

Diverging Chicago

Ten Social Trends Defining the City

December, 2014

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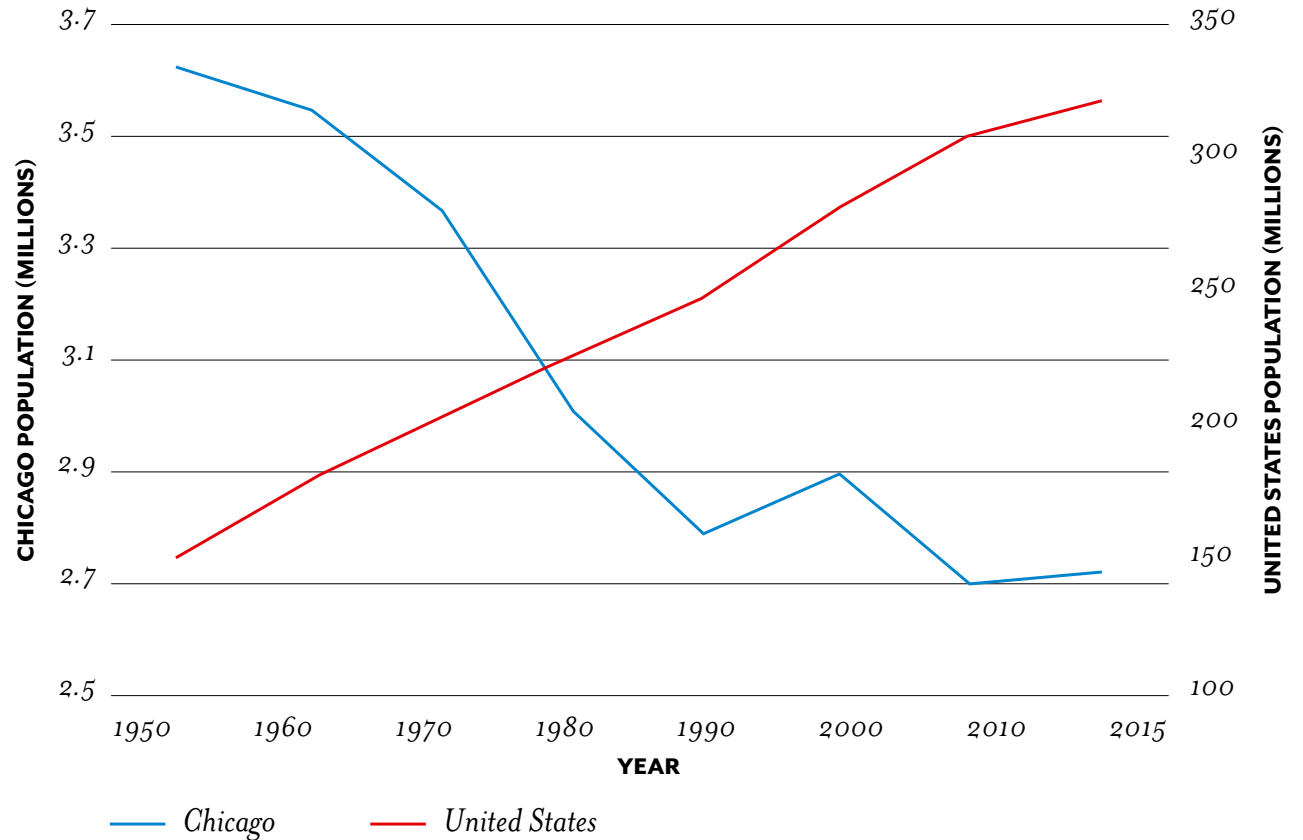
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I. POPULATION

CHICAGO'S POPULATION has been steadily declining since 1950, as the United States population has increased. The Chicago population rose slightly between 2010 and 2015, but the trend remains clear. Chicago has lost almost one million people over this period.

The population exodus has left empty streets and vacant lots. There may be some who claim that a smaller population is easier to manage. But a declining population risks creating a stagnant economy, and cements the idea that Chicago is a struggling city.



