



Illinois Labor Force Participation



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2020 Progress Report

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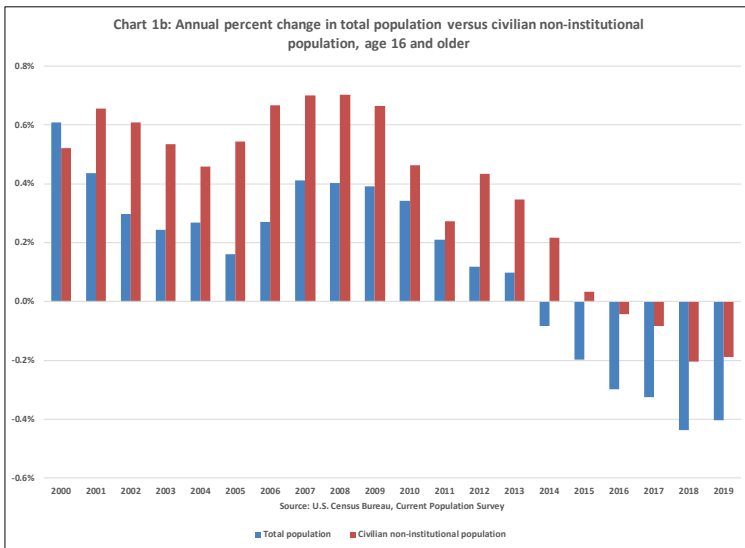
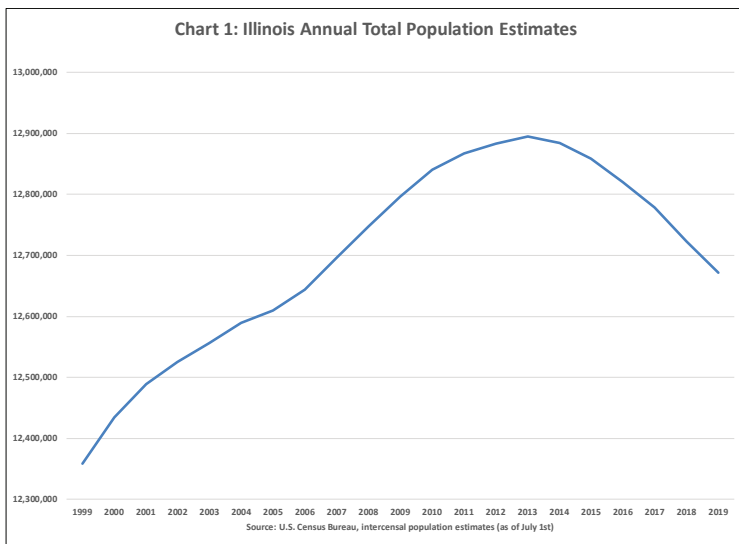
Note: The information in this report is subject to change at any time.

Introduction

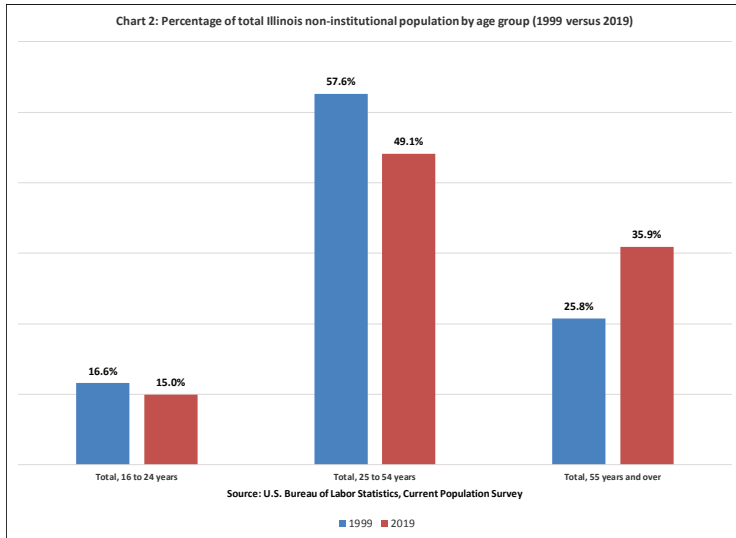
Illinois has experienced a steady decline in its population in recent years, losing more than 223,000 residents between 2013 and 2019. During this period, the state’s overall labor force participation rate continued a downward trend that began in the 2000s, falling to levels not seen since the 1970s and mirroring national trends. This analysis will examine patterns in labor force participation in Illinois over the past two decades, from 1999 through 2019, using annual data from the Current Population Survey (CPS)¹ to identify groups that experienced the greatest declines in labor force participation and to understand the causes for the structural decline. The findings in the report can help policy makers target re-employment services to segments of the labor force that require greater resource investment.

Population loss

Illinois total population peaked in 2013 at 12,895,100 before declining in each of the following six years. The greatest factor contributing to population loss in Illinois has been domestic out-migration, according to data from the U.S. Census Bureau. The civilian non-institutional working age population (age 16 and older) followed a similar pattern of decline, although its losses started in 2016.



