS-ORG data from 2012. Given that the Illinois unemployment rate has changed by less than a tenth of a percent since the end of 2012, the current labor market is assumed to mirror that of 2012, with all estimates based on 2012 data.

Figure 10: Breakdown of Illinois unemployment pool by educational attainment, 2013 estimate

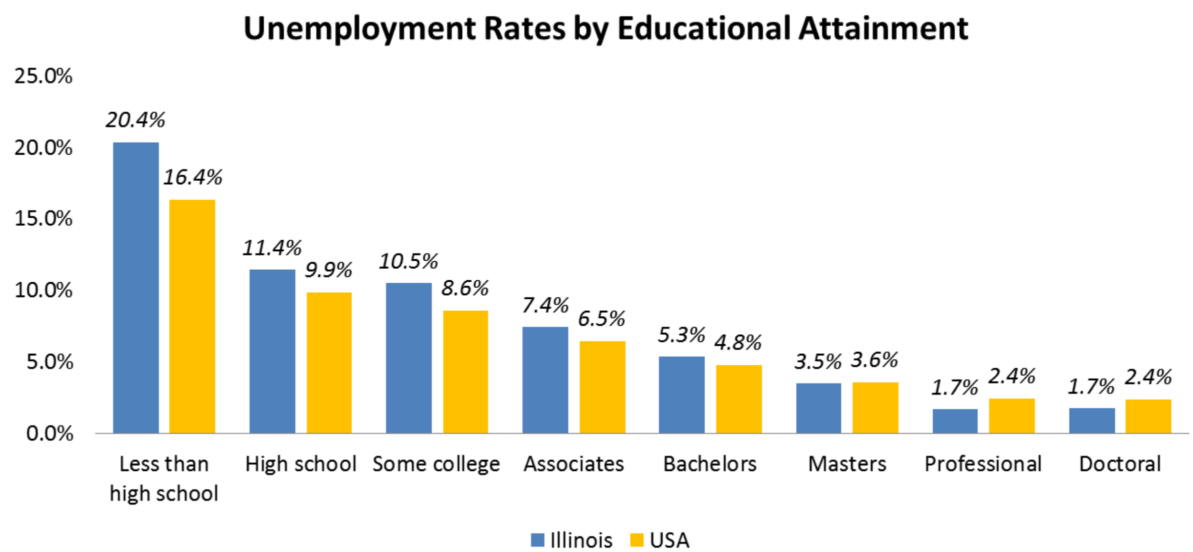


Source: Author's analysis of CPS-ORG data from 2012. Given that the Illinois unemployment rate has changed by less than a tenth of a percent since the end of 2012, the current labor market is assumed to mirror that of 2012, with all estimates based on 2012 data.

By contrast, those with lower levels of education make up a larger share of the unemployment pool than they do as a share of the employed workforce (Figure 10). Over half (52.6 percent) of those who are unemployed have just a high school degree or less. About one-fifth (21.9 percent) completed some college but do not have a degree. Meanwhile, 7.4 percent of the unemployed hold an associate's degree, 13.7 percent hold a bachelor's degree, and 4.4 percent hold an advanced (e.g., master's, professional, or doctoral) degree. In total, there are 120,000 unemployed Illinois residents without a high school degree and 330,000 with a high school degree or some college but no degree. But firms looking to hire new skilled employees can still tap into a large unemployment pool: there are currently 45,000 unemployed individuals with associate's degrees, 83,000 with bachelor's degrees, 22,000 with master's degrees, and 2,000 each with professional (e.g., law, medical, etc.) and doctoral degrees.

Figure 11 translates these educational attainment breakdowns of the employed and unemployed into unemployment rates for the Illinois economy, also presenting comparable rates for the national labor market. Workers with higher levels of education are particularly rewarded in Illinois, as the propensity to be unemployed is lower in the state than in the rest of the American economy for those with master's, professional, and doctoral degrees. For those with a bachelor's degree only, the unemployment rate is only 0.5 percent higher than the national average for the comparable level of education. For lesser-educated Illinois residents, however, unemployment rates are elevated in Illinois. For example, one-fifth (20.4 percent) of the Illinois population without a high school degree is unemployed compared to one-sixth (16.4 percent) nationwide. Furthermore, 11.4 percent of those with a high school degree are unemployed in Illinois compared to 9.9 percent for the United States (Figure 11).

