



The Illinois Labor Market Review

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**Vision 2020 Update:
Economic Planning
for Southwestern
Illinois**

**Clearing up
Misunderstandings
about Discouraged
Workers**

**The Great
Recession and
its Impact on the
Illinois Labor Force**



Vision 2020 Update: Economic Development Planning for Southwestern Illinois Underway

by Vicki Niederhofer



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Business, government and community leaders are strategizing a new economic landscape for southwestern Illinois, thanks to a \$250,000 Regional Innovation Grant awarded by the U.S. Department of Labor last December.

The purpose of the grant is to focus the collective energy and resources of partnering organizations on key developmental areas that will spur future job creation and investments. The Vision 2020 collaboration team will define, identify and create an action plan to enable the region to confront challenges while shaping a positive economic future.

Partnering organizations include all the counties in the region, the two Workforce Investment Boards (Madison-Bond and Mid America), the Illinois workNet Center and the Leadership Council of Southwestern Illinois.

Vision 2020 was officially initiated in May. Its steering group has crafted research objectives, conducted focus groups with members of the River Bend Growth Association and the Southwestern Illinois Chamber of Commerce and held training sessions for the collaboration team.

As for future activity, more economic development planning meetings are in the works. Vision 2020 facilitators, T.R. Carr, PhD. and John C. Navin, PhD., of Southern Illinois University Edwardsville, will continue their research assessing the region.

In addition, a Green Summit will be held Monday, Feb. 1, at the Gateway Center in Collinsville. The current economic status of the region, its assets and attraction of green

businesses and infrastructure improvement will be the emphasis of the conference. Summit highlights include sessions on sustainable agriculture, green building, sustainable communities and renewable agriculture. In conjunction, a green jobs survey will be conducted by Madison County Employment and Training.

Development of the implementation plan will begin in April. The final Vision 2020 action plan is scheduled to be presented on June 30.

For more information about Vision2020, log on to www.siu.edu/vision2020.

Vicki Niederhofer is an IDES labor market economist and represents IDES as a partner agency on the Vision 2020 team.

Southwestern Region's Strengths Key to Economic Development

by David Stoecklin
special guest to the Illinois Labor Market Review

Vision 2020 is moving towards the "halfway" mark. The team at Southern Illinois University Edwardsville has nearly completed its leadership interviews and is getting ready to launch the next stage of online surveys. In addition, the secondary data collection and comparison on similar regions in the Midwest is almost completed, with contacts being made to determine local workforce and economic development strategies.

Produced by the Illinois Department of Employment Security - Economic Information and Analysis Division, Evelina Tainer-Loescher, Manager

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Note: The information contained in this publication is subject to change without notice. For the latest information visit the IDES Web site at www.ides.state.il.us.

The Regional Innovation Grant that has funded this portion of the Vision 2020 process is moving towards the identification of opportunities for the southwestern region of Illinois. One of the strengths of our region is the transportation/logistics assets that criss-cross our area. We are rich in the rails, highways, river, airports and pipelines that transport our nation's goods to market. This obvious advantage is one of the resources we will be looking to exploit in our regional plan for economic and workforce development.

Other infrastructure assets are also noted, such as our access to water for the manufacturing processes that demand it. Our primary metals and other existing manufacturing businesses are other resources that will be taken into account as the project moves forward.

Vision 2020 is a long-term process that hopes to align our resources to strengthen our economic and workforce development planning. It is not intended to be the only plan, but to help guide future growth throughout the region. Locally

there are still many individual efforts along these lines, and they are welcomed companions to the Vision 2020 process. As this portion of the process funded through the Regional Innovation Grant is completed, please look for further updates on the project. For more information please call David Stoecklin (618-296-4445) at the Madison County Employment and Training Department, or e-mail him at DStoecklin@MCETD.org.

Editor's note: David Stoecklin is executive director of the Madison Bond Workforce Investment Board.

Clearing Up Misunderstandings About Discouraged Workers

by Anthony V. Clark

As the nation pulls itself through the recession, unemployment rates and other labor force data have risen to the forefront of economic news. Although data on the unemployed is only one gauge of the economy's strength, they are perhaps more closely observed by analysts and the public at large. Statistics pertaining to discouraged workers, in particular, are under scrutiny.

How discouraged workers affect labor force data has raised questions about the measurement of unemployment. Discouraged workers are officially considered to be outside of the labor force and thus, outside of the unemployment estimate. In the current economic climate, some wonder whether the estimate of those suffering from increasing unemployment can be accurate without counting discouraged workers. Several news articles and opinion pieces claim a "real" unemployment estimate must include discouraged workers. But often, the term "discouraged workers" is ill-defined and data about this population is presented in a vague or incomplete manner.

This article will define discouraged workers, explain how they appear in official labor force data and show that this group, alone, would have a minuscule effect on both the U.S. and Illinois unemployment rates if it were included in the estimates.¹

Defining Labor Force and Discouraged Workers

Every month the U.S. Census Bureau conducts a sample survey of 60,000 American households through the Current Population Survey, which is published by the Bureau of Labor Statistics. This survey measures the extent of employment and unemployment in the country. It also measures those who are not in the labor force.

The labor force consists of people 16 years of age or older who are employed and unemployed. The U.S. government defines the "employed" as those who are currently working or are temporarily away from work. Those who are not currently working but available



to work and looking for jobs are considered "unemployed." Those who do not fit either of the above categories are considered to be **not in the labor force**. These include students, retirees and those whose family responsibilities kept them from employment.

A subset of those not in the labor force group is referred to as **marginally attached to the labor force**. This group wanted and was available to work and looked for work sometime within in a 12-month period, but it did not actively seek employment in the four weeks prior to the monthly survey.

A further subset of marginally-attached workers is **discouraged workers**, who gave the following specific reasons as to why they did not look for work in the four weeks prior to the monthly survey:

- 1) The belief or fact that no work is available.
- 2) An inability to find work.
- 3) The belief or fact that the prospective worker lacks the necessary education or training to obtain work.

¹While the Bureau of Labor Statistics publishes an alternative measure of labor underutilization known as U-6 (which counts total unemployed, all marginally-attached workers and total workers employed part time for economic reasons as a percent of the labor force plus all marginally-attached workers), this article focuses solely on the discouraged worker.

- 4) The belief or fact that employers find the prospective worker either too young or too old.
- 5) The existence of other discrimination that will prevent a prospective worker from finding employment.

