

What if the Structure were Different, 1990-2003?

Illinois employment levels under different assumptions
about its economic structure and growth rates

IEO Report 2003-4

Presentation by the Illinois Economic Observatory



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Introduction

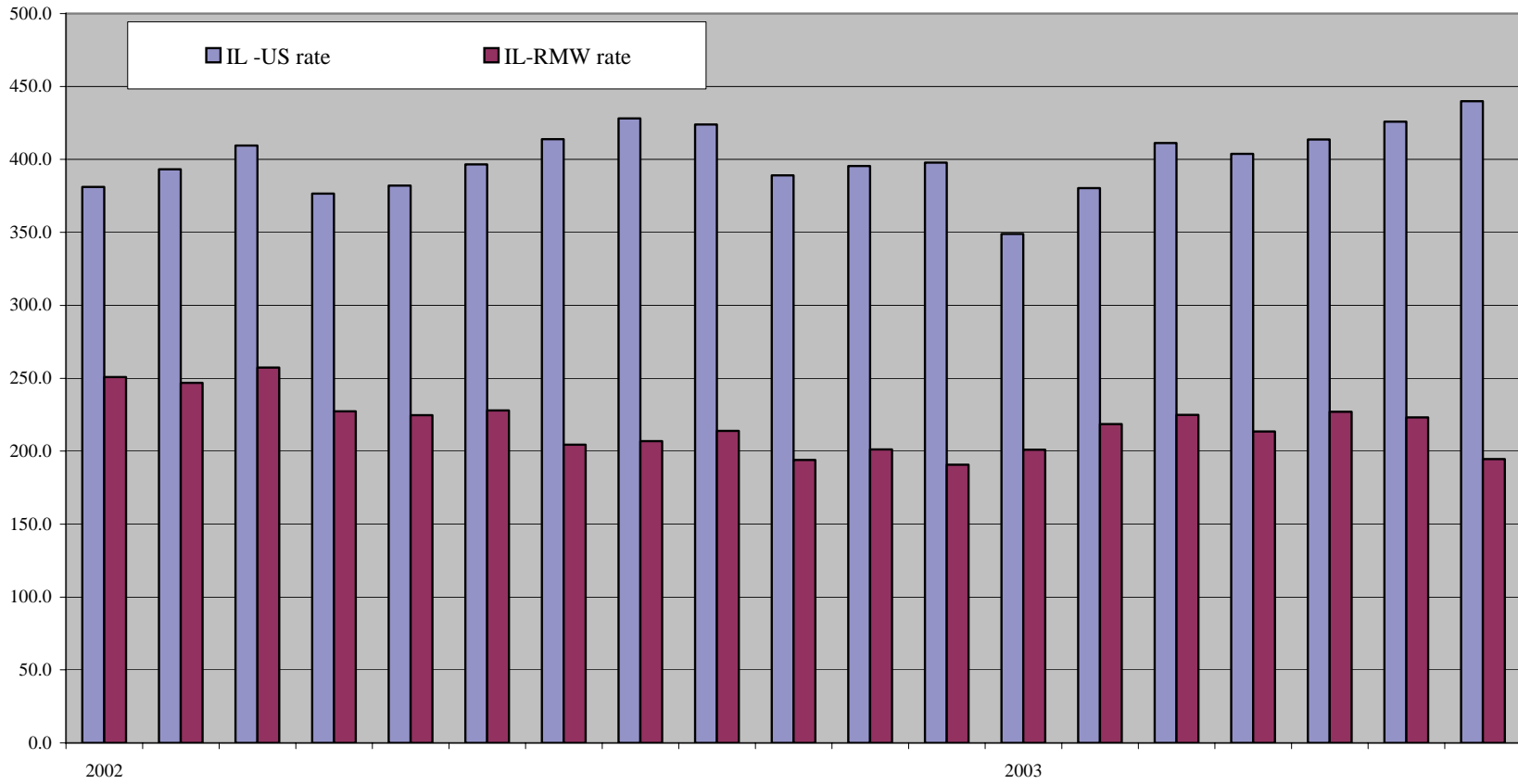
- The analysis presented in this report explores the impact of the Illinois economic structure on employment levels
- Various combinations are explored to see how employment in 2003 would have differed under alternative assumptions:
 - exchanging Illinois' economic structure with the US and the Rest of the Midwest
 - applying Illinois, US, and Rest-of-Midwest growth rates

Experiment I: Illinois structure unchanged but apply US and Rest of Midwest growth rates

- If Illinois kept its own structure in 1990
 - the total employment would have been **403,403 higher** in 2003 if the state had grown at the US growth rates.
 - The total employment would have been **214,640 higher** if the state had grown at the Rest Midwest growth rate.

