
There are no accidents in my philosophy. Every effect must have its cause.
The past is the cause of the present, and the present will be the cause of the future.¹

— Abraham Lincoln

It is a strong and skilled workforce that is the heartbeat of American industry. ... And, it will only be through continuing to invest
the right way in our working people that Illinois will ensure its success in the New Economy.²

— Governor Rod Blagojevich

ILLINOIS' PROGRESS

It is no accident that the Blagojevich administration has an ear to the heartbeat of Illinois' economy – Illinois' workers – who are vital to community prosperity and state competitiveness. With the Governor's leadership, Illinois has advanced policies that are good for workers: raising the state minimum wage, ensuring gender pay equity, and expanding health insurance coverage to Illinois' families. State initiatives are also good for Illinois' communities. For example, the Governor's Opportunity Returns regional economic development strategy directs state investments to promote community growth and job creation. The Critical Skill Shortages Initiative and Employment Opportunity Grant program have, and will, bring community partners together to prepare local residents for high-demand, high-wage jobs in the regional labor market.

There are other programs and initiatives that Illinois' decision-makers have designed to produce a strong, skilled workforce and competitive economy:

- The Job Training and Economic Development (JTED) program and the Employer Training Investment Program (ETIP) support the preparation of unskilled and incumbent workers for industry-specific job openings.
- The Sheridan Project addresses serious barriers to work so that upon release the formerly incarcerated can succeed in transitional jobs or the local labor market.
- The Monetary Assistance Program (MAP) makes a college credential or degree, increasingly required by the New Economy, more affordable to many low-income residents.
- The Shifting Gears initiative promises to smooth the way for adult learners with limited literacy skills to gain vocational skills that lead to good jobs.
- A viable mechanism for the facilitation of business succession, business growth, and entrepreneurship exists in the Illinois Entrepreneurship Network.

- The Corporate Accountability for Tax Expenditures Act is a critical vehicle through which the state monitors and maximizes its investments.
- And Illinois' recent selection by the National Governors Association Center for Best Practices to the policy academy on cluster analysis and innovation-based economic development strategies has the potential to generate new possibilities for our state's ten economic development regions.

Illinois' workers and leaders have produced the fifth largest economy in the nation. Capitalizing on its natural resources, geographic features, and historical industry, the State has proven it is a major player in the world's economy. The State's next steps must be equally bold to strengthen Illinois' workforce and realize job growth projections. Indeed, continued investments "in the right way" are essential to ensure Illinois' ongoing economic success.

ILLINOIS' CHALLENGES

Between 1990 and 2005, the number of manufacturing jobs in Illinois declined by 24.3 percent, or 222,500.³ During this same period, 34 percent of job growth occurred in education, health services, and hospitality; sectors that currently pay, on average, 29 percent less than manufacturing jobs.⁴ Adjusted for inflation, median wages have declined leaving families with the same income they had in 1989. Nearly 685,000 working Illinoisans earn less than the living wage for a single adult – \$17,950 annually.⁵ Forty-eight percent of the State's working families live in poverty.⁶

Projections for new job growth by 2012 are more promising. Sixty-three percent of new job growth will be in mid- to high-wage sectors.⁷ Manufacturers will continue to be a major employer, but most of these jobs will require increasingly sophisticated levels of skill. In fact, over 35 percent of Illinois' new jobs will require an associate degree or higher and 72 percent of the highest wage jobs will require a post-secondary degree.⁸ To attract and retain good jobs, Illinois will need skilled workers.

Building this skilled workforce will continue to be a challenge. In Illinois, nearly one million working age adults have no high school diploma or equivalent. Over 2 million of these working age individuals have only a high school diploma or General Education Degree (GED).⁹ Just 35 percent of Illinois' young adults are enrolled in post-secondary education.¹⁰ Over the next 15 years, 33% of the state's labor force will retire and the fastest growing segments of our population who must replace them have generally lower education levels.¹¹

At the same time that Illinois' economy demands skilled workers in order to remain competitive and thrive, federal funds for workforce development continue to shrink. On top of a 29 percent cut to Department of Labor investments in worker training between 1985 and 2003, Illinois has experienced federal cuts, when adjusted for inflation, that have taken \$8.1 million from Workforce Investment Act (WIA) adult services, \$11.1 million from WIA youth services, and \$2.5 million from adult education funding.¹² With a limited budget, 43,700 Illinoisans were registered in the WIA system in 2005¹³ although 832,000 working age adults who may have benefited from employment services or skills training lived in poverty.¹⁴