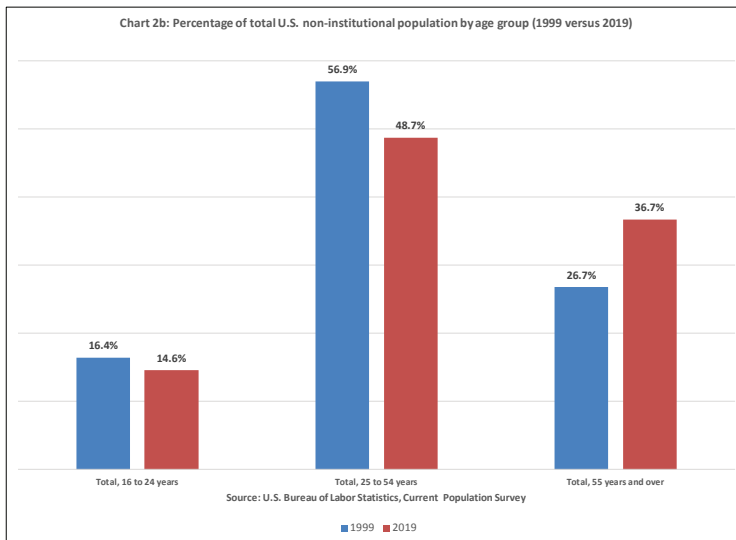
¹ The Current Population Survey (CPS) is a monthly survey of U.S. households conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics that produces a wide range of labor force characteristics data.



The Aging Population

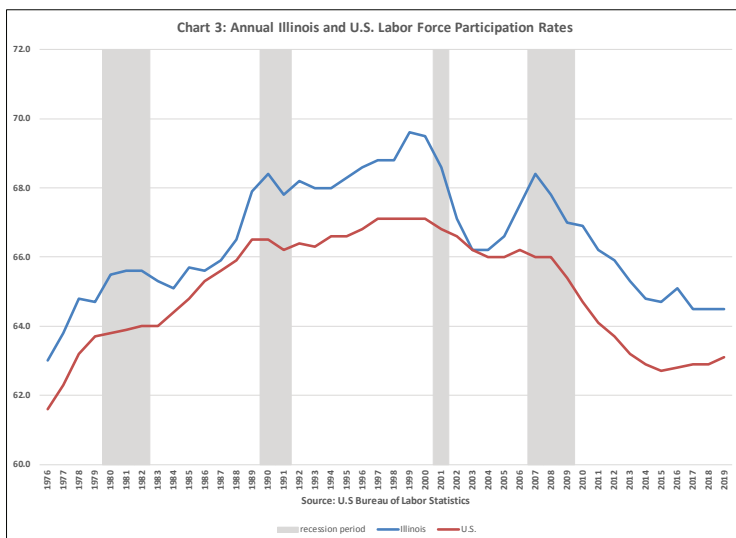
Like most of the nation, Illinois' civilian non-institutional working population (age 16 and older) has aged gradually over the past two decades. In 1999, the percent of the population that was considered to be in the youth age group (ages 16-24) was 16.6 percent; by 2019, this percentage fell to 15.0. The percentage of the civilian non-institutional population in the prime working age group (ages 25-54) also declined, dropping from 57.6 to 49.1 percent. The oldest age group (age 55 and older) saw its share of civilian non-institutional, rise significantly from 25.8 percent in 1999 to 35.9 percent in 2019.

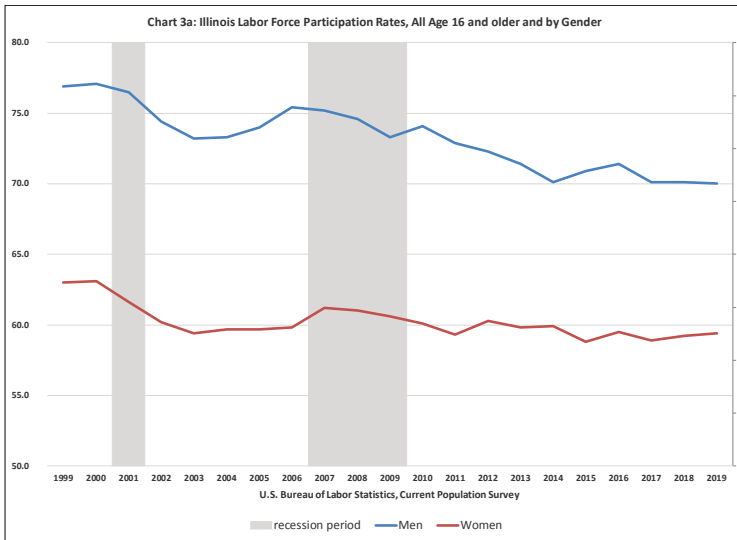
Illinois has mirrored the national changes in the civilian non-institutional working population. In the U.S., the share of youth population fell slightly while the percentage of the population in the prime working age group dropped below fifty percent. In addition, the oldest age group saw their share of the population grow to more than one-third.



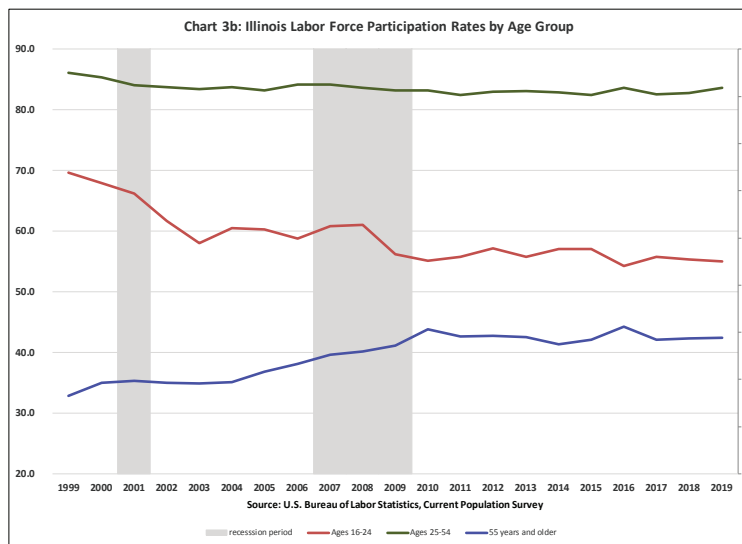
Impact of Demographic Changes on the Labor Force