POPULATION TRENDS IN THE UNITED STATES AND CHICAGO 1950-2015

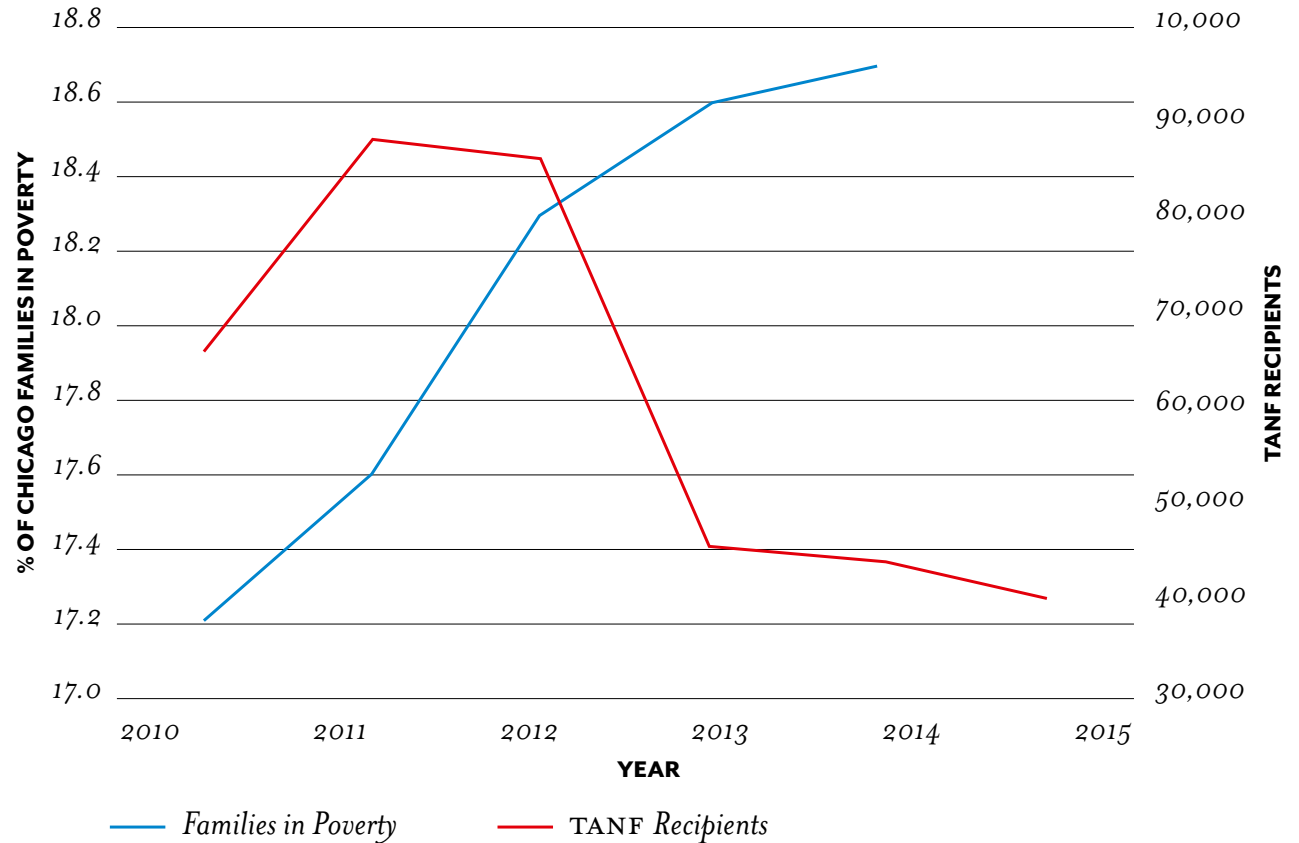
Source: United States Census

[HTTP://WWW.CENSUS.GOV](http://www.census.gov)

II. POVERTY AND WELFARE ASSISTANCE

THE BLUE LINE shows the proportion of Chicago families living below the poverty level. The red line shows the number of recipients of the Temporary Assistance for Needy Families (TANF) in Illinois. The number of welfare recipients in the state has declined, as the proportion of Chicago families in poverty has increased. These developments suggest that the welfare system is not well-designed to meet the needs of those most economically marginalised in Chicago.

It does need to be noted that one of these measures is city-level, while the other is state-level. The poverty level used here is the official poverty threshold set by the US Census, adjusted for various factors such as number of children and size of family.