Figure 11: Unemployment rates by education, Illinois and the United States, 2013 estimate

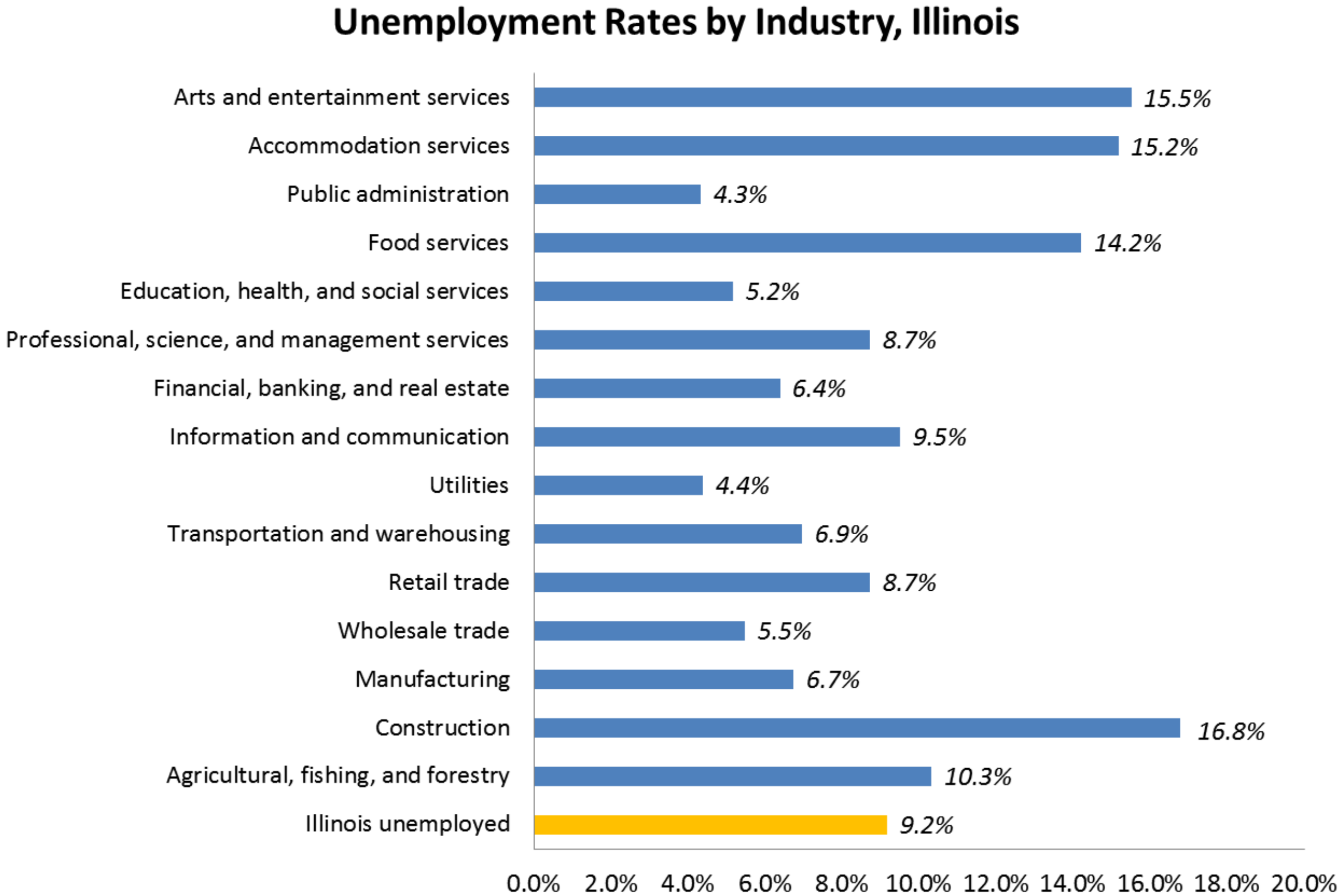


Source: Author's analysis of CPS-ORG data from 2012. Given that the Illinois unemployment rate has changed by less than a tenth of a percent since the end of 2012, the current labor market is assumed to mirror that of 2012, with all estimates based on 2012 data.

Particular industries have also been hit harder than others by the economic recession. In Illinois, the industry that has reeled most is by far the construction industry (Figure 12). Today, 16.8 percent of all construction workers remain out of work in the state. The arts and entertainment services, accommodation services, and food services industries respectively follow the construction industry with inflated unemployment rates of 15.5 percent, 15.2 percent, and 14.2 percent. Except for the information and communication industry, all other industries have a lower unemployment rate than the statewide average.

In total, workers from just five industries make up over half of all unemployed workers in Illinois (Figure 13). Although the combined education, health, and social services sector has an unemployment rate well below the state's average, it is the most frequent industry of previous employment amongst the unemployment pool at 76,000 workers (12.5 percent of all unemployed residents). Today 71,000 individuals from the professional, science, and management services sector are also out of work (11.7 percent of the unemployed). Additionally, 63,000 construction workers, 61,000 retail trade employees, and 59,000 food services are unemployed in 2013.