As shown below, both Illinois and the U.S. saw their labor force participation rates gradually rise from the mid-1970s (excluding recessionary periods) before peaking in the late 1990s. In the early 2000s, the labor force participation rates for both Illinois and the U.S. dropped as a result of the 2001 recession and September 11, 2001 terrorist attacks. The Illinois labor force participation rate rebounded in the mid-2000s, rising for several years. But then the Illinois labor force participation rate began a steady decline during the 2007-2009 recession, which continued throughout the most recent economic expansion. The nation also saw its labor force participation rate drop during and after the 2007-2009 recession. However, unlike Illinois, the U.S. labor force participation rate increased slightly each year, beginning in 2016.

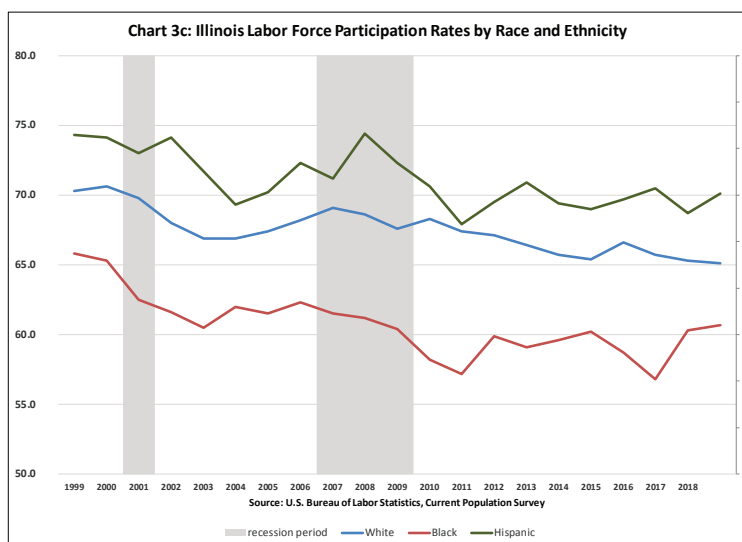




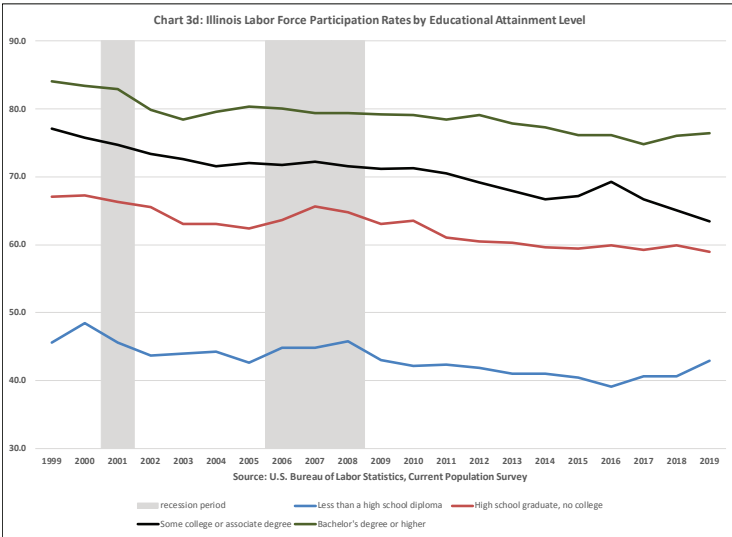
Although the overall statewide labor force participation rate has fallen since the late 1990s, there are some notable differences among various demographic groups. Men continued to see higher labor force participation rates in 2019, as compared to women, but they saw a larger decrease in their labor force participation rate over twenty years (-6.9 for men vs. -3.6 percentage points for women). Also, the labor force participation rate gender gap has fallen steadily, from 13.9 percentage points in 1999 to 10.6 percentage points in 2019. One possible explanation for the narrowing gender gap is historical employment losses in industries dominated by men, such as manufacturing.



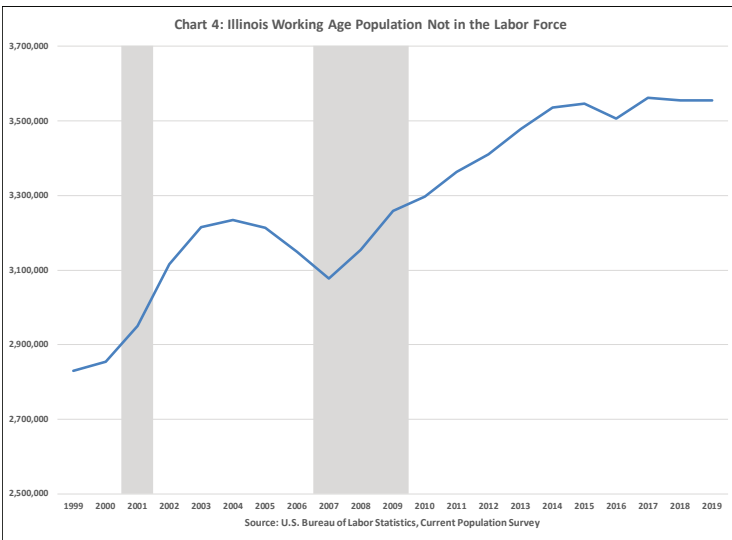
The decreases in the youth and prime working age populations (numeric and percentage of total population) since 1999 are also reflected in declining labor force participation rates. The youth age group saw its labor force participation rate plummet, from just under seventy-percent (69.7) in 1999 to slightly above 50 percent (55.5) in 2019. The prime working age group saw its labor force participation rate drop slightly from 86.2 percent in 1999 to 83.6 percent in 2019. The labor force participation rate for the oldest age group rose from about one-third (32.8) in 1999 to slightly higher than forty-percent (42.4) in 2019. These trends are likely due to a combination of demographic and economic changes over the past two decades.



