



Declining Labor Force Participation in Illinois:

Why Have More People Stopped Working or Looking for Work

by Rich Reinhold

Labor force participation rates in Illinois have fallen steadily over the past few decades, dropping to levels not seen since the late 1970s. The analysis presented here will identify which demographic groups have experienced the biggest declines in labor force participation and attempt to answer the basic question: why has a growing share of the Illinois population decided to stop working or stop looking for work?

What is the labor force and labor force participation rate?

The labor force is defined as the civilian, non-institutionalized people, age 16 and older (also known as the working-age population), who are either employed or unemployed. The labor force participation rate is the percentage of the working-age population who either have a job or are without a job, but available and actively looking for work.

Historical trends in labor force participation

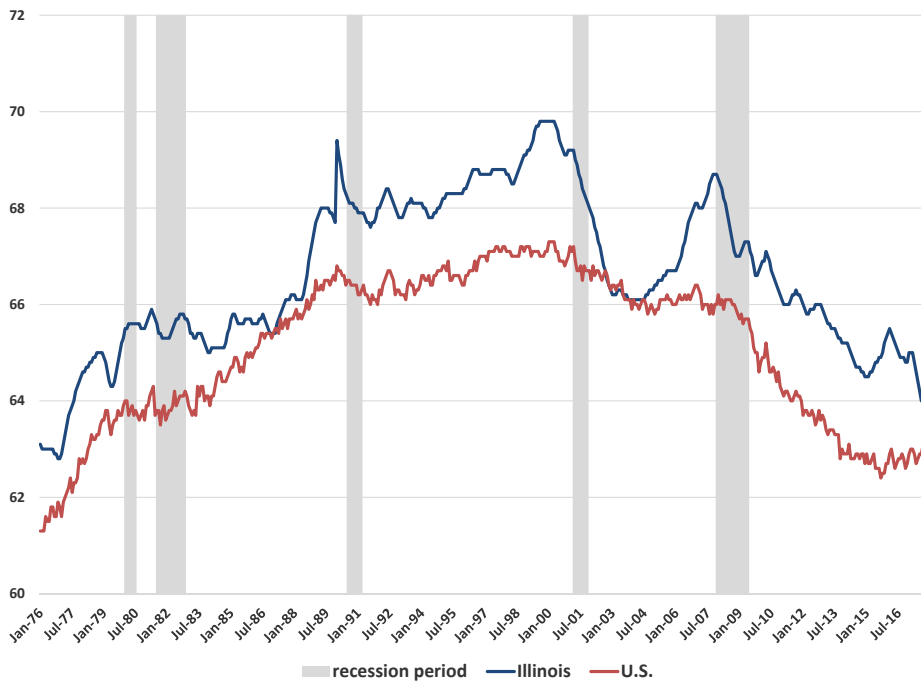
Labor force participation in Illinois has gradually declined after peaking at 69.8 percent in 1999-2000. In 2017, more than eight years after the end of the 2007-2009 recession, the Illinois participation rate had dropped to as low as 64.0 percent, its lowest level since 1977. However, this downward trend is not unique to Illinois. Nationally, the labor force participation rate reached a height of 67.3 percent in early 2000 before decreasing to as low as 62.4 percent in September 2015 (see **Chart 1**).

Historically, Illinois labor force participation rates have been above national levels, with the exception of the late 1980s and early 2000s. Illinois' labor force participation has also seen stronger growth during economic expansion periods as compared to the U.S.. Also, unlike most post-recession periods, Illinois' labor force participation rates have yet to return to pre-recession levels and continue to fall.

Labor force participation varies across demographic groups

An examination of the data below the top-level statewide numbers reveals how labor force participation can vary significantly among different demographic groups in Illinois. This portion of our analysis will examine labor force participation from the 2000 (roughly when participation reached its highest levels) to 2016, the latest complete year available.

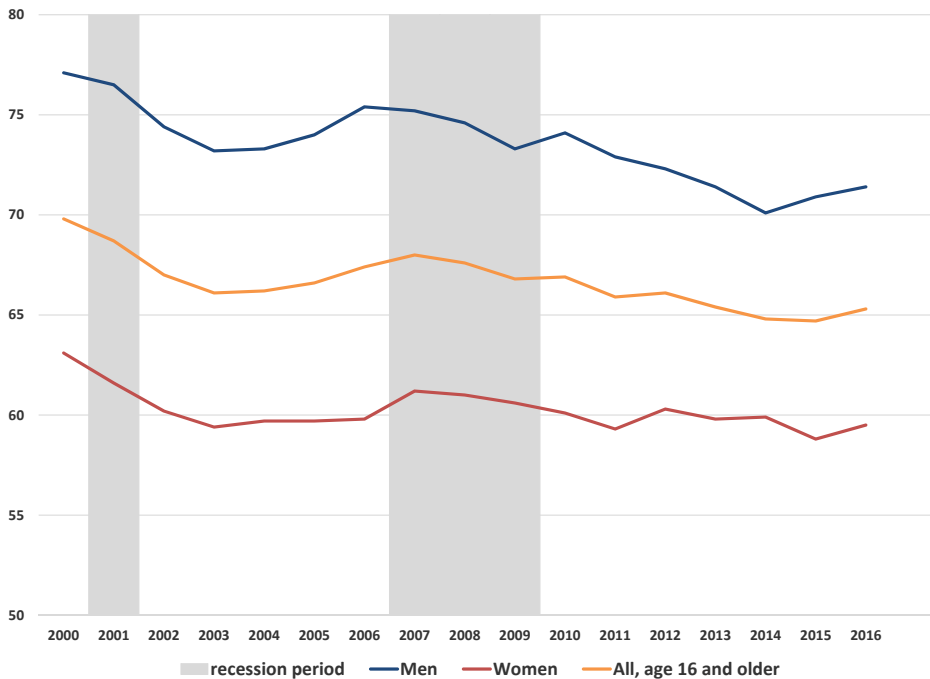
Chart 1: Illinois and U.S. Labor Force Participation Rates (seasonally adjusted)



