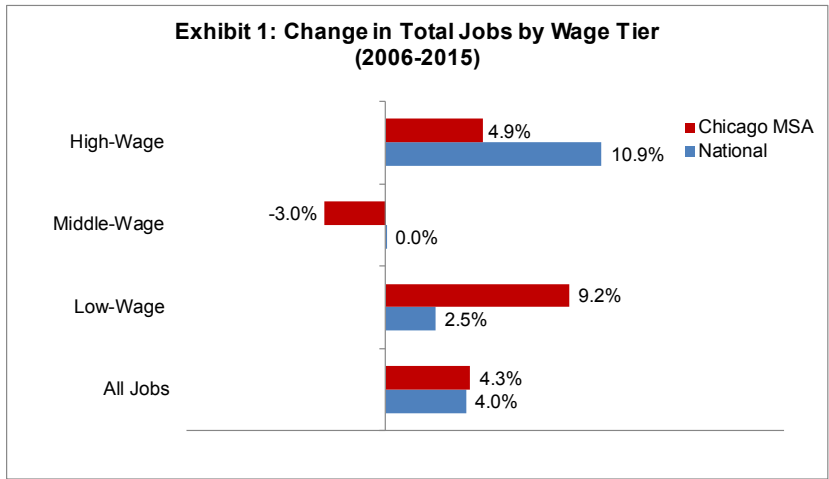


Labor Market Polarization and a Changing Recovery in the Chicago Metropolitan Area

Executive Summary



Over the past decade, Chicago’s regional labor market has polarized, with net job growth coming exclusively from high-wage jobs (paying more than \$53,000) and low-wage jobs (paying less than \$32,000). Between them, the vast majority of job growth has been in the lower tier (two out of three net new jobs pay less than \$32,000), while the number of middle-wage jobs (paying between \$32,000 and \$53,000) has declined. This polarization has occurred on a

national scale, but not to the same extent as in Chicago.

This report analyzes data on the 14-county Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area (Chicago MSA) from the Bureau of Labor’s Occupational Employment Statistics. A high degree of economic and social cohesion define the region, representing an integrated labor market and commuter shed. While the regional economy is concentrated in the city of Chicago and Cook County, the overarching trends are widespread.

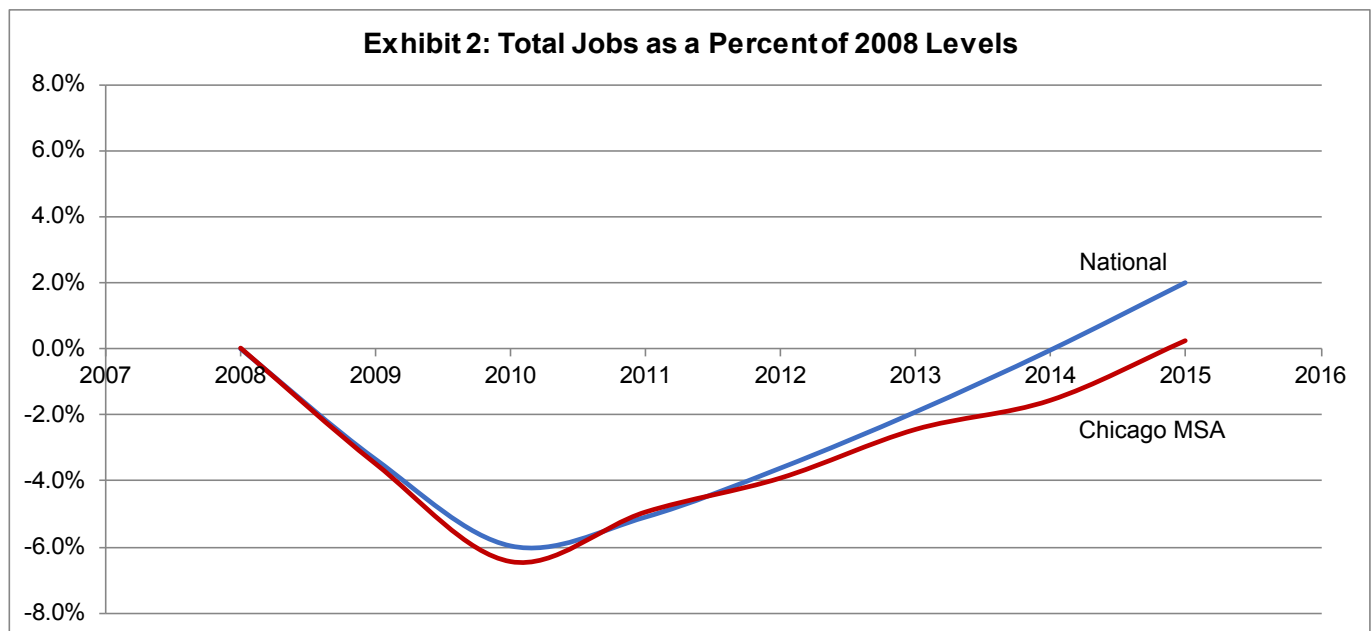
An analysis of the latest labor market data through 2015 provides insight into the factors driving these trends with six key takeaways:

1. The Chicago MSA trails the nation in job growth coming out of the Great Recession. Moreover, the region has largely replaced middle and high-wage jobs with low-wage jobs.
2. In the last few years, the nature of the recovery is changing both nationally and within the Chicago MSA, with a shift to higher-wage job growth.
3. The Chicago MSA’s labor market has become more concentrated in low-wage jobs over the past decade, while the national labor market has become more concentrated in high-wage jobs.
4. In the last decade, only four occupational categories in the Chicago MSA saw substantial gains in high-wage jobs, while the other occupational categories stagnated or lost high-wage jobs.
5. Office and administrative support contributed the most to middle-wage job loss in the Chicago MSA over the decade, outweighing the gains of the five largest contributors.
6. Most of the Chicago MSA’s occupational categories created low-wage jobs in the last decade, but two of them contributed more than 80 percent of net growth.

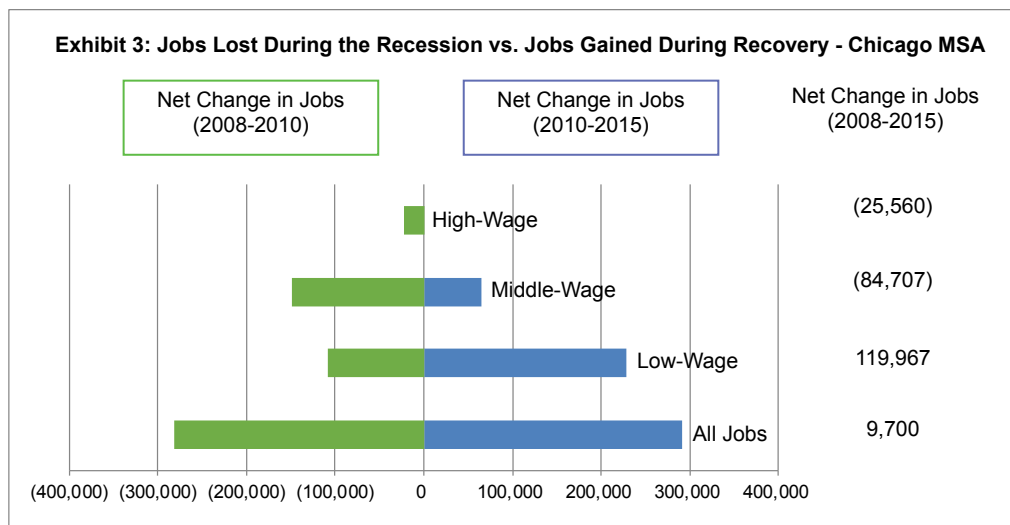


Takeaway 1: The Chicago MSA trails the nation in job growth coming out of the Great Recession. Moreover, the region has largely replaced middle and high-wage jobs with low-wage jobs.

