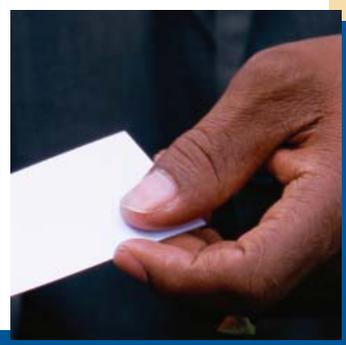
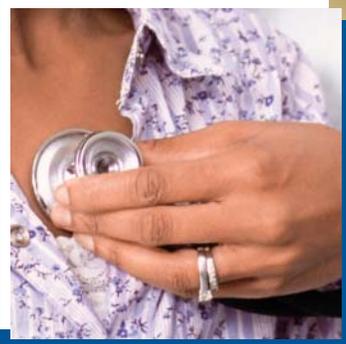


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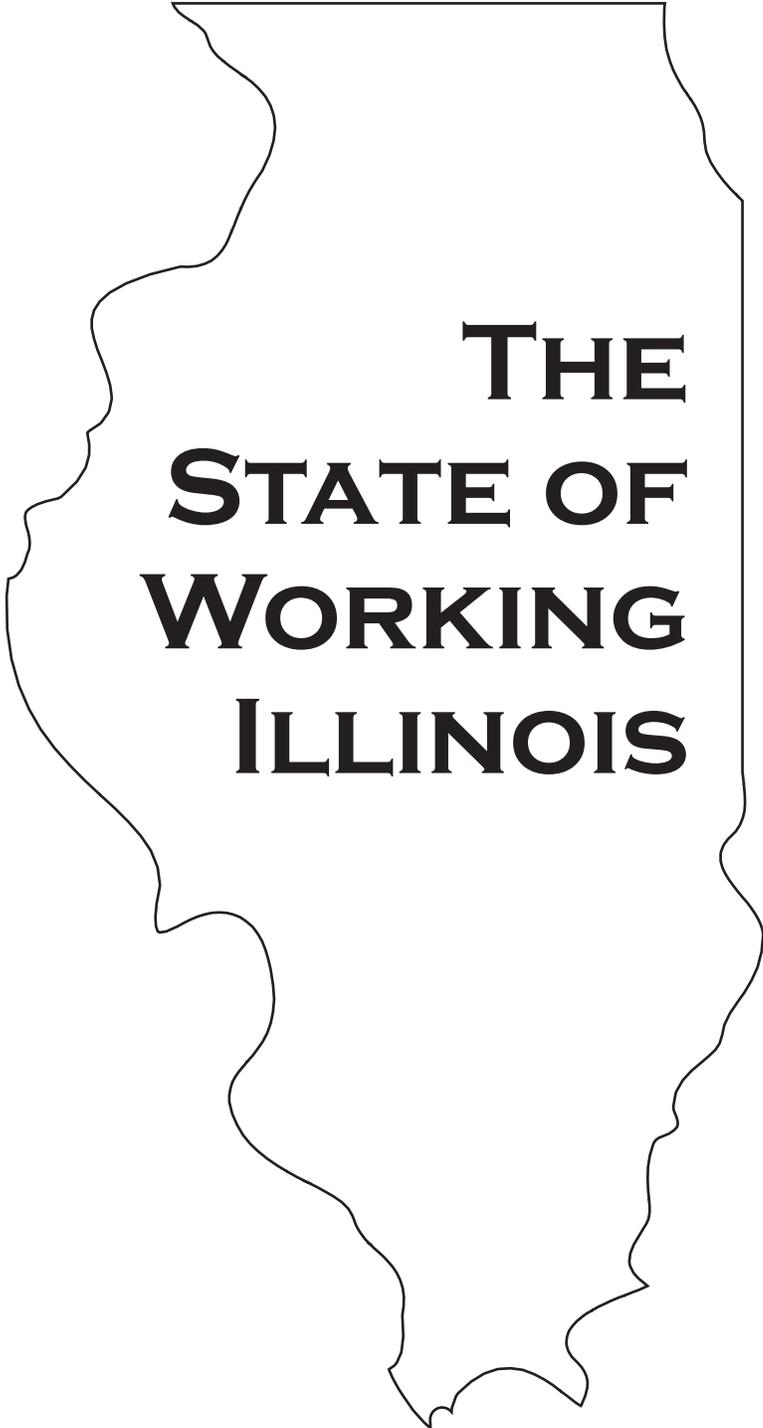
**THE
STATE OF
WORKING
ILLINOIS**

**EMBARGOED UNTIL
DECEMBER 11, 2006**



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

2006



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FINANCIAL SUPPORT

Funding for this study was generously provided by The Joyce Foundation

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These economic changes will continue to impact everything from the type and level of skills that workers need to the state's fiscal health and the demand for public education, transit, healthcare, and physical infrastructure..

The Illinois economy has experienced significant changes in the past two decades. These changes, many of which are still ongoing, have durably altered both the type and quality of job opportunities available to the state's workers. In the face of intensifying global competition, the state's traditional industries have scaled back, while new activities have emerged that require different skill sets and, in some cases, offer lower wages and benefits. These economic changes will continue to impact everything from the type and level of skills that workers need to the state's fiscal health and the demand for public education, transit, healthcare, and physical infrastructure. How Illinois responds to these current and projected changes will impact thousands of families, seniors and businesses, and the state's long-term economic competitiveness.

To provide sound data as the basis for making the crucial policy decisions and choices needed for the state to respond productively to these changes, Northern Illinois University (NIU) and the Center for Tax and Budget Accountability (CT), with vital assistance from the Illinois Department of Employment Security, undertook to develop a detailed analysis of Illinois workers and employment conditions. This analysis, which made use of much previously unpublished state and federal data, was released in November 2005 as *The State of Working Illinois 2005*.¹

For the most part, the 2005 analysis presented data through 2004 or mid-2005. And for many indicators, it also offered across-time comparisons, typically with information going back to 1990. *The State of Working Illinois 2006* provides a chronological update of the earlier report, extending the analysis through mid-2006. It also presents the Illinois picture in a broader geographic context, showing how the state compares both with the nation and the Midwest.² One of the most frequent questions posed of the 2005 report focused on how Illinois compared with other states. Since both media and practitioners expressed interest in that type of comparison, this report provides that information.

The State of Working Illinois 2006 uses the 2005 report as a template and provides updated information and broader geographic context for the statewide descriptions of workers and employment conditions. Since the discussion complements the 2005 commentary, and since the time series has been shortened, readers who are interested in developing a more complete picture will want to refer back to *The State of Working Illinois 2005*.

¹ Center for Tax and Budget Accountability and Northern Illinois University, *The State of Working Illinois 2005* (DeKalb, IL, 2005).

² The Midwest used for these comparisons consists of the five states that census designates as the East North Central region – Illinois, Indiana, Michigan, Ohio, and Wisconsin. As presented in this report, the data for the Midwest include those for the state of Illinois. For many of the indicators presented in this report, data for the individual Midwestern states are available at the project's website: www.stateofworkingillinois.niu.edu.

CHANGING NATURE OF WORK AND JOBS IN ILLINOIS

The Appearance of Stability and Moderate Growth

- In 2005 Illinois ranked fifth nationally with a Gross State Product (GSP) of \$499.4 billion, which was 30.3% of the total Gross Product of the five Midwestern states.
- The 2005-06 decline in the Illinois unemployment rate (-1.1%) was the second largest drop in the country, lagging only the -2.7% decline experienced by Louisiana as it rebounded from the effects of Hurricane Katrina.

Reality: Continuing Loss of Good Paying Jobs

- During the 2005-06 year, Illinois continued to lose manufacturing jobs, although at the somewhat slower pace of 8,900 jobs during the twelve-month period, and over half of these losses were in durable goods manufacturing.
- The number of service jobs grew by an additional 64,400 during the 2005-06 year, a 2.2% growth that exceeded growth in the nation and the region.
- None of the fastest growing service activities paid average weekly wages equivalent to those in manufacturing.

Reality: Service Sector Restructuring and Decline in High Wage Service Sector Jobs

- By 2006 most of the industries presented had recovered their employment losses from the 2001 recession; however, the two-highest paying sectors – manufacturing and information – continued to experience losses in employment through July 2006.

CHANGING COMPOSITION AND CHARACTERISTICS OF ILLINOIS WORKERS

Increased Diversity

- The proportion of women in the Illinois workforce grew steadily from 42.3% in 1980 to a high of 47.0% in 2002, and then declined slightly after that, reaching 46.2% in 2005.
- In 2005 the proportion of minorities in the Illinois workforce was 10.3 percentage points higher than in the Midwest and only slightly (0.4 percentage points) below the national level.

Higher Levels of Education

- By 2005, most Illinois workers (62.0%) had some post-secondary education, and 32.7% had a college degree. By both of these measures, the Illinois workforce had considerably better education than its regional and national counterparts.

Unemployment Patterns Vary by Ethnic and Racial Status

- African Americans and Hispanics – groups with the larger proportions of young workers and generally lower education levels – have higher unemployment rates than Whites and Asians.
- Consistently across the three geographies presented here, the unemployment rate for the 16-to-25 cohort is at least twice as large as that for other age cohorts.

Education is a Major Factor in Employment

- In Illinois, as in the nation and the Midwest, the highest rates of unemployment occur among those with the lowest levels of education.
- The unemployment rate for those with less than a high school diploma (13.7%) in Illinois in 2006 is nearly five times the size of the unemployment rate for those who have a college education (2.8%).

Industry Employment Varies by Gender, Race, and Ethnicity

- Women make up a larger share of the workforce in service industries than they do in better-paying activities like manufacturing, transportation and utilities, and wholesale and retail trade.
- African Americans and Hispanics make up larger shares of the workforce in service industries than they do in better-paying activities in manufacturing, wholesale and retail trade, and transportation and utilities. And within the service sector, minorities comprise a larger share of the workforce in lower-wage jobs than they do in high-wage service jobs. However, this disparity is very slightly less pronounced in Illinois than it is at the regional and national level.