Source: U.S. Bureau of Labor Statistics

Technical note: The detailed annual characteristics data presented in this report are from the Current Population Survey (CPS), a household survey conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics (BLS). Additionally, the characteristics data describing Illinois residents who are not in the labor force were extracted from CPS micro files available at the Census Bureau's Data Ferrett web application for years 2000-2016. The characteristics estimates derived from the CPS micro data are subject to volatility due to small household sample sizes and changes in population controls used to weight the micro data.

Chart 2a: Illinois Labor Force Participation Rates, All Age 16 and older and by Gender

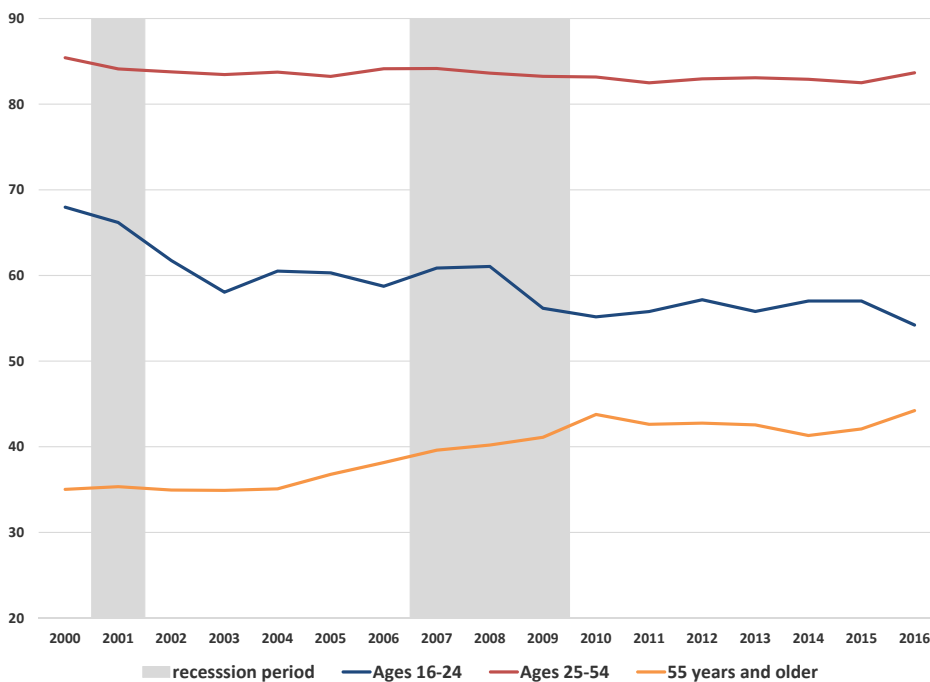


U.S. Bureau of Labor Statistics, Current Population Survey

Men continue to report higher labor force participation than women but both genders have seen net declines in their participation rates since 2000, as shown in **Chart 2a**. As of 2016, the labor force participation rate for men was 71.4 percent as compared to 59.5 percent for women. However, men saw their participation rate decrease more sharply following the 2007-2009 recession falling -2.7 points between 2010-2016 as compared to a drop of -0.6 point for women during the same period.

The largest cohort, presented in **Chart 2b**, are those 25-54 years old, otherwise known as the prime working-age group. In 2016, this group was about 50 percent of total working-age population, down from about 58 percent in 2000. As would be expected, this age group has the highest labor force participation rate but, nonetheless, they have experienced a net decline of 1.8 points from 2000 to 83.7 percent in 2016. Prime working-age women reported a slightly larger decline in labor force participation (-2.1 points) as compared to prime working-age men (-1.4 points) between 2000 and 2016.