POVERTY AND WELFARE ASSISTANCE

Source: American Community Survey and the Office of the Administration for Children and Families

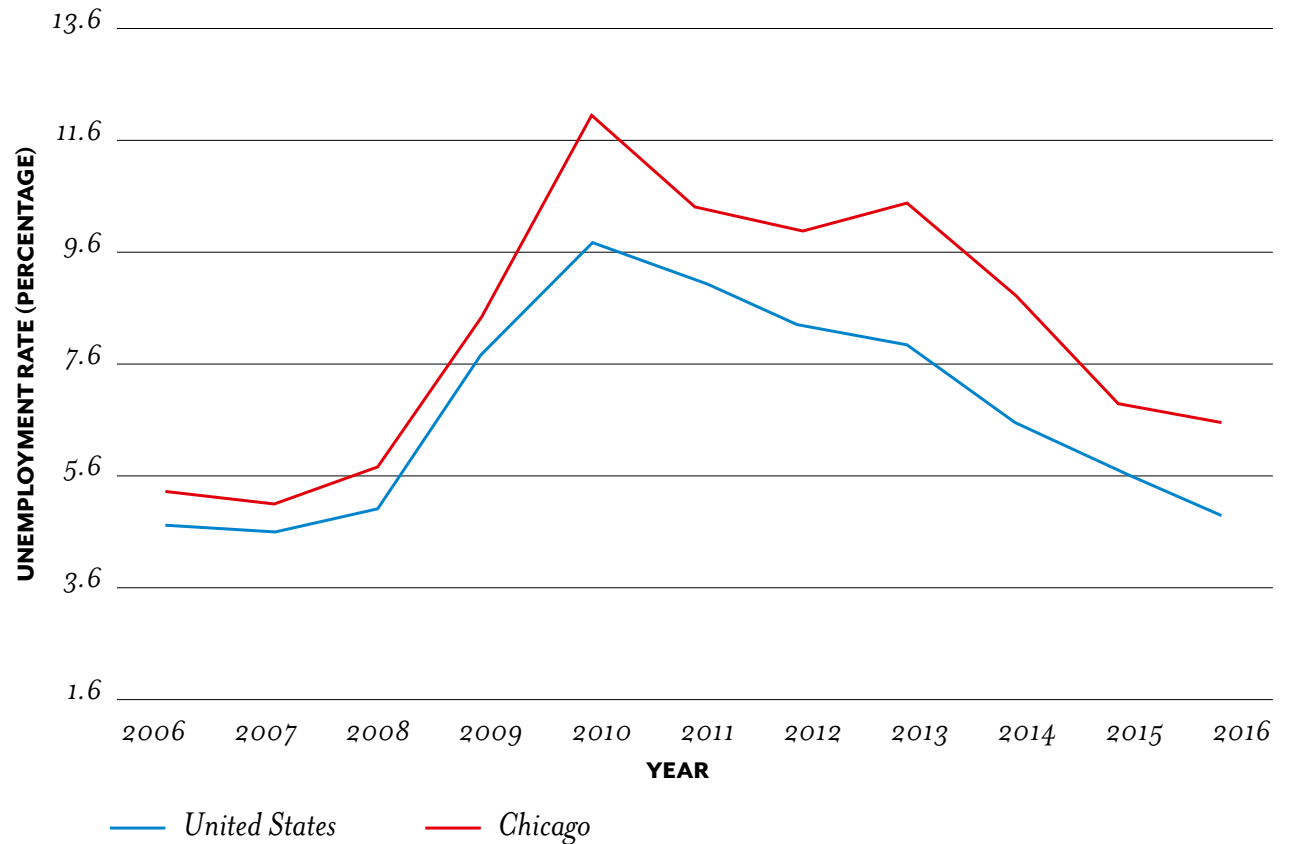
[HTTPS://WWW.CENSUS.GOV/PROGRAMS-SURVEYS/ACS/](https://www.census.gov/programs-surveys/acs/)

[HTTPS://WWW.ACF.HHS.GOV/](https://www.acf.hhs.gov/)

III. UNEMPLOYMENT

THE GRAPH SHOWS that for the past decade unemployment rates in Chicago have been consistently higher than in the United States as a whole. At no point has the unemployment rate in Chicago been lower than the national unemployment rate. Following the financial crisis, Chicago suffered a greater spike in unemployment, and that widened gap between Chicago and the United States unemployment rates has not been substantially narrowed since 2010.

This graph does not display a criss-crossing divergent trend, unlike eight of the other nine graphs in this document. But the graphic usefully highlights a persistently high unemployment rate in Chicago which may be drifting away from the (already concerning) unemployment rate in the United States.