CHANGES IN COMPENSATION AND JOB SECURITY

Poverty and Household Income Measures Improve

- This current poverty rate is the lowest the state has experienced since 2001, and is lower than the national rate and below that of every state in the region except Wisconsin.
- After registering a series of declines in the early years of the decade, median household income (measured in inflation-adjusted 2005 dollars) showed a gain of \$775, or 1.6%, between 2004 and 2005. While this increase was a modest one, it outpaced national growth (\$509 or 1.1%) and allowed median household income in Illinois to remain above that of any other state in the region.

Changes in Real Wages

- Between 2004 and 2005 in Illinois, male median hourly wages declined by \$.16, and female median wages dropped by \$.08. These were small declines and, in the case of the female measure, less than the national loss.
- Despite its recent decline, the median hourly wage for women in Illinois remained \$.34 higher than the national median and was higher than those of all the other Midwestern states.
- The median hourly wages paid to White workers in Illinois in 2005 remained above that paid to African Americans and Hispanics. That was also the case for the region and the nation. On the positive side, for all three groups, the Illinois median hourly wage was higher than its regional and national counterparts.

Education Boosts Incomes

- 58.1% of Illinois workers with a B.A. or higher degree had annual household incomes that put them in the top category of income earners, while only 22.7% fell below \$50,000 in annual income.

Minorities Lag in Income and Education

- Nearly two thirds of the African Americans in Illinois, the Midwest, and the nation have annual household incomes under \$50,000, and less than a fifth earn more than \$75,000 annually. The Hispanic distribution is only marginally better, with just about three-fifths in the lowest income category and about one fifth in the top category.

Union Membership Boosts Wages

- In 2006 for the United States as a whole, the union membership boost is \$155 per week, or 21.8%; for the Midwest it is \$149, or 21.9%; and for Illinois the boost is \$119, or 16.6%.

Growing Economic Insecurity: Health Insurance and Pensions

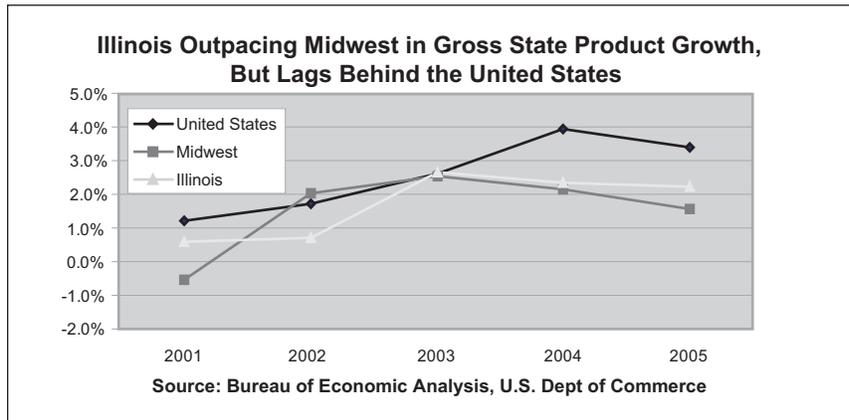
- In Illinois private-sector employer-provided health insurance coverage shrunk from covering 75.4% of the workforce during the 1979-81 period to only 59.6% coverage during the 2003-05 period.
- Both Whites and African Americans had much higher rates of pension coverage than Hispanics, who trailed Whites in Illinois by 25.7 percentage points.
- In the 2003-05 period, only 49.8% of the workers in Illinois was covered by an employer-provided pension plan. This was slightly below the regional level of coverage (51.0%) but above the national rate (45.2%).

CHANGING NATURE OF WORK AND JOBS IN ILLINOIS

THE APPEARANCE OF STABILITY AND MODERATE GROWTH

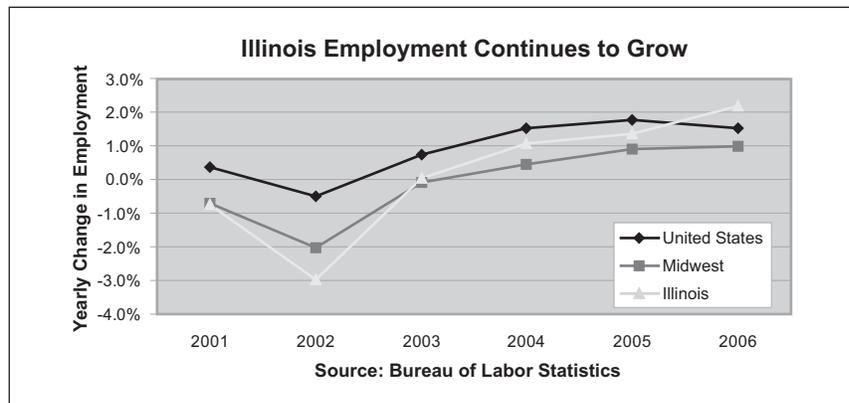
Since 1990 the Illinois economy has grown and the state has experienced net growth in job creation. But these facts alone do not convey a complete picture of workforce development in the state. Sometimes the overall trends in work and employment information may mask underlying problems that are important to workers and their families.

Consider the state's economy. In 2005 Illinois ranked fifth nationally with a Gross State Product (GSP)³ of \$499.4 billion, which was 30.3% of the total Gross Product of the five Midwestern states. While Illinois was by far the largest contributor to the region's Gross Product, its 1990 through 2005 rate of GSP growth (48.5%) lagged behind both the region (50.1%) and the nation (59.0%).



But this longer-term trend itself masks the more recent rebound in the comparative pace of GSP growth in Illinois. Between 2002 and 2005, Illinois experienced GSP growth of 7.1%, which outpaced the region's 5.9% although still lagging behind the national rate of 10.6%.

The Illinois civilian labor force also continued its growth. It added 67,497 workers between 2005 and 2006, bringing its total size to just over 6.5 million. This increase in the number of new workers was 32,197 more than the average annual increase between 1990 and 2005.⁴ Indeed, since the 2002-03 year, annual employment



growth in Illinois has exceeded that for the Midwest as a whole. And the 2005-06 increase in Illinois (2.2%) also exceeded national employment growth (1.5%). As a result of this pattern of employment growth, the number of unemployed persons in the state shrunk to 306,242 by July 2006, a drop of 68,249 since the same month a year earlier. After reaching its recent peak of 435,526 in 2003, the size of the unemployment pool has dropped in every subsequent year, and the pace of decline in Illinois has outstripped that of the Midwest region.

³ Real Gross State Product. Millions of chained 2000 dollars

⁴ The average annual increase between 1990 and 2005 was 35,301. All comparisons are for July of the respective years and are seasonally adjusted

The state's unemployment rate has followed a similar trajectory. After reaching a recent nadir of 4.4% in 1998, it climbed to a new peak of 6.8% in 2003. However, it has declined in every subsequent year, and the Illinois unemployment rate of 4.7% in July 2006 was below the Midwestern (5.6%) and the national (4.8%) rates. The 2005-06 decline in the Illinois unemployment rate (-1.1%) was the second largest drop in the country, lagging only the -2.7% decline experienced by Louisiana as it rebounded from the effects of Hurricane Katrina.⁵

Of course, the increased size of the state's labor force and the corresponding unemployment rates do not provide an exhaustive view of workforce participation. The Labor Force Participation rate, i.e., the percentage of the eligible population that is either working or looking for work, allows us to glimpse a larger picture.

Participation in the workforce remained fairly stable from 1990 through 2000 and declined significantly thereafter. The most dramatic decline through mid-2004 was among youth between 16 and 24 years of age, a change that suggested risk of long-term detachment from the workforce and consequent social problems. The mid-2005 data (see Table 1) show only a minuscule rebound (0.4 percentage points) in the state's workforce participation rate but a continuing -- although quite modest -- downward slide in the participation rate of the 16-24 cohort (-0.2 percentage points).

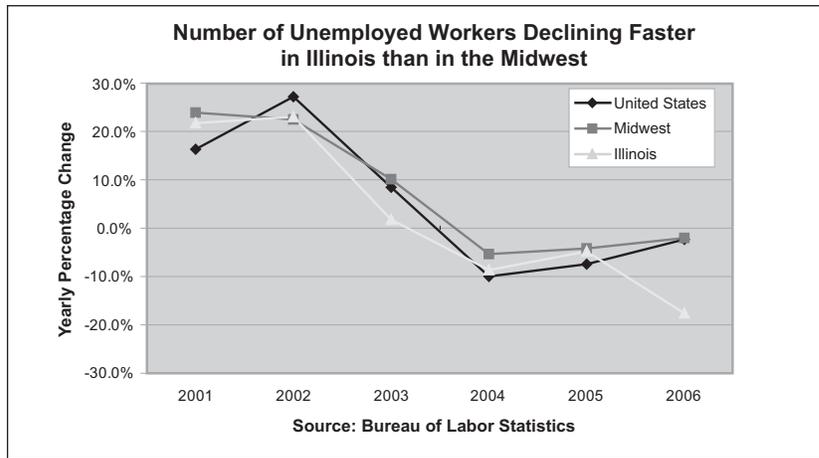


TABLE 1

2005 Workforce Participation in US, Midwest and Illinois			
	United States	Midwest	Illinois
All	66.0%	67.0%	66.6%
GENDER			
Male	73.3%	73.6%	74.0%
Female	59.3%	60.8%	59.6%
AGE			
16-24 yrs	60.8%	64.3%	60.3%
25-54 yrs	82.8%	83.9%	83.3%
55 yrs and older	37.2%	36.2%	36.7%
RACE / ETHNICITY			
White	66.0%	67.3%	66.9%
African American	64.1%	62.3%	61.4%
Hispanic	68.0%	71.8%	70.2%
Asian/Pacific islander	65.9%	69.3%	68.5%
EDUCATION			
Less than high school	44.2%	42.0%	42.7%
High school	64.6%	65.0%	62.4%
Some college	71.9%	73.6%	72.0%
Bachelor's or higher	78.2%	80.0%	80.3%

Source: Economic Policy Institute (EPI) Analysis of Current Population Survey (CPS) Data, March 2005

⁵ The comparisons are for July in both years. The data are from the U.S. Department of Labor, Bureau of labor Statistics, Local Area Unemployment Statistics (LAUS): <http://www.bls.gov/lau/>.