Among racial groups, Hispanics maintained the highest labor force percentage throughout the past two decades, although their percentage dropped -4.2 percentage points to 70.1 percent in 2019. Whites saw their labor force participation rate decrease -5.2 percentage points to 65.1 percent in 2019. Blacks reported the lowest labor force participation rates and saw their rate decline -5.1 percentage points to 60.7 in 2019. Also, while each of those three racial groups experienced declines in their labor force participation since 1999, Blacks and Hispanics have seen net increases in their labor force participation rates since 2011.

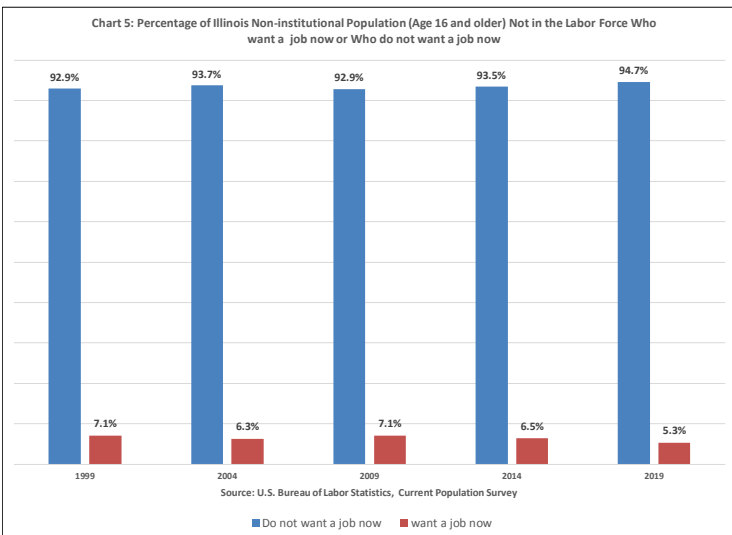


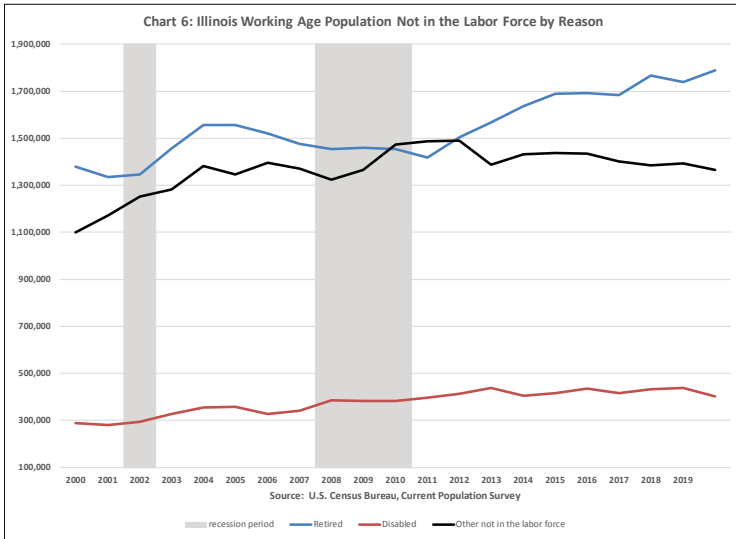
Labor force participation rates correlated well to levels of educational attainment; individuals achieving higher levels of education tend to have stronger labor force attachment and thus higher labor force participation rates. Notwithstanding that relationship, each of the four educational attainment groups described here reported net declines in their labor force participation rates since 1999. The largest decrease was found among those with some college or an associate’s degree (-13.6 percentage points), followed by high school graduates with no college (-8.1 percentage points), those with at least a bachelor’s degree (-7.6 percentage points) and finally those with less than a high school diploma (-2.7 percentage points).



Illinois Population Not in the Labor Force

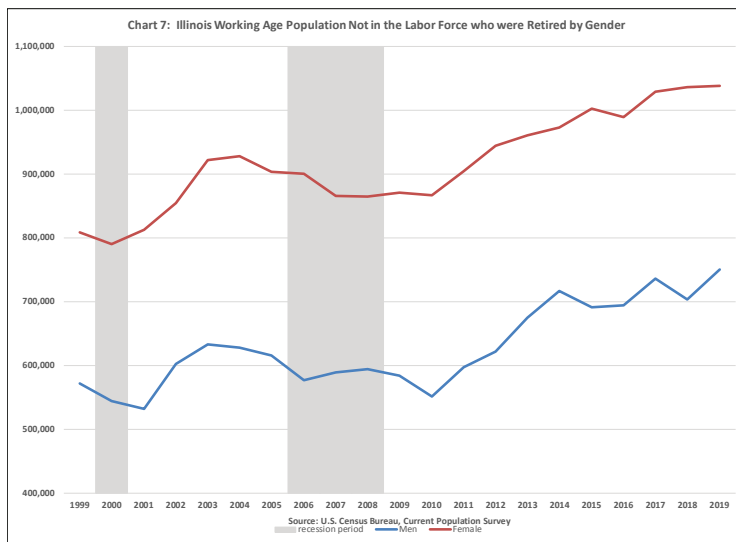
The portion of the non-institutional population that reported they were not in the labor force increased +787,600, or +28.5%, between 1999-2019. Also, the percentage of those not in the labor force who wanted a job but were not available and/or looking for work has historically been very low. Nonetheless, the percentage of those who wanted a job but were not available or looking for work has decreased over the past twenty years from about seven percent to five percent. In 2019, women comprised 59.1 percent of the total population not in the labor force, down slightly from 63.4 percent in 1999. About 96 percent of women who were not in the labor force did not want a job, somewhat higher than the percentage of men (93.9) who were not in the labor force and didn’t want a job.