Figure 1: IL Employment with Structure Unchanged but with US and RMW Growth Rates

IL structure difference

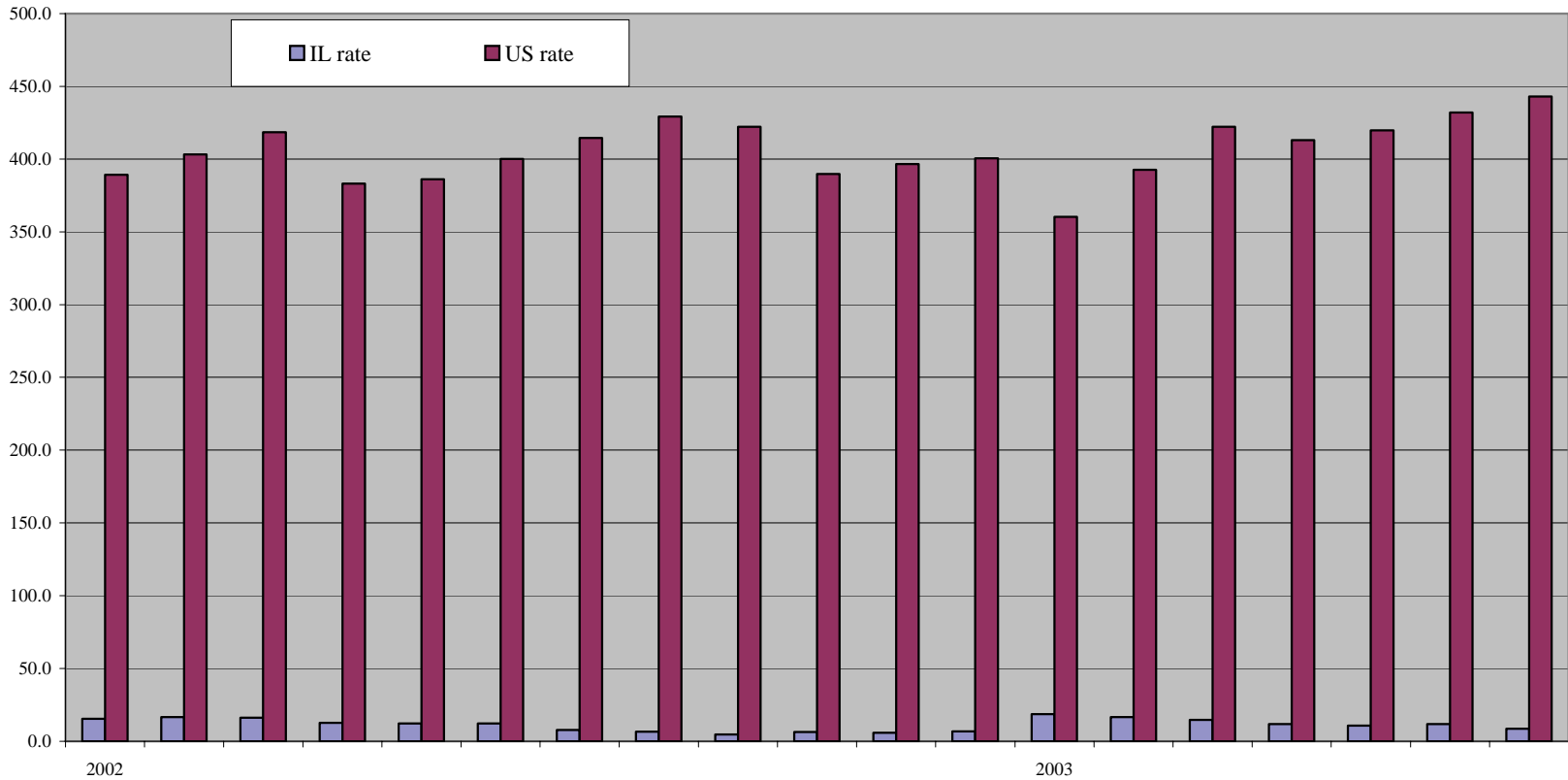


Experiment II: Illinois has US Employment Structure in 1990

- In this case:
 - Total employment would have been **13,319 higher** if the state had grown at its own growth rates on a sector-by-sector basis.
 - Total employment would have been **411,857 higher** if the state had grown at the US growth rates.

Figure 2: Illinois Employment Levels with US Structure and IL and US Growth Rates

IL in US structure



Experiment III: Illinois had same Structure as the Rest of the Midwest in 1990

- If Illinois had the same structure at the Rest Midwest in 1990:
 - Total employment would have been **74,757 lower** if the state had grown at it's own growth rates.
 - Total employment would have been **134,583 higher** if the state had grown at the Rest Midwest growth rates.