As Lincoln said, there are no accidents. The causal link between workforce skills and economic competitiveness grows increasingly strong. Businesses that responded to an Illinois State Chamber of Commerce survey rated employee training and development as the most important factor in their company's success.¹⁵ Unemployment rates are lowest for those with higher educational attainment.¹⁶ Good wages ensure Illinoisans invest in their communities. A strong tax base sustains ongoing growth.

THE VISION

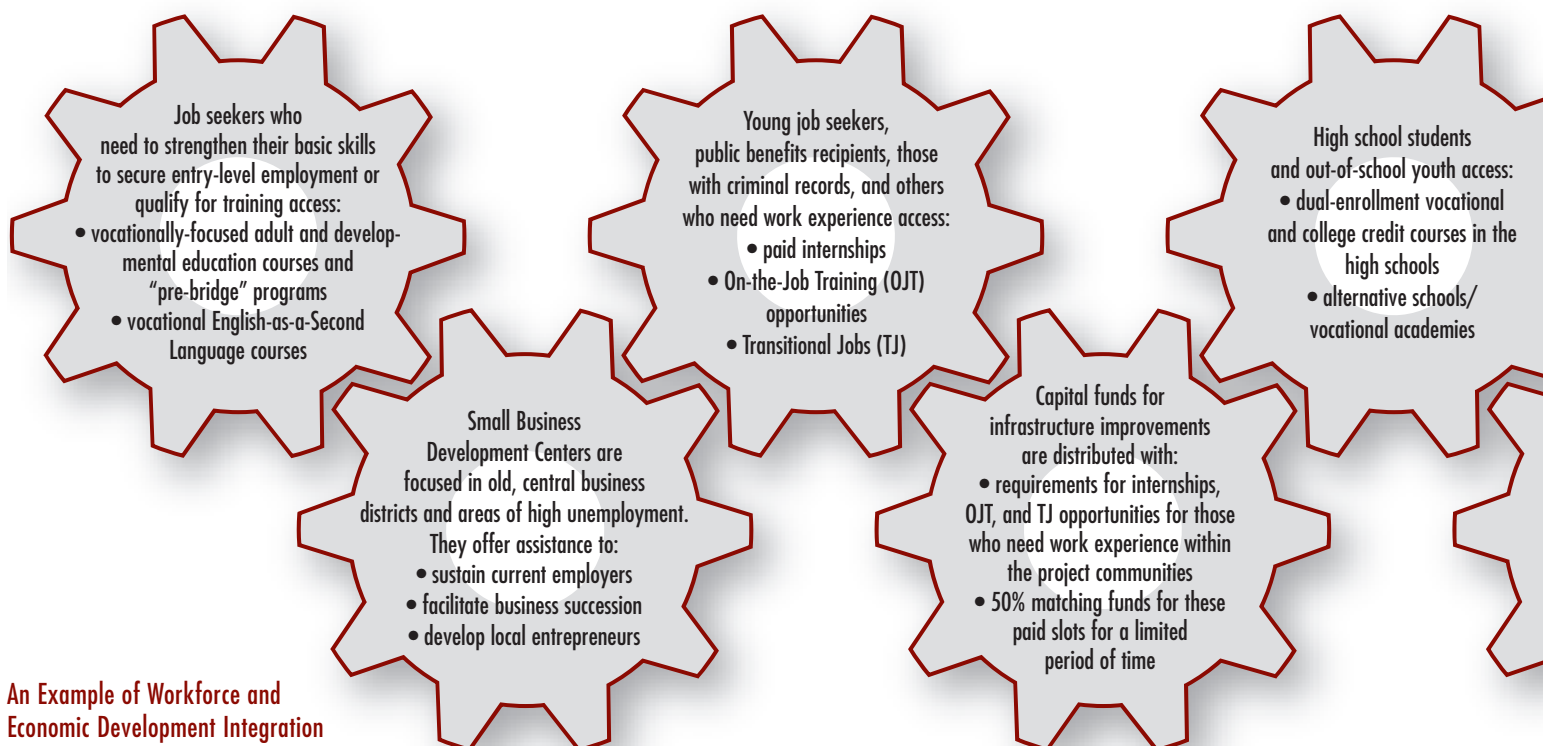
The Illinois Works for the Future campaign believes that to compete successfully in a global economy and end poverty, Illinois needs an integrated economic and workforce development policy that *works for everyone*: producing skilled workers, in strong businesses, with good jobs, that foster thriving communities. Realizing this vision will require a series of policy initiatives that:

- Ensure Illinoisans develop the skills businesses demand in a modern economy.
- Create career paths and job opportunities for all working-age Illinoisans, from the least skilled and most disadvantaged to middle income workers whose skills have become obsolete.
- Invest resources in the capital and human infrastructure needed to attract and retain "high road" employers that provide quality jobs, wages, and benefits.
- Encourage entrepreneurship, small business growth, technology transfers from Illinois' higher education system, and other economic/workforce development innovation in all communities across Illinois to grow competitive state businesses.
- Support economic and workforce development that is environmentally, socially, and economically sustainable.

Illinois Works for the Future urges the Governor and legislators to build on Illinois' success, ensuring through comprehensive, integrated planning and sustained and adequate investments, that Illinois' economy and communities prosper throughout the 21st century.

INTEGRATING WORKFORCE AND ECONOMIC DEVELOPMENT

Integrated workforce and economic development systems function much like two well-fitted precision gears. As the teeth of each gear mesh, they maximize resources and facilitate work, delivering a



An Example of Workforce and Economic Development Integration

desired output. So, too, can carefully designed workforce and economic development strategies fit together, efficiently using natural, human, and fiscal resources to create jobs and generate wealth and well-being for all Illinoisans. See the illustration below.

In a complex machine, there are actually many gears and gear sets working together to produce the desired output. The integration of workforce and economic development systems Illinois Works for the Future envisions must be driven by state government, which sets in motion integrated functioning at the regional and local levels.

As previously noted, Illinois has some “precision teeth” in its workforce development and economic development “gears”:

- The Critical Skills Shortages Initiative trained nearly 2,700 workers for in-demand jobs in manufacturing, healthcare, and transportation and fostered regional collaboration.¹⁷
- ETIP funds totaling \$62.5 million have been matched by almost 6,000 Illinois companies since 2003 to advance the skills of incumbent workers and sustain industry production.¹⁸
- An evaluation of the Job Training and Economic Development program documented that graduates are 33% more likely to be employed one year after completing a program than comparable job seekers who did not receive training and earn 40% more than training non-participants 18 months after completing.¹⁹
- A Transitional Jobs program for individuals with criminal records in Chicago placed 75% of graduates in jobs that paid on average \$8.18 per hour. The TJ program graduates’ recidivism rate was just 3% at one year compared to the state’s 37% rate.²⁰

- Reports mandated by the Corporate Accountability for Tax Expenditures Act enable Illinois to monitor a major portion of the State’s \$1 billion business subsidy expenditure and recover dollars when promises are broken.²¹