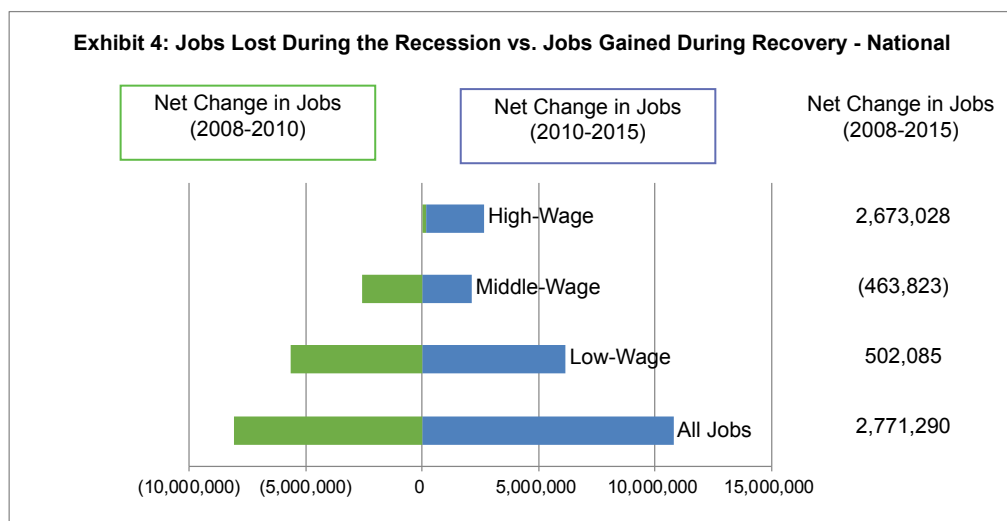
Measured relative to the beginning of the Great Recession, the Chicago MSA's employment levels mirrored national ones through about 2012. However, as the region's job growth has faltered, we have seen the Chicago region fall behind the nation, a trend that has accelerated in recent years. In fact, if Chicago would have followed national trends, its economy would have grown 53,560 more jobs. (See Exhibit 2)



The composition of the Chicago MSA's job losses and gains look very different across the wage tiers in the recession and recovery. From 2008-2010, the metropolitan area lost 149,277 middle-wage jobs, and five years into the recovery (2010-2015), the region has only regained 64,571 of them. The high-wage trend is similarly troubling. The Chicago MSA lost high-wage jobs during the recession and has not recovered them in years following the Great Recession. As a result, the metropolitan area has about 25,000 fewer high-wage jobs than it did in 2008. In the same recovery period, the region created 227,768 low-wage jobs, compared to 107,801 lost jobs. (See Exhibit 3)



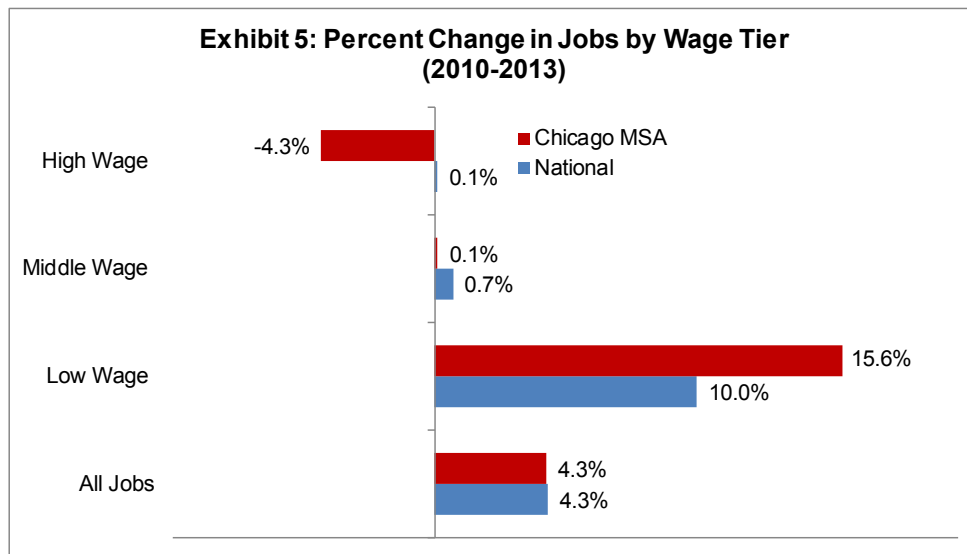
Nationally, high-wage jobs have had a net growth of 2,673,028 coming out of the recovery. The composition of middle and low-wage job growth has been more balanced, when compared to what the economy lost during the recession. (See Exhibit 4)