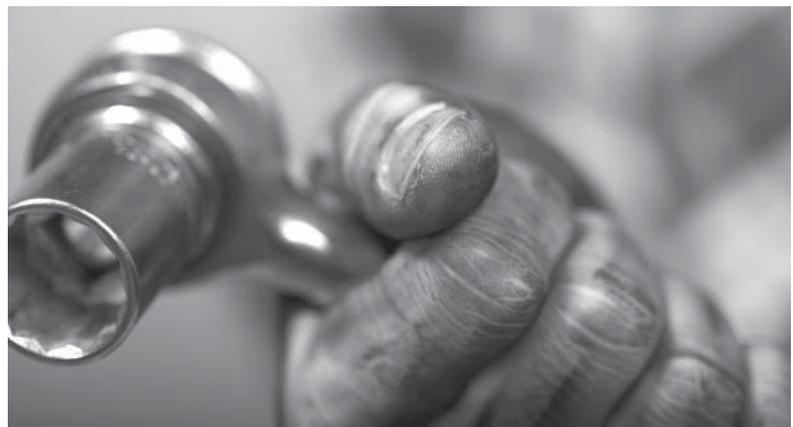
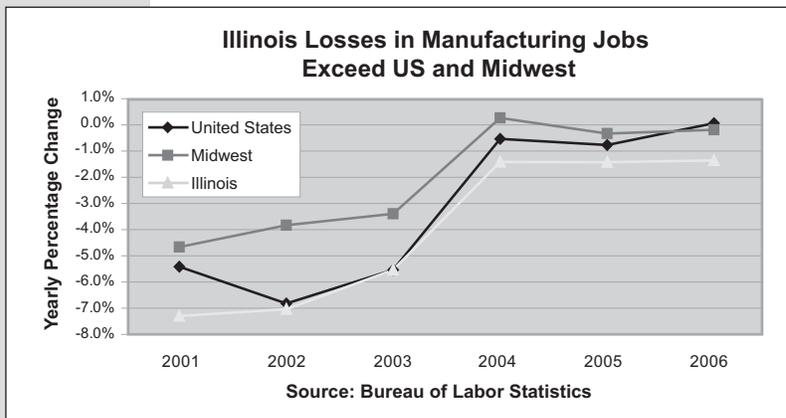
Between July 1990 and July 2005, the total number of manufacturing jobs in Illinois dropped by 24.6%.

REALITY: CONTINUING LOSS OF GOOD-PAYING JOBS

While the absolute number of jobs in Illinois continued to grow in 2006, the types of jobs available, what the new jobs paid, and where they were located also continued their post-1990 shift. A comprehensive analysis of long-term job and employment trends in the state shows the operation of a churning effect in the economy. Old jobs are being replaced by new ones created in different business sectors and geographic areas.

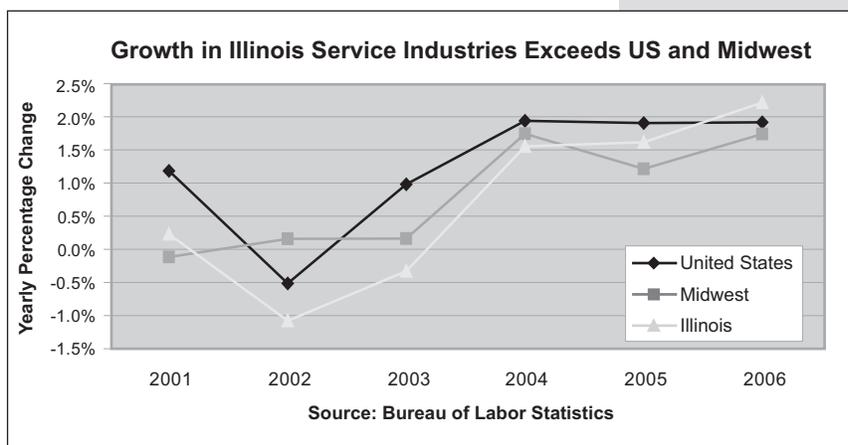
One dominating trend over the past two decades has been the virtually unabated loss of good-paying jobs in manufacturing. Between July 1990 and July 2005, the total number of manufacturing jobs in Illinois dropped by 24.6%. This represented a loss of over 225,800 jobs during the fifteen-year period, or about 15,000 manufacturing jobs per year. Moreover, just under three-quarters of this decline (162,400 jobs) was in durable goods manufacturing, long the mainstay of the state's economy. During the 2005-06 year, Illinois continued to lose manufacturing jobs, although at the somewhat slower pace of 8,900 jobs during the twelve-month period, and over half of these losses were in durable goods manufacturing.

Although the loss has slowed somewhat in recent years, the year-to-year percentage decline in the number of manufacturing jobs in Illinois (15.8%) has rather consistently been higher than the comparable measures for the region and the nation.⁶



⁶ Between July 2001 and July 2006, the U.S. loss was 12.9%, and it was 14.7% for the Midwest region.

While the state's manufacturing jobs have been disappearing at a fairly rapid pace, jobs in the service sector have been created at an even faster rate. Between 1990 and 2005, employment in the service sector grew by 28.7%, accounting for a net of over 640,600 new jobs. This reflected growth of about 42,700 jobs annually, much larger than the 15,000 jobs being lost each year during the same period in the manufacturing sector. Professional and business services, education and health services, and the leisure and hospitality industry – the three fastest growing segments of the service sector in Illinois – accounted for 575,300 of these jobs, or 89.8% of the total growth. The number of service jobs grew by an additional 64,400 during the 2005-06 year, a 2.2% growth that exceeded growth in the nation and the region. The leisure and hospitality industry and professional and business services continued to rank among the three-fastest growing segments of the industry in Illinois, but education and health services dropped to fourth place, behind financial services.



This shift from manufacturing to service activities had significant consequences for the state's economy and its working families. For the most part, the jobs created in the service sector paid less than those being lost in the manufacturing sector. Only information services had a higher average weekly wage (\$766.69) in July 2006 than manufacturing sector jobs (\$659.66), and information service jobs declined by 11.2% between 1990 and 2006.⁷ On the other hand, none of the fastest growing service activities paid average weekly wages equivalent to those in manufacturing. The disparities ranged from a narrow 3.5% difference in financial services to a very large 64.4% gap in the leisure and hospitality industry. Taken together, the four-fastest growing service activities in 2006 had a weighted average weekly wage of \$524.18, which was \$135.48, or 20.5%, below the average weekly manufacturing wage.

...the jobs created in the service sector paid less than those being lost in the manufacturing sector.

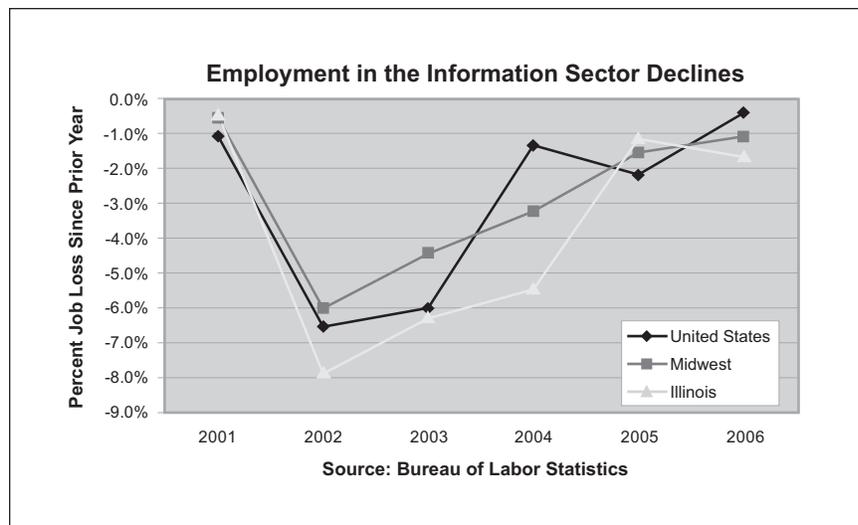
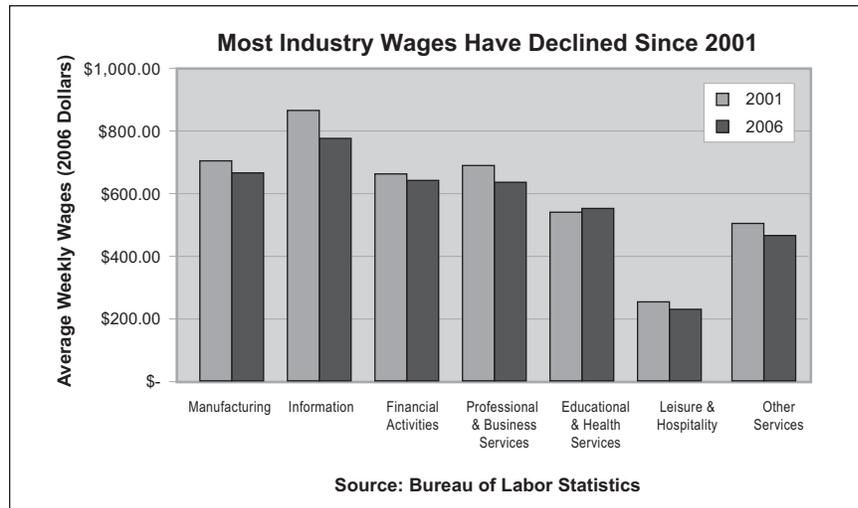
⁷ Bureau of Labor Statistics data show that Illinois lost over 14,800 information service jobs during that period, including over 2,000 lost between July 2005 and July 2006

REALITY: DECLINING REAL WAGES AND CHANGES IN THE SERVICE SECTOR

Adjusted for inflation, most of the industries in the manufacturing and service sectors in Illinois experienced declines in average weekly wages between 2001 and 2006. Education and Health Services is the only exception, and the real wages in that sector increased by only 0.4%. By 2006 most of the industries presented in the accompanying figure had recovered their employment losses from the 2001

recession; however, the two-highest paying sectors – manufacturing and information – continued to experience losses in employment through July 2006.