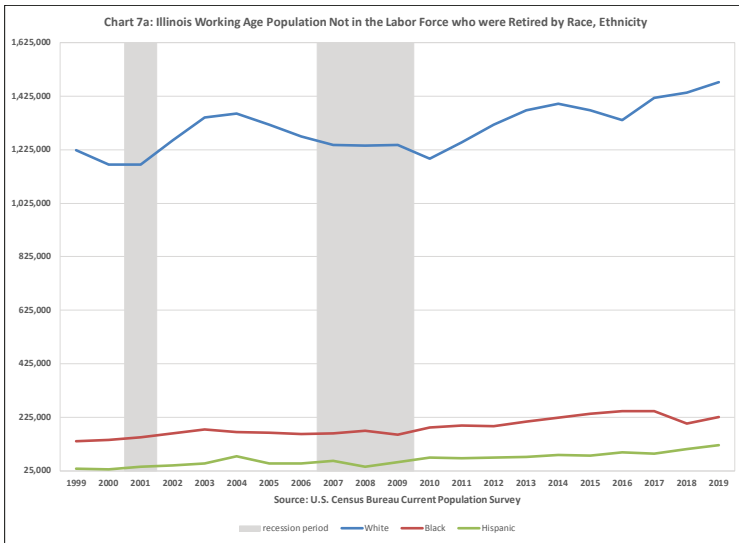
Primary Reasons for Non-Participation in the Labor Force

Among the main reasons reported by individuals for not participating in the labor force are retirements as well as disabilities that prevented them from working. The number of retirees out of the labor force increased by +407,700 (+29.5%) between 1999 and 2019, with the largest growth occurring between 2011-2015. The number of disabled persons not in the labor force rose 113,500 (+39.3%) between 1999 and 2019, although annual growth slowed over the last seven years. The number reporting other reasons for not participating in the labor force increased +266,300 (+24.2%) during this same period. Some of the other reasons for not participating in the labor force will be discussed in more detail later in this report.

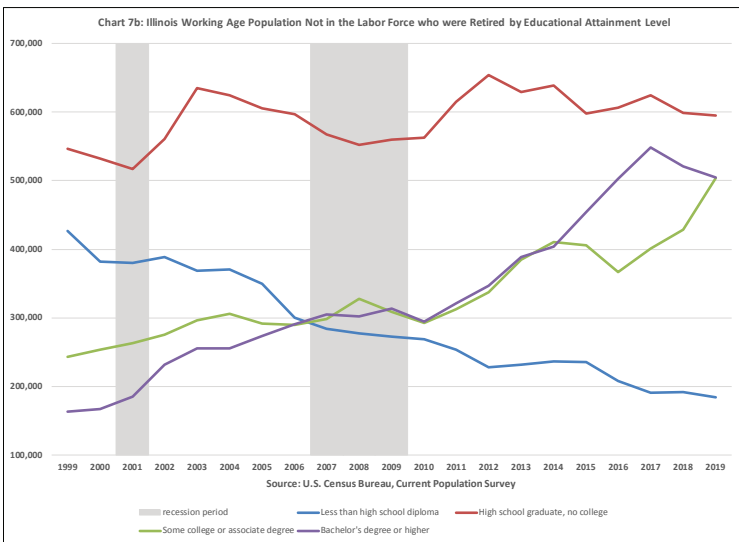


Characteristics and Trends in the Illinois Retired Population

Predictably, as the Illinois population has aged over the past two decades, the number of retirees has risen. As discussed earlier, the number of retirees grew by more than 400,000 between 1999-2019. However, retirees comprised about half of all those not in the labor force in both 2019 (50.3 percent) and in 1999 (49.9 percent). In 2019, about six in ten (58.0 percent) of the retired population in Illinois was women, nearly unchanged (58.5 percent) from 1999. The number of women retirees increased +229,900 (+28.4%) between 1999-2019, while the number of men in retirement grew +177,900 (+31.1%). Both men and women saw a drop in the number of retirees during the 2007-2009 recession, most likely due to workers who saw their retirement savings fall sharply following the collapse of the financial markets in 2008. However, the number of retirees grew steadily as the stock market recovered during the most recent economic expansion.

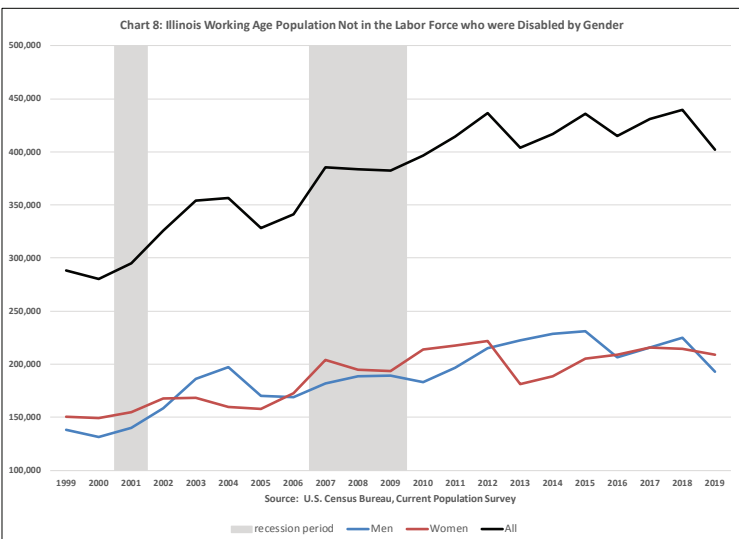


The number of retirees in each of the major racial groups increased over the past two decades but there were wide differences in growth among them. Hispanics reported the smallest number of retirees but the largest percent growth between 1999-2019, increasing +88,000 (+272.3%). The number of black retirees grew by +88,100 (+64.6%), while the number of white retirees was up +256,600 (+21.0%) between 1999-2019.