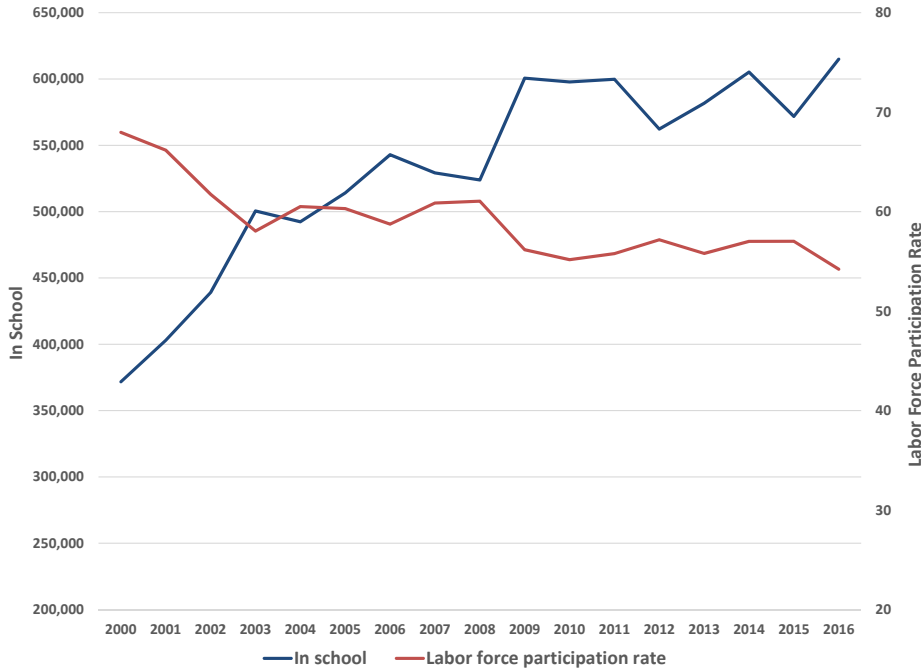
Chart 2b: Illinois Labor Force Participation Rates by Age Group



U.S. Bureau of Labor Statistics, Current Population Survey

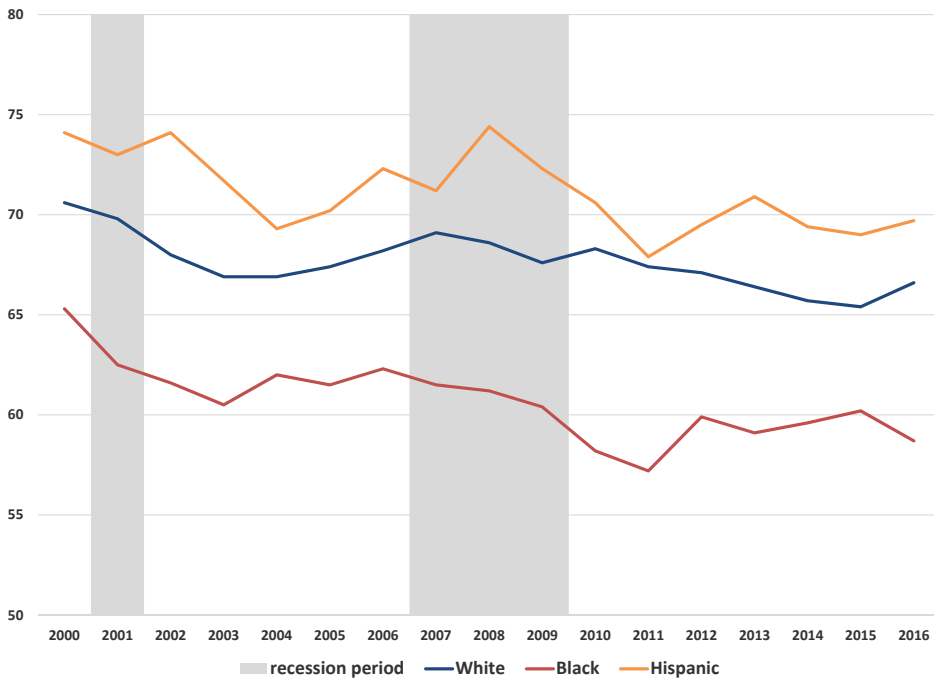
The 55 years and older cohort, comprising the second largest and only growing segment in the working-age population, had the lowest labor force participation rate among all age groups. But it was the only age group to see its labor force participation rate increase since 2000, rising 9.2 points to 44.2 in 2016, reflecting the movement of the baby-boom cohort into retirement age.

Chart 2c: Illinois Youth Age Group Not in the Labor Force Enrolled in School and Labor Force Participation Rate



U.S. Bureau of Labor Statistics, Current Population Survey

Chart 2d: Illinois Labor Force Participation Rates by Race and Ethnicity



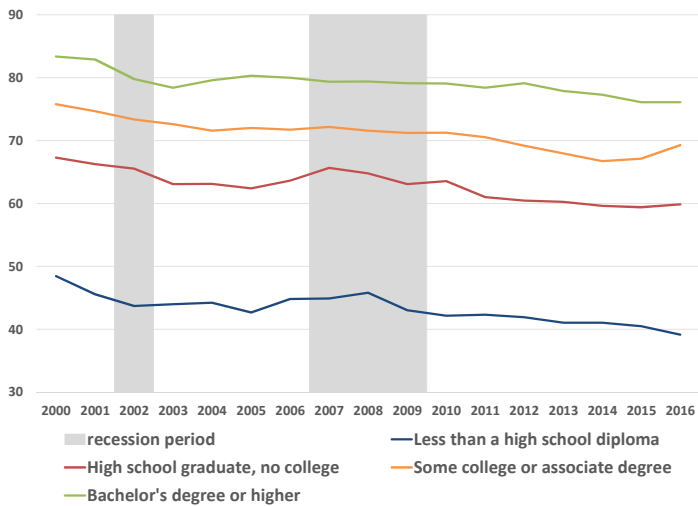
U.S. Bureau of Labor Statistics, Current Population Survey