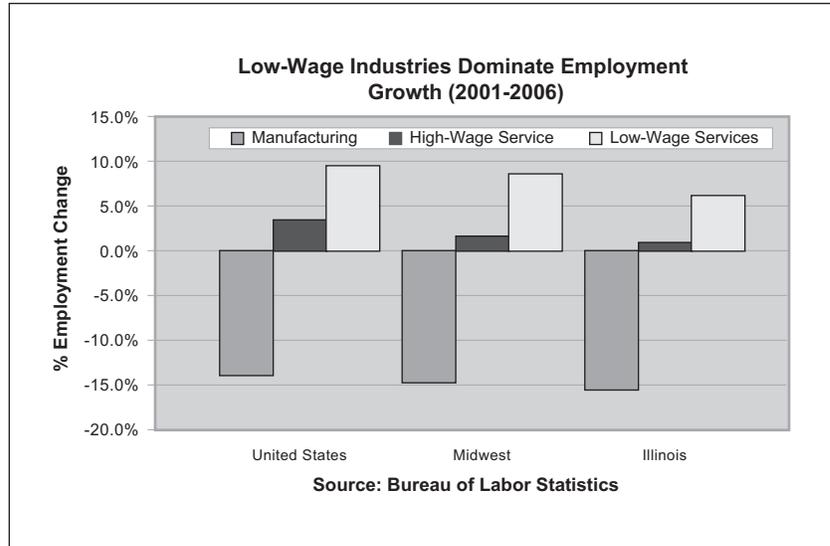
While job losses in manufacturing have been fairly consistent over the past two decades, the pattern of employment in the information sector turned downward only in recent years. After growing from 131,700 jobs in 1990 to a peak of 151,300 in 1998, employment in the sector declined consistently after 2000. Between July 2001 and the same month 2006, the information sector lost 30,700 jobs, a decline of 20.7%. The decline in Illinois was larger than that for the United States (-15.6%) and for the Midwest (-15.4%).



CHARACTERISTICS OF THE ILLINOIS WORKFORCE

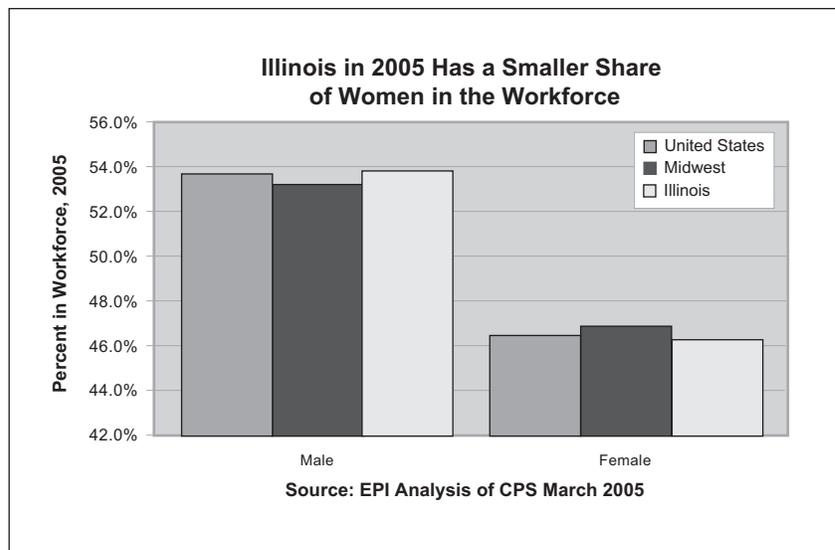
As *The State of Working Illinois 2005* reported, other high-wage service sector jobs also exhibited slippage in Illinois after 2000. Between then and 2003, the state lost 94,600 high-wage service-sector jobs, a decline of 6.7%. But the trend changed direction in 2004 and, although the gains are slight, the high-wage service sector in Illinois is showing some signs of recovery.⁸ Even taking into account the sharp drop in employment in the information sector, Illinois added 13,200

high-wage service sector jobs between 2001 and 2006, a 1.0% growth.⁹ However, over the more recent 2003-06 period, the state's high-wage service activities grew by the more robust amount of 6.2%, adding a net of 81,700 new jobs. But over the 2001-06 years, low-wage service jobs grew by 103,900, a 7.2% increase. As a result, low-wage service jobs, which were only 51.3% of all service-sector jobs in 1990, grew to 52.7% of the service sector in 2006.



INCREASED DIVERSITY

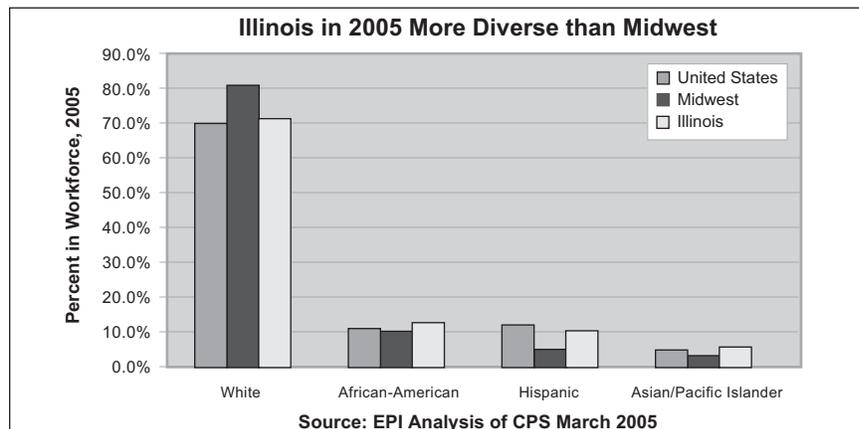
Changes in the composition of the Illinois workforce accompanied this shift in job opportunities. The proportion of women in the Illinois workforce grew steadily from 42.3% in 1980 to a high of 47.0% in 2002, and then declined slightly after that, reaching 46.2% in 2005. And in 2005 women comprised a smaller share of the Illinois workforce than that of the Midwest (46.9%) or the nation (46.4%).



⁸ The high-wage service sector includes: Information, financial activities, and professional and business services.

⁹ This Illinois growth lagged behind the nation's (3.1%) and the Midwest's (1.6%) during the same period.

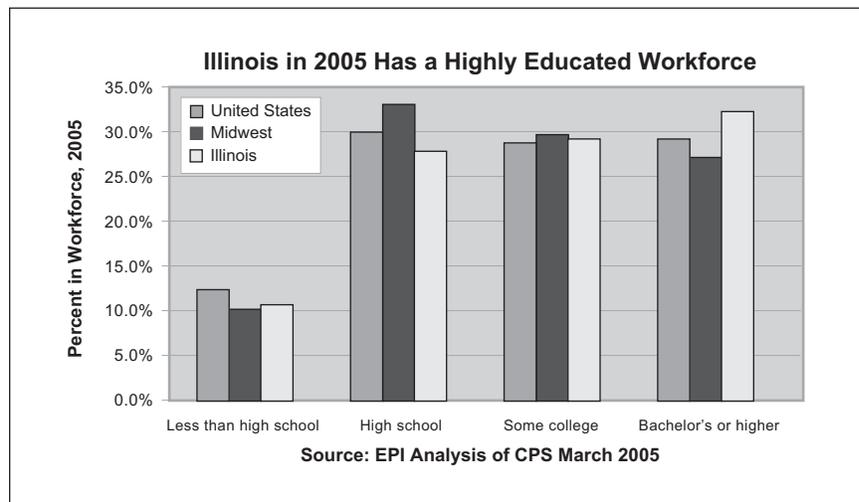
However, the march of the Illinois workforce toward greater ethnic and racial diversity continued unabated through 2005. In that year minorities comprised 28.1% of the state's workforce, up modestly from 27.9% in 2004 and considerably above the 15.7% level of 1980. In 2005 the proportion of minorities in the Illinois workforce was 10.3 percentage points



higher than in the Midwest and only slightly (0.4 percentage points) below the national level. The main driver of greater workforce diversity in Illinois has been the growing Hispanic population, whose share of the workforce has more than tripled since 1980.¹⁰

HIGHER LEVELS OF EDUCATION

The Illinois workforce has also become better educated over time. In 1980 a majority of the state's workers (58.8%) had no more than a high school education, and only 11.5% had a college degree. By 2005, however, most Illinois workers (62.0%) had some post-secondary education, and 32.7% had a college degree. By both of these measures, the Illinois workforce had considerably better education than its regional and national counterparts.



