The Illinois workforce has changed markedly since the last recession.

Illinois is expected to experience a higher rate of decline in its workforce than other Midwestern states between now and 2030.

Even in rural areas, many jobs are unfilled because of a shortage of qualified applicants.

Illinois counties have experienced a higher rate of out-migration of workers than other Midwestern states.

Other Midwestern states have successfully used strategies to address these concerns.

Private-public partnerships may be rural Illinois’ best hope for rebuilding the prosperity of many counties and regions in Illinois.

**Issue:** Workforce Turnover and Replacement In Downstate Illinois

By Andrew Blanke and Norman Walzer

Editor's Note: Much has been written of late about the out-migration of people from Illinois in recent years and its implications for public policy in the state. This study—focusing on the state’s most critical age group, the working-age population—contributes hard data and context to that discussion. Since it is the workforce on which the operation of government and social service agencies ultimately rely for both working capital and staff, changing patterns in important workforce indicators are suggestive of what lies ahead.

Illinois has not recovered as well as other Midwestern states following the Great Recession. Reasons for this slow recovery, discussed at length in previous Policy Profiles, include:

- Rural population has been declining partly because of the gap between wages paid in cities and those paid in rural areas;
- Long-term structural changes in workforce demands caused partly by adoption of technologies that reduce the need for labor;
- A shortage, especially in rural areas, of job applicants with qualifications in advanced manufacturing technologies; and
- Public policies (e.g., Workers’ Compensation, state-level budgetary uncertainty, and other issues) that do little to encourage private investment in the state.

Concern has also been expressed about population out-migration of workers from Illinois and implications for future workforce and skill shortages as the Baby Boom generation retires or leaves the workforce. The growth in retirees as a proportion of population is not unique to Illinois but it will nevertheless create increased competition for workers, especially those with sought after skills.

What is important, however, is the continued out-migration from Illinois that is less common in neighboring states. To sustain its workforce, Illinois must place more importance on encouraging in-migration, especially of mature workers with the skills increasingly in demand by prospective employers.

How should Illinois address its workforce issues?

This issue of Policy Profiles first examines historical migration trends in the Midwest with possible implications for workforce and economic development in Illinois. The discussion starts with Illinois’ changing age composition and its impact on workforce availability in various regions of the state. Attention is then turned to opportunities for young adults in the post-recession era and their lower participation in the labor force in what some writers refer to as a “Lost Generation of Workers.”
Next, this Policy Profiles issue explores immigration patterns of middle-age workers who, because of age, have been touted as a “Brain Gain” by some communities, especially in the Great Plains states. Such in-migration contrasts with the often cited “Brain Drain,” especially in rural areas.\(^3\)

The discussion concludes with a description of several promising initiatives, used in other states, which might also be options for communities in Illinois to consider in attracting such workers.

**How has the working population in Illinois changed?**

The working-age population has changed markedly since 1990. Both the Chicago Metropolitan Statistical Area (MSA) and downstate reported substantial decreases in the 20-29 age group (see Figure 1). These declines of 49,542 in the Chicago MSA and 5,398 downstate contrast with gains in the number of working-age individuals between ages 30 and 49 which increased 123,957 in the Chicago MSA and 61,985 downstate. However, both age groups represented smaller shares of the total population in 2010 than 20 years earlier.

The changes are partly explained by growth in the number of residents nearing normal retirement age.\(^b\) Population ages 50-64 grew 529,735 (6.3 percent) in the Chicago MSA\(^a\) and 369,332 (8.9 percent) downstate. Likewise, downstate Illinois gained more residents 65 years or over than residents of ages 20-49. The result is that, during the past 20 years, Illinois lost entry-level populations between 20 and 29, and gained mid-career residents (ages 30-49), but not enough to offset the larger population nearing retirement. A previous issue of Policy Profiles documents that this trend continues in the post-recession period which may challenge the state’s workforces in the next decade or so.\(^4\)

Part of the dilemma facing Illinois is the continued out-migration to neighboring states.\(^5\) For instance, the Bureau of the Census recently estimated that 318,987 people had left Illinois due to domestic net out-migration between 2010 and 2014, often for neighboring states. More detailed information on age composition is not yet available. The top five destination states for out-migrants are Florida, Indiana, Missouri, Texas, and Wisconsin.\(^6\)

**Does Illinois have a “Lost Generation of Workers?”**

Historically, economic recessions have disproportionately limited job prospects for young adults graduating from high school and college.\(^7\) Those entering the workforce during recessions typically earned less than individuals in the same age group who entered the workforce in more prosperous times. In recessions, young adults often settle for lower-paying jobs and then find themselves locked into these positions by fewer opportunities for job changes. Some authors have labeled those entering the job market during the recent Great Recession as a “Lost Generation of Workers” because the recession did not provide opportunities for them to launch and prosper in their careers.\(^8\) One hypothesis is that this age group withdrew from the workforce or participated to a limited extent.