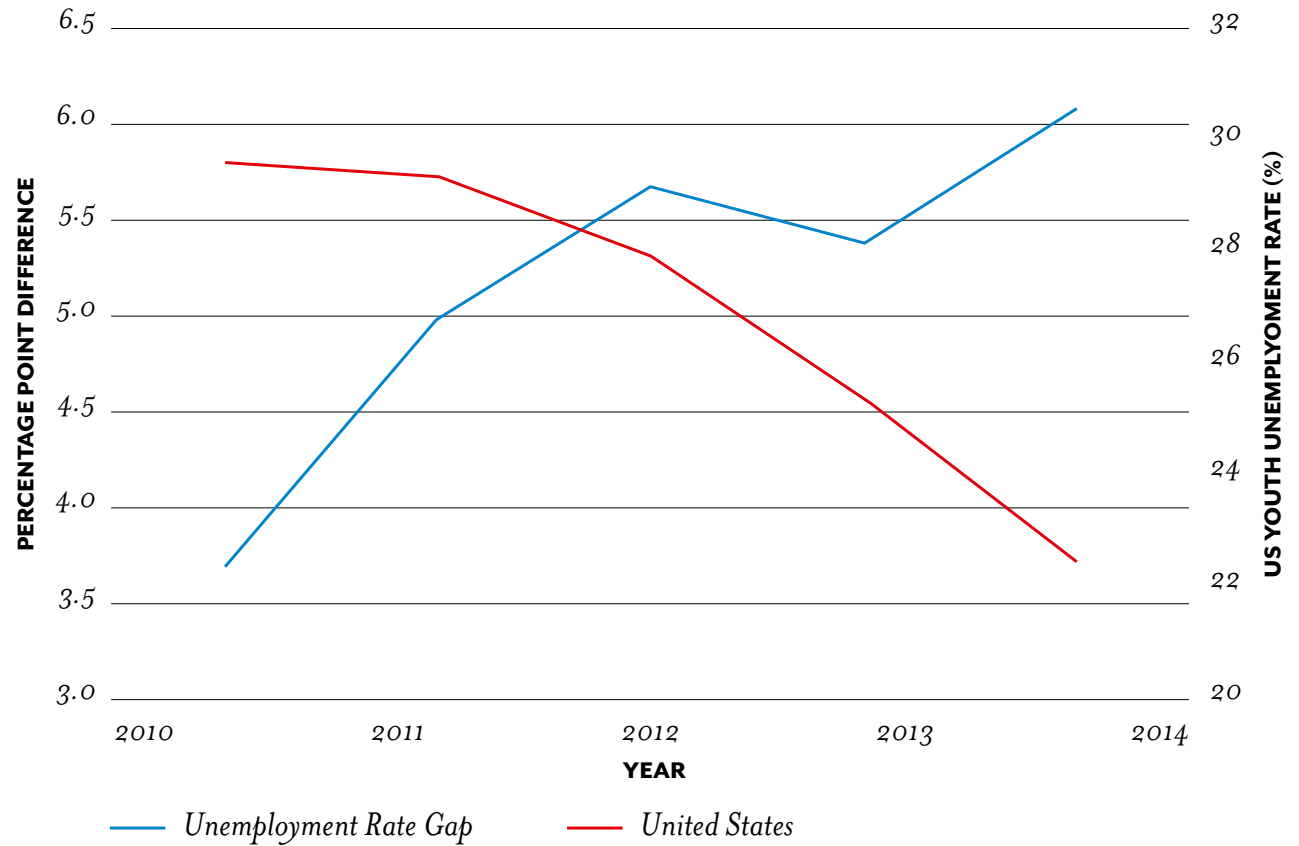


UNEMPLOYMENT RATES IN THE UNITED STATES AND CHICAGO
 Source: Bureau of Labor Statistics (US Department of Labor)
[HTTP://WWW.BLS.GOV/](http://www.bls.gov/)

IV. YOUTH UNEMPLOYMENT

AS GRAPH 4 indicates, the youth unemployment rate in the United States has dropped between 2010 and 2014. The Chicago youth unemployment rate has also dipped, but at a much slower rate. Thus, the blue line shows how the gap between the United States and Chicago youth unemployment rates has increased over that same period. Again, it might be said that this graph tells a story of Chicago's drift away from national developments. It is arguably becoming an outlier city: not just a place that reflects nationwide problems, but a place that especially embodies nationwide problems.

Youth unemployment in this graph refers to people between 16 and 19 years old.