Alternative Measures of Labor Underutilization

Apart from measuring the labor force, the Current Population Survey attempts to follow the movements of the unemployed by using six alternative measures of labor underutilization. The Bureau of Labor Statistics currently publishes these six measures, known as “U-rates,” at the national and state level.² Each of the six measures shows various levels of weakness in the labor force and creates a more comprehensive picture of the labor force as a whole. The focus of this analysis will be on two of the alternative measure U-rates:

- **U-3**, which is total unemployed as a percent of the labor force. This is the same as the official unemployment rate.
- **U-4**, which is total unemployed plus discouraged workers as a percent of the labor force.

²For more information, see [“Looking Beyond the Official Unemployment Statistics: Alternative Measures of Labor Underutilization”](#) by Richard Reinhold, *Illinois Monthly Labor Review*, June 2009.

Table 1: Selected Annual U.S. Alternative Measures of Labor Underutilization

Year	U-3	U-4	Difference
1999	4.2	4.4	0.2
2000	4.0	4.2	0.2
2001	4.7	4.9	0.2
2002	5.8	6.0	0.2
2003	6.0	6.3	0.3
2004	5.5	5.8	0.3
2005	5.1	5.4	0.3
2006	4.6	4.9	0.3
2007	4.6	4.9	0.3
2008	5.8	6.1	0.3

Source: Bureau of Labor Statistics

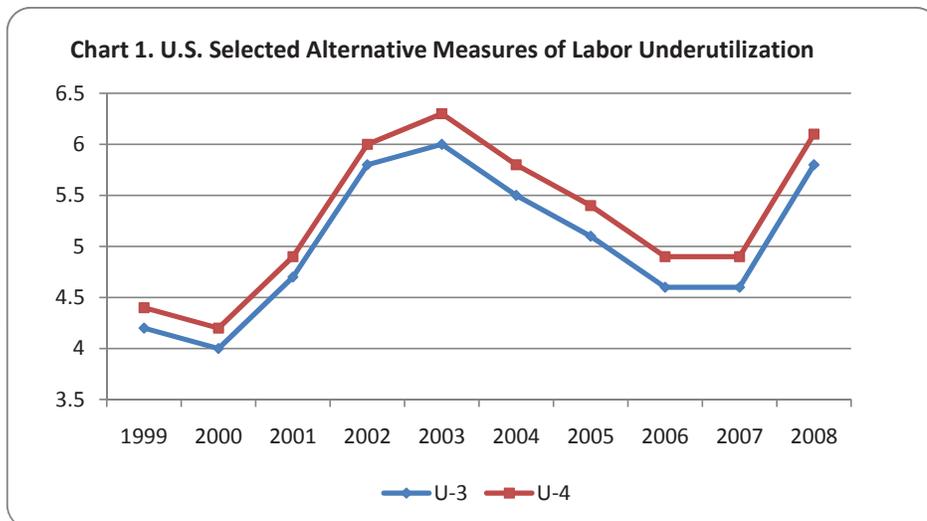
National Discouragement Measure Similar to Unemployment Rate

Chart 1 shows annually-averaged U.S. unemployment rates and U-4 rates from 1999 to 2008. The U-4 discouragement measure moves in the same direction as the unemployment rate. Table 1 shows the difference between the two measures in absolute numerical terms. Note that discouraged workers could add to an unemployment rate but in relatively small numbers. The table also shows how economic

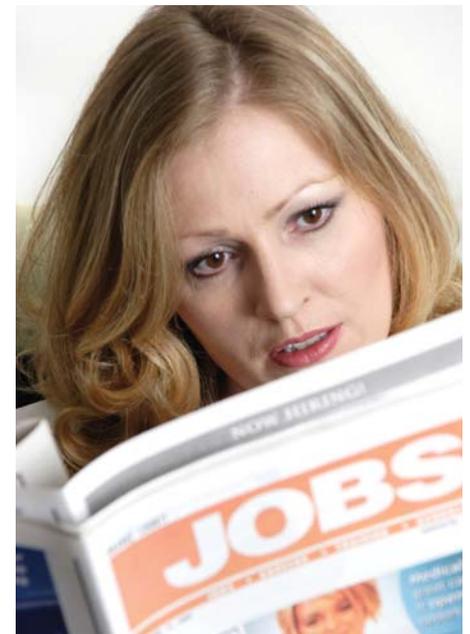
recession can impact the labor force. When the economy is growing, finding employment is relatively easy, and fewer workers appear to be discouraged. During economic decline, finding employment is relatively hard, and one can see increases in rates of discouragement.

The recession of 2001, which began in March of that year, is reflected in the sharp increase in the unemployment rate and the U-4 discouragement rate. The aftermath of the September 11, 2001 terrorist attacks only amplified the economic downturn. This is noticeable in the increasing unemployment and U-4 rates through 2002 and 2003. But note how the amount of numerical change between

Chart 1: Annually-Averaged U.S. Unemployment Rates and U-4 Rates From 1999 to 2008.



Source: Bureau of Labor Statistics



the two rates remains relatively steady year to year, drifting slowly from 0.2 to remaining a steady 0.3 through the latter part of the decade. This look back to 2001 and its aftermath can give some possible perspective on the current recession and its effect on workers.

Current Recession's Impact on the Discouraged

The current recession began in December 2007, according to the National Bureau of Economic Research, the official arbiter of business cycle data. The annual average data in Table 1 shows a marked increase in unemployment and U-4 data happening from 2007 to 2008. But a finer view can be shown of the recessionary event. An analysis in Table 2 of quarterly BLS data allows a better perspective of U.S. labor force deterioration.³

From the first quarter of 2008 to first quarter 2009, the number of unemployed moved from 8 million to 13.5 million, an increase of 69 percent. As shown in Table 2, during that same period, the number of discouraged workers rose by around 70 percent, from 421,000 to 717,000 persons.

In relative terms, as a percentage of those not in the labor force, discouraged workers nearly doubled from first quarter 2008 to first quarter 2009. But even with this increase, discouraged workers still made up the smallest number of those not in the labor force (see Chart 2).

Discouraged workers in Illinois

The BLS publishes alternative measures of labor underutilization for each of the 50 states but restricts state data to calendar-year and four-quarter averages. As with national data, a monthly survey is used to derive the data.⁴

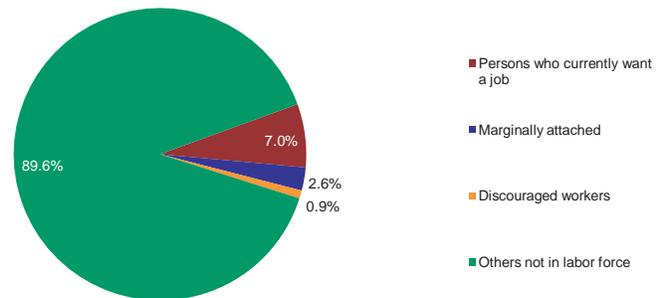
Table 3 shows U.S. and Illinois unemployment and U-4 rates over time. One can verify the similarity in annual average movements between the national and state unemployment rates. This similarity exists with discouraged workers as well.