The youth age group (ages 16-24) saw the largest decrease in labor force participation among all age groups since 2000, dropping -13.8 points to 54.2 percent in 2016. The biggest factor contributing to the decline in youth labor force participation was the increase in the number of youth dropping out of the labor force and enrolling in school (see **Chart 2c**). The number of youth enrolled in school increased by 65.4 percent between 2000 and 2016, with the largest annual increase in 2009, during the last recession. Also, the decline in youth labor force participation directly coincided with an increase in school enrollment.

Among all races and ethnicities, Hispanics have the highest labor force participation rates, followed by Whites and Blacks (see **Chart 2d**). The largest decreases in labor force participation were found among Blacks which saw their rates drop -6.6 points from 2000 to 58.7 percent. Hispanics labor force participation rate dropped 4.4 points to 69.7 percent between 2000 and 2016, while the White labor force participation rate fell 4.0 points to 66.6 percent during this same period.

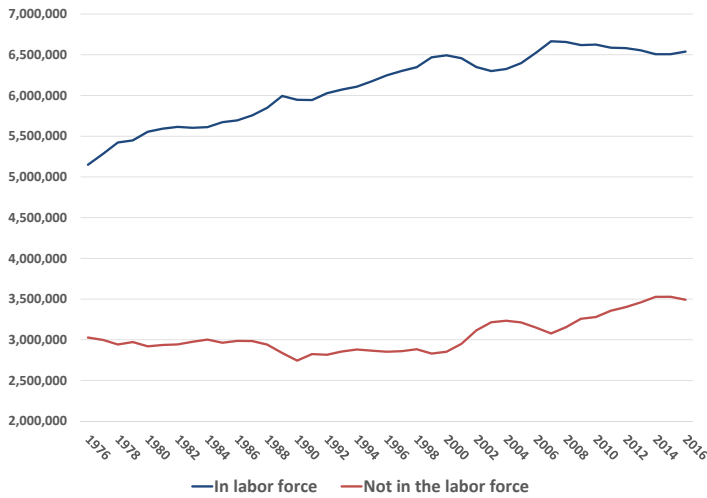
The less educated not only had the lowest labor force participation rates but were also more likely to drop out of the labor force, as shown in **Chart 2e**, on the following page. Those with less than a high school diploma saw the largest labor force participation rate decline from 2000, dropping -9.3 points to 41.0 percent in 2016. High school graduates, with no college saw their labor force participation rate fall 7.4 points from 2000. The highest educated population, including those with a

Chart 2e: Illinois Labor Force Participation Rates by Educational Attainment Level



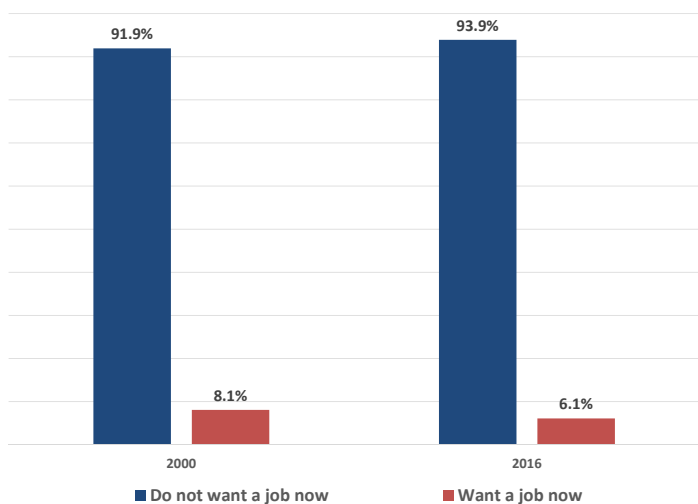
U.S. Bureau of Labor Statistics, Current Population Survey

Chart 3a: Illinois Working Age Population in the Labor Force and Not in the Labor Force



U.S. Bureau of Labor Statistics, Current Population Survey

Chart 3b: Percentage of Illinois Noninstitutional Population (Age 16 and Older) Not in the Labor Force Who Want a Job Now or Who do Not Want a Job Now



U.S. Bureau of Labor Statistics, Current Population Survey

bachelor's degree or higher saw their labor force participation rate decrease 7.3 points from 2000.

Who is counted as not in the labor force?