The national labor force participation (LFP) rate for young adults has decreased since

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\(^a\)By Office of Management and Budget definition, the Chicago metropolitan area includes more counties in 2010 than it did in 1990. The analyses in this Policy Profiles all use the 2010 definition of counties in the metropolitan area for data from 1990.

\(^b\)“Normal Retirement Age” is defined by the Social Security Administration as “the age at which retirement benefits (before rounding) are equal to the ‘primary insurance amount.’” http://www.ssa.gov/oact/progdata/nra.html

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**Figure 1 Illinois Population by Age Group**
Speculation is that this group leaves the labor force when they abandon job searches, do not pursue higher education, and, because of finances, continue to live with their parents. This post-recession phenomenon of young adults either staying out of the labor force or remaining in lower-paying jobs could become a future drag on the economy as businesses struggle to recruit appropriately skilled employees. It will also, of course, constitute a drag on the life expectations of the under-skilled workers themselves.

Is this happening now?
To explore whether this recession created a Lost Generation of Workers in Illinois, three labor force indicators are examined: the (LFP) rate, the unemployment rate, and the employment-to-population ratio. Each indicator illustrates a different aspect of the workforce in Illinois and can help policymakers and practitioners understand ways to address this issue in their areas.

The LFP rate measures the percentage of the civilian, non-institutional population over age 16 who are either employed or unemployed but actively seeking work. Unemployed individuals who have stopped seeking work are not counted in the labor force. Full-time students are only counted when they are also employed or actively seeking employment.

Since 2009, the LFP rate has increased for only two age groups in Illinois—the 25-34 group and those 65 years and older. The populations age 16-24 and 35-64 both decreased in LFP rates since 2009, meaning that proportionally fewer people in these age groups are working or actively seeking work. This could partially be explained by out-migration, given that Illinois has recently lost residents to other states perceived as having better employment opportunities. Regardless, other states across the Midwest have also experienced decreasing LFP rates in young adults (see Figure 2), suggesting that some workers have left the Midwest entirely in search of better employment or other reasons. For example, Texas and California were among the top six states in number of out-migrants from Illinois in 2010-2013.

The employment-to-population ratio measures the percentage of the civilian non-institutional population that is employed. This indicator provides a more comprehensive measure since it also includes individuals not in the labor force. The employment-to-population ratio increased for all population age groups between 2009 and 2014, with the largest increases in the population ages 20-34. However, across age groups, Illinois still proportionally has fewer people employed than in 2000, documenting the effects of the relatively slow recovery.

The unemployment rate for Illinoisans under age 64 decreased markedly between 2009 and 2014, but remains higher than in 2000. The group with the sharpest reduction in unemployment includes those in the 16-44 age cohort, although this may be explained by some unemployed individuals exiting the labor force either because they have abandoned job searches or left the state. The unemployment rate for persons 65 and over increased while the LFP rate also increased, indicating that some people nearing retirement age still seek employment but cannot find it. Thus, the recession disrupted careers of older and younger workers alike, causing young adults to enter the labor force later while some people of retirement age continue to work.

The employment-to-population ratio measures the percentage of the civilian non-institutional population that is employed. This indicator provides a more comprehensive measure since it also includes individuals not in the labor force. By this measure, the employment situation for young adults has improved since 2009, but has not yet regained 2000 levels. The employment-to-population ratio increased for all population age groups between 2009 and 2014, with the largest increases in the population ages 20-34. However, across age groups, Illinois still proportionally has fewer people employed than in 2000, documenting the effects of the relatively slow recovery.

What has been the impact of the Great Recession on Illinois workers?

The employment to population ratio, the LFP rate, and the unemployment rate do not indicate a clearly defined Lost Generation of Workers in Illinois. To be sure, significantly fewer Illinoisans ages 16-24 participate in the labor force now than in 2000 and part of the explanation may be
that they are pursuing higher education degrees in an attempt to find better jobs in the future. However, across the Midwest, the labor LFP rate also decreased for those between 25 and 54 years of age. The recession affected workers of all ages, with young adults delaying entry into the labor force, mid-career individuals unable to find suitable employment, and older workers delaying retirement when and if they can find employment.

