



The Illinois Labor Market After the Great Recession:

*The Economy Improves, but Long-term
Unemployment Remains High*

by Rich Reinhold

The Illinois economy continues to show signs of improvement two years after the so-called Great Recession ended in June 2009. Illinois has added more than 64,000 total nonfarm jobs in 2011 alone, while its unemployment has fallen more than 2 percentage points since January 2010. Nonetheless, despite this good news, there remains a large portion of the unemployed who struggle to find employment even after job searches

lasting six months or longer. The percentage of the unemployed classified as long-term unemployed (out of work for more than 26 weeks) has reached its highest levels on record. This report examines the recent and current state of the Illinois economy, the characteristics and post-recession experience of the long-term unemployed and some of the reasons the unemployed face unprecedented challenges in finding new jobs.

The Great Recession and its aftermath in Illinois

Illinois was not spared the effects of the severe downturn in the housing and financial sectors. In the months just prior to the beginning of the recession in December 2007, the Illinois unemployment rate was under 5 percent. However, the unemployment rate steadily climbed throughout 2008, and the monthly

increases were even larger in 2009. By January 2010, the unemployment rate peaked at 11.2 percent, the highest level reported since August 1983 (see **chart 1**). Also, beginning in February 2008, total nonfarm jobs declined for 23 straight months, with a net loss of more than 400,000 jobs. The bulk of the jobs shed during this period were in manufacturing, wholesale and retail trade and professional and business services,

but industries directly tied to the real estate sector, including construction and financial activities, were hard hit as well.

Signs of economic recovery

The Illinois economy began to show signs of recovery in January 2010, as 3,600 jobs were added, the first monthly gain in two years. By May 2011, Illinois had generated about 108,000 jobs, with growth spread across nearly all major industries. In February 2010, the unemployment rate saw its first decline since September 2006 and continued to fall for 14 months in a row.

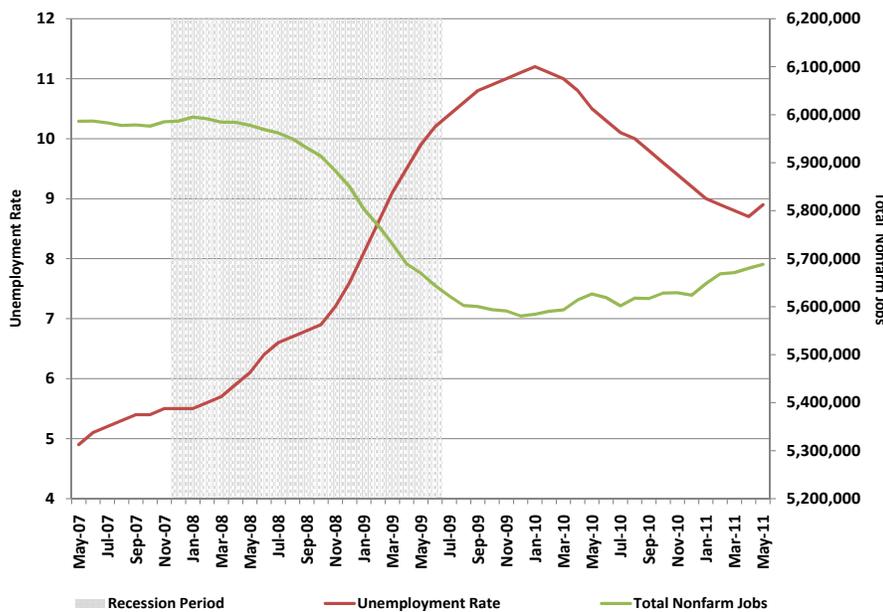
Employers have not only added jobs since the end of the recession, but they also have laid off fewer workers. As **chart 2** shows, the total monthly initial claims for unemployment insurance benefits has fallen from previous year levels each month since December 2009.