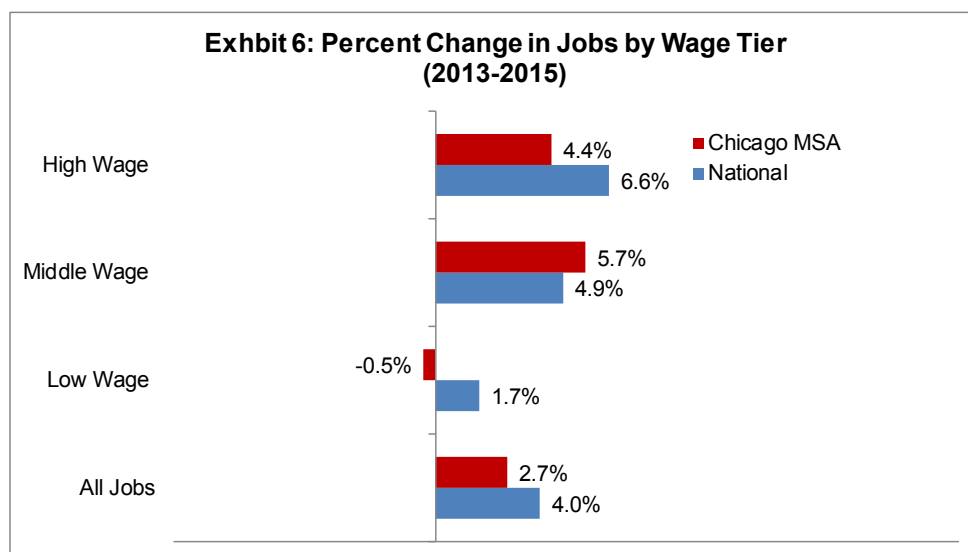
Because of its divergence from national trends, the Chicago MSA has lost out on the creation of nearly 100,000 high-wage jobs in the last five years due to its slower growth in that tier.

Takeaway 2: In the last few years, the nature of the recovery is changing both nationally and within the Chicago MSA, with a shift to higher-wage job growth.

The first few years following the Great Recession, from 2010 to 2013, yielded only 4.3 percent job growth both nationally and in the Chicago MSA. This growth was powered almost exclusively – or in the case of the Chicago region exclusively – by low-wage jobs. Even more concerning, the Chicago region lost more than 4 percent of its high-wage jobs in the same period. (See Exhibit 5)

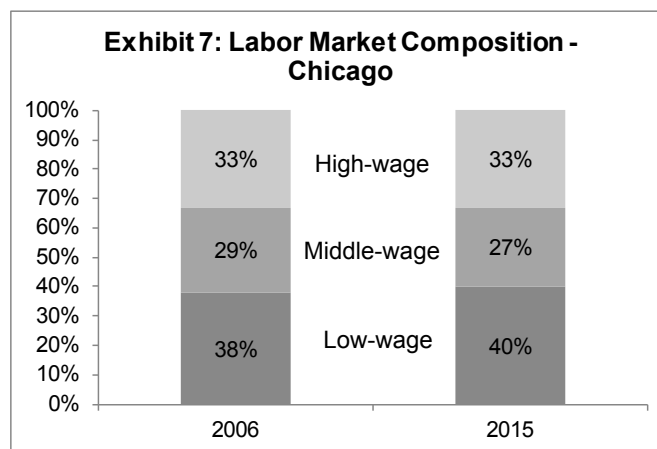


The past two years have been dramatically different, with a reversal of earlier polarization both in the region and nationally. The Chicago MSA saw strong middle and high-wage growth. However, a decline in low-wage positions kept the total growth rate well below the national average. (See Exhibit 6)