Table 2. Total U.S. Persons not in the Labor Force (numbers in thousands, rounded)

	First Quarter 2008		First Quarter 2009		Change 2008 to 2009
	Total	Percent	Total	Percent	
Total Not in Labor Force	79,985	100%	81,253	100%	1,268
Persons who currently want a job	4,719	5.90%	5,663	7.00%	944
Marginally-attached workers	1,555	1.90%	2,096	2.60%	541
Discouraged workers	421	0.50%	717	0.90%	296
Others not in labor force	73,290	91.60%	72,777	89.60%	-513

³ Data is not seasonally adjusted

Chart 2. Total U.S. Persons Not in Labor Force, First Quarter 2009



Source: Bureau of Labor Statistics

Table 3. Selected Annual Average U.S. and Illinois Alternative Measures of Labor Underutilization

Year	U.S. U-3	Illinois U-3	U.S. U-4	Illinois U-4
1999	4.2	4.3	4.4	4.5
2000	4.0	4.3	4.2	4.5
2001	4.7	5.4	4.9	5.6
2002	5.8	6.5	6.0	6.8
2003	6.0	6.7	6.3	7.0
2004	5.5	6.1	5.8	6.4
2005	5.1	5.6	5.4	5.9
2006	4.6	4.5	4.9	4.7
2007	4.6	5.1	4.9	5.4
2008	5.8	6.6	6.1	6.9

Source: Bureau of Labor Statistics

This is not to say that a direct relationship exists, but that patterns of unemployment and labor force deterioration move in a similar direction. As with national data, the recession of 2001 had lasting effects on Illinois through 2002 and 2003. Illinois data in 2007 and 2008 appears to show a similar pattern.

Discouraged workers and “real” unemployment

It has been tempting for some members of the public to interpret alternative measures of labor

⁴ It must be noted that because of the small state sample size, monthly state data can be subject to large sampling error. For this reason, annual averages of state and national data will be used in this section.

underutilization as a way of seeing “real” or extra unemployment. One common assumption is that by adding in groups such as discouraged workers to the official unemployment numbers, hidden unemployment would be revealed. But as the preceding tables and charts show, discouraged workers are present in years of economic growth as well as during recessionary periods, increasing in small magnitude when compared with any larger change in the labor force. The tables and charts also show relatively little difference between the official unemployment rate and the alternative unemployment rate that counts discouraged workers.

A view of the larger economy as seen through the unemployment rate would certainly influence a person’s decision to remain in or leave the labor force. But ultimately, the discouraged worker’s reasons for leaving the labor force are influenced not merely by the quantity of jobs, but the quality. No matter if the economy grows or contracts, individual workers could become discouraged depending on whether or not they believe there to be employment for them that satisfies their own needs or abilities.

In the end, the official unemployment rate provides a legitimate view of the general movement of the labor force in a given time period. National and statewide data show that discouraged workers would have relatively little impact on this measure. Therefore, the fact that discouraged workers are not included in the official unemployment rate does not invalidate the analytical power or usefulness of this measure as a credible tool for reviewing economic conditions.

Anthony V. Clark is an economist for IDES’ Local Area Unemployment Statistics program.

The Great Recession and Its Impact on the Illinois Labor Force

by Rich Reinhold

Illinois, like the rest of the nation, has suffered the effects of the worst economic recession in decades, with mounting job losses and rising unemployment. In fact, some have called the recession the “Great Recession” as it is considered by some to be the worst economic downturn since the Great Depression of the 1930s. To date, most of the analysis of the economy has been national in focus. However, this article will describe the impact of the recession on the Illinois labor force, examining the differences in employment and unemployment status found among various demographic groups.

Technical note: The data cited in this article were taken from the Current Population Survey (CPS), a monthly survey of households conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. This article references four-quarter moving averages from the CPS instead of monthly estimates. This approach was taken because estimates at the state level are subject to large, monthly changes due to non-economic reasons such as sampling error and seasonal patterns in the labor force. Also, the quarterly averages will be referred to in this discussion by the last quarter in the four-quarter period. For example, fourth quarter 2007 (20074) reflects data for first quarter 2007 through fourth quarter 2007; first quarter 2008 (20081) reflects data for second quarter 2007 through first quarter 2008; and so on.

Unemployment Trends

Men disproportionately affected by rising unemployment

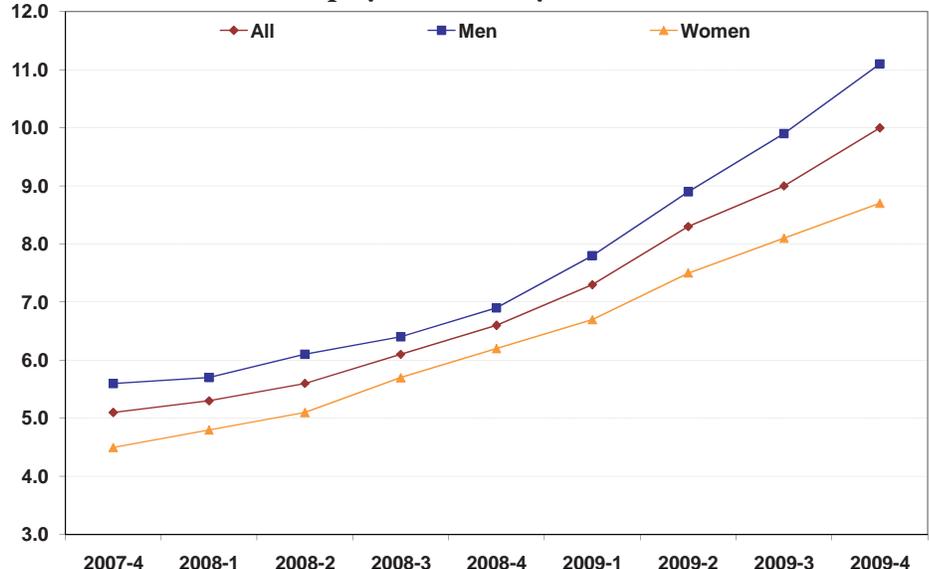
The Illinois unemployment rate has grown steadily since the beginning of the recession in December 2007, rising from 5.1 percent in fourth quarter 2007 to 10.0 percent in fourth quarter 2009. The unemployment rate for men reached double digits (from 5.6 to 11.1 percent), while women have seen their unemployment rate climb from

4.5 to 8.7 percent (see Chart 1). The higher unemployment rate for men is due to the fact that industries with the biggest job losses during the recession, such as construction and manufacturing, primarily employ men. For a detailed look at Illinois unemployment by sex, age and race, see [Table 1](#).