Another hopeful sign is the falling ratio of the number of unemployed to job openings. Just prior to the start of the recession, the ratio was about two unemployed people for every job opening¹. The ratio increased to nearly 6.0 in late 2009 but has fallen to nearly 3.0 as of May 2011.

A declining labor force

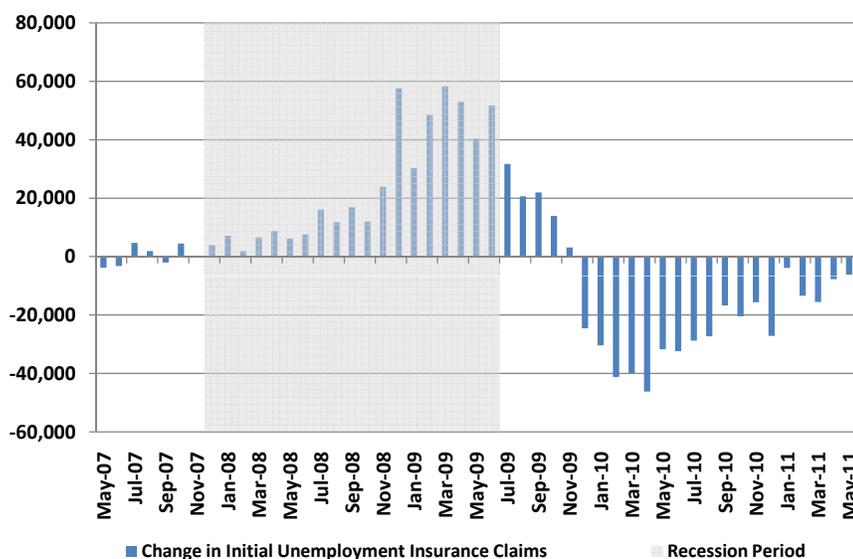
Although the economy has experienced job growth and a gradual decline in the unemployment rate, now, fewer people participate in the labor force as a percentage of the non-institutional working age population (age 16 and older). In

Chart 1. Illinois Unemployment Rate and Total Nonfarm Jobs (Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

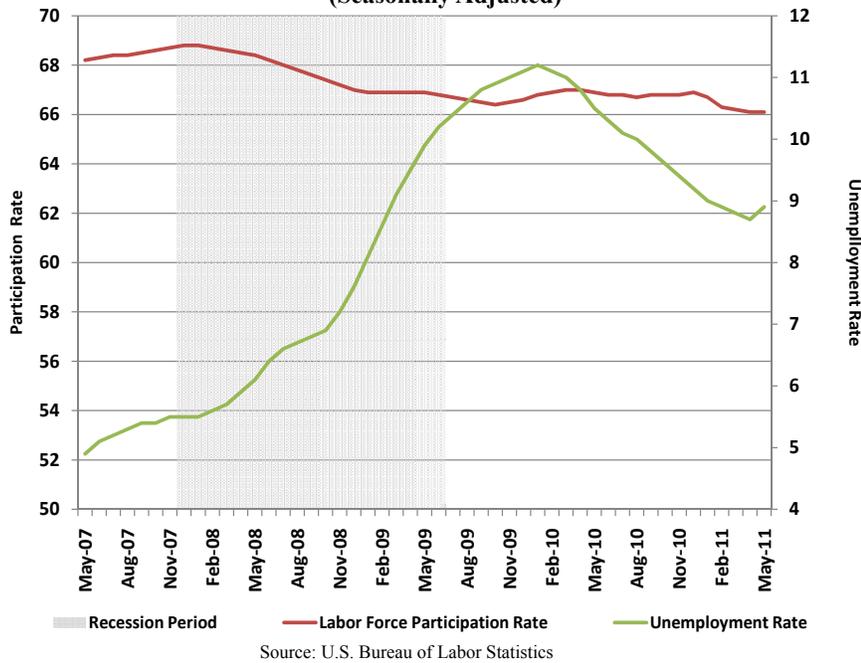
Chart 2. Over-the-Year Change in Illinois Monthly Initial Claims for Regular Unemployment Insurance Benefits



Source: Illinois Department of Employment Security, Economic Information and Analysis

1. The reported ratios were derived using monthly job openings data from the Conference Board Help Wanted Online Data Series and monthly unemployed estimates from the U.S. Bureau of Labor Statistics.