YOUTH UNEMPLOYMENT: UNITED STATES AND CHICAGO (16-19 YEARS)

Source: American Community Survey

[HTTPS://WWW.CENSUS.GOV/PROGRAMS-SURVEYS/ACS/](https://www.census.gov/programs-surveys/acs/)

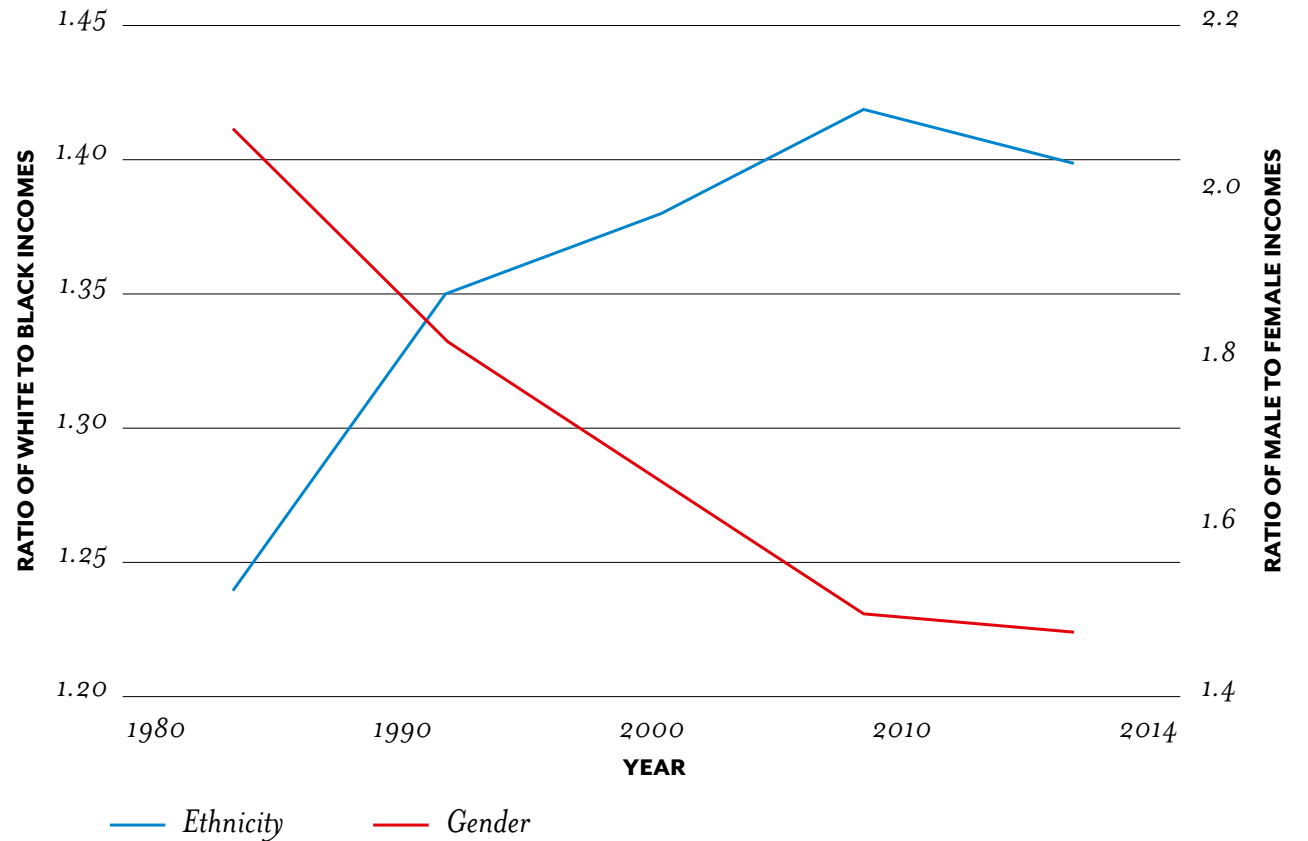


V. GENDER AND RACIAL INCOME GAPS

THE INCOME GAP between men and women has declined in Illinois over time. However, as is clear from Graph 5, the income gap between whites and African-Americans has increased over time, only narrowing slightly between 2010 and 2014.

These statistics pertain to Illinois, rather than Chicago. However, they confirm the widely held view that Chicago remains a strongly racially segregated city. Note that, whereas the other data points have a ten-year interval between them, the most recent data points are taken from 2014 in order to present an up-to-date picture.

(More detail is available at <http://illinoisepi.org/countrysidenonprofit/wp-content/uploads/2013/10/The-History-of-Economic-Inequality-in-Illinois-FINAL.pdf>.)



