

CONVERGENCE OF TRENDS

The Decline of the Middle Class

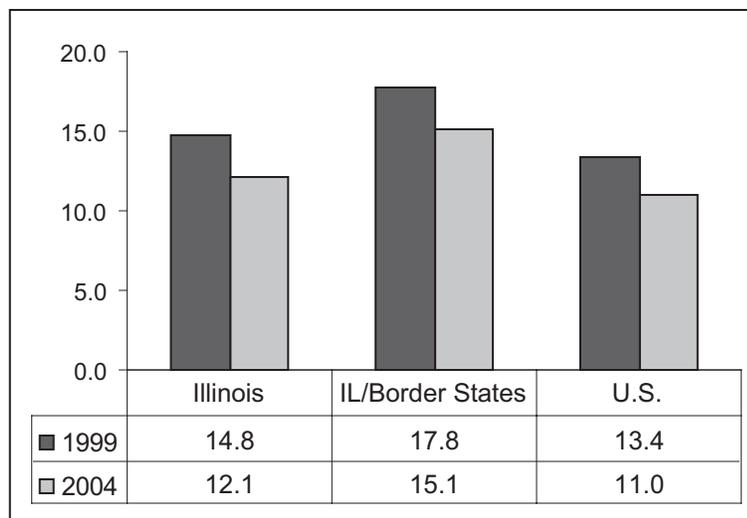
The middle class in Illinois is declining as evidenced by widening gaps in income and job opportunities for middle-tier workers.⁵ This gap is not unique to Illinois; it is an international and national trend as well. The top 20% of U.S. workers control 85% of the U.S. wealth, and the middle tier is shrinking as the top and bottom tiers increase. Internationally, the uneven distribution of wealth is particularly evident in China, where the wealthiest 5% control half of the bank deposits, and there is great disparity between the top-tier and bottom-tier workers.⁶

For Illinois, a decrease in higher-paying jobs accompanied by an increase in lower-paying jobs resulted in lower household incomes and the decline of the middle class.⁷ Often, the dislocated workers lack the skills needed for 21st Century higher-paying jobs. Keeping Illinois competitive will require increasing the number of higher-paying jobs and upgrading the skills of the work pool simultaneously.

Decrease in Higher-Paying Jobs

Historically, Illinois has had a strong middle tier of workers with significant numbers employed in the manufacturing sector. Between 1990 and 2005, Illinois lost nearly one-fourth of its manufacturing industry jobs, representing a loss of 222,500 jobs.⁸ In terms of the proportion of employment, in 1999, the manufacturing share of employment in Illinois was 14.8% and in the U.S. 13.4%. By 2004, the Illinois manufacturing share had decreased further to 12.1%, and the U.S. share declined to 11.0%. Illinois, along with its bordering states, had a 17.8% manufacturing share in 1999, but decreased to a 15.1% share in 2004.⁹

Figure 1 Proportion of Manufacturing Employment in 1999 and 2004¹⁰



CHAPTER I

In addition to manufacturing, the proportion of employees in high-tech establishments decreased from 1998 to 2002 in the U.S. from 8.93% to 8.35%. Illinois experienced a similar decrease from 9.12% to 8.24%. These decreases reflect the nearly 7% of jobs in high-technology industries in the U.S. which were lost between 2000 and 2002.¹¹

Increases in Jobs but at Lower Pay Levels

During the same periods, the number of jobs in other employment sectors increased. In the nation, Illinois, and the states bordering Illinois, there were increases in employment for educational and health services, leisure and hospitality, and government, with smaller increases in the construction industry. Illinois also had small decreases in employment shares for the following: trade, transportation, and utilities; information; and professional and business services. The U.S. and Illinois' bordering states had similar declines except for professional and business services.¹² However, according to the Illinois Department of Employment Security, "it is clear that the recession has had a much larger impact on the employment of Illinois and its surrounding border states than it has on national employment."¹³