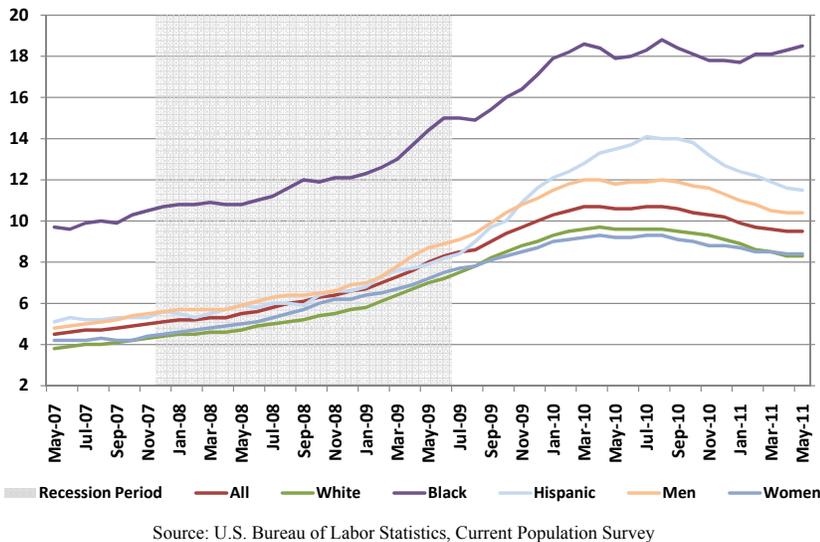
Chart 3. Illinois Labor Force Participation and Unemployment Rates (Seasonally Adjusted)



Unemployment lower for most groups but higher than pre-recession

The experience of particular groups of unemployed who have struggled to find new jobs during the current recovery is also important to understand. **Chart 4** presents average unemployment rates for all unemployed, as well as by gender and racial group for the previous four years (**Note: Nearly all of the data presented here on the long-term unemployed was taken from a monthly household survey conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics called the Current Population Survey or CPS. Also, to avoid the impact of monthly volatility due to seasonality and survey error, the percentages shown are based on 12-month moving averages**). Following historical patterns, the unemployment rates for blacks, Hispanics and men were higher than the overall unemployment rate a few months prior to the beginning of the recession. These differences remained throughout the recession and current recovery; however all but one group has seen a decline in their unemployment rates. The average unemployment rate for blacks has steadily increased over the past four years, nearly doubling.

Chart 4: Illinois Unemployment Rates by Gender and Race (12-month average)



November 2007, about 69 percent of the working age population was in the labor force, but as of May 2011 the percentage had fallen to just 66 percent, the lowest percentage since May 1987 (**see chart 3**). Most of the decrease in labor force participation

can be attributed to unemployed people giving up their job searches. This withdrawal from the labor force has the net effect of pushing down the unemployment rate since only those who are actively looking for work are counted as unemployed.

Additionally, while the average unemployment rates for other groups have fallen, they are still twice as high as their pre-recession levels. The average unemployment rate for men was 10.4 percent in May 2011, up from 4.8 percent in May 2007. Hispanics saw their average unemployment rate jump from 5.1 to

11.5 percent during this same four-year period.

Who are the long-term unemployed?

Limited data are available on the demographic characteristics of the long-term unemployed (those out of work for more than 26 weeks). However, the Current Population Survey shows that a higher percentage of the long-term unemployed in Illinois was male, older and black compared to those who were unemployed for less than 27 weeks or short-term unemployed (see table 1).