Figure 12: Illinois unemployment rates by industry of previous employment, 2013 estimate



Source: Author's analysis of CPS-ORG data from 2012. Given that the Illinois unemployment rate has changed by less than a tenth of a percent since the end of 2012, the current labor market is assumed to mirror that of 2012, with all estimates based on 2012 data.

Figure 12: Unemployment of select Illinois industries, 2013 estimates

Industry of Previous Employment	Total Unemployed	Unemployment Rate	Share of the Unemployed
Education, health, & social services	76,000	5.2%	12.5%
Professional, science, & management services	71,000	8.7%	11.7%
Construction	63,000	16.8%	10.5%
Retail trade	61,000	8.7%	10.1%
Food services	59,000	14.2%	9.8%

Source: Author's analysis of CPS-ORG data from 2012. Given that the Illinois unemployment rate has changed by less than a tenth of a percent since the end of 2012, the current labor market is assumed to mirror that of 2012, with all estimates based on 2012 data. Estimates of the number of unemployed by industry are rounded to the nearest thousand based on sample weights applied to the dataset.

Finally, underemployment remains an issue in Illinois. Beyond the 9.2 percent of the labor force who are unemployed, an additional 6.6 percent of Illinois employees report that they are working part-time for "economic reasons." These 399,000 Illinois workers would rather work full-time but cannot find a full-time job. Often stuck in low-wage jobs without benefits, they are working part-time to make ends meet. In total, 1.0 million Illinois workers are either out of work or underemployed.

ILEPI Policy Recommendations

Illinois workers need sensible, "high-road" policy solutions that spur the state economy and pay long-term dividends. Three policy solutions are recommended which grow the employment base, increase short-term aggregate demand, and address the future needs of Illinois.

Increase Investment in Illinois Residents

Higher levels of education are associated with higher lifetime earnings and lower unemployment rates. Indeed, Illinois is a high-wage state due in large part to the fact that its workforce is educated and skilled. To foster sustainable, long-term economic success, the state must amplify spending on merit-based grants to students, commit to keeping the cost of college tuition low at public universities, and invest in and expand early childhood education programs.[7] For workers who are unemployed right now, especially middle-aged and minority residents, the state needs to expand worker retraining programs that have proven to be effective at matching workers to jobs.[8] Investing in people has a far greater long-term impact on the economy than the zero-sum "smokestack-chasing" of businesses through transitory tax incentives. Investments in Illinois residents provides an incentive for firms to locate in the state, *stay* in the state, and further invest in the state.

Increase Investment in Illinois Infrastructure

Another short-term policy which pays off appreciably over time is to invest in Illinois' infrastructure. To update and improve the state's deteriorating infrastructure, address construction unemployment, increase consumer demand in local economies, and meet the needs of Illinois' future population, the state must escalate public infrastructure spending. The direct jobs that are created by such spending are well-paying, provide workers with good benefits packages, and are transparent and accountable– with inclusive input from government, management, labor, and the community. In addition, these direct jobs spur private economic development and further increase employment. In Illinois, raising nonresidential construction employment by 1,000 workers actually generates 669 additional jobs and $104.2 million in new economic activity in other industries that would not otherwise occur (in 2014 dollars). Of these 669 jobs, the retail sales industry grows by 114 jobs, architectural and engineering services sector adds 63 jobs, the food services industry increases by 51 jobs, and 26 jobs each are created in private hospitals and the offices of health practitioners such as doctors and dentists.[9] Through the multiplier effect, investments in Illinois infrastructure helps to lower the unemployment rate for each of the five Figure 12 industries which make up over half of all unemployed Illinois residents today. Like investing in people, investing in the state's infrastructure attracts firms to locate and stay in Illinois over the long term.

Partner with the Business Community

Illinois governments continue to face budgetary conditions that limit their ability to provide services. Yet in these tough fiscal times, Illinois governments actually need to find a way to *increase* internal investment in people and infrastructure beyond the amounts to which they are already committed. With fewer resources, governments should turn to the business community to help make up the shortfall. Collaborations with the private sector on mutually-beneficial projects which expand employment and provide large long-run benefits to the state are highly recommended. Governments should not altogether turn their operations over to the private sector; instead, governments should utilize public-private partnerships to expand their work for the public interest and accomplish goals which, given current finances, would not be achieved if they were to go it alone. Once again, public-private partnerships are a better alternative to "smokestack-chasing" economic development. Temporary tax credits or relief to businesses often lack accountability and transparency, with promises of job creation either broken or unverified. Public-private partnerships, on the other hand, bring the business community in as stakeholders and allow for consistent follow-up so that both the private sector and the public sector are held accountable to the public.

