



SUMMIT 2011

Accelerating the Economic Recovery

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The Facts

African American unemployment rate in Chicago: **21.4%**

African American-owned Businesses in Chicago: **58,631**

Chicago Firms with No Paid Employees: **94.4%**

Chicago Firms with Paid Employees average recipients: 5.6% Average annual receipts **\$21,263**

Illinois: African American-owned Businesses: **106,679**

Illinois: African American-owned Business Income: **\$6.8 billion**

55.4% of these firms have 1 to 4 employees

Only **2.4%** have 50 employees or more

Median hourly wage for black male full-time worker: **\$14.90**

Median hourly wage for white male full-time worker: **\$20.84**

Families living below poverty level: **32.2%**

African American Male High School graduation rate: **45%**

Cook County has the largest number of black-owned firms of all U.S. Counties: **83,733**

Sources - American Community Survey and Illinois Department of Employment Security

Overview

With the worst of the economic recession likely behind us, Chicago now finds itself in an unfamiliar economic landscape. Of the millions of jobs lost, which will return? Of the thousands of downsized industries, which will get back on their feet most quickly? For policymakers and business and community leaders, these questions loom large. But nowhere are answers more urgently needed than in the city's African American and Hispanic communities, where high unemployment rates continue their devastation.

With Chicago's African American population (32.9%) and Hispanic population (28.9%) together comprising more than 51% of the total city populace, finding a fast pathway out of the recession is imperative. A widespread recovery will strengthen not only neighborhoods, but the city at large, the metropolitan region and the state. Although metro Chicago contains 67% of the state's population, it produces 78% of the state's gross domestic product. Chicago's success will be Illinois' success.

Where do we Stand Now?

Nearly two and a half years after the economy hit bottom, the recession is still alive. About 500,000 workers in Illinois remain unemployed. Hardest hit have been African Americans who continue to absorb the brunt of this recession. Although 2011 has brought some positive signs – with unemployment dipping below 9% for the first time in two years – a look at the numbers reveals that the minority workforce continues to struggle, across all ages and across a wide variety of sectors. According to data from the Illinois Department of Employment Security (IDES), in 2009, just as the recession was bottoming out, the unemployment rate for African Americans ages 20 to 24 was 33.1%, one of the highest rates in the nation. In 2010 the unemployment rate for African Americans of all working ages stood at 17.8% (it was at 21.9% for black men), nearly double that of whites. For African American youngsters aged 16 to 19, the unemployment rate peaked at a remarkable 47.1%. Currently overall black unemployment in Chicago is estimated at 21%. Among Hispanic workers, the citywide unemployment rate is estimated at 13.3%.

The Shape of Recovery: Hot Growth Sectors



Although the national economy remains a long way off from restoring jobs to the 13 million unemployed, there are isolated signs of life in Illinois' job market. According to the IDES, since January 2011 statewide job growth has been led by the following four sectors: professional and business services (up 27,400 jobs); educational and health services (up 21,400 jobs); trade, transportation and utilities (up 15,400 jobs); and manufacturing (up 10,900 jobs). The Workforce Board of Metropolitan Chicago predicts job growth of 7% between now and 2015.

Professional Services
Healthcare Services
Manufacturing
Transportation

Strategic Positioning



But how well are African Americans positioned to capitalize on these opportunities? The short answer is not so well. Although African Americans constitute 12% of the Illinois workforce, they are underrepresented in nearly all sectors except those with the lowest wages. Black-owned firms represent a larger share of the workforce in low-wage service industry jobs (37%) than they do in better-paying jobs in manufacturing, wholesale and retail trade, and transportation and utilities. Approximately 73% of all African American owned employer businesses in Chicago are in service, retail or construction. The largest share of the state's African American workers (33.2%) is employed in the education and health services sector.

As shown in the Chicago Urban League's 2009 study of the professional services sector, and in a 2010 report from the Economic Policy Institute, a clear pattern appears in the workforce in Chicago: occupations with smaller shares of black men pay higher wages. In professional services, for instance, where monthly wages are 45% above average, black employment is at 6% and has been in decline since 2000. According to the EPI study, the average of the annual wages of occupations in which black men are overrepresented is \$37,005, compared with \$50,333 in occupations in which they are underrepresented. African American under-representation in professional services and the clustering of the workforce around the low wage ends of the healthcare, education, and transportation sectors positions them poorly to capture major gains as the recovery moves ahead.

Secondly, well-known deficiencies in the public education system play a key role in blocking African American access to the higher wage, fast growth job lane. At a time when the technology sector remains a powerful job engine (the 3-year-old Groupon firm in Chicago now employs 5000 people and had estimated gross revenues of \$760 million in 2010), large numbers of African Americans are not getting the requisite skills. 52% of 8th grade black boys in Chicago Public Schools perform below basic levels in math, and approximately 16,000 young people drop out of school each year in Illinois. These gaps will prove extremely damaging as tech and other firms ramp up hiring.