Administrative records from the unemployment insurance system were used to identify the industry and occupational characteristics of the long-term unemployed. Long-term unemployed here is defined as an unemployment insurance claimant who has exhausted 26 weeks of regular unemployment insurance benefits and collected one or more weeks of extended benefits. As a result of the relatively high unemployment rate in Illinois, claimants have been able to receive up to 73 weeks of benefits from both federal and state extended unemployment insurance benefits programs.

The relatively high percentage of extended benefits claimants previously employed in financial activities is not surprising given the declines in the real estate and banking sectors. The second largest percentage of claimants collecting extended benefits had been employed in educational and health services. This was most likely due to the job losses

Table 1. Characteristics of Unemployed in Illinois by Duration of Unemployment May 2011 (12-month moving averages)

Characteristic	Long-term unemployed (Out of work more than 26 weeks)	Short-term unemployed (Out of work less than 27 weeks)	Difference
Men	62.1%	55.6%	6.5%
Women	37.9%	44.4%	-6.5%
Ages 16-19	5.7%	14.8%	-9.1%
Age 20 and older	94.3%	85.1%	9.1%
White	67.9%	76.7%	-8.9%
Black	28.0%	19.5%	8.5%
Hispanic	13.7%	17.8%	-4.1%

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

Table 2. Characteristics of Illinois Unemployed Receiving Extended or Regular Unemployment Insurance Benefits

Industry Groups	Extended unemployment insurance benefits *	Regular unemployment insurance benefits **	Difference
Agricultural Services	0.3%	0.4%	-0.2%
Mining	0.2%	0.3%	-0.2%
Construction	10.3%	17.9%	-7.6%
Manufacturing	11.5%	10.4%	1.0%
Wholesale Trade	5.0%	4.3%	0.7%
Retail Trade	10.3%	9.4%	0.9%
Transportation, Warehousing, Utilities	4.5%	4.2%	0.3%
Information	2.4%	2.1%	0.3%
Financial Activities	7.2%	5.4%	1.8%
Professional & Business Services	18.8%	20.5%	-1.7%
Educational and Health Services	13.7%	10.4%	3.3%
Leisure and Hospitality	7.1%	7.0%	0.1%
Other Services, except Public Administration	3.4%	2.8%	0.6%
Government/Public administration	2.8%	2.8%	0.0%
Unclassified	2.7%	2.0%	0.7%

Occupational Group	Extended Unemployment Insurance Benefits *	Regular Unemployment Insurance Benefits **	Difference
Management	6.6%	6.4%	0.1%
Business and Financial Operations	4.8%	4.4%	0.4%
Computer and Mathematical	1.5%	1.5%	0.0%
Architecture and Engineering	1.0%	0.9%	0.1%
Life, Physical, and Social Science	0.2%	0.2%	0.0%
Community and Social Services	1.1%	0.8%	0.3%
Legal	0.4%	0.5%	0.0%
Education, Training, and Library	2.4%	1.0%	1.5%
Arts, Design, Entertainment, Sports, and Media	1.0%	1.0%	0.0%
Healthcare Practitioners and Technical	1.7%	2.0%	-0.2%
Healthcare Support	3.3%	2.9%	0.4%
Protective Service	1.0%	0.9%	0.1%
Food Preparation and Serving-Related	4.2%	4.2%	0.1%
Building and Grounds Cleaning and Maintenance	2.2%	2.4%	-0.1%
Personal Care and Service	1.7%	1.5%	0.2%
Sales and Related	10.0%	8.8%	1.2%
Office and Administrative Support	12.0%	9.5%	2.5%
Farming, Fishing, and Forestry	0.2%	0.3%	-0.1%
Construction and Extraction	2.8%	3.4%	-0.6%
Installation, Maintenance, and Repair	2.9%	3.0%	-0.1%
Production	17.5%	13.3%	4.2%
Transportation and Material Moving	4.9%	4.4%	0.4%
Not Available	16.5%	26.8%	-10.3%

*Regular unemployment insurance benefits may be collected for up to 26 weeks. ** Extended benefits are available to most people who exhaust their regular benefits and may be collected for up to 73 weeks.