The post-recession experiences of the younger generation in Illinois and in the Midwest seem to have been shared by other age groups as well.

Can domestic migration fill the gap?

Given that some educated young adults delay entry into the workforce, communities in Illinois may need to address pending workforce shortages by involving other age groups (as described previously). The middle-age population was also affected by the recession, but people ages 16-24 have had disproportionately high unemployment levels. According to the Bureau of Labor Statistics’ Local Area Unemployment Statistics, in 2014 (the most recent year with data available by age), the unemployment rate in Illinois for all ages was 7.0 percent, but was 22.2 percent for people ages 16-19 and 12.2 percent for ages 20-24.

However, some Midwestern communities have experienced what has been called a “Brain Gain”—an influx of the population ages 30-49 who, with appropriate skills, can at least partially mitigate workforce shortages. Although information specific to the skills and education of migrants is limited, a survey of workers ages 30-49 that moved to several communities experiencing a “Brain Gain” in Minnesota found that 45% of the in-migrants had experience in management or professional occupations, 70% were college educated, and 30% had formal occupational training. Although newcomers surveyed in Minnesota were driven primarily by quality of life concerns such as housing and education, in-migrating workers can bring marketable skills to their jobs in new communities. This middle age group is also important for local economies because, on average, they spend more for certain goods and services, such as shelter (e.g., mortgages, rent, property taxes), vehicles, entertainment (including recreation), apparel, and services.

Overall, Midwest nonmetropolitan counties reported modest net in-migration (0.2 percent) (see Figure 3), while metropolitan counties had a net outflow (-0.7 percent) and a static population in counties adjacent to metro areas (net loss of less than 0.1 percent). Following a trend similar to metropolitan counties, micropolitan counties had net out-migration. Rural counties (not located in a metropolitan or micropolitan area) had net in-migration, suggesting that people left mid-size cities for smaller communities.

Migration trends also varied widely among Midwestern states see Figure 4 (on the next page). Wisconsin had a statewide nonmetropolitan in-migration rate of 1.9 percent, while most other Midwestern states had net out-migration. Counties adjacent to metropolitan areas, on average, had slight net out-migration while counties in Iowa, Minnesota, Missouri, and Wisconsin had net in-migration.

Across the Midwest, most metropolitan counties had net out-migration, including the Chicago metropolitan area. However, downstate metropolitan Illinois (i.e., metropolitan areas outside the Chicago metropolitan area, e.g., Rockford or East St. Louis) did not follow this trend and had net in-migration instead. Some downstate...
metropolitan areas experienced a “Brain Gain” that could help address workforce shortages.

However, out-migration patterns in all other parts of Illinois were more negative than those in the Midwest, which may lead to future workforce issues in Illinois. The importance of in-migration by young adults is clear not only because they may increase the workforce, but because they may bring the latest skill sets needed by strategically important economic sectors such as advanced manufacturing, biotechnology, or health care. While retirements mean a loss of industrial experience, some workers in retirement years may no longer have the skills or the knowledge needed to run the latest technology.

Likewise, young and middle-age adults spend more, but they also are more likely to purchase on the internet and out of state. In addition, relocating workers can impact the property tax base as housing either is built or renovated few new residents or abandoned when residents leave. In some cases, the “Brain Gain” for rural areas represents an offset of out-migration in previous years as young adults launch careers outside the state they were raised in, but return with families as economic opportunities arise years later. Initiatives to encourage in-migrating workers could be supplemented with local workforce development initiatives to ensure that the in-migrants’ family members, as well as current residents, become effective contributors to the workforce. Strategies to develop a pipeline of skilled workers, in collaboration with private sector employers and public education providers, are discussed in a previous Policy Profiles.

In rural Illinois counties with population declines but also with in-migration, 21.8 percent of the population loss was offset by in-migration between 1990 and 2010, and 8.1 percent of the loss was offset for 2000-2010. This phenomenon is also true in downstate metropolitan counties and counties adjacent to metropolitan areas.

Figure 5 (on the next page) illustrates counties that experienced a “Brain Gain” between 2000 and 2010. In Illinois, the trend was strongest in the collar counties surrounding Cook County, but there was also in-migration in the East St. Louis metropolitan area, the Rockford metropolitan area, and several central Illinois metropolitan areas such as Peoria and Springfield. Most counties in Minnesota and Wisconsin experienced a slight “Brain Gain”, including in non-metro areas. In Indiana and Michigan, most of the growth was in metropolitan areas, but some areas also had net out-migration of workers.