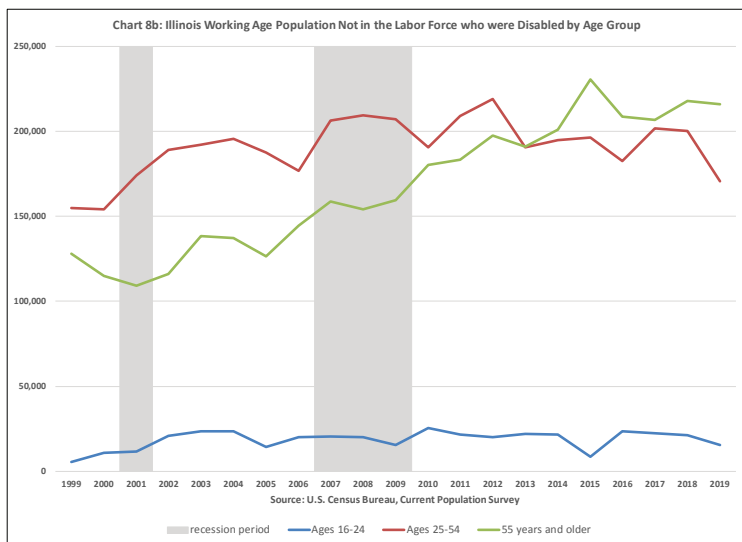


A strong correlation exists between higher levels of educational attainment and growth in the number of retirees over the past two decades. Those with bachelor's degrees or higher saw the largest growth in retirees +341,400 (+209.0%), followed by those with some college or an associate's degree +260,300 (+106.9%) and high school graduates with no college +48,600 (+8.6%). Retirees with less than a high school diploma saw their numbers decrease by more than 50 percent or -242,700 (-56.8%). The growth in the stock market during the most recent expansion undoubtedly improved retirement savings for those with the highest levels of education and lifetime earnings. Conversely, those with the least amount of education and earnings, were less likely to fully recover retirement savings lost during the 2007-2009 recession.

Characteristics and Trends in the Illinois Disabled Population Not in the Labor Force

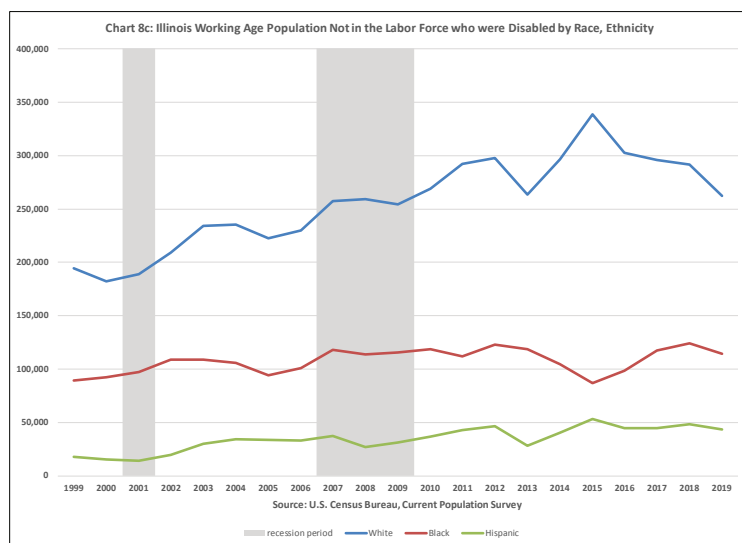


The disabled population represented 11.3 percent of those outside the labor force in 2019, up +0.9 percent from 1999. As noted earlier, the number of disabled persons who were not working or looking for work rose by +113,500 (+39.3%) between 1999-2019. The growth in the number of disabled was similar between genders, with disabled men increasing by +55,000 (+39.8%) and disabled women increasing by +58,600 (+38.9%). The number of disabled persons outside the labor force has fallen in recent years but remain significantly above 1999 levels. In addition, some of the annual changes in the number of disabled persons may be attributed to volatility in the CPS household survey due to small samples sizes.

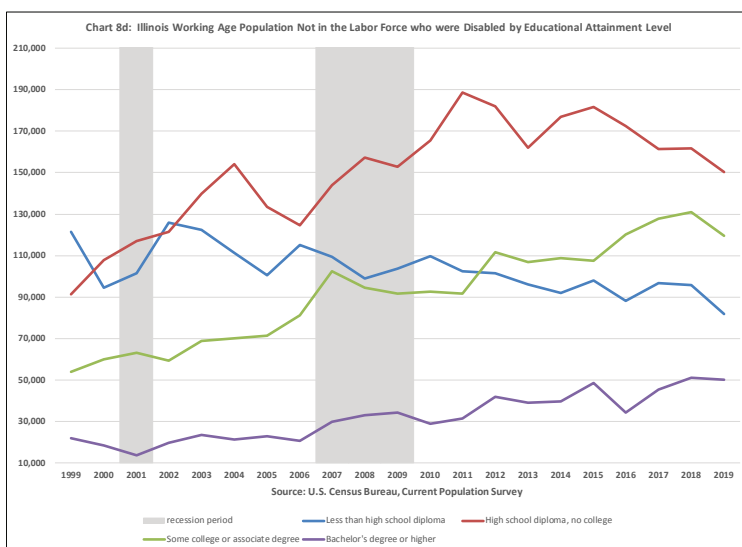


Among age groups, those age 55 and older saw the number of disabled persons increase by +89,000 (+68.7%) between 1999-2019. However, the largest percentage growth in disabled persons was among the youth, which saw a +178.1 percent increase (and a +9,800 numeric increase). The number of disabled persons in the prime age group rose by +10.2% (+15,700).