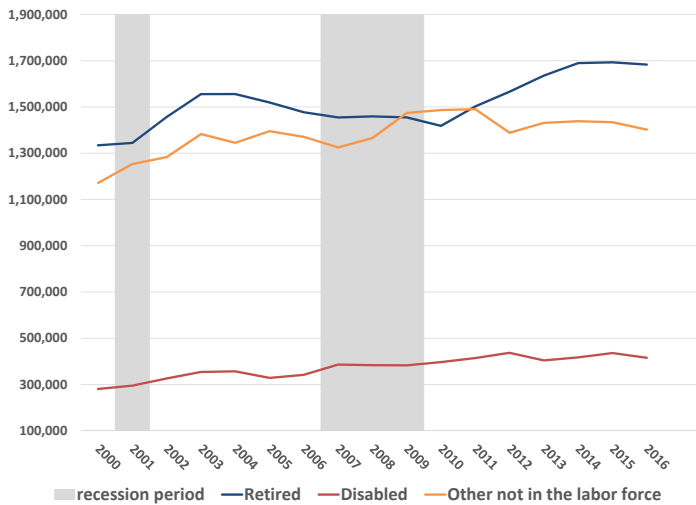
Those who are neither **employed** nor **unemployed** are classified as not in the labor force. Within the population that are not in the labor force, there are those who want a job but are not available or actively looking for work and those who do not want a job (see **Charts 3a and 3b**).

The percentage of those not in the labor force who reported that they do not want a job now changed very little between 2000 and 2016, up just two points to almost 94 percent (See **Chart 3b**). The percentage of those not in the labor force who reported that they want a job now has declined only slightly from about eight-percent in 2000 to approximately six-percent in 2016.

The primary reasons behind the increase in the population that is not in the Illinois labor force

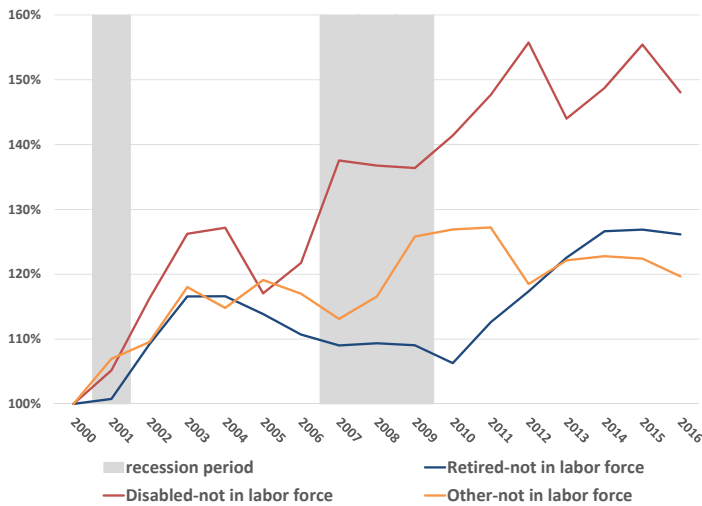
The largest groups not in the labor force are those who identify themselves as retired or disabled. In 2016, retirees accounted for about 50 percent of the population not in the labor force and, the disabled, roughly 12 percent. Also, both groups have seen significant growth since 2000 both in numeric and percentage terms. The number of retirees not in the labor force rose by 26 percent between 2000 and 2016, with the largest growth after the 2007-2009 recession. The number of disabled not in the labor force grew

Chart 4a: Illinois Working Age Population Not in the Labor Force by Reason



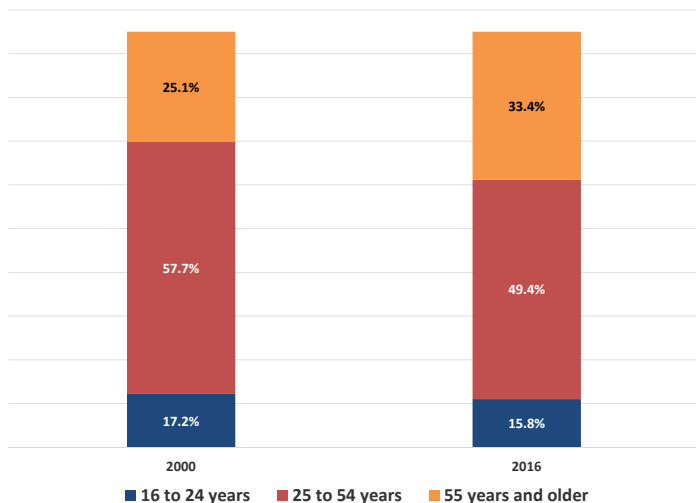
U.S. Bureau of Labor Statistics, Current Population Survey

Chart 4b: Change in the Illinois Working Age Population Not in the Labor Force by Reason (2000=100%)



U.S. Bureau of Labor Statistics, Current Population Survey

Chart 5a: Percentage of total Illinois Noninstitutional Population by Age Group (2000 versus 2016)



U.S. Bureau of Labor Statistics, Current Population Survey

Overall, the disabled population grew by nearly 50 percent between 2000 and 2016.