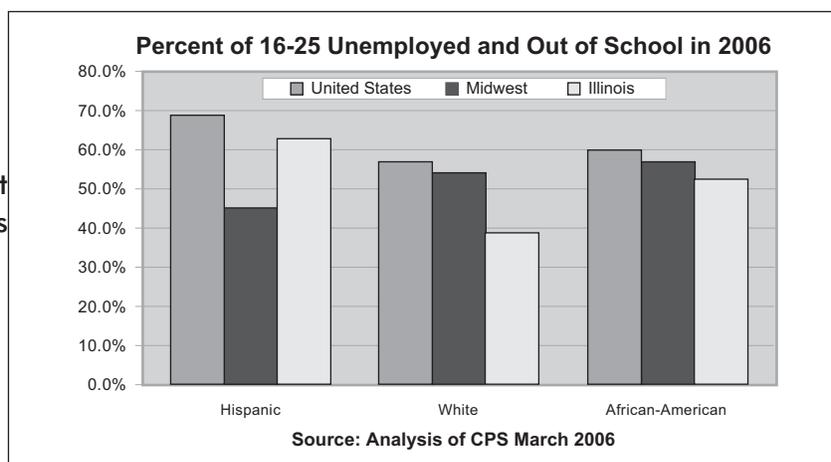
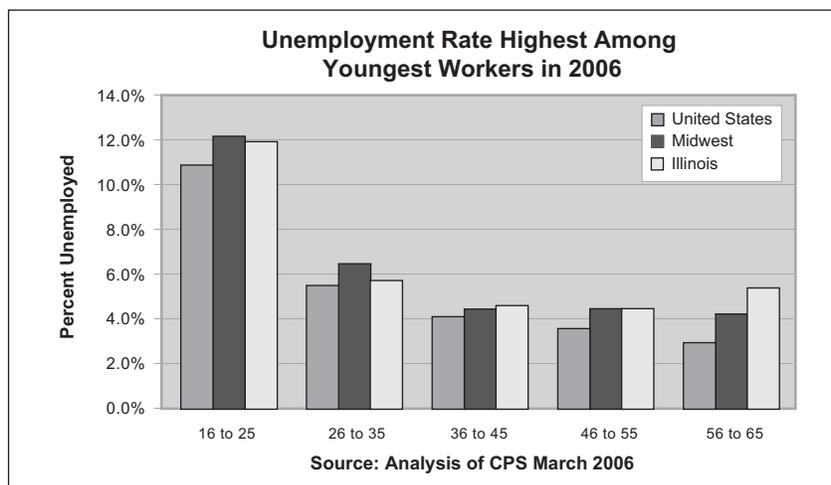
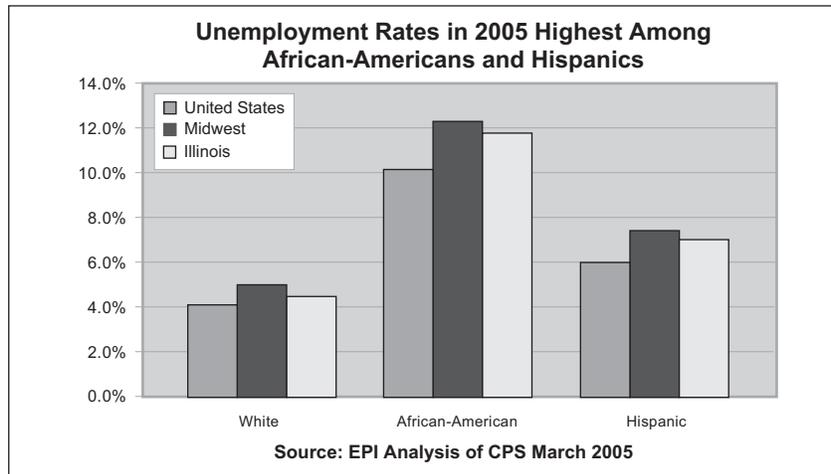
¹⁰ EPI Analysis of CPS March 2005 data shows that Hispanics grew from 4.4% of the states workforce in 1980 to 13.3% in 2005

UNEMPLOYMENT PATTERNS VARY BY ETHNIC AND RACIAL STATUS

African Americans and Hispanics – groups with the larger proportions of young workers and generally lower education levels – have higher unemployment rates than Whites and Asians.¹¹

Young workers, especially those in the 16-to-25 year-old cohort, are those most likely to report being unemployed. Consistently across the three geographies presented here, the unemployment rate for the 16-to-25 cohort is at least twice as large as that for other age cohorts. The youth unemployment rate in Illinois (11.9%) is somewhat above the national rate (10.8%) but slightly lower than the Midwestern level (12.2%). Typically, the unemployment rate drops as the age of the cohort increases, although the Illinois rate for the 56-to-65 category at 5.3% is higher than those for the two adjacent cohorts.

Moreover, among the unemployed members of this youthful cohort, dangerously high numbers report being both out of work and out of school. In Illinois 63.7% of Hispanics, 51.9% of African Americans, and 38.6% of Whites between 16 and 25 and unemployed were also out of school. This condition leaves them especially vulnerable to long-term detachment from the labor market and to the economic and social maladies that typically occur as a consequence.

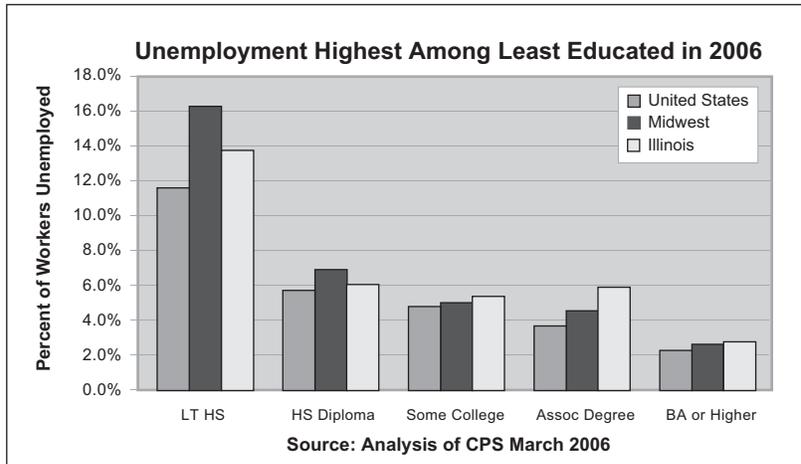


¹¹ Since the number of Asians at the state level in the survey fail to meet the standards for sample size, the group will not be included in the analysis by age and education that follows.

...education is both the antidote to unemployment and...the route to better jobs and higher earnings.

EDUCATION IS A MAJOR FACTOR IN EMPLOYMENT

In the labor market of the early-21st century, education is both the antidote to unemployment and, as analyzed below, the route to better jobs and higher earnings. In Illinois, as in the nation and the Midwest, the highest rates of unemployment occur among those with the lowest levels of education. The unemployment rate for those with less than a high school diploma (13.7%) in Illinois in 2006 is nearly five times the size of the unemployment rate for those who have a college education (2.8%).

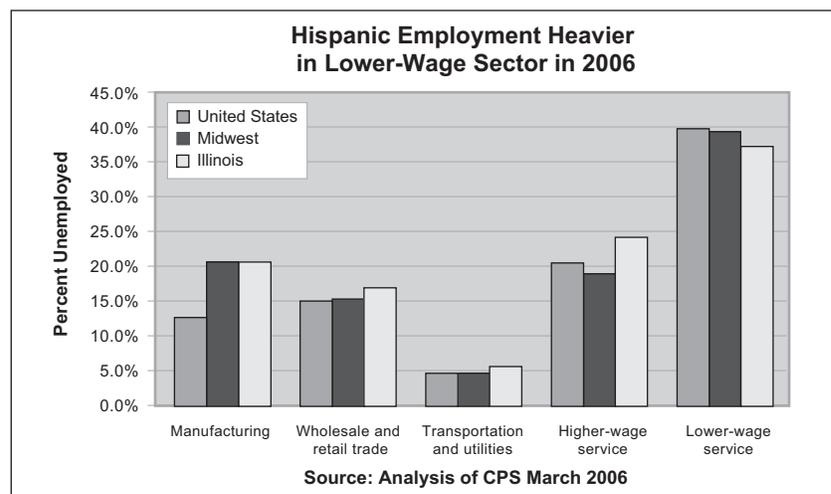
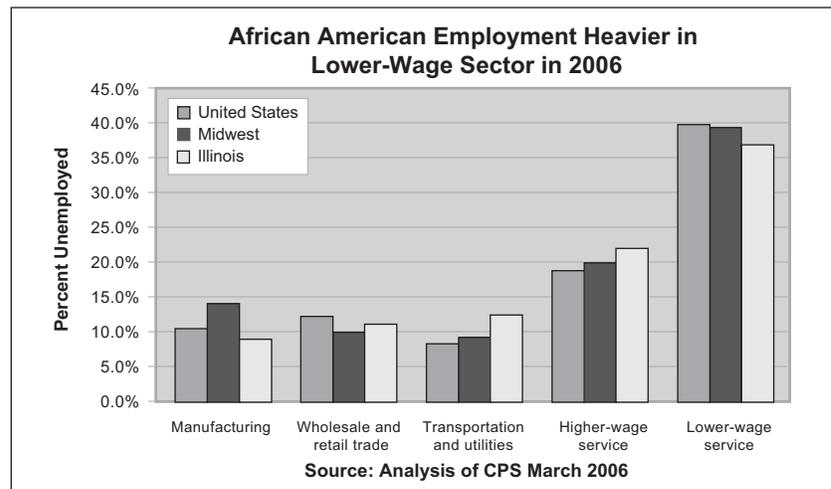
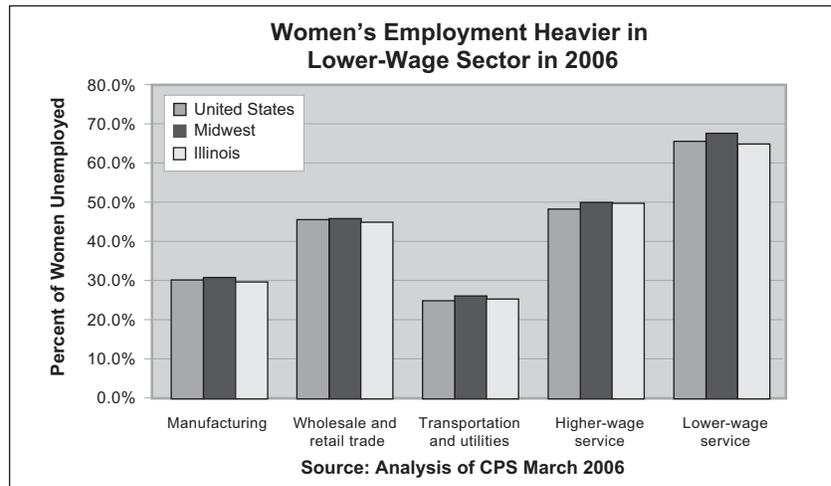


INDUSTRY EMPLOYMENT VARIES BY GENDER, RACE, AND ETHNICITY

While over the years women have come to comprise a much larger share of the state's workforce, those gains have not been spread evenly among industries. In some of the better-paying industries, women are greatly outnumbered by men. Among workers in the construction industry, for example, in 2006 the ratio of men to women was better than ten to one. Women make up a larger share of the workforce in service industries than they do in better-paying activities like manufacturing, transportation and utilities, and wholesale and retail trade. But even within the service industry, women comprise a higher proportion of the workforce in the lower-wage activities than they do in high-wage service jobs.¹² The pattern in Illinois is quite similar to the regional and national ones.