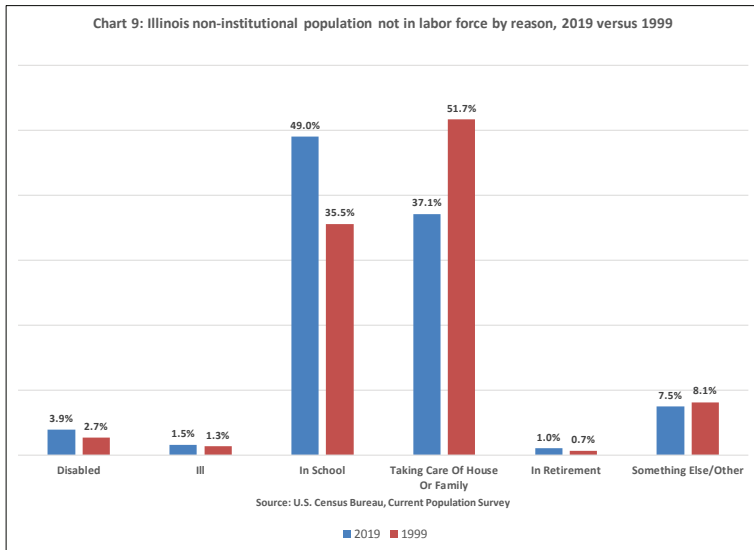
There were notable differences in the growth of the disabled population outside the labor force among the major racial groups. Hispanics reported the smallest number of disabled persons not in the labor force, but their numbers nearly tripled +25,700 (+145.6%) between 1999-2019. The number of white disabled persons not in the labor force rose by +67,900 (+35.0%) while the number of black disabled persons increased by +25,300 (+28.4%).



As mentioned earlier with regard to the retired population, a strong relationship existed between the level of educational attainment and growth in the number of disabled persons between 1999-2019. The number of disabled persons outside the labor force with a bachelor's degree or higher increased by +128.8 percent or +28,300. Among those with some college or an associate's degree, the number of disabled persons rose by +122.5 percent or +65,900. The number of disabled persons with a high school diploma but no college increased by 64.5% or +58,900. In contrast to the other groups, the number of disabled individuals without a high school diploma decreased by about one-third (-32.6 percent, or -39,600). In addition, about 74 percent of all disabled persons who were not in the labor force had high school diploma or less education. This percentage fell to about 58 percent in 2019. One possible explanation for these differences among these groups is that those with less education and earnings have lower disability benefits and thus have a stronger motivation to reenter the labor market.

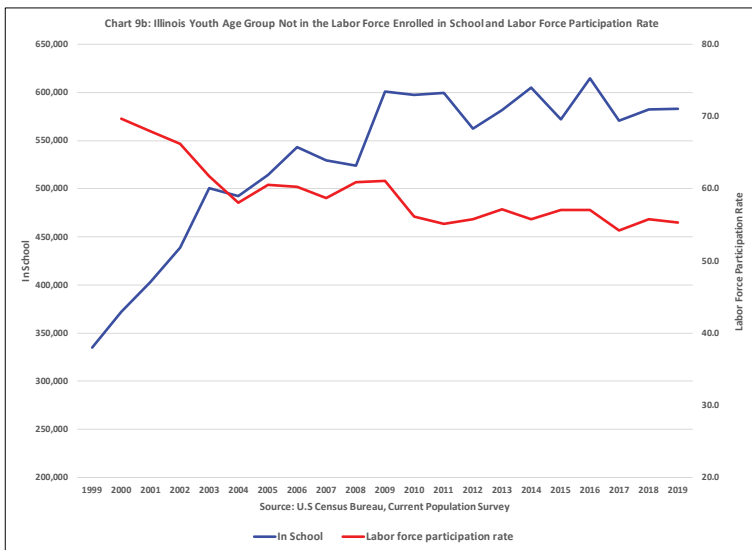


Other Reasons for Not Participating in the Labor Force



We can find additional information explaining why some Illinois residents choose not to work or look for work by examining detailed survey results from the Current Population Survey. Each month, the CPS asks a sub-group of respondents who report that they were not working and are not looking for work: “What best describes your situation at this time? For example, are you disabled, ill, in-school, taking care of house or family, retired or something else?” This sub-group includes those ages 16-49 as well as older respondents who indicate that they have not retired from a job or business.

As shown in the chart below, attending school and taking care of house or family were the most common reasons that individuals said they were not in the labor force. However, there has been a shift over the past twenty years in the percentage who reported they were in school or were taking care of house or family. The percentage of those who said they were attending school rose from about 36 percent in 1999 to nearly 50 percent in 2019. The percentage of respondents who said they were taking care of house or family decreased from just over 50 percent in 1999 to about 37 percent in 2019.