Unemployment rate increases largest among blacks and Hispanics

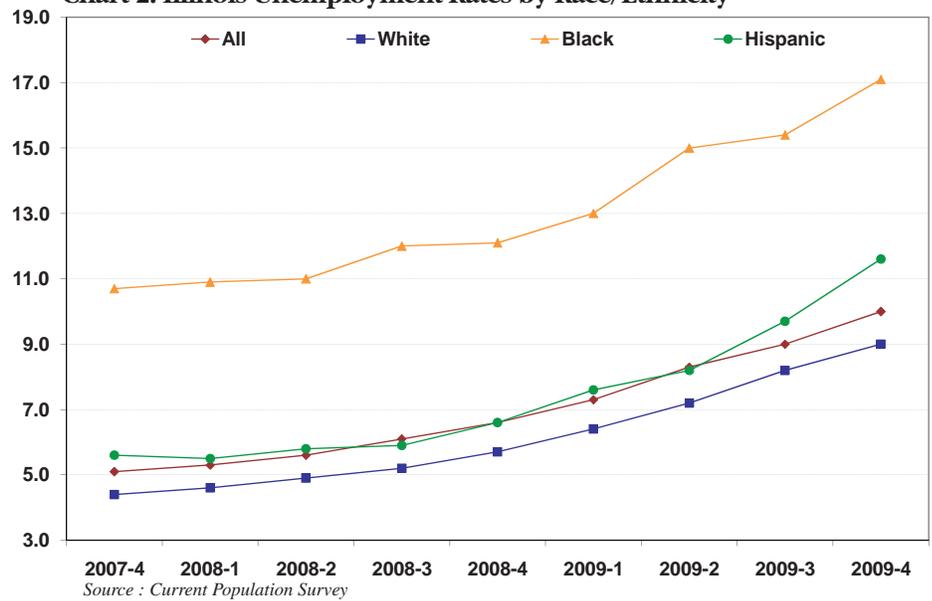
Unemployment rates increased among all racial groups between fourth quarter 2007 and fourth quarter 2009, with blacks and Hispanics experiencing the largest gains and

Chart 1: Illinois Unemployment Rates by Gender



The higher unemployment rate for men is due to the fact that industries with the biggest job losses during the recession, such as construction and manufacturing, primarily employ men.

Chart 2: Illinois Unemployment Rates by Race/Ethnicity

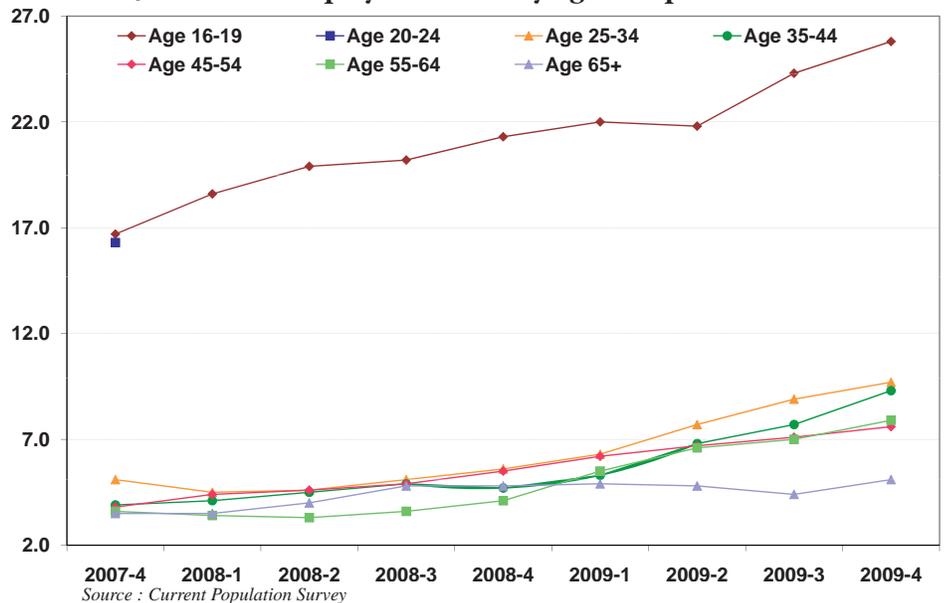


highest unemployment rates (see Chart 2). The unemployment rate for whites more than doubled, rising from 4.4 to 9.0 percent; the unemployment rate for white men went from 4.9 to 9.9 percent. During the same period, the unemployment rate for blacks increased from 10.7 to 17.1 percent. Black men saw their unemployment rate climb from 13.1 to 20.2 percent, while the unemployment rate for black women increased from 8.7 percent to 14.6 percent. The unemployment rate for Hispanics rose from 5.6 to 11.6 percent with Hispanic women reporting an increase of 7.9 points (from 5.0 to 12.9 percent).

Unemployment rates up for all age groups, but highest among younger workers

We can usually find an inverse relationship between age and unemployment, with unemployment rates declining with age. However, during the current recession both younger and older workers, alike, have struggled to find work (see Chart 3). The unemployment rates for most age groups doubled or nearly doubled between fourth quarter 2007 and fourth quarter 2009. The biggest unemployment rate increases were found among those ages 16-19 (+9.1 points) and ages 20-24 (+8.6 points). The youngest members of the labor force typically report the highest unemployment rates as a result of limited educational attainment and job

Chart 3: Illinois Unemployment Rates by Age Group



experience. The smallest unemployment rate gains were found among those ages 55-64 (+4.3 points) and 65 and older (+1.6 points).

Large gender and racial differences in unemployment also found among youth

The youngest members of the labor force (ages 16-19) reported not only the highest

unemployment rates but also large differences between genders and among racial groups, similar to patterns found with older age groups. For example, while the overall unemployment rate for youth (ages 16-19) exceeded 25 percent in fourth quarter 2009, nearly one-third of male youth were unemployed and about one in five female youth were unemployed (see Chart 4 on next page). Also, about one-half of black youth

and one-quarter of Hispanic youth were unemployed during fourth quarter 2009 (see Chart 5).