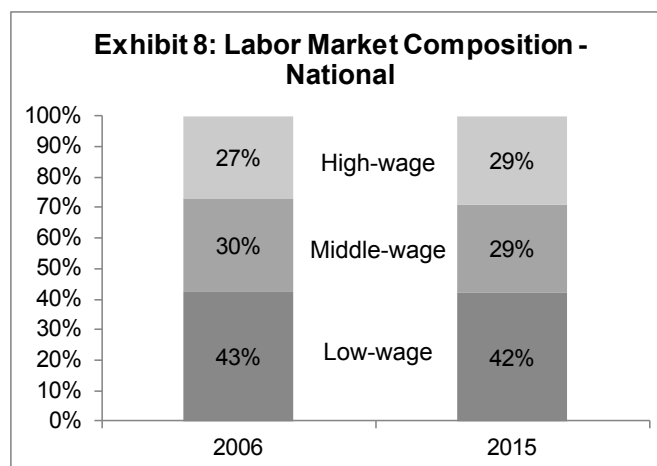


Takeaway 3: The Chicago MSA’s labor market has become more concentrated in low-wage jobs over the past decade, while the national labor market has become more concentrated in high-wage jobs.

In aggregate, middle-wage jobs in the Chicago MSA have decreased since 2006, while the overall labor market has grown. As a result, the share of middle-wage jobs as a part of the total labor market decreased from 29 to 27 percent. Simultaneously, the low-wage tier has grown from 38 to 40 percent of the labor market, while the share of high-wage positions did not change. (See Exhibit 7)