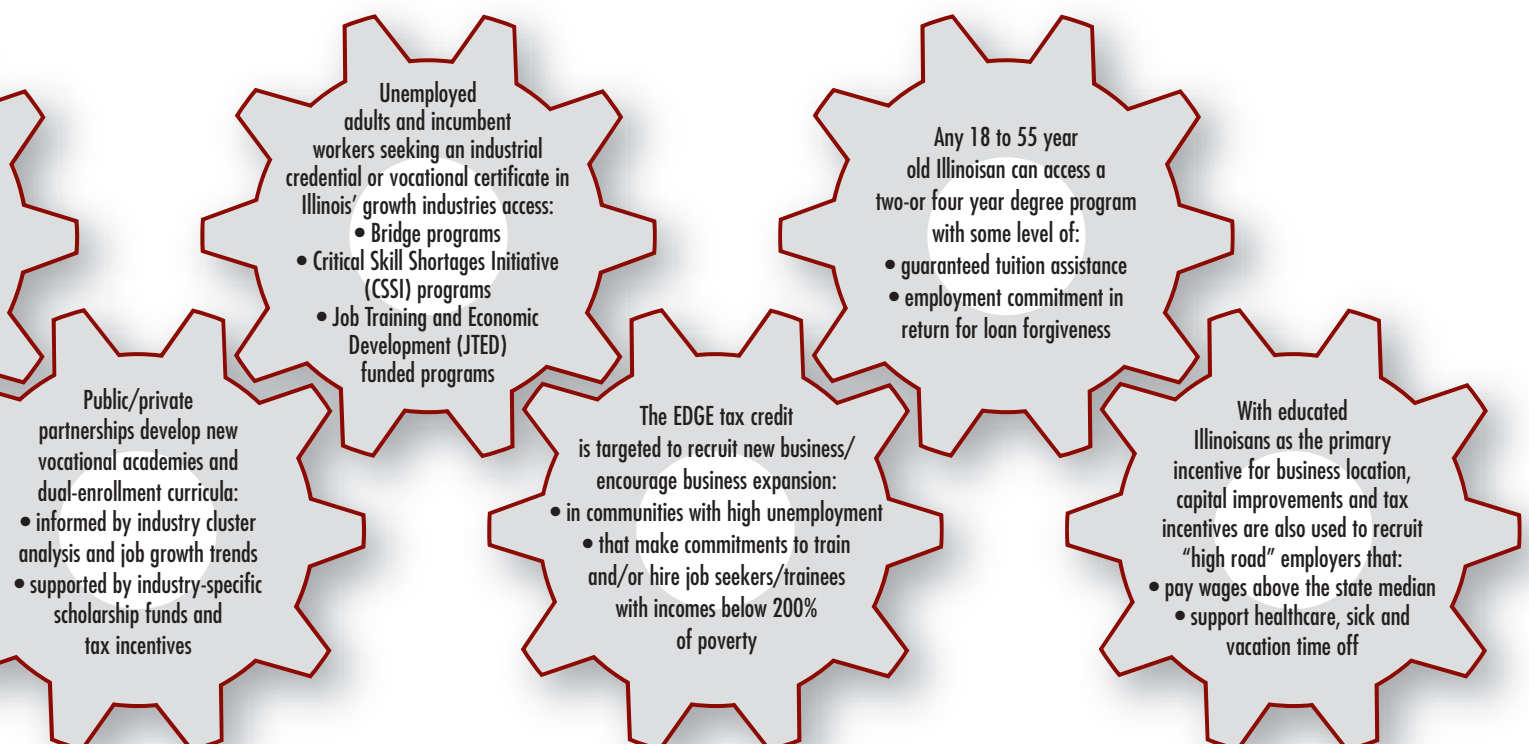
RECOMMENDATIONS

Now it is time to gear up. Illinois will need new revenues to build an integrated workforce and economic development system that grows production and prosperity statewide. Illinois Works for the Future recommends these next steps in FY 2009 to address urgent supply- and demand-side workplace skill needs:

- 1) **Create a Workforce and Economic Development Fund** generated by an unemployment insurance or separate employer tax. This fund would enable expansion of current, effective strategies and new state-funded workforce development initiatives.

Twenty-three states generate funds for workforce and economic development through employer tax revenues.²² In Texas, a .1% unemployment insurance (UI) tax offset leveraged over \$75 million in 2007 with 75% of funds used for economic development and 25% for workforce development strategies.²³ Minnesota created a Workforce Development Fund with the addition of .1% to the UI tax rate. In FY 2006, nearly \$42 million was generated for training partnerships focused on current and projected demand occupations and targeted job-seeking populations.²⁴ Massachusetts levies up to \$8.10 per employee with an annual employer tax and generated \$22 million in 2002.²⁵

Dollars from a Workforce and Economic Development fund could support training projects that build workers’ skills, launch them on a career path, support small employer growth, and retain and attract “high road” employers. New worker



credentialing initiatives in emerging industries could be pursued, Critical Skill Shortages initiatives sustained, and the Illinois Entrepreneurship Network expanded across Illinois' ten economic development regions.