Employment Trends

The number of employed Illinois residents has fallen sharply since the beginning of the recession. However, in this discussion, we will focus on changes in the percentage of the working-age population (age 16 and older) that was employed (or employment-population ratios) and not changes in the actual number of employed. One benefit of using employment-population ratios is that they facilitate comparisons across time and among demographic groups of varying sizes. A decrease in the percentage of working-age population employed is usually the result of increasing job losses as well as workers ending their job search and dropping out of the labor force.

Employment declines for men exceed those for women

The percentage of total working-age population employed declined 4.4 points or from 64.5 in fourth quarter 2007 to 60.1 in fourth quarter 2009. Men experienced a larger employment decrease (71.0 percent to 65.2 percent) as compared to women (58.4 percent to 55.3 percent) – see Chart 6. As mentioned earlier, industries with large proportions of employed men were especially hard hit during this recession. For a detailed view of the employment status of Illinois’ civilian population by race, age and gender, see [Table 2](#).

Younger workers experienced greatest employment losses

The largest decreases in employment for men were found among the youngest workers, including those ages 16-19 (-10.5 points) and ages 20-24 (-9.6 points) – see Chart 7 (on next page). Men ages 65 and older actually saw a small increase in the percentage employed (+1.9 points).

Younger women also saw relatively large employment declines between fourth quarter 2007 and fourth quarter 2009 but the decreases

Chart 4: Illinois Unemployment Rates for Youth (age 16-19) by Gender

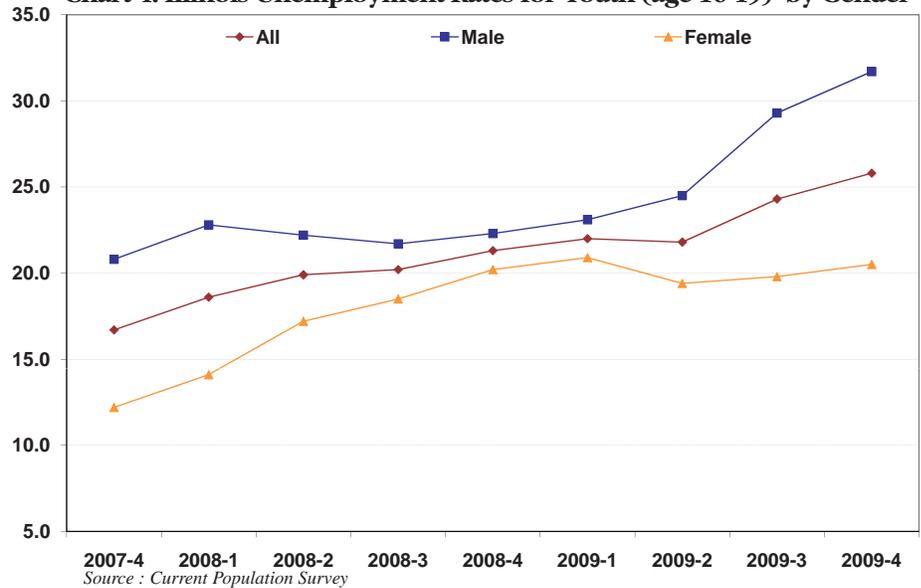


Chart 5: Illinois Unemployment Rates for Youth (age 16-19) by Race/Ethnicity

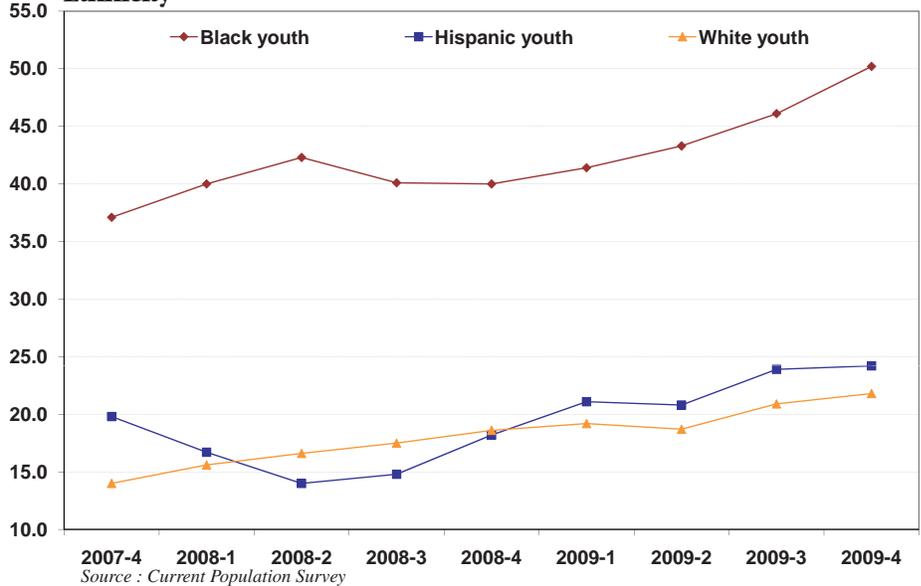
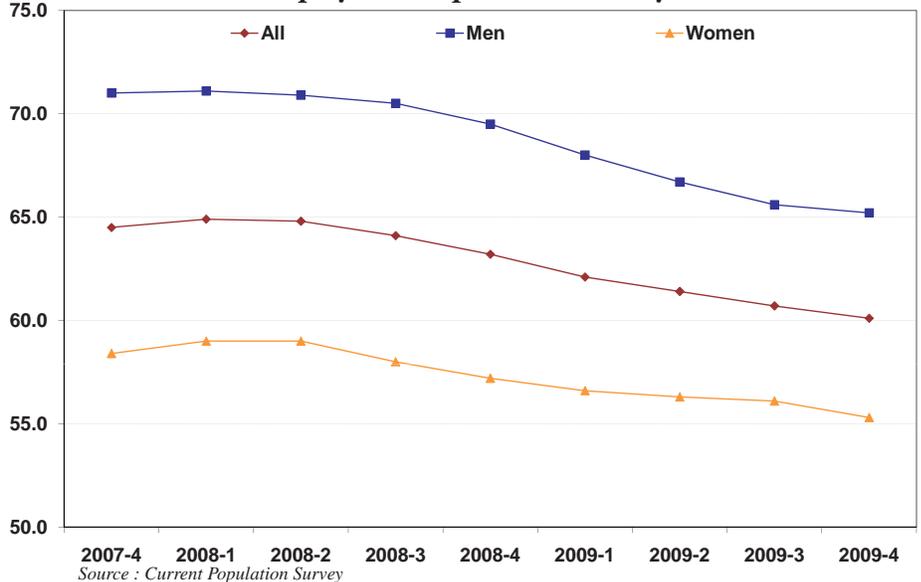


Chart 6: Illinois Employment-Population Ratios by Gender



were generally smaller or about the same as their male counterparts (see Chart 8). Women ages 16-19 reported a decline of 5.1 points and women ages 20-24 saw their employment-population ratio fall 9.8 points.