The table on the following page helps explain the increase in those reporting they were not in the labor force because they were attending school. About 43 percent of those who reported they were not working or looking for work, were aged 16-24 and attending school, up 12.1 percentage points from 1999. This increase in youth school enrollment over the past two decades correlates with the decline in youth labor force participation during the same time period, as shown in Chart 9b on the left.

The decrease in those who cited taking care of house or family between 1999 and 2019 was entirely among women. In 1999, about half of all those not in the labor force (and the largest share) were women who were taking care of home or family responsibilities. By 2019, women taking care of home and family responsibilities still represented the largest share of the population not in the labor force, but the percentage dropped to about one-third. Interestingly, the labor force participation for women did not increase during this twenty-year period, but as noted earlier fell -3.6 percentage points to 59.4 percent in 2019. Part of the explanation for this was that in 2019, a larger number of women were outside the labor force for reasons other than home or family responsibilities, such as attending school or retirement.

ILLINOIS NON-INSTITUTIONAL POPULATION NOT IN THE LABOR FORCE BY REASON

Source: U.S. Census Bureau, Current Population Survey

Reason	Total	
	2019	1999
Disabled	3.9%	2.7%
Ill	1.5%	1.3%
In School	49.0%	35.5%
Taking Care Of House Or Family	37.1%	51.7%
In Retirement	1.0%	0.7%
Something Else/Other	7.5%	8.1%

Reason	Men		Women	
	2019	1999	2019	1999
Disabled	2.9%	1.2%	1.0%	1.5%
Ill	0.8%	0.4%	0.7%	0.9%
In School	24.9%	17.7%	24.1%	17.8%
Taking Care Of House Or Family	3.5%	2.7%	33.5%	49.0%
In Retirement	0.4%	0.3%	0.6%	0.3%
Something Else/Other	4.5%	5.0%	3.0%	3.1%

Reason	Ages 16-24		Ages 25-54		Age 55 and older	
	2019	1999	2019	1999	2019	1999
Disabled	0.5%	0.2%	2.1%	1.8%	1.3%	0.7%
Ill	0.3%	0.4%	0.9%	0.7%	0.4%	0.2%
In School	42.9%	30.8%	5.8%	4.7%	0.3%	0.0%
Taking Care Of House Or Family	2.3%	6.3%	28.9%	37.7%	5.8%	7.7%
In Retirement	0.0%	0.0%	1.0%	0.7%	0.0%	0.0%
Something Else/Other	2.2%	3.8%	4.3%	3.5%	1.0%	0.9%

Conclusions

The analysis in this report shows that despite the strength of the labor market in the past several years, there continue to be difficulties for some groups to re-enter the labor market. The groups that have the greatest challenges entering or re-entering the labor market include the youth population, the least educated, women and the disabled.

The percentage of the youth population in the labor force continues to decline despite near-record low unemployment rates over the past several years. A larger and growing number of potential younger workers has opted to remain in school rather than enter the labor market, as compared to two decades ago. Employers who want to tap into the youth population to expand their workforce may need to provide incentives such as internships, apprenticeships, on-the-job training and variable work schedules to accommodate their enrollment in high school, community colleges or universities. Work experience for this age group is valuable for not only acquiring new technical skills but also “soft” skills, such as arriving to work on time, getting along with co-workers and assuming responsibility for their duties. Given that more education typically benefits individual workers by providing more flexibility, greater earnings and more opportunities over their lifetime, we don’t want to necessarily encourage youth to enter the labor force in lieu of getting more education. However, providing more opportunities for short term stackable credentials aimed at youth with few alternative opportunities would more likely better engage that cohort.

Although the labor force participation rate for those with less than a high school education increased slightly in recent years, it remained well below fifty percent; as of 2019, the labor force participation rate for this group was just 42.9 percent. The loss of low-skilled entry-level positions due to technology, globalization and other external factors makes it especially difficult for this population to find new jobs. Workforce development and training resources need to be targeted to address the skills and education deficits this group faces. Policies that encourage stackable credentials that allow workers with less than a high school diploma learn new skills in short spurts while also allowing them to work could potentially engage and keep this group in the workforce longer. When opportunities seemingly disappear into thin air and workers can’t see themselves going to school, they can become discouraged and drop out of the labor force. But with the current trends in short term certificates and stackable credentials which support in-demand jobs, individuals with less than a high school degree may feel encouraged to go back to school.

The gap between male and female labor force participation has narrowed over the past twenty years. However, women are still much less likely than men to be able to enter or re-enter the labor market because of home and family responsibilities. Employers that are able to offer flexible work arrangements, such as work at home, may be best suited to recruit women who would otherwise remain outside the workforce. Since the COVID-19 pandemic began, many employers who were previously unsympathetic to flexible work schedules realized that workers truly can work productively from home. While not all work arrangements can be flexible, there certainly is room for creating an environment that may encourage more individuals to re-enter the workforce if they believe their options are not limited. While women are primarily in and out of the labor force because of family responsibilities, men also may benefit from an environment which encourages flexible work arrangements; this could boost labor force participation for both men and women.

The non-working disabled population in Illinois has risen by nearly forty percent since 1999, with the largest increase among those age 55 and older, although the largest percentage increase was among the youth. There needs to be increased private and public sector investment to increase labor force participation among the non-working disabled population. Another motivation to assist the disabled in re-entering the labor market is the increasing burden that disability benefits place on federal and state governments. With an increasing portion of the disabled population becoming more educated, we may find that individuals with disabilities will be encouraged to remain in the labor market longer. To a large degree, that depends on the nature of the disability and whether or not an individual is trainable into a new occupation. Disabled individuals who earn credentials or increase their education can be expected to stay in the labor force longer because they are more likely to remain employed or more easily find new work.