Figure 3: Employment Levels in Illinois with RMW 1990 Structure and IL and RMW Growth Rates

IL in RMW structure

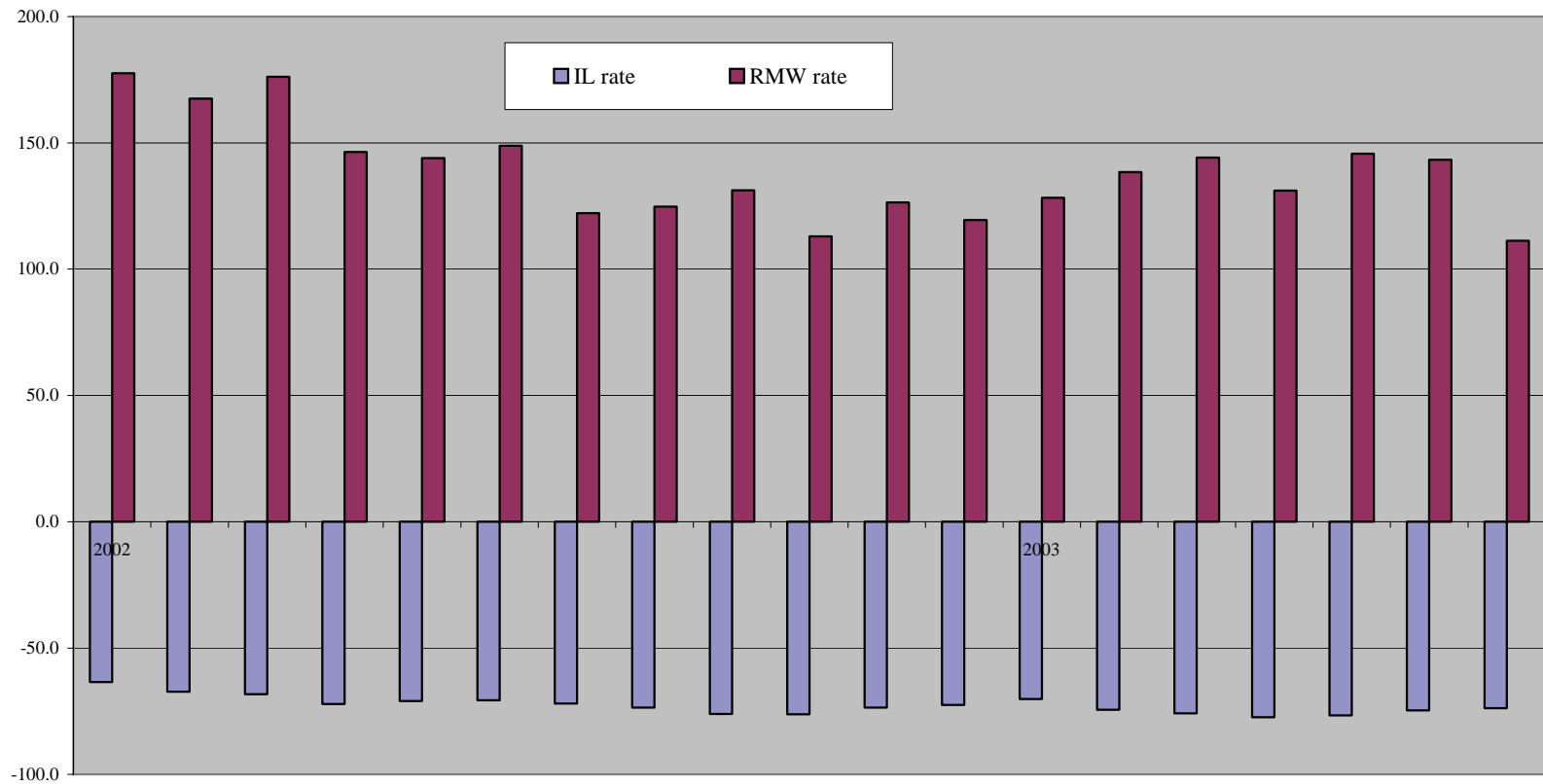


Table 1: Summary of Impacts

	Change in 2003 Employment*	Percentage Change
Illinois Structure Unchanged		
US growth rates	403,403	6.84%
Rest Midwest Growth Rates	214,640	3.64%
Illinois had US Structure		
Illinois Growth Rates	13,319	0.23%
US Growth Rates	411,857	6.99%
Illinois had Rest Midwest Structure		
Illinois Growth Rates	-74,757	-1.27%
Rest of Midwest Growth Rates	134,583	2.28%

*Note: Base was 2002 annual employment of 5.894 million

Summary Evaluation

- Illinois employment structure in combination with lower growth rates has resulted in lower employment levels
- Retaining Illinois' economic structure but applying US growth rates would have seen employment up 6.8% in 2003
- With the US structure and growth rates, the increase would have been almost 7%

Summary Evaluation

- Retaining Illinois' economic structure and applying Rest-of-Midwest growth rates, employment would have been 3.6% higher in 2003
- With RMW employment structure and RMW growth rates, the employment would have been 2.3% higher

Summary Evaluation

- With US structure, Illinois employment would have been 0.23% higher with Illinois growth rates
- With Rest of Midwest structure and Illinois growth rates, it would have been 1.27% lower

Summary Evaluation

- **Main issue would appear to be growth rates rather than economic structure**
- Illinois' industry composition hurts the economy less than the fact that the industries in Illinois seem not to have added additional employment at the same pace as either the US or the Rest of the Midwest