The same type of disproportionate concentration appears when we look at the distribution of workers identified with the state's major racial and ethnic groups across industrial categories. African Americans and Hispanics make up larger shares of the workforce in service industries than they do in better-paying activities in manufacturing, wholesale and retail trade, and transportation and utilities. And within the service sector, minorities comprise

a larger share of the workforce in lower-wage jobs than they do in high-wage service jobs. However, this disparity is very slightly less pronounced in Illinois than it is at the regional and national level.

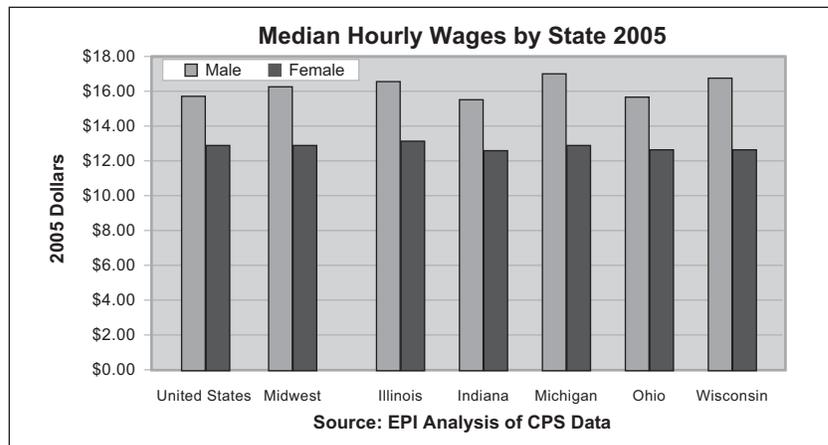


¹² The lower-wage service industries are: Education and health services, leisure and hospitality, and other services. Information, financial activities, and professional and business services constitute the higher-wage service industries.

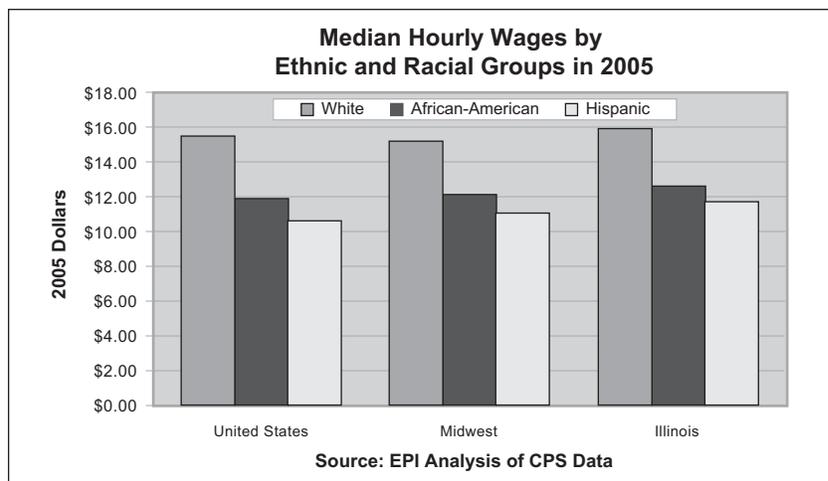
CHANGES IN REAL WAGES

The structural changes that the Illinois economy has experienced over the past two decades – e.g., the loss of high-paying jobs in manufacturing and the growth of new jobs in the lower-wage service sector – are also reflected in the wage data. As the 2005 report indicated, between 1980 and 2004, the median hourly wage paid to women did increase by 17.9% (in inflation-adjusted dollars), while its male counterpart declined by 7.6%, so the gender-based wage gap narrowed. But changes of these sizes hardly represented dramatic economic gains for either men or women during the 24-year period.

Between 2004 and 2005 in Illinois, male median hourly wages declined by \$.16, and female median wages dropped by \$.08. These were small declines and, in the case of the female measure, less than the national loss.¹³ Despite its recent decline, the median hourly wage for women in Illinois remained \$.34 higher than the national median and was higher than those of all the other Midwestern states. The Illinois median hourly wage for men was \$1.01 above the nation's median but ranked only third among the Midwestern states, behind Michigan and Wisconsin.



Looking at the median hourly wages paid to the state's major ethnic and racial groups reveals the persistence of the unequal outcomes detailed in *The State of Working Illinois 2005*. The median hourly wage paid to White workers in Illinois in 2005 remained above that paid to African Americans and Hispanics. That was also the case for the region and the nation.



On the positive side, for all three groups, the Illinois median hourly wage was higher than its regional and national counterparts. Moreover, the large gaps between the median hourly wages for Whites and the other major groups, which had widened dramatically over the 1980 through 2004 period, narrowed slightly in 2005. The White—African American gap dropped to \$3.35 an hour, a 10.6% improvement over its 2004 size; and the White—Hispanic disparity dropped to \$4.20, a 5.4% improvement over its 2004 size. To be sure, these were only modest increments, but they represent shifts from previous long-term trends and changes in the direction of more equal outcomes.

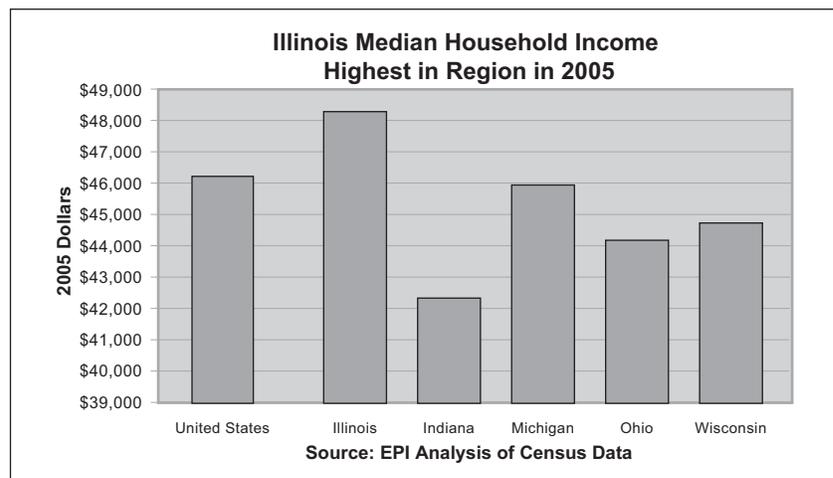
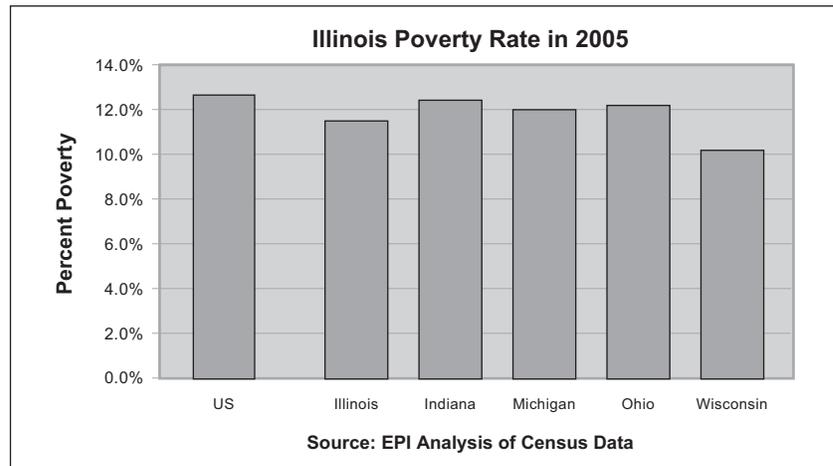
¹³ The female median hourly wage at the national level dropped by \$.11; the male median hourly wage declined by \$.15. Here and throughout, all calculations use inflation-adjusted 2005 dollars

POVERTY AND HOUSEHOLD INCOME MEASURES IMPROVE

When the booming 1990s ended, the Illinois poverty rate increased, following the national trend. It hit a recent peak of 12.6% in 2003, and thereafter dropped to 11.5% in 2005. This current poverty rate is the lowest the state has experienced since 2001, and is lower than the national rate and below that of every state in the region except Wisconsin. At the same time, the number of children in poverty in Illinois has declined to 15.7%, lower than at any point since 2000 and two percentage points below the national rate.

The state's recent economic gains have not been confined to those at the bottom of the economic ladder. After registering a series of declines in the early years of the decade, median household income (measured in inflation-adjusted 2005 dollars) showed a

gain of \$775, or 1.6%, between 2004 and 2005. While this increase was a modest one, it outpaced national growth (\$509 or 1.1%) and allowed median household income in Illinois to remain above that of any other state in the region.



...the better-paying jobs in the service sector typically necessitated more formal education.

EDUCATION BOOSTS INCOMES

As the Illinois economy became increasingly more service oriented, wage and income levels became more closely related to educational attainment.

This strengthened relationship reflected the long-term loss of good-paying jobs, especially in manufacturing, that required comparatively low levels of formal education. While many of the service jobs that emerged to fill the void required at most a high school diploma, the better-paying