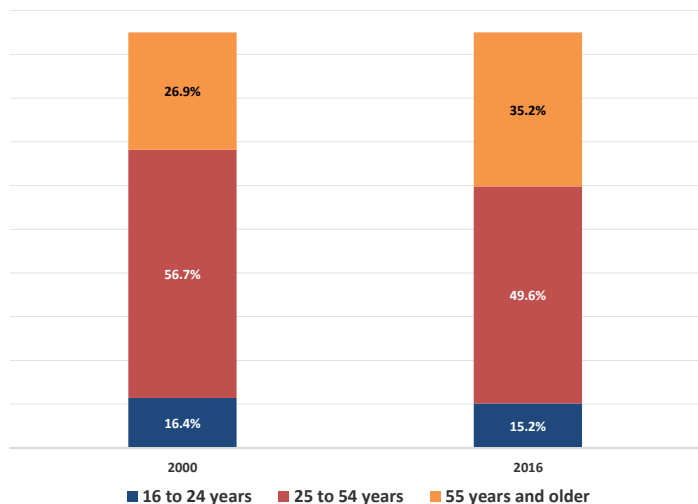
by about 48 percent from 2000 to 2016 (see **Chart 4a and 4b**). Put differently, about half of the growth of the Illinois population not in the labor force was comprised of retirees and nearly 20 percent of the growth was attributed to disabled persons. By comparison, Illinois labor force saw a net increase of 0.7 percent between 2000 and 2016.

The aging of the Illinois workforce and increase in retirees

As would be expected, the biggest contributing factor to the increase of the number of retirees is the aging of the Illinois workforce. Between 2000 and 2016, the Illinois working-age population rose by 8.8 percent. The population 55 years and older saw its share of the total working-age population rise from 25.1 percent in 2000 to 33.4 percent in 2016 (see **Chart 5a**). The prime working-age population saw its population share fall from 57.7 percent in 2000 to 49.4 percent in 2016. Finally, the youth age group saw its share of the total working-age population drop from 17.2 percent in 2000 to 15.8 percent in 2016.

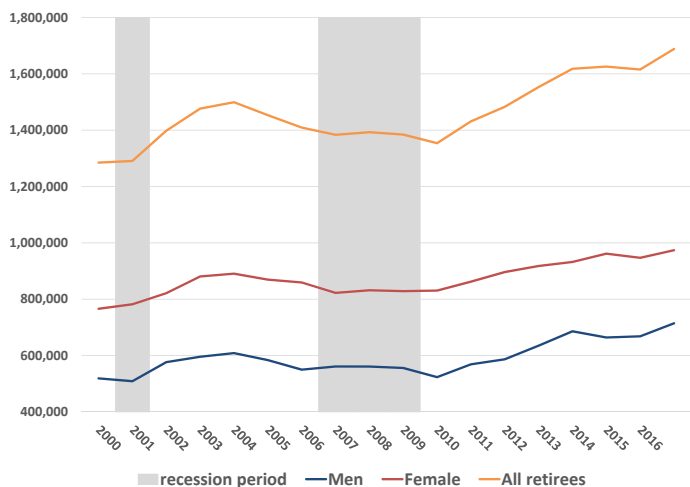
Nationally, the changes in age-group composition since 2000 were

Chart 5b: Percentage of Total U.S. Noninstitutional Population by Age Group (2000 versus 2016)



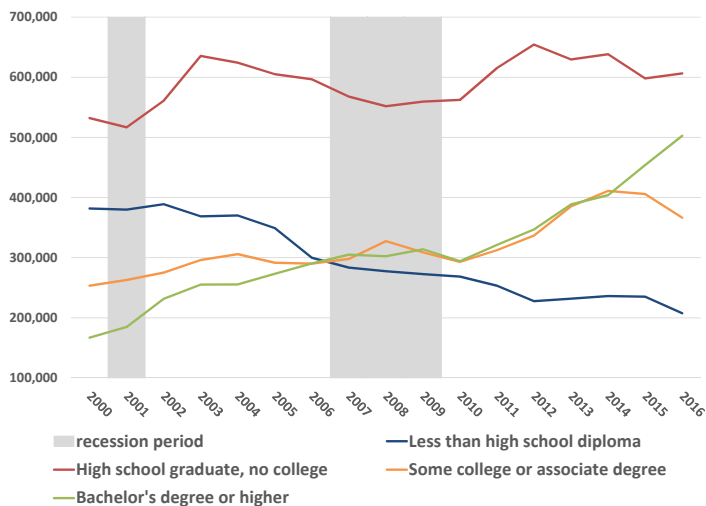
U.S. Bureau of Labor Statistics, Current Population Survey

Chart 5c: Illinois Population Not in the Labor Force Who Were Retired, Total and by Gender



U.S. Bureau of Labor Statistics, Current Population Survey

Chart 5d: Illinois Population Not in the Labor Force Who Were Retired by Educational Attainment Level



U.S. Bureau of Labor Statistics, Current Population Survey

very similar to what Illinois has experienced. The percentage of the total U.S. population 55 years and older increased from 26.9 percent in 2000 to 35.2 percent in 2016 (see **Chart 5b**, on the following page). The national prime working-age population saw its population share decrease from 56.7 percent in 2000 to 49.6 percent in 2016. The youth age group saw its share of total U.S. population fall from 16.4 percent in 2000 to 15.2 percent in 2016.