Source: Illinois Department of Employment Security, Economic Information and Analysis

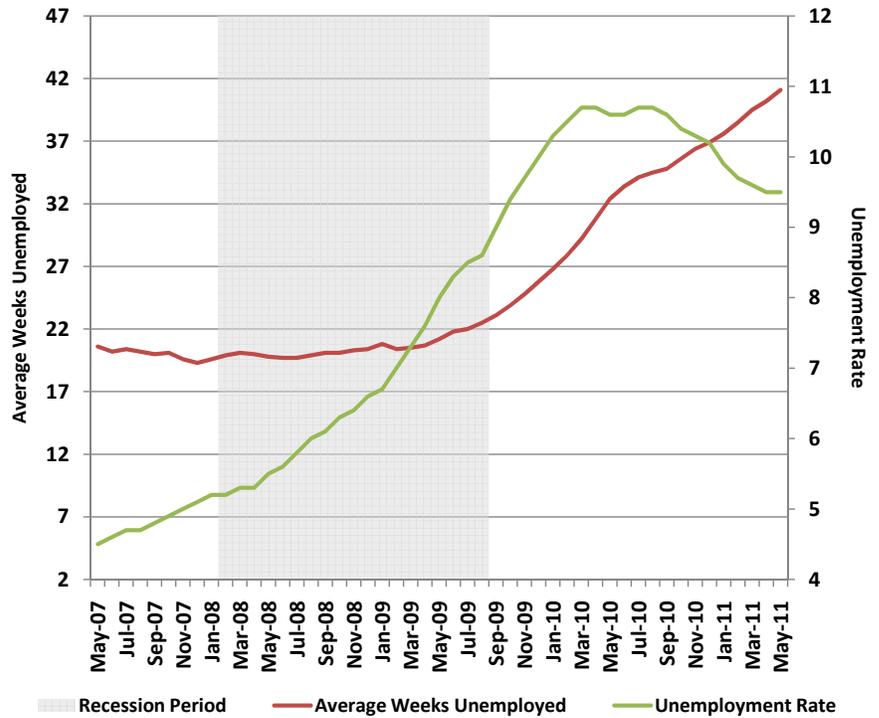
that occurred at local school districts. Fewer extended benefits claimants had been employed in construction and professional and business services, but these industries are more strongly influenced by temporary and seasonal hiring patterns and thus have a higher share of claimants receiving regular unemployment benefits.

Extended benefits recipients were also more likely to have been employed in production, office and administrative support, education, training and library and sales and related occupations. These individuals may have been previously employed in a variety of industries. However, the relatively high percentage of production- and education-related occupations is consistent with the higher proportion of extended benefits claimants that were laid off in manufacturing and educational and health services industry groups.

Average unemployment duration increases

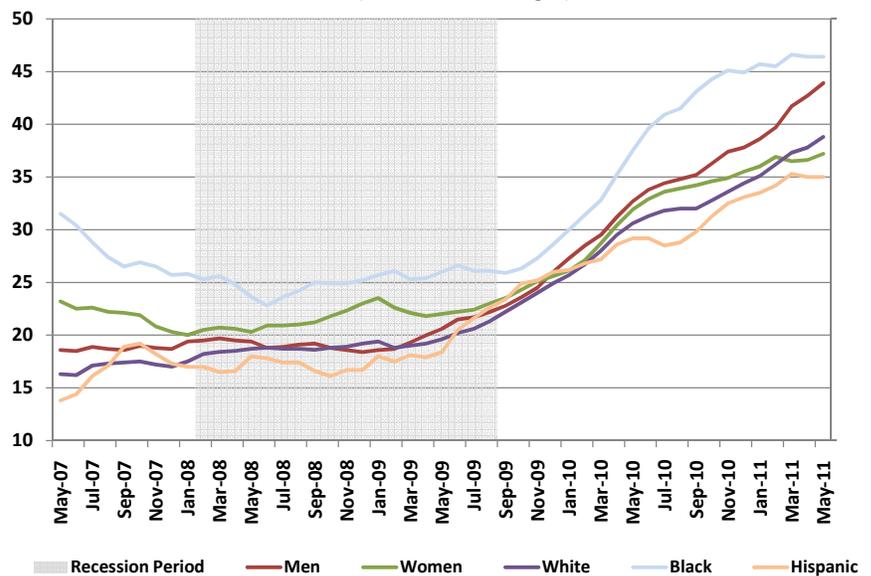
The impact of the long-term unemployed is clearly seen in the average weekly duration of unemployment estimates available from the Current Population Survey. The 12-month average Illinois unemployment rate began to fall in September 2010, but the mean average weekly duration of unemployment rose steadily even after the recession ended, climbing to a record high of 41 weeks in May 2011 (see chart 5a). All demographic groups have seen their average weekly unemployment durations increase since the end of the recession, but those with the longest unemployment durations include blacks, followed by men of all races and whites (see chart 5b).