Unfortunately, the lost jobs, especially in manufacturing and high-technology, were mostly higher-paying jobs. The new jobs in education and health services paid 4.6% less than the manufacturing jobs, and the leisure and hospitality industry jobs averaged 29.2% less than the manufacturing jobs they replaced.¹⁴ The net result of replacing higher-paying positions with lower-paying positions was lower household incomes.¹⁵

Displaced Workers Often Lack 21st Century Skills

The displaced manufacturing and high-tech workers are having difficulty in finding employment. Even though the unemployment rates in Illinois metro areas are at the lowest levels in five years, they are still higher than the national average as Illinois struggles to recover from the declines in recent years.¹⁶

The manufacturing and high-tech jobs were lost for several reasons including increased productivity due to technological advances, increased off-shoring due to economic globalization, and displacement of work to other states. Regardless of the reasons, these jobs will most likely not return, and the new jobs in manufacturing and high-tech establishments require advanced technical skills, thus creating a situation in which the unemployed are under-qualified for the new jobs in their past occupational sectors. In fact, there is a strong link between those currently unemployed and the level of educational attainment—the highest rates of unemployment are among those with the least education.¹⁷

Technology is reshaping old jobs, including manufacturing, and defining most of the new jobs. Workers are caught in a cycle—postsecondary education is required to qualify for most livable-wage, entry-level positions; ongoing continuing education is necessary to expand knowledge and skills; and without a commitment to continually developing and updating skills, even those with previous postsecondary education can find themselves unemployable

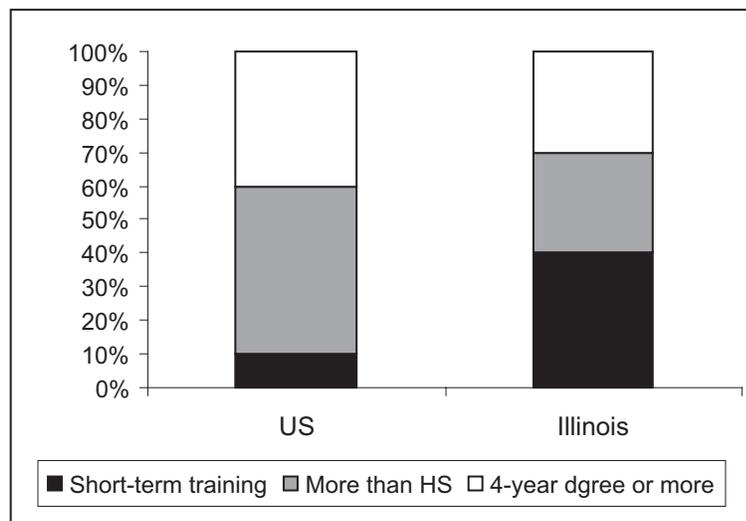
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for jobs they have previously held. Many of Illinois' unemployed engineers and computer scientists have college educations; however, the content they studied has become obsolete, and the job openings require knowledge of newer technologies.

Projections Indicate Continued Eroding of the Middle Class

According to the U.S. Department of Labor, of the 30 fastest-growing occupations in 2006-2007, only 3 require short-term, on-the-job training and most require postsecondary education: 8 require associate's degrees, 10 are at the baccalaureate level, and 2 require doctorates.¹⁸ In Illinois, the 30 projected fastest-growing occupations from 2002 to 2012 show a slightly different picture: 12 require only short-term, on-the-job training and 9 require a bachelor's degree or higher.¹⁹ Of these 30 fastest-growing occupations in Illinois, 40.5% pay less than \$25,000 annually and 37.2% pay more than \$45,000.²⁰ If the projections hold, the middle class will continue to erode in Illinois.

Figure 2 Percentages of the 30 Fastest Growing Occupations by Level of Required Education²¹



Illinois, like most of the U.S., is caught in a double-sided challenge—the state must create high-paying jobs to bolster the middle class while also significantly increasing the skill levels of the potential pool of workers so they are qualified to fill these jobs. No matter how the state decides to overcome these challenges, a strong STEM education program is an inherent part of the solution.