Employment declines for whites and blacks almost same

Among racial groups, the decline in percentage of the working-age population employed through fourth quarter 2009 was about the same for whites (-4.5) and blacks (-4.8) – see Chart 9. However, only about half of the black working-age population was employed as of fourth quarter 2009. Hispanics continued to report the highest employment-population

Although the number of employed has fallen since the beginning of the recession, there has been a significant increase in part-time employment for economic reasons.

ratios and reported the smallest decrease since fourth quarter 2007 (-3.2 points); however, since a peak of 69.7 percent in third quarter 2008, the Hispanic employment-population ratio has fallen 5.7 points.

More workers limited to part-time employment

Although the number of employed has fallen since the beginning of the recession, there has been a significant increase in part-time employment for economic reasons. These include individuals who would prefer to work full time but are limited to working less than 35 hours per week as a result of economic circumstances. This group includes workers

Chart 7: Illinois Employment-Population Ratios for Men by Age Group

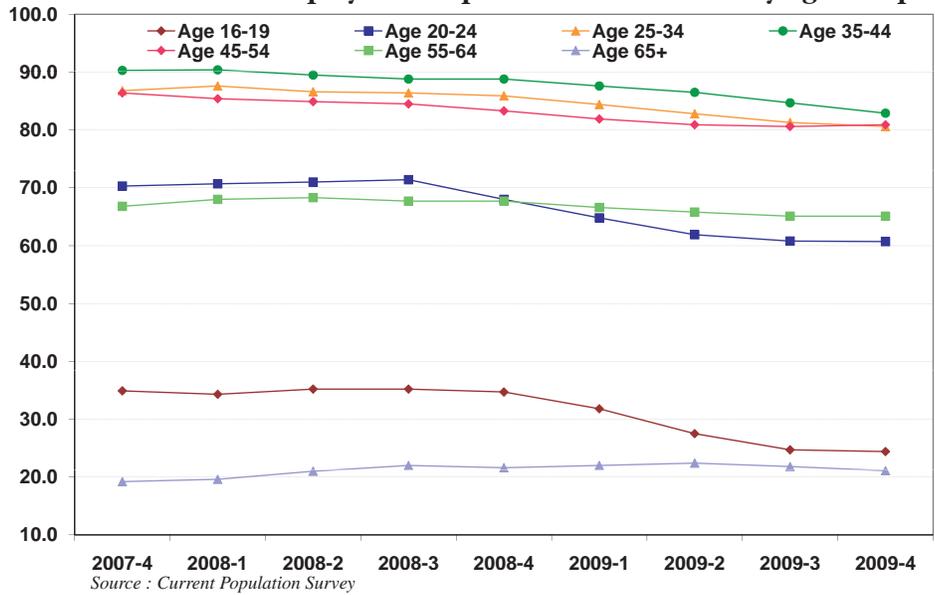


Chart 8: Illinois Employment-Population Ratios for Women by Age

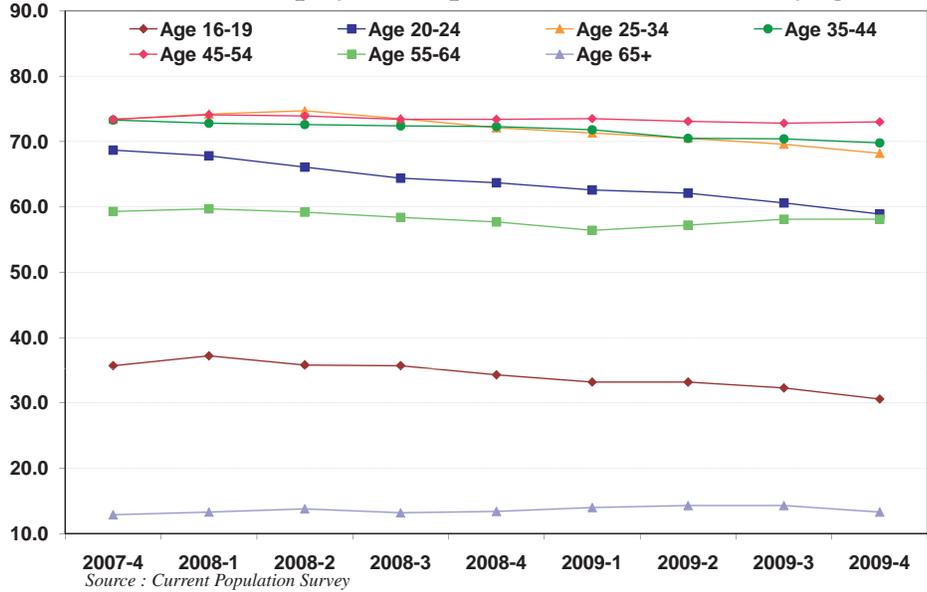
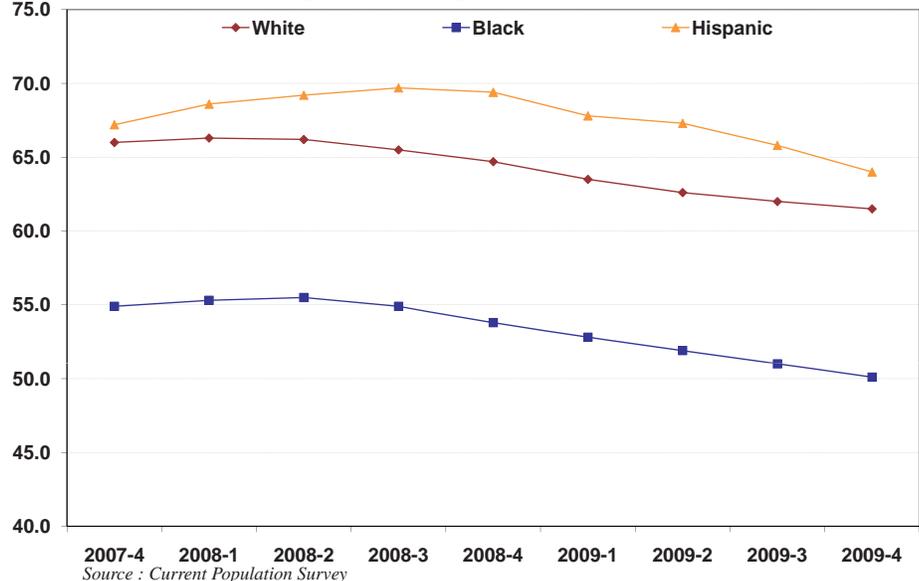


Chart 9: Illinois Employment-Population Ratios by Race/Ethnicity



who saw their weekly hours reduced due to furloughs as well as individuals who accepted part-time employment but would have preferred full-time jobs.