Chart 5a. Illinois Unemployment Rate and Average Weeks Unemployed (12-month averages)



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

Chart 5b. Average Weeks Unemployed by Gender and Race (12-month averages)



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

Longer job searches for all

Long-term unemployment can be more closely analyzed by tracking the

percentage of the jobless out of work for more than 26 weeks and at least 52 weeks. The average long-term unemployment percentages shown

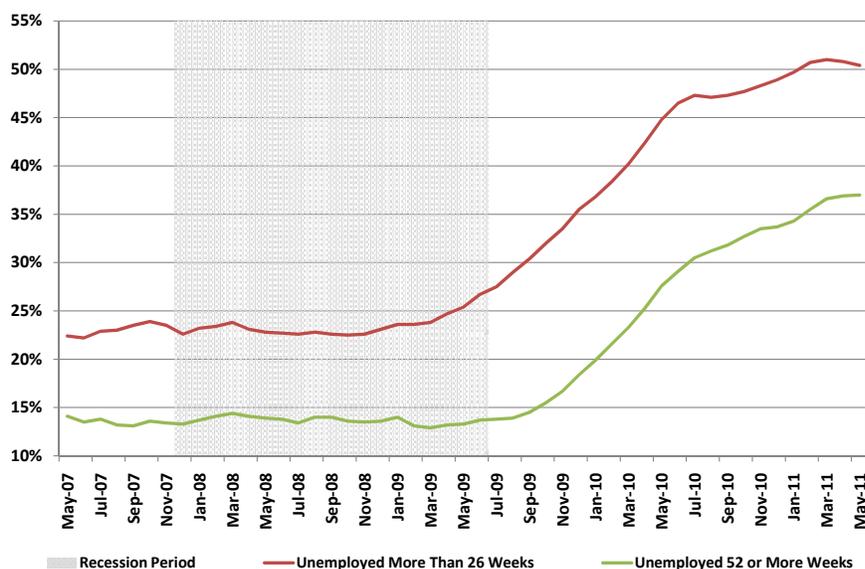
in **chart 6a** were also record highs and mirror the weekly unemployment duration patterns. The average percentage of the unemployed out of work for more than 26 weeks has doubled during the past four years and, as of May 2011, comprised about half of all unemployed. About one-third of the total unemployed were out of work for at least 52 weeks as of May 2011, 2.5 times the average percentage reported four years earlier.

Duration of job search varies by demographic group

Further analysis of long-term unemployment by gender and race shows that some groups are experiencing even greater hardship. As was noted in the discussion of average weekly duration of unemployment, all demographic groups have experienced longer job searches after the recession, but men of all races and blacks have reported the highest percentage of long-term unemployment. Prior to the recession, about one-third of blacks were out of work for more than 26 weeks, but as of May 2011 this percentage averaged about 60 percent (**see chart 6b**). The average percentage of blacks out of work at least 52 weeks more than doubled from pre-recession levels, reaching about 45 percent in May 2011 (**see chart 6c on next page**).