2) Make these initial investments in the FY 2009 budget:

- A \$10 million increase in JTED funding could train 2,000 unemployed workers for skilled jobs that Illinois' businesses must fill to remain competitive.
- An investment of \$10 million in Transitional Jobs programs could put up to 2,000 public benefits recipients, youth, and those with criminal records to work on capital improvements.
- An investment of \$2 million in Bridge programs could advance the literacy skills of over 300 working age adults seeking industry-recognized credentials.

3) Direct some percentage of economic development tax incentives, e.g. 20% of the EDGE tax credit, to new and expanding **businesses that make commitments to train and/or hire job seekers** with criminal records and those with incomes below 200% of poverty.

Recent business headlines underscore access to skilled workers increasingly drives business location and expansion decisions.²⁶ If new and expanding companies are rewarded for committing 20% of the average \$500,000 annual EDGE credit to industry-specific training, this \$100,000 could skill 20 local job seekers or incumbent workers for new careers and support business success.²⁷

Both of these revenue generating strategies – informed by a long-term workforce and economic development plan and supported by capacity-building appropriations – can sustain investments, programs, and outcomes that fortify Illinois' workforce, bolster Illinois' economic competitiveness, and foster Illinois' prosperity.

CONCLUSION

Illinois Works for the Future proposes that Illinois gear up investments in worker training for the 21st century economy. To do so adequately will require new state revenues. There are no accidents. Every effect has its cause. With a strong and skilled workforce the heartbeat of Illinois industry, the right State investments in workers can maximize available federal funds, energize and sustain innovation in primary and emerging industries, attract and retain high-road employers, and foster thriving urban and rural communities.

¹ Herndon, W.H., Weik, J.W. *Herndon's Life of Lincoln*. New York. 1983.

² *The Blagojevich Partnership for a New Economy*. Rod for Us Campaign. March 2003.

³ *The State of Working Illinois*. Center for Tax and Budget Accountability and Northern Illinois University. 2005.

⁴ Ibid.

⁵ Ibid.

⁶ American Community Survey. 2005. United States Census Bureau.

⁷ Eskew, M., Kleppner, P. *The Future of High-Wage Jobs in Illinois*. State of Working Illinois Policy Brief. Northern Illinois University. August 2006.

⁸ *The State of Working Illinois*. Center for Tax and Budget Accountability and Northern Illinois University. 2005.

⁹ American Community Survey. 2005. United States Census Bureau.

¹⁰ *Measuring Up 2006: The National Report Card on Higher Education*. The National Center for Public Policy and Higher Education.

¹¹ American Community Survey. 2004. United States Census Bureau.

¹² Data supplied by The Workforce Alliance. 2006.

¹³ Illinois Department of Commerce and Economic Opportunity data provided to CJC. October 2006.

¹⁴ American Community Survey. 2005. United States Census Bureau.

¹⁵ *Economic Development Council Final Report*. Illinois Chamber of Commerce. 2002.

¹⁶ *The State of Working Illinois*. Center for Tax and Budget Accountability and Northern Illinois University. 2005.

¹⁷ Data provided by the Department of Commerce and Economic Opportunity. February 2007.

¹⁸ Office of the Governor. Opportunity Returns press release. May 21, 2007.

¹⁹ Jenkins, D., Schrock, G. *An Evaluation of Illinois' JTED Program*. Great Cities Institute and Center for Urban Economic Development. University of Illinois at Chicago. Chicago Jobs Council. 2006.

²⁰ Data provided by the Career Advancement Network. Chicago, IL. February 2007

²¹ Figure from Good Jobs First – Illinois draft document.

²² *Workforce Training: Almost Half of States Fund Employment Placement and Training through Employer Taxes and Most Coordinate with Federally Funded Programs*. General Accounting Office report to congressional requesters. February 2004.

²³ Information provided to CJC from the Center for Public Policy Priorities. Austin, Texas. August 2007.

²⁴ Minnesota Department of Employment and Economic Development data from website.

²⁵ *Workforce Training: Almost Half of States Fund Employment Placement and Training through Employer Taxes and Most Coordinate with Federally Funded Programs*. General Accounting Office report to congressional requesters. February 2004.

²⁶ See for example, *Automotive Site Guide: The Automotive Industry Flies South* at Area Development Online. August 2006. www.areadevelopment.com.

²⁷ Based on a pending analysis of the Illinois EDGE tax credit as a funding source for job training by Good Jobs First – Illinois.