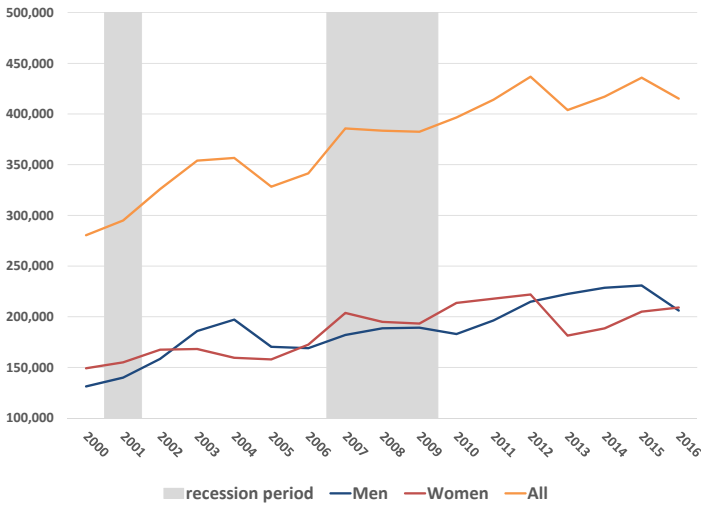
As of 2016, women represented nearly 60 percent of all retirees and reported about 57 percent of the growth in the retiree population since 2000. However, since 2010, men have contributed to about 54 percent of the growth in the Illinois retiree population (see **Chart 5c**).

Among all levels of education, the largest number of retirees were high school graduates with no college. However, this group saw the smallest increase in retired persons, rising 14.0 percent from 2000 (see **Chart 5d**). The highest educated population, with a bachelor's degree or higher, saw the largest growth in retired persons, up 201 percent from 2000 with nearly two-thirds of that growth since 2010. The least educated population, less than a high school diploma, had the fewest number of retirees and actually saw a net decline in retirements from 2000, falling 45.6%.

More people leaving the workforce because of disability status

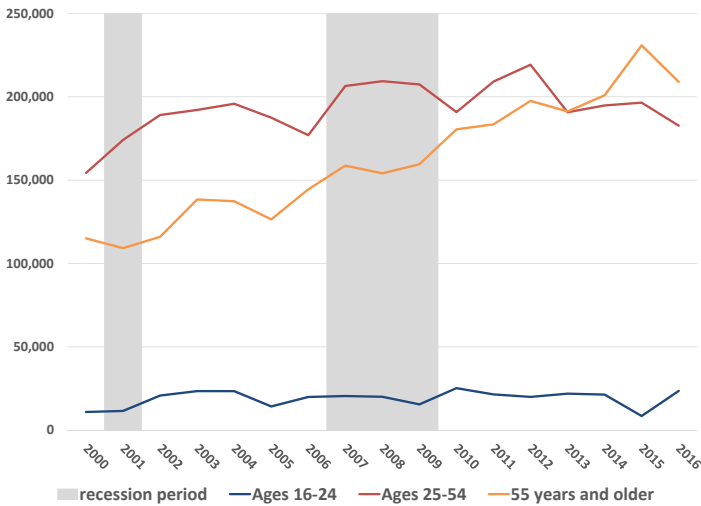
As mentioned earlier, about 20 percent of growth in the population not in the labor force since 2000 was from people

Chart 6a: Illinois Population Not in the Labor Force Who Were Disabled, Total and by Gender



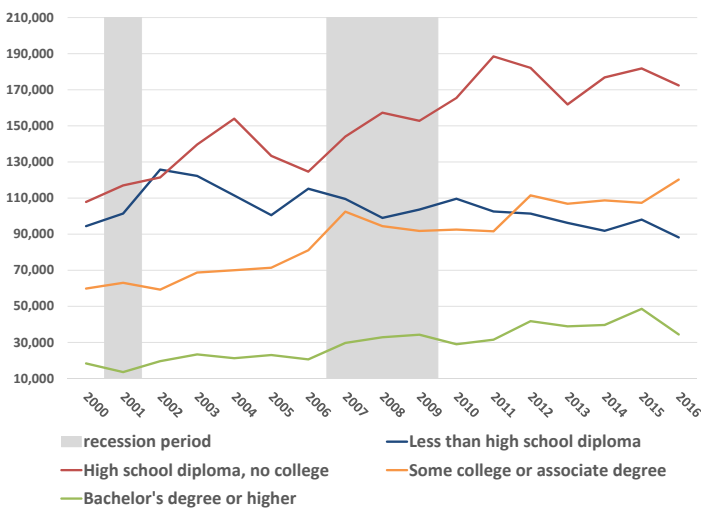
U.S. Bureau of Labor Statistics, Current Population Survey

Chart 6b: Illinois Population Not in the Labor Force Who Were Disabled by Age Group



U.S. Bureau of Labor Statistics, Current Population Survey

Chart 6c: Illinois Population Not in the Labor Force Who Were Disabled by Educational Attainment Level