Part-time employment for economic reasons has more than doubled since fourth quarter 2007, while total employed has dropped by about 6 percent. Chart 10 tracks the change in total and part-time employment for economic reasons as a percentage of employment in fourth quarter 2007. Also, see [Table 3](#) for a detailed look at the full- and part-time status of the Illinois civilian population by sex, age and race.

The percentage of total employed that worked part time for economic reasons was about 3 percent in fourth quarter 2007; by fourth quarter 2009, this percentage had more than doubled to 6.5 percent (see Chart 11). The increase in part-time employment for economic reasons was greater for men (3.0 to 6.8 percent) as compared to women (2.7 to 6.1 percent). The largest rise in part-time employment for economic reasons was found among Hispanics, who saw their percentage climb from 3.4 percent to 10.9 percent between fourth quarter 2007 and fourth quarter 2009. The percentage of youth (ages 16-19) employed part time for economic reasons increased 3.8 points to 9.2 percent as of fourth quarter 2009.

Duration of Unemployment

Duration of unemployment for men steadily rises; job searches longest for minorities

The length of time required to find work has predictably increased with more unemployed competing for fewer jobs. The average duration of unemployment went from 19.3 weeks in fourth quarter 2007 to 25.8 weeks in fourth quarter 2009. Throughout most of the current economic downturn, women have experienced longer job searches as compared to men. However, the weekly duration of unemployment for men has steadily climbed and, as of fourth quarter 2009, was higher than the weekly duration of unemployment for women. See [Table 4](#). Among racial groups, the highest weekly durations during fourth

Chart 10: Percent Change in Illinois Employed: Quarter 2007-4=100

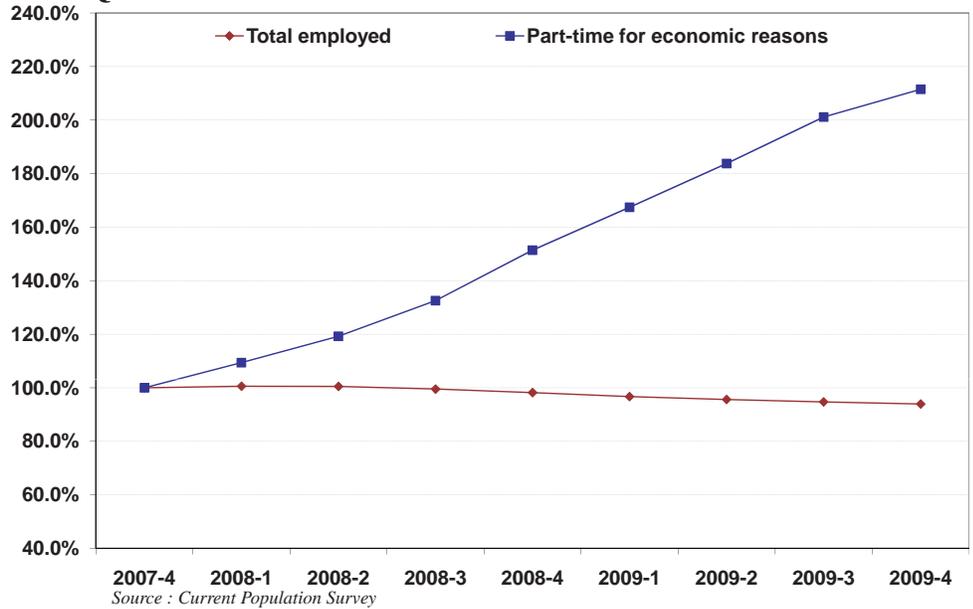


Chart 11: Percent of Illinois Residents Employed Part Time for Economic Reasons

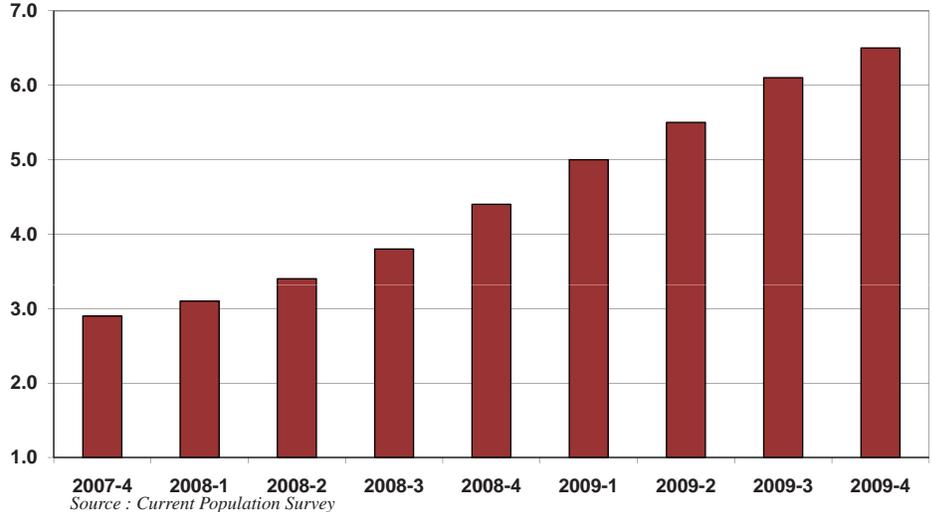
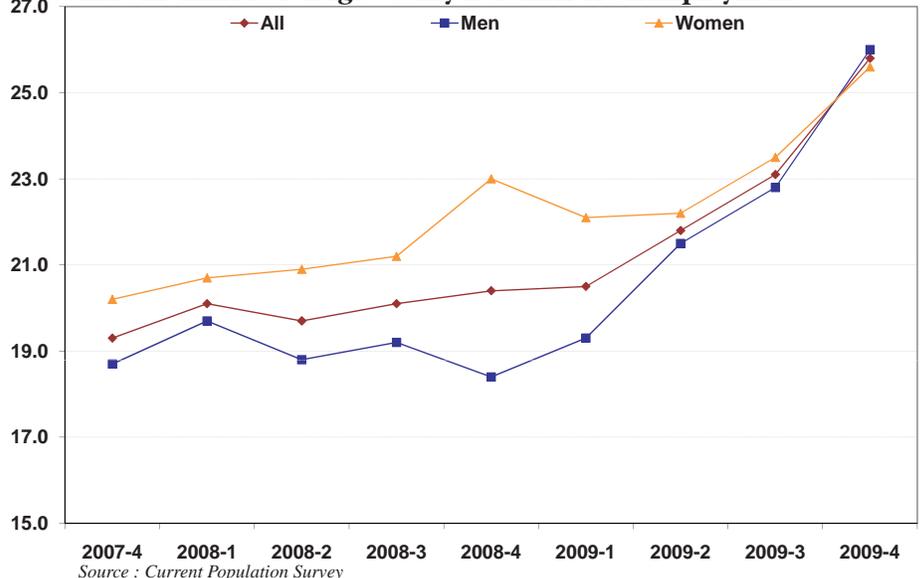