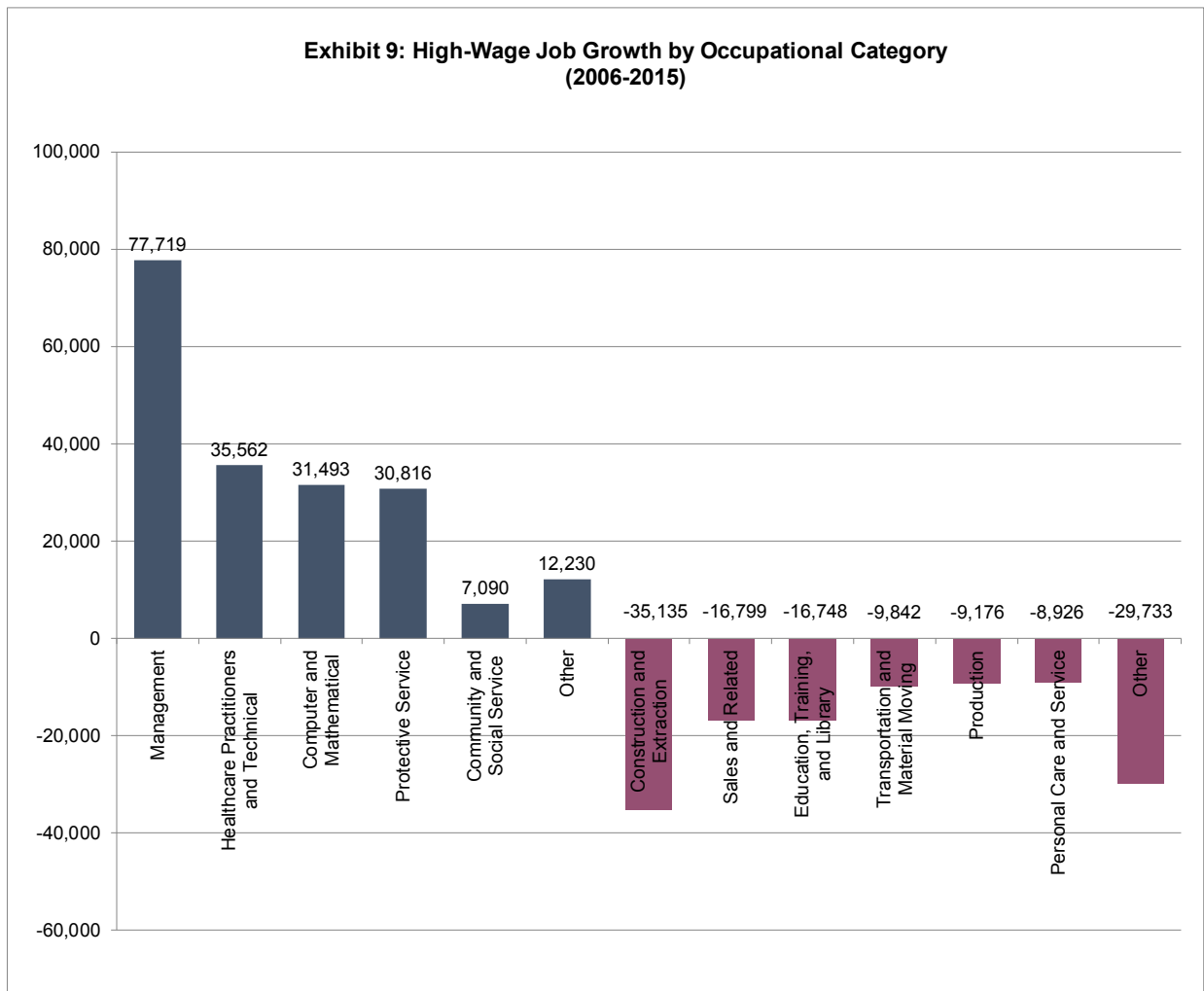


Nationally, the middle-wage trend is similar. However, the national high and low-wage trends diverge from those of the Chicago MSA. The middle class has shrunk over the economic cycle. The net addition of middle-wage jobs amounts to only 13,836 since 2006, compared to 3.9 million high-wage jobs, and 1.4 million low-wage jobs. Thereby, middle-wage jobs have decreased as a percentage of the total national labor market from 30 to 29 percent. Accompanying this change was a decline from 43 to 42 percent in low-wage positions and an increase from 27 to 29 percent in high-wage jobs. (See Exhibit 8)