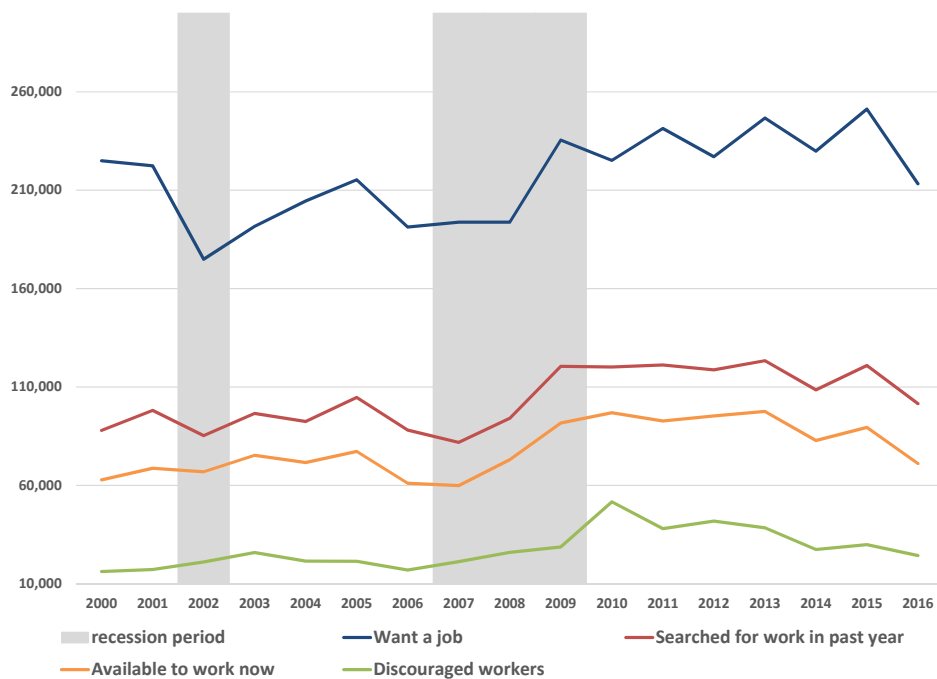
U.S. Bureau of Labor Statistics, Current Population Survey

identifying themselves as disabled. Overall, the disabled population grew by nearly 50 percent between 2000 and 2016 but more than half of that increase (56.6%) was among men (see **Chart 6a**). There has been some volatility in the number of disabled women reported especially during the most recent post-recession period but as of 2016 their numbers have converged with disabled men.

Among all age groups, the number of disabled 55 years and older saw the largest increase from 2000 (81.5%) and surpassed the number of prime working-age disabled in 2014 (see **Chart 6b**). The prime working-age group reported the smallest percentage increase in disabled persons, up 18.4 percent from 2000. The youth age group has the smallest disabled population but the largest percentage increase (115.2%) since 2000.

Among educational attainment levels, the population with a high school diploma but no college had the largest number of disabled persons. This group also saw the largest numeric increase but the smallest percentage increase in disabled persons between 2000 and 2016 (see **Chart 6c**). The group with next highest level of education, some college or associate degree saw its disabled population double between 2000 and 2016, rising 100.9 percent. The population with a bachelor's degree or higher had the smallest number of disabled persons but reported an 87.6 percent increase from 2000. The least educated group, less than a high school diploma experienced a slight decline (-6.6%) in the number of disabled persons between 2000 and 2016.

Chart 7: Illinois Population Not in the Labor Force Including Those Who Wanted a Job, Searched for Job in Past Year, Were Available to Work Now and Were Discouraged



Source: U.S. Bureau of Labor Statistics, Current Population Survey

Worker Discouragement

One reason commonly identified as a reason for higher numbers of people dropping out of the labor force, is discouragement over employment opportunities. But, in fact, we found that worker discouragement was a relatively small factor in explaining declining labor force participation in Illinois. Discouraged workers are defined as those who want and are available for a job and have looked for work sometime in the previous 12-months but are not currently looking because they believe that no jobs are available or there are none for which they would qualify.

There was a net increase of 8,100 or 50.4% in the number of discouraged workers between 2000 and 2016 (see **Chart 7**). The number of discouraged workers reached its highest level.

51,600, in 2011 but by 2016 the number had more than halved to about 24,300. But, put in a broader perspective, in 2016, the number of discouraged workers represented 11.4 percent of the population not in the labor force who wanted a job, as compared to 7.2 percent in 2000. While the increase in discouraged workers as a percentage of the population not in the labor force who wanted a job between 2000 and 2016 was relatively large, it was still far below the growth reported for retirees and disabled during this same period. Also, in 2016, discouraged workers comprised just 0.7 percent of the total population not in the labor force, as compared to 0.6 percent in 2000.

Conclusion

The analysis presented here shows that the aging of the Illinois working-age population and growth in the number

of retired persons explains about half of the increase in the population that is classified as not in the labor force since the year 2000. The number of people dropping out of the labor force for retirement slowed during the 2007-2009 recession but surged during 2011-2014, especially for the highest educated workers, as the economy improved. In addition, we found that growth in the number of persons reported as disabled accounted for about one-fifth of the increase in the Illinois working-age population outside the labor force since 2000. The number of discouraged workers has risen by about 50 percent since 2000 but represents just two-percent of the increase in the Illinois working-age population outside the labor force. The sharp decline in youth (ages 16-24) labor force participation since 2000 has been offset by a sizeable increase in the number and percentage of youth leaving the labor force to attend school. The decline in the labor force participation rate for the prime working-age population (ages 25-54) was been relatively small between 2000 and 2016 (-1.8 points) despite a net population decline of 6.3 percent. The population 55 years and older was the only age group to experience net population growth since 2000 and see its labor force participation rate increase.

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