Nonmetropolitan counties in Illinois closer to state borders often had net out-migration, but so did some comparable counties on the borders of Indiana and Iowa. This suggests that residents closer to state borders are more likely to leave the state if employment opportunities arise in nearby counties in another state, because property taxes are higher in Illinois, or relocation is less costly. Border counties may have a higher risk of residential out-migration, but they could also have stronger opportunities to attract residents from other states, given the availability of suitable jobs and competitive costs of living.

How can communities attract in-migrants?

Much effort has been invested in trying to understand residential preferences and attitudes of young adults in the Millennial Generation. Local leaders recognize the
importance of this group as future workers and consumers, so understanding the group’s preferences for work and lifestyle is important. Consequently, cities in the Midwest have proactively tried to attract young adults to replace retiring and out-migrating senior residents.

In 2013, the State of Nebraska enacted legislation allowing municipalities to use local option sales tax revenues, with local referendum approval, to encourage prospective in-migration. For example, the Medicine Valley Economic Development Corporation (MVEDC) in Frontier County, Nebraska, (population: 2,709) offers payments of up to $1,000 for families with children under age 18 moving to school districts in the county from outside the county. The MVEDC also offers up to $4,000 in down payment assistance for new home construction.

During the 1980s, several small Illinois communities such as Ohio (population 502 in 2013) successfully used property tax rebates to attract families and stabilize their school enrollment leading to increased housing construction.

Minnesota led the Midwest in net in-migration of 30-49 year olds in counties adjacent to metropolitan areas. A University of Minnesota study of 76 cities within a region that had experienced a “Brain Gain” identified the following strategies most often used to attract in-migrants:

- Free land,
- Suspended taxes,
- Free or discounted utility installations,
- Renovation loans for existing homes, and
- Housing for the elderly to free up single-family housing for in-migrants.

Young adults who had recently relocated to Iron County, Wisconsin, were surveyed to determine what made the county attractive. Respondents rated several factors (e.g., safety, climate, availability of outdoor recreation year-round, and quality of schools) on a scale of perceived importance and how Iron County ranked on each factor. The survey results were then used in marketing materials for prospective in-migrants.

Although the final outcomes of the Iron County initiative remain to be seen, this approach offers a way to build a future workforce in the area. Newcomers to communities can easily identify local assets that brought them to the county and working with them directly on marketing materials is a useful first step in designing a recruitment plan.
It is important to note that marketing to prospective in-migrants is a strategy that is most effective when used in concert with local efforts to build a pipeline of skilled workers. In rural areas, this may be most successful at the regional level so that young people have access to information and training aligned to a variety of local career opportunities.

What does all this mean for Illinois?
The Illinois workforce has changed markedly since 1990 and especially following the recession. Older workers now represent a growing share of the population and some of those at traditional retirement ages or even beyond may continue to work. The population group, ages 20-29, which represents entry-level workers and recent postsecondary graduates, has decreased, and this group, proportionally, has fewer people currently working.

Middle-age workers (ages 30-49) have been affected less severely by the recession than young adults and in some states they have offset population declines and helped reduce workforce shortages. However, Illinois has not had as much in-migration in this group as some neighboring states. Young adults will eventually return to the labor force, but the slow recovery in Illinois may mean that attracting middle-age workers, in tandem with effective local skill development efforts, can help prevent relative future workforce shortages.

A concerted effort to attract young adults may make Illinois more competitive with other Midwestern states in this regard. Without such an organized effort, though, Illinois risks an ongoing aging of the workforce with possible relative workforce shortages as the Baby Boom generation retires or relocates to other areas.

Endnotes
4 See first citation in endnote 1.
8 Ibid.
11 See endnote 2.
12 The civilian non-institutional population includes all those not in active duty military service, penal facilities, mental health facilities, or facilities for the aged.
13 See endnote 5.
14 See, for example: Cantrell, R. L. Is This A Rural Brain Gain? A Cohort Examination of Migration in Nebraska. Cornhusker Economic Economics (March 5, 2014). http://digitalcommons.unl.edu/agecon_cornhusker/622/. Also see endnote 3.
19 See Endnote 5.
20 Special thanks to Thomas Kazmierczak, Center for Governmental Studies, for preparing the map shown in this Policy Profiles.
22 Unlike in Illinois, Nebraska municipalities do not have Home Rule.
24 http://mvedc.publishpath.com/relocation-incentives
27 See Winchester citation in endnote 9.
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