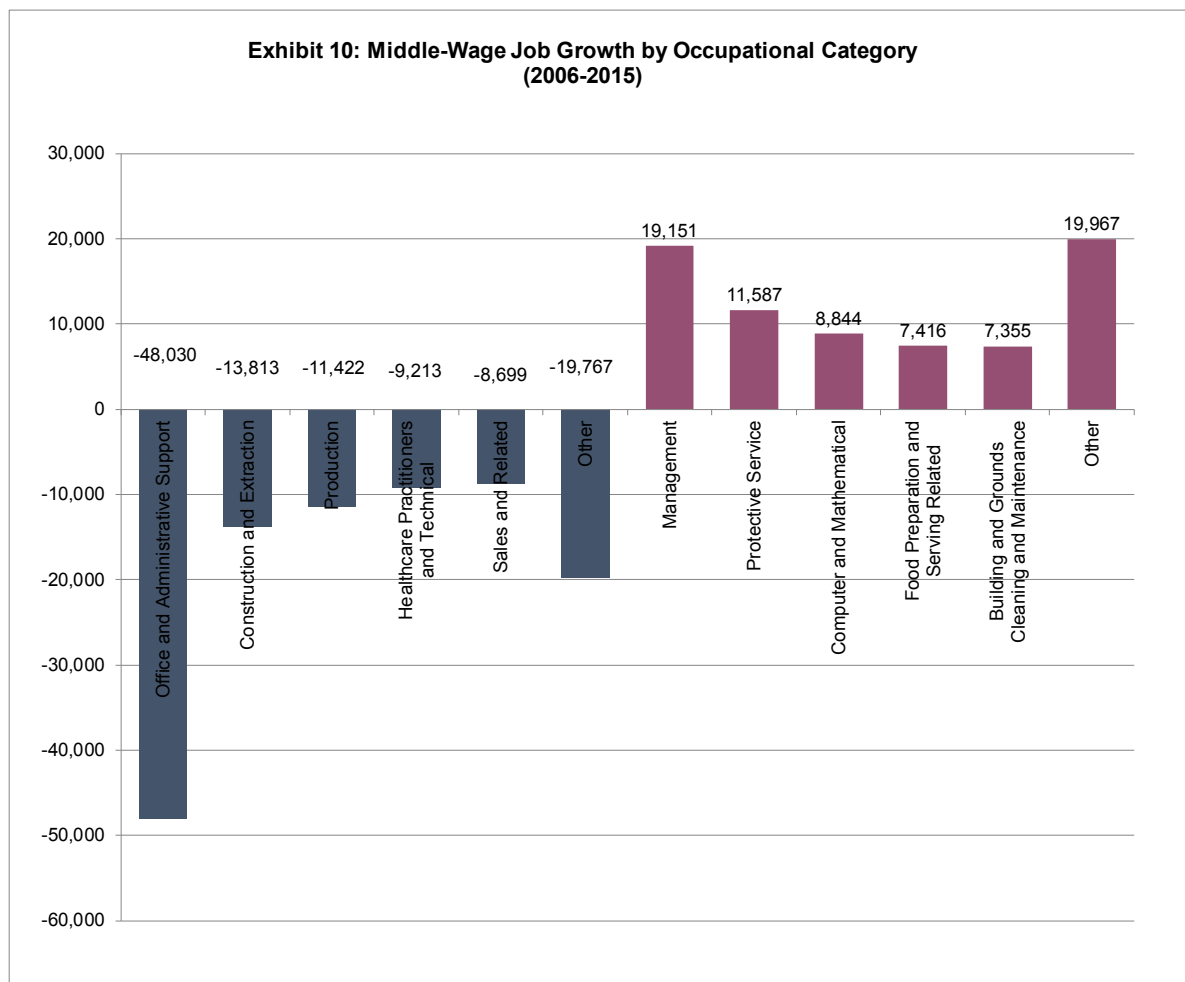
Takeaway 4: In the last decade, only four occupational categories in the Chicago MSA saw substantial gains in high-wage jobs, while the other occupational categories stagnated or lost high-wage jobs.

The Chicago MSA has added a net of 68,552 high-wage jobs since 2006. Four occupational groups (management, healthcare, computer and math, and protective services) have created 175,590 jobs over this period, making up for losses in other occupational groups. (See Exhibit 9)



Takeaway 5: Office and administrative support contributed the most to middle-wage job loss in the Chicago MSA over the decade, outweighing the gains of the five largest contributors.

Middle-wage employment in office and administrative support positions declined by nearly 50,000 jobs since 2006. This occupational group was 12 percent of the Chicago MSA's labor market in 2006, and it has accounted for 14 percent of middle-wage job loss. (See Exhibit 10)