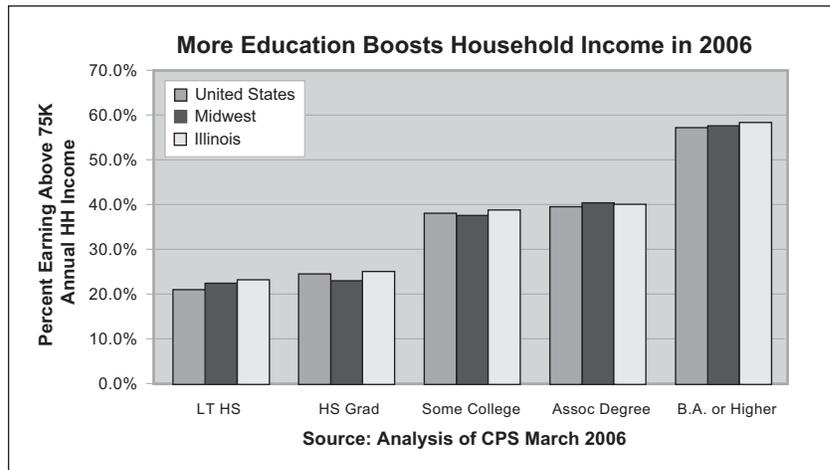
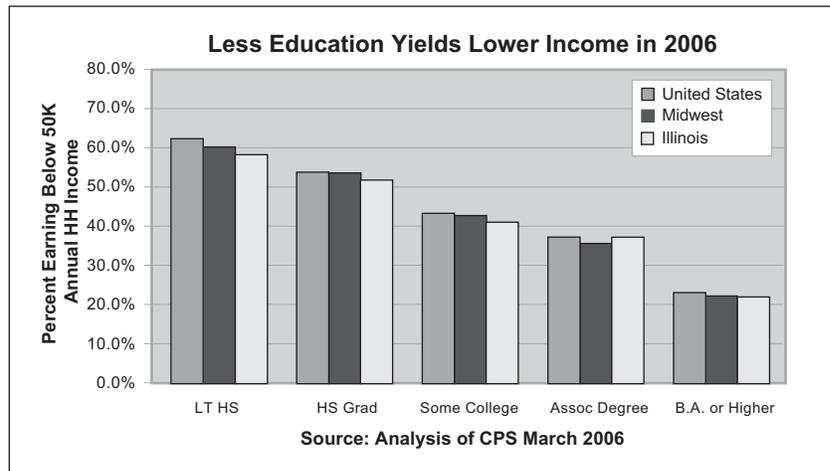
jobs in the service sector typically necessitated more formal education. As a result, and as *The State of Working Illinois 2005* showed, median hourly wages (expressed in real dollars) for those with only a high school education or less fell between 1980 and 2005, while only those workers who held a B.A. or more realized any sizable wage gains. The operation of these trends increased the gap in hourly wages between those who had a college degree and those who lacked even a high school diploma to \$12.74 per hour, an increase of 94.8% over the size of the corresponding gap in 1980.



CHANGES IN COMPOSITION AND JOB SECURITY

As a consequence of these types of shifts in economic activities, the household income distribution for Illinois in 2005 reflected a very strong skew toward higher education levels.

Those at the lower ends of the education distribution clustered at the bottom end of the income scale, while those with more formal education dominated the top rungs of the income ladder. The 2006 data reflect the persistence of that pattern and also show that it pertained in both the region and the nation. In Illinois, 58.1% of those with less than a high school education and 51.9% of those with only a high school diploma had annual household incomes under \$50,000, while less than a quarter in those educational categories had incomes of \$75,000 or more. In contrast, 58.1% of Illinois workers with a B.A. or higher degree had annual household incomes that put them in the top category of income earners, while only 22.7% fell below \$50,000 in annual income.



MINORITIES LAG IN INCOME AND EDUCATION

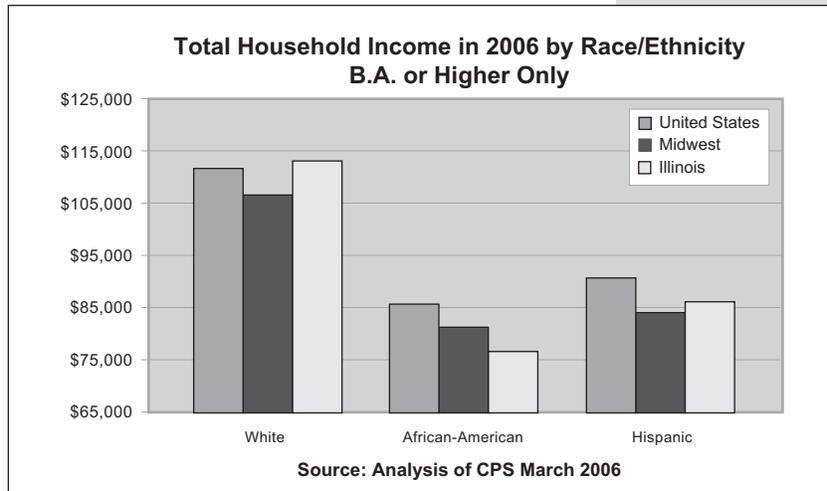
Since minority groups in Illinois and elsewhere have generally lower levels of educational attainment than Whites, it is not surprising to find that their household incomes cluster toward the low end of the income scale. Nearly two thirds of the African Americans in Illinois, the Midwest, and the nation have annual household incomes under \$50,000, and less than a fifth earn more than \$75,000 annually. The Hispanic distribution is only marginally better, with just about three-fifths in the lowest income category and about one fifth in the top category. Both of these groups lag behind the distribution of incomes among Whites: about two fifths of the Whites are in the top income category and only about a third at the bottom rung of the ladder.

TABLE 2

Percent of Group within Each Income Category				
	White	African American	Hispanic	Asian
LT\$50K				
US	39.1%	62.7%	60.0%	33.7%
Midwest	40.1%	66.2%	58.1%	26.8%
Illinois	35.7%	65.2%	53.5%	25.1%
\$50K to 74,999				
US	20.6%	17.3%	19.4%	20.0%
Midwest	21.8%	16.3%	21.5%	18.6%
Illinois	21.2%	15.9%	24.9%	15.0%
\$75K Plus				
US	40.3%	19.9%	20.6%	46.4%
Midwest	38.2%	17.4%	20.5%	54.6%
Illinois	43.1%	18.9%	21.6%	59.9%

Source: Analysis of CPS March 2006

Group incomes still remain unequal when education is taken into account. This is glaringly obvious from an examination of the incomes earned by those in the top education category – a B.A. or higher degree. Nationally, regionally, and in Illinois, Whites with that level of educational attainment typically earn much more annually than either African Americans or Hispanics. The disparity is particularly severe in Illinois, where Whites earn more and the minorities less than their national counterparts. African Americans with a B.A. or more in Illinois earn 31.8% less than similarly educated Whites, and Hispanics earn 24.0% below their White counterparts.¹⁴ Even at the top level of education, African Americans and Hispanics fail to realize the same economic benefits as Whites.



The disparity is particularly severe in Illinois, where Whites earn more and the minorities less than their national counterparts.

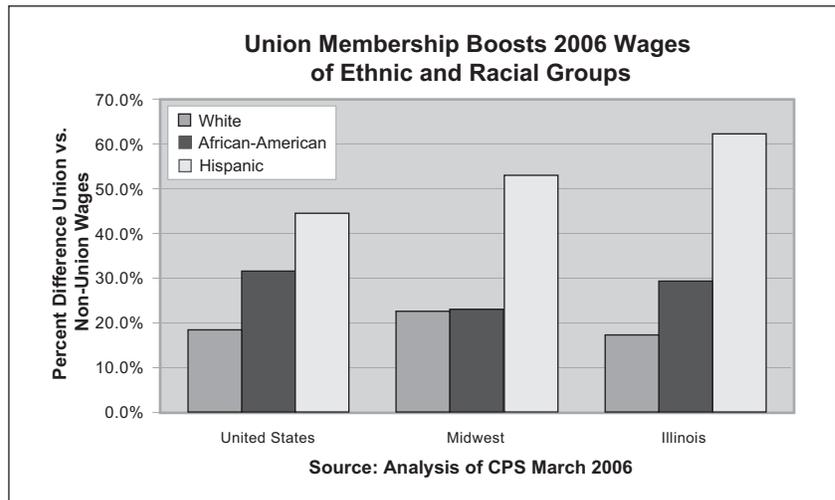
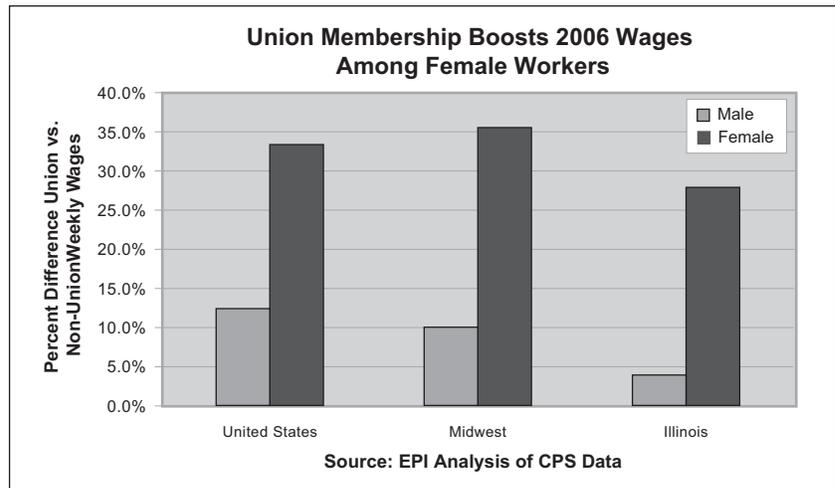
¹⁴ Nationally, African Americans earn 23.0% below Whites with a B.A. or more, and Hispanics 18.4% less. For the Midwest as a region, African Americans with a B.A. or better have incomes that fall 25.1% below those of Whites, and Hispanics 21.7% lower.

UNION MEMBERSHIP BOOSTS WAGES

Apart from education, one other factor works to boost earnings – union membership. The average weekly earnings of union members are appreciably higher than non-union members. In 2006 for the United States as a whole, the union membership boost is \$155 per week, or 21.8%; for the Midwest it is \$149, or 21.9%; and for Illinois the boost is \$119, or 16.6%. The earnings premium that derives from union involvement also works to boost the wages of women and minorities. For women nationally, union membership produces a weekly wage boost of about 32.8%; for the Midwest it is 35.9%; and for Illinois the wage premium is 27.7%.

Union membership also works to boost the weekly earnings of Whites, African Americans, and Hispanics. This effect pertains nationally, regionally, and in Illinois, although its size

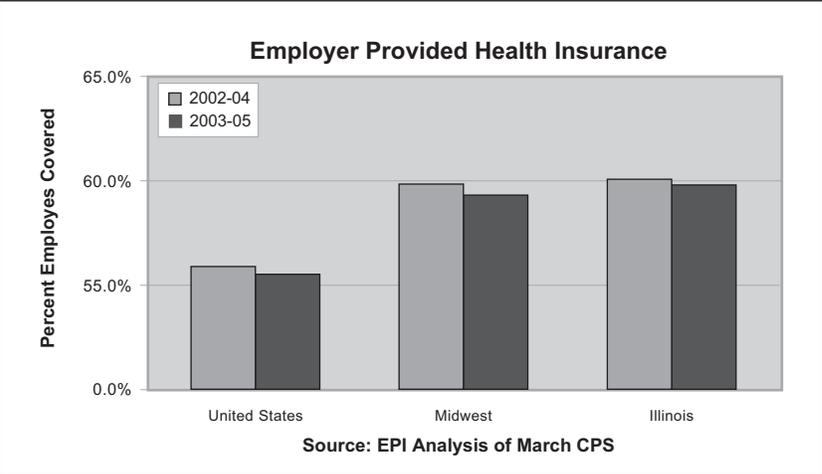
varies and is typically somewhat larger in the nation and region than in the state. However, Hispanics are the key exception: for this group, the union-membership wage premium is consistently larger than for the other groups, and it is largest in Illinois, a difference of about \$302 per week, or 62.7%.