CONCLUSION

Joblessness remains a problem in Illinois. While the unemployment rate had been declining in tandem with the national economy, the Illinois labor market has floundered in 2013. As of August 2013, Illinois has the second highest unemployment rate of all 50 states, at 9.2 percent. Indeed, the county with the lowest within-state rate still suffers from an unemployment rate that is higher than the average for eight other states. The unemployed are disproportionately male, young, and African-American and Latino/a compared to those with a job, although white workers still constitute a majority of the unemployed. Those with lower levels of education, in addition, are overrepresented in the unemployment pool. At the same time, there are 109,000 unemployed individuals with at least a bachelor's degree in Illinois today. The bulk of the unemployed also tend to originate from industries particularly hurt by the Great Recession, especially the construction, food services, and professional, science, and management industries. Finally, underemployment, at 6.6 percent, persists as a problem in the state.

To grow the employment base, increase consumer demand, and contribute long-term benefits to the Illinois economy, Illinois needs to enact high-road policy solutions. Illinois needs to invest in its residents by increasing merit-based grants for students to go to college, expanding early childhood education programs, and raising spending on effective worker training programs. Additionally, Illinois needs to increase infrastructure investment to lower the high construction unemployment rate, create high-road jobs with good pay and benefits, and spur employment in other industries such as the retail services, food services, and architectural engineering services sectors. Finally, Illinois governments should partner with private business to accomplish these aims and to continue providing valuable services to residents. By promoting these three policies, Illinois would be committing to high-road solutions for the state's population which accelerate the recovery and productively grow the economy.

ENDNOTES

[1] Bureau of Labor Statistics. (Sept. 6, 2013). "Employment Situation Summary – August 2013." United States Department of Labor, at http://www.bls.gov/news.release/empsit.nr0.htm.

[2] Bureau of Labor Statistics. (Sept. 25, 2013). "Economy at a Glance: Illinois." United States Department of Labor, at http://www.bls.gov/eag/eag.il.htm.

[3] *Ibid*. 2.

[4] The CPS-ORG dataset is remarkably large; capturing data on 3,207,587 individuals aged 16 to 85 in the United States over the 10-year period from 2003 to 2012. Weights are provided by the BLS to match the sample to the actual total U.S. population 16 years of age or greater for each year. These weights adjust the influence of an individual respondent's answers on a particular outcome to compensate for demographic groups that are either underrepresented or overrepresented compared to the actual population. For Illinois, in 2012, the number of employed workers surveyed was 5,798 and the number of unemployed respondents was 552. For the United States in 2012, the number of employed workers surveyed was 186,767 and the number of unemployed respondents was 14,673. The data was extracted from the user-friendly Center for Economic and Policy Research Uniform Data Extracts. Center for Economic and Policy Research. (2012). CPS-ORG Uniform Extracts, Version 1.7. Washington, DC, at http://ceprdata.org/cps-uniform-data-extracts/cps-outgoing-rotation-group/cps-org-data/.

[5] Bureau of Labor Statistics. (July 2013). "Local Area Unemployment Statistics Map." United States Department of Labor, at http://data.bls.gov/map/MapToolServlet?survey=la.

[6] The eight states are North Dakota (3.0%), South Dakota (3.8%), Nebraska (4.2%), Hawaii (4.3%), Vermont (4.6%), Wyoming (4.6%), Utah (4.7%), and Iowa (4.9%). August 2013. Bureau of Labor Statistics. (Sept. 20, 2013). "Unemployment Rates for States." United States Department of Labor, at http://www.bls.gov/web/laus/laumstrk.htm.

[7] Manzo IV, Frank and Robert Bruno. (July 9, 2013). *The State of Working Illinois 2013: Labor in the Land of Lincoln*. University of Illinois at Urbana-Champaign, Labor Education Program, at http://www.ler.illinois.edu/labor/images/State%20of%20Working%20Illinois_Final%20LEP%20Version.pdf.

[8] Holzer, Harry. (2009). "Workforce Development as an Antipoverty Strategy: What Do We Know? What Should We Do?" In *Changing Poverty, Changing Policies*. New York: Russell Sage Foundation.

[9] Estimates from IMPLAN (IMpacts for PLANning) Version 3.0.17.2, Minnesota IMPLAN Group, Inc., © 2011. IMPLAN is an input-output economic impact analysis modeling software. IMPLAN models the economy through a "Social Accounting Matrix" which quantifies transactions and transfers that occur between producers, intermediate producers, and consumers and between governments and households. Input: 1,000 jobs in "Construction of Other New Nonresidential Structures."