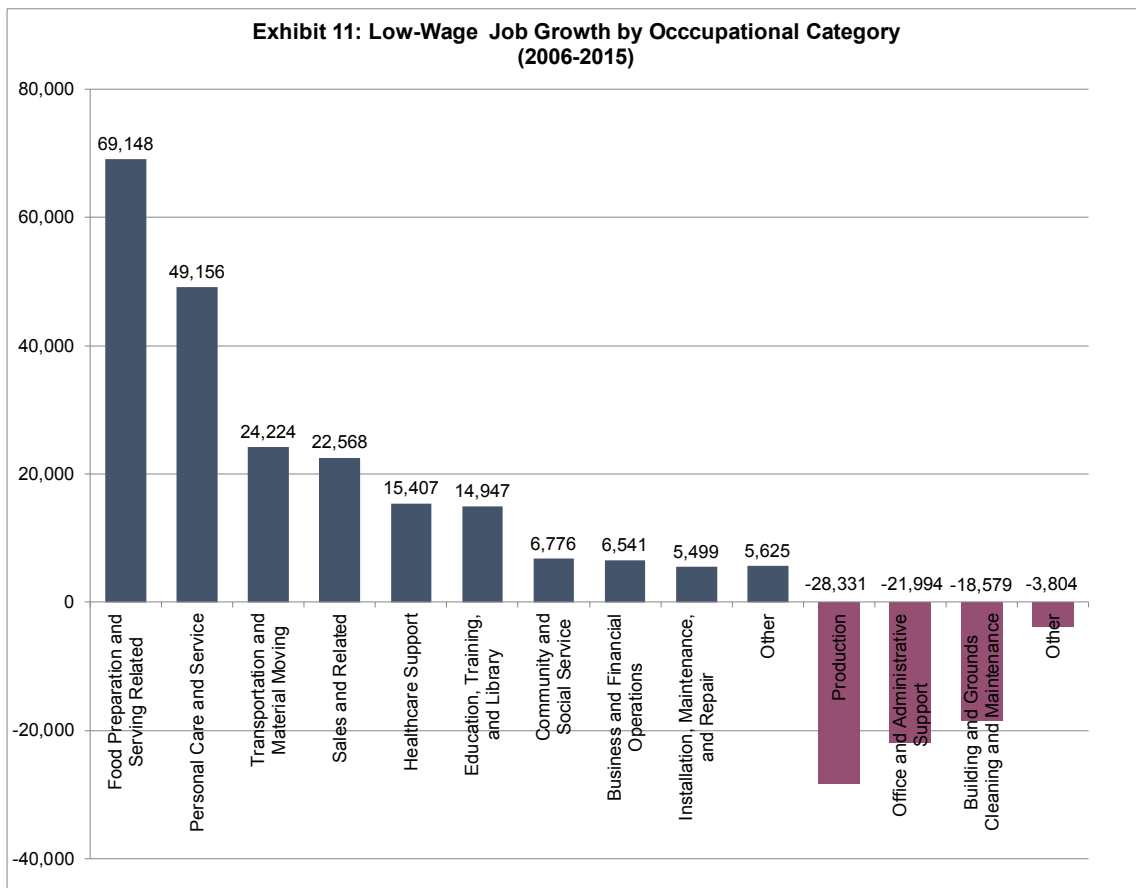


The Chicago MSA's losses in office and administrative support were not relegated to the middle-wage tier as there were also substantial losses in high and low-wage jobs.

Takeaway 6: Most of the Chicago MSA’s occupational categories created low-wage jobs in the last decade, but two of them contributed more than 80 percent of net growth.

Food Preparation and Serving Related Occupations was the largest driver of low-wage job growth in the past decade, creating 69,148 low-wage jobs over this period. This category was the second largest growing occupational category since 2006 and has consistently been comprised of 93% low-wage positions over the economic cycle. During the recovery, 53,551 low-wage jobs have been created in food and serving occupations despite only losing 16,850 from 2008-2010. (See Exhibit 11)

Personal Care and Service Occupations was the second largest occupational category in terms of low-wage job growth, adding 49,156 low-wage jobs since 2006. In 2006, low-wage jobs represented 68% of this category; however, due to the loss of 8,926 high-wage jobs, low-wage jobs accounted for 83% of all Personal Care and Service Occupations in 2015. (See Exhibit 11)



Data Source:

Bureau of Labor’s Occupational Employment Statistics

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