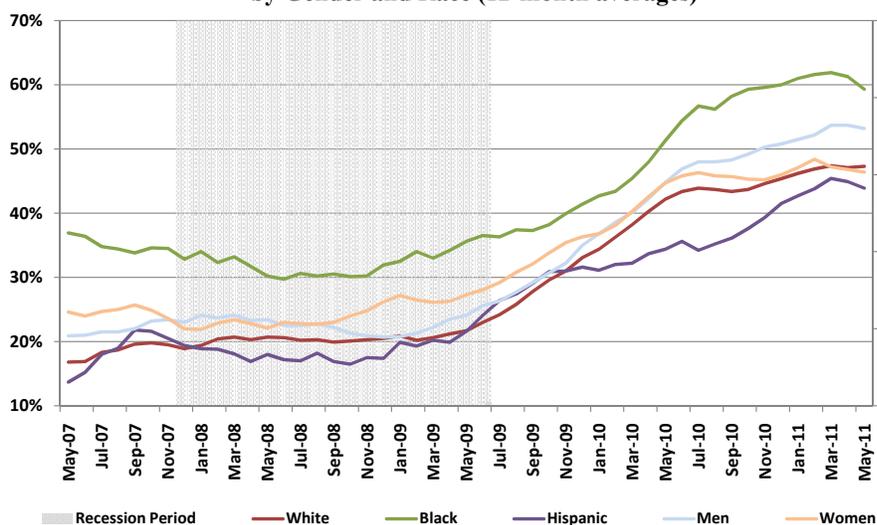
Among unemployed whites, the average percentage that was out of work for more than 26 weeks increased to 47 percent in May 2011, nearly three times the percentage reported four years earlier. The percentage of whites out of work

Chart 6a. Illinois Long-Term Unemployed Percentages (12-month Averages)



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

Chart 6b. Percentage of Unemployed Out of Work for More Than 26 Weeks by Gender and Race (12-month averages)



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

for at least 52 weeks was about 34 percent in May, four times what was reported four years prior. The percentage of Hispanics out of work for more than 26 weeks was lower than that of blacks and whites, but it was triple the percentage reported just before the recession.

A higher percentage of women than men were reported as long-term unemployed in the months immediately prior to, during and shortly after the recession (with the exception of just a few months). However, starting in May 2010, men steadily rose above women in

terms of the percentage of long-term unemployed. As of May 2011, 53 percent of men were out of work more than six months as compared to 46 percent of women. Additionally, 40 percent of men were out of work for at least a year as compared to 33 percent of women.

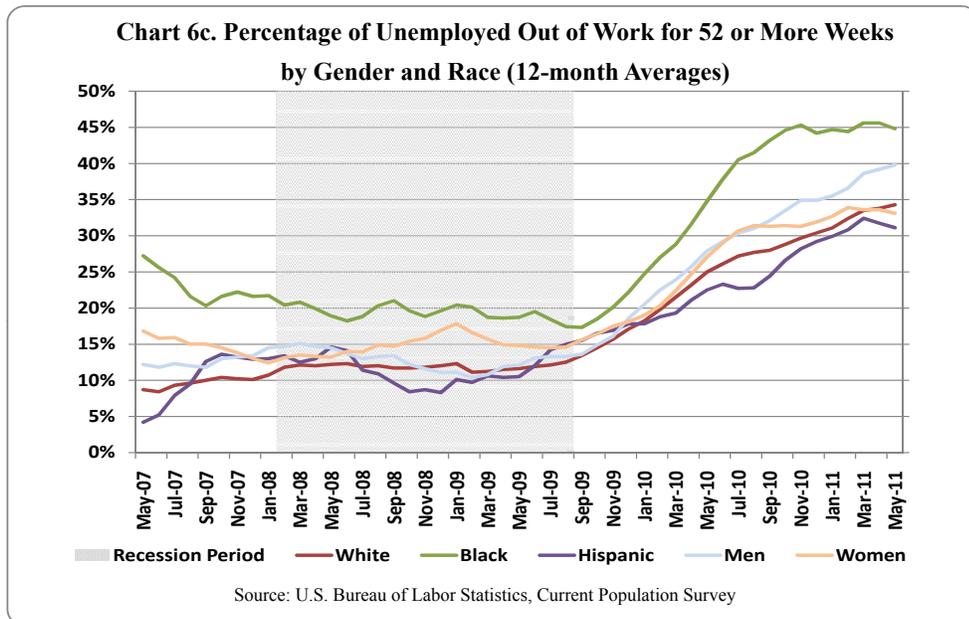
Challenges in reducing long-term unemployment