The Workforce Development Models That Work

More than \$300 million is spent each year in public funds on workforce development in Chicago. So what things are working? For years, workforce development advocates such as the Department of Commerce and Economic Opportunity (DCEO) and the Chicago Workforce Investment Council (CWIC) have known that “sectoral workforce development” is a best practice that links education to training to jobs. Using this “sectoral workforce development” model, training entities such as Instituto del Progreso Latino’s Manufacturing Works and the Chicago Urban League’s Employment and Human Capital Development Center have been successful in creating pipelines that funnel workers from specialized education to training to jobs. In 2007 the Urban League set up its “process technology” training program in a joint venture with

Olive Harvey College and BP of America as the private sector partner. This program successfully places workers in process technician jobs at BP’s refinery in Whiting, Indiana. A similar Urban League partnership with Dawson Technical Institute – the Pre2 Construction Apprenticeship program—focuses on the construction trades, readying trainees for work as carpenters and cement masons. Sectoral strategies like these should be expanded, and public investment must be sustained.



How do we set the Stage for a more Inclusive Recovery?

First is to know where the jobs will be and begin training our workforce to reach them. A recent study by The Workforce Alliance concludes that by the year 2014, 45% of jobs in Illinois will be in what are known as “middle-skill occupations” meaning they require a high school diploma but not a four-year college degree. This calls for accelerating the reform of the City Colleges system, which new Chancellor Cheryl Hyman already has underway. Also, workforce development entities should continue to address the needs of the hardest-to-employ by expanding funding for transitional jobs programs and establishing a bridge program for occupations in high demand sectors.

Training for entrance into healthcare, the only sector that has sustained growth in each quarter throughout the recession, should be expanded; strategies should be developed to move workers into green collar development as well as export-led industries, which recently posted a \$152 billion surplus in service trade. The city should also leverage its power and provide incentives for professional services firms to hire minority workers. The Mayor’s office should create a Deputy Mayor for Business Development responsible for business attraction, retention and coordinating with workforce development initiatives.



Fixing what ails our secondary education system is another vital step, which must be continued. School funding reform can provide public schools with better resources, producing better educational outcomes. Additionally, workforce development must be a priority at Chicago Public Schools, beginning on the secondary education level and spread across a range of occupations. Career academies such as Austin Polytech—a new public high school in Chicago specializing in manufacturing—offers a strong model in its’ focus on math and complex manufacturing skills, as well as its contextualized learning, partnerships with 65 private sector companies, and alignment with national credentialing standards. A National Institute of Metalworking Skills credential (NIMS) – offered as part of the Austin Polytech curriculum—can bring its’ holder a higher starting salary than an average CPS high school diploma will. Austin Polytech, which will graduate its first class this spring, has already awarded 73 NIMS credentials so far and expects to award an additional 40 this spring. Manufacturing still provides nearly 500,000 jobs in Illinois, and pays an average wage of \$51k per year, versus \$31k for service economy work and \$17k for retail. More effective cooperation between Chicago Public Schools and workforce development advocates is called for, such as creating new schools to re-enroll some of the 47,000 high school dropouts in Chicago and connect these schools closely to the workforce development apparatus.

While more aggressive local action will be required to accelerate and broaden the recovery, its speed will also depend heavily on federal fiscal policy.

With these facts in mind, Chicago Urban League recommends that Chicago’s leadership support the Jobs Rebuild America Plan, the 12-point plan created by the National Urban League and endorsed by NUL President and CEO Marc Morial who has called upon the White House and Congress for immediate approval.



Jobs Rebuild America

1. *Restore the Summer Youth Jobs Program as a stand-alone program employing 5 million teens in summer 2011*
2. *Create 100 urban jobs academies to implement an expansion of the Urban Youth Empowerment Program*
3. *Develop a dynamic national public-private jobs initiative to create jobs and train urban residents and stimulate economic growth in the areas of technology and broadband, health care, manufacturing, transportation and public infrastructure and clean energy*
4. *Boost minority participation in information and communication technology (ICT) industries*
5. *Reform, revise and reauthorize the Workforce Investment Act to prepare and retrain workers for 21st century jobs*
6. *Create green empowerment zones*
7. *Expand small business lending*
8. *Initiate tax reform that reduces rates across the board and eliminates tax loopholes*
9. *Establish and promote multilateral international trade policies that expand the market for American goods and services*
10. *Enact the Urban Jobs Act (H.R. 5708)*
11. *Expand the hiring of housing counselors nationwide*
12. *Fund direct job creation in cities and states*

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