Chart 12: Illinois Average Weekly Duration of Unemployment



quarter 2009 were found among blacks (28.6) and Hispanics (26.0) – see charts 12 and 13. Youth had the lowest average weekly duration of unemployment (22.1); however, they also reported among the largest increases in unemployment duration since fourth quarter 2007 (+9.7 weeks).

Long-term unemployment highest among blacks and women

Long-term unemployment (including those out of work for more than 26 weeks) rose from 22.6 percent in fourth quarter 2007 to more than one-third (35.5 percent) of all unemployed as of fourth quarter 2009. The percentage of long-term unemployment was highest among blacks (41.4) and women (36.3) in fourth quarter 2009 – see charts 14 and 15. The percentage of unemployed out of work for one year or longer went from 13.3 percent in fourth quarter 2007 to 18.4 percent in fourth quarter 2009.

Conclusion

The data presented in this article confirm what most analysts have been describing since the recession began in December 2007: The effects of job losses and rising unemployment have been felt throughout the labor force and are not isolated to particular groups of workers. Men have reported higher unemployment rates compared to women during the recession; but women have had longer job searches as compared to men. The youngest members of the labor force continue to have higher unemployment rates and have also experienced larger employment declines as compared to older workers. Unemployment rates and the average weekly duration of unemployment remain higher for racial minorities. Finally, unemployed workers have had to increasingly rely on part-time jobs as full-time employment opportunities have diminished. We will not be able to fully understand the impact of the current economic downturn and its severity in comparison to previous recessions until more economic data become available from the Current Population Survey and other sources.

Rich Reinhold is manager of IDES' Local Area Unemployment Statistics program.

Chart 13: Illinois Average Weekly Duration of Unemployment

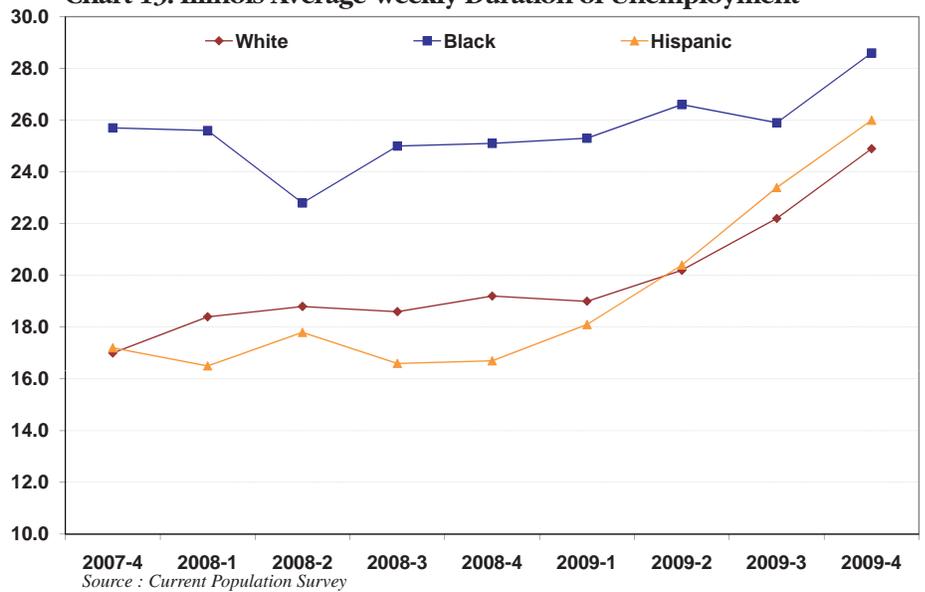


Chart 14: Percentage of Illinois Unemployed Out of Work for More Than 26 Weeks by Gender

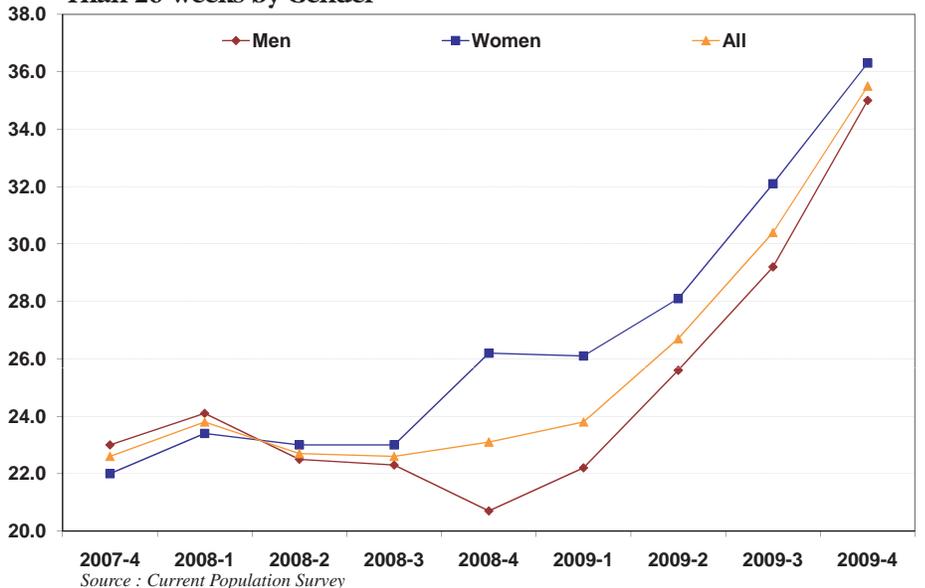


Chart 15: Percentage of Illinois Unemployed Who Are Out of Work For More Than 26 Weeks by Race/Ethnicity