There are various explanations offered as to why long-term unemployment continues to rise almost two years after the end of the last recession.

Some believe that long-term unemployment is a structural issue due to a mismatch between the skills the unemployed possess and the skills currently required by employers². The solution to this problem would seem to be more education and training for the long-term unemployed, whether at vocational schools, community colleges or four-year colleges and universities.

However, more education and training may not be enough. There is also the need for a sufficient number of jobs in the immediate and long-term future. As was discussed earlier, Illinois lost more than 400,000 jobs as a result of the recession and still has to recover another 300,000 jobs to return to pre-recession levels. According to the latest projections, Illinois will create about 538,000 nonfarm jobs between 2008 and 2018, with the largest number of jobs added in educational and health services (209,000) and professional and business services (165,000). Most of the industries

2. Narayana Kocherlakota, President, Federal Reserve Bank of Minneapolis, "Inside the FOMC" (Speech, http://www.minneapolisfed.org/news_events/pres/kocherlakota_speech_08172010.pdf, August 17, 2010).



projected to add jobs will require education beyond high school. But industries that generally require minimal education and training are also expected to see job growth, such as leisure and hospitality (74,000) and retail trade (23,000).

Another concern is that the longer these individuals remain unemployed, the more likely they will become "unemployable" due to atrophied work and job search skills as well as the stigma of being out of work for months or even years. In fact, there are reports that some employers have openly discouraged the long-term unemployed from applying for their job openings³. There is also the risk that many of the long-term unemployed will become discouraged and permanently drop out of the labor force.

The weak housing market creates an additional, geographic barrier to finding new employment. The

3. Dana Hunsinger, "Long-term unemployed face stigmas in job search," Indianapolis Star, January 23, 2011.

unemployed now have less mobility to move to areas with stronger labor markets because of difficulties in selling their homes. Also, those who have seen the values of their homes fall below their mortgage values have even less incentive to sell and relocate.

In summary, while there are clear signs of an economic recovery in Illinois, the percentage of long-term unemployed is at record levels and has grown steadily since the end of the recession. About half of all unemployed have been out of work for more than six months and slightly more than one-third have been out of work for at least a year. Among certain populations, the hardship of long-term unemployment has been disproportionately worse. As compared to the unemployed out of work for less than six months, the long-term unemployed are more likely to be older, male, black and previously employed in industries such as educational and health services, manufacturing and financial activities.

Job growth has been slower than in previous economic expansions, and long-term unemployment may remain high for months and years to come. Reducing long-term unemployment will require not only additional training and education but also the creation of jobs for the immediate and long-term future.

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

Resources for the long-term unemployed:

■ **Illinois WorkNet portal page,**
http://www.illinoisworknet.com/vos_portal:

Links to websites offering assistance to job seekers, employers, veterans and displaced workers.

■ **IDES website,**
<http://www.ides.illinois.gov/resources/default.asp>

Lists resources for obtaining health insurance, mortgage

relief, child care, emergency food assistance, housing services and cash assistance. Also lists veterans' resources

■ **ReNEW, <http://www.ilworkinfo.com/icrn.htm>:**

The Illinois Career Information System website for experienced, laid-off job seekers. Features current openings, job search resources and retraining options.