GROWING ECONOMIC INSECURITY: HEALTH INSURANCE & PENSIONS

In addition to long-term stagnation, and even declines, in real-wages and income, many workers and their families in Illinois and elsewhere have had to cope with other dimensions of economic insecurity, especially involving health care and pension benefits. Per capita health care costs have risen dramatically over the past two decades and at \$6,100 per year are now nearly two and a half times the industrial world’s average of \$2,500.¹⁵ The average annual rate of increase in per capita health care expenditures since 1990 has been 5.8%, far above the annual increase in wages over the same period. These escalating health care costs have been accompanied by increases in health insurance premiums, both for individuals and companies. Since 2000, for instance, the per capita premium for employer-provided health insurance increased by 62.5%, and it is projected to increase by another 7.7% for 2007.¹⁶

In the face of these dramatic increases in cost, employers have responded rationally by attempting to constrain costs. In some cases, this has involved offering employees significant incentives not to participate in company medical plans or actively encouraging them to enroll in a spouse’s plan. In other cases, employers have shifted a larger portion of the cost burden to employees, either

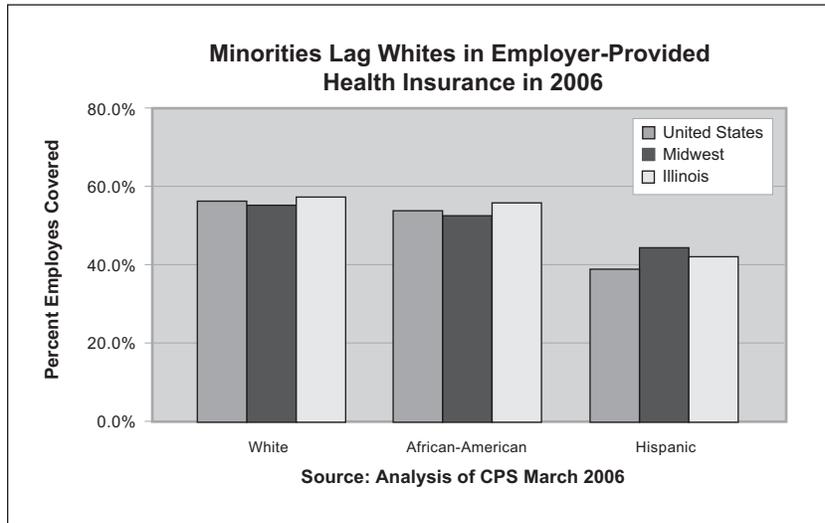


by requiring that they pay a larger share of the monthly premium, or that they pay more in deductibles and co-payments, or both. Finally, some employers have responded to this ongoing spike in insurance premiums by dropping their company-provided health coverage. As a result, private-sector employer-provided health insurance coverage has declined consistently over the past 20 years or more. In Illinois it shrunk from covering 75.4% of the workforce during the 1979-81 period to only 59.6% coverage during the 2003-05 period. While this type of steep decline in employer-provided health insurance coverage has also occurred nationally and regionally, the coverage rate in Illinois is still higher than in these other geographies.

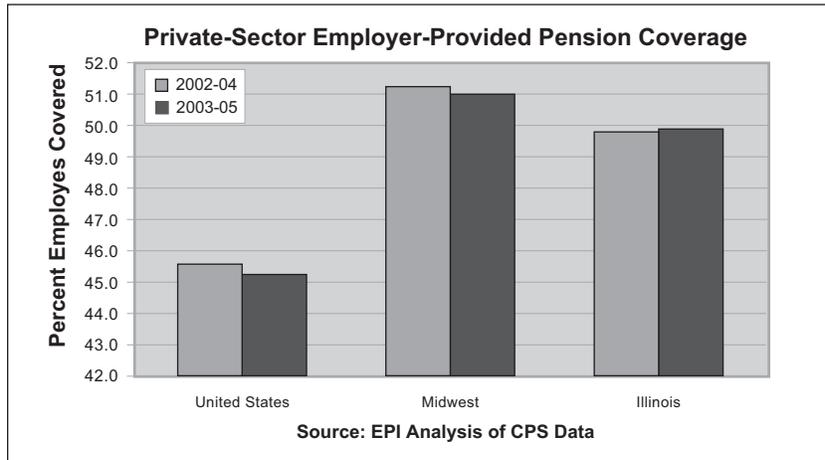
¹⁵ "Prescription for Change" Series, ABC News, 16 October 2006; also at <http://ABCnews.go.com/Health>

¹⁶ Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.gov/statistics/nhe>; and the Henry J. Kaiser Family Foundation, "Daily Health Policy Report," 10 October 2006, at <http://www.kaisernet.org>.

While all major ethnic and racial groups have experienced declines in their health-care coverage, the drop has particularly hit minority workers and their families. At the national, regional, and state levels, minority groups lag behind their White counterparts in extent of employer-provided health-care coverage. In Illinois the coverage rates are better for Whites and African Americans than they are in the Midwest and the U.S., but Hispanics lag behind the other groups in their coverage rate. Only 42.2% of the state's Hispanics, its fastest growing major group, have access to employer-provided health-care insurance.

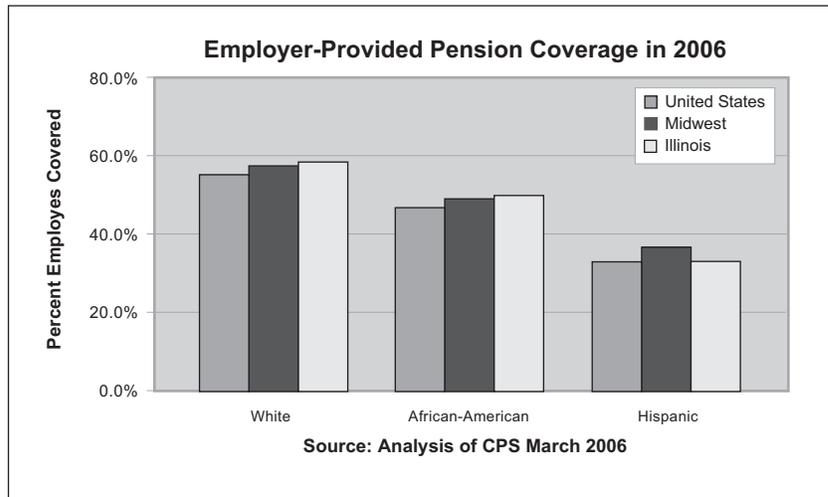


The long-term economic security of workers and their families has also been impacted by changes in pension coverage – e.g.,



reducing and even eliminating employer-provided coverage. Twenty-five years or so ago, most workers in Illinois and in the Midwest were covered by private-sector employer-provided pension plans, and nearly all of these were defined-benefit plans. This was above the national level of coverage, which then was only 49.8%. Since then many private-sector plans have either been converted to defined-contribution plans or have been eliminated. As a consequence, the share of the workforce covered by employer-provided pension plans has declined. In the 2003-05 period, only 49.8% of the workers in Illinois was covered by an employer-provided pension plan. This was slightly below the regional level of coverage (51.0%) but above the national rate (45.2%).

The impact of the shrinkage of pension benefits has been felt by all major groups of workers and their families, but minorities seem to have been hit harder than Whites. The extent of coverage of minority groups is lower than that of Whites for the nation, the region, and the state. Indeed, in Illinois in 2004 African Americans had a slightly higher rate (3.0 percentage points) of employer-provided pension coverage than Whites;



but that had changed by 2006, when Whites held a 6.1 percentage point edge. Both Whites and African Americans had much higher rates of pension coverage than Hispanics, who trailed Whites in Illinois by 25.7 percentage points. The Illinois levels of coverage for Whites and African Americans were higher than those for the nation and the region, while the Hispanic rate in the state was below that of the Midwest and equal to the national rate.

DEFINITIONS OF TERMS REFERRED TO IN THE TEXT**African American:**

Defined by the U.S. Census Bureau as a person having origins in any of the Black racial groups of Africa.

Hispanic:

People of Hispanic origin, in particular, were those who indicated to the Census Bureau that their origin was Mexican, Puerto Rican, Cuban, Central or South American, or some other Hispanic origin. Persons of Hispanic origin may be of any race.

Median Income:

Median income is the amount which divides the income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median-incomes for households, families, and unrelated individuals are based on all households, families, and unrelated individuals, respectively. The median-incomes for people are based on those 15 years old and over with income.

NAICS:

The North American Industry Classification System (NAICS) has replaced the U.S. Standard Industrial Classification (SIC) system.

Poverty Line:

Varies by family size and is geographically sensitive. There is one set of figures for the 48 contiguous states and D.C., one set for Alaska, and one set for Hawaii. It is calculated by the Department of Health and Human Services to assist in determining eligibility for federal programs.

Poverty Threshold:

Following the Office of Management and Budget's (OMB's) Directive 14, the Census Bureau uses a set of money income thresholds that vary by family size and composition to detect who is poor. If a family's total income is less than that family's threshold, then that family, and every individual in it, is considered poor for statistical purposes. The poverty thresholds do not vary geographically, but they are updated annually for inflation with the Consumer Price Index (CPI-U).

SOC:

The 2000 Standard Occupational Classification (SOC) system is used by Federal statistical agencies to classify workers into occupational categories for the purpose of collecting, calculating, or disseminating data. All workers are classified into one of over 820 occupations according to their occupational definition.