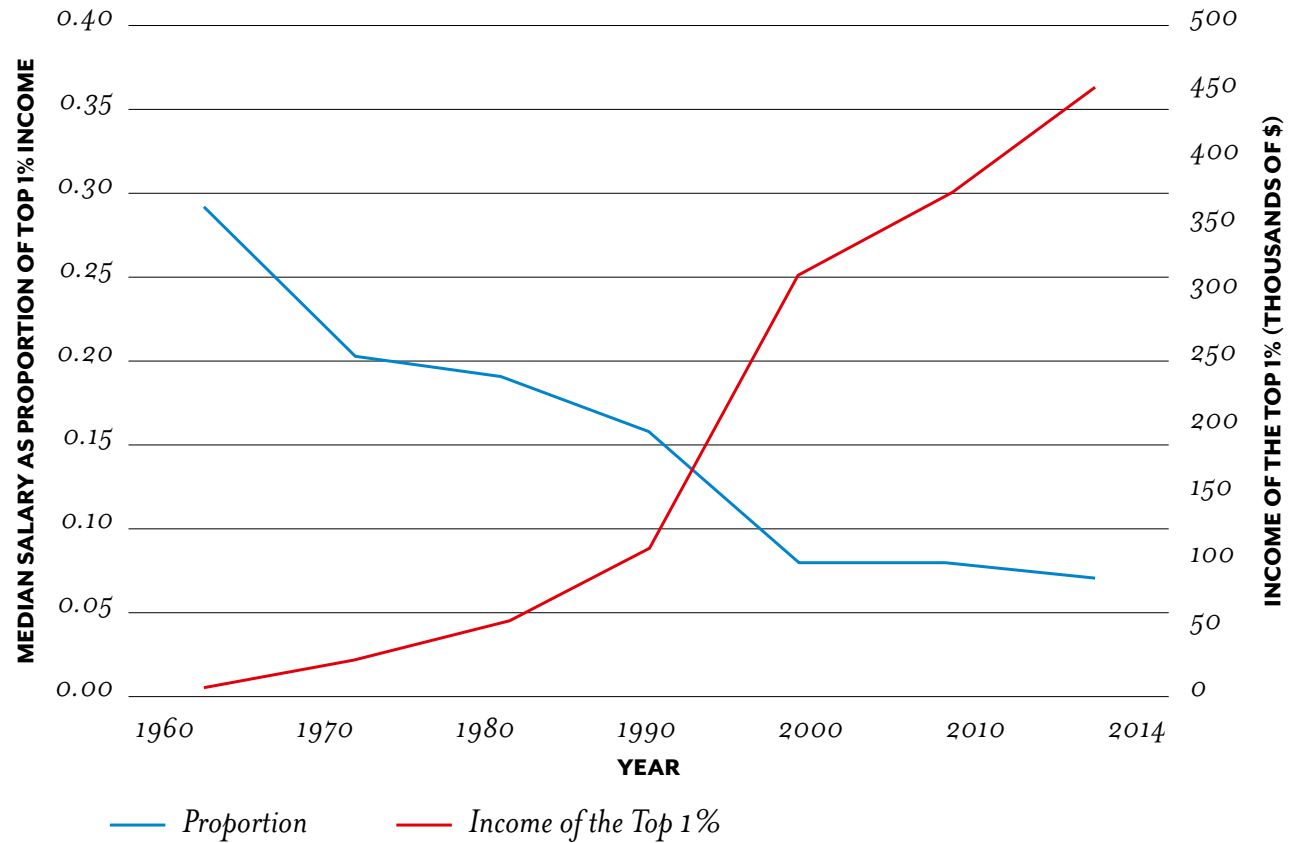
GENDER AND RACIAL INCOME RATIOS IN ILLINOIS
 Source: Illinois Economic Policy Institute
[HTTP://ILLINOISEPI.ORG/](http://illinoisepi.org/)



VI. INCOME INEQUALITY

THE RED LINE shows the income of the top 1% in Illinois, and the major rise in these incomes from 1960 to today. The blue line, arching downwards, is the Illinois salary as a proportion of the income of the top 1%. The graph illustrates that there has been a growing distance between the median salary and the income of the top 1%, even as those higher incomes have continued to get bigger. That distance could well foment resentment within the community, and could also weaken cohesion and solidarity within Illinois. Recent research by the International Monetary Fund lent support to the view that inequality of this kind “can undermine progress in health and education, cause investment-reducing political and economic instability, and undercut the social consensus required to adjust in the face of shocks, and thus that it tends to reduce the pace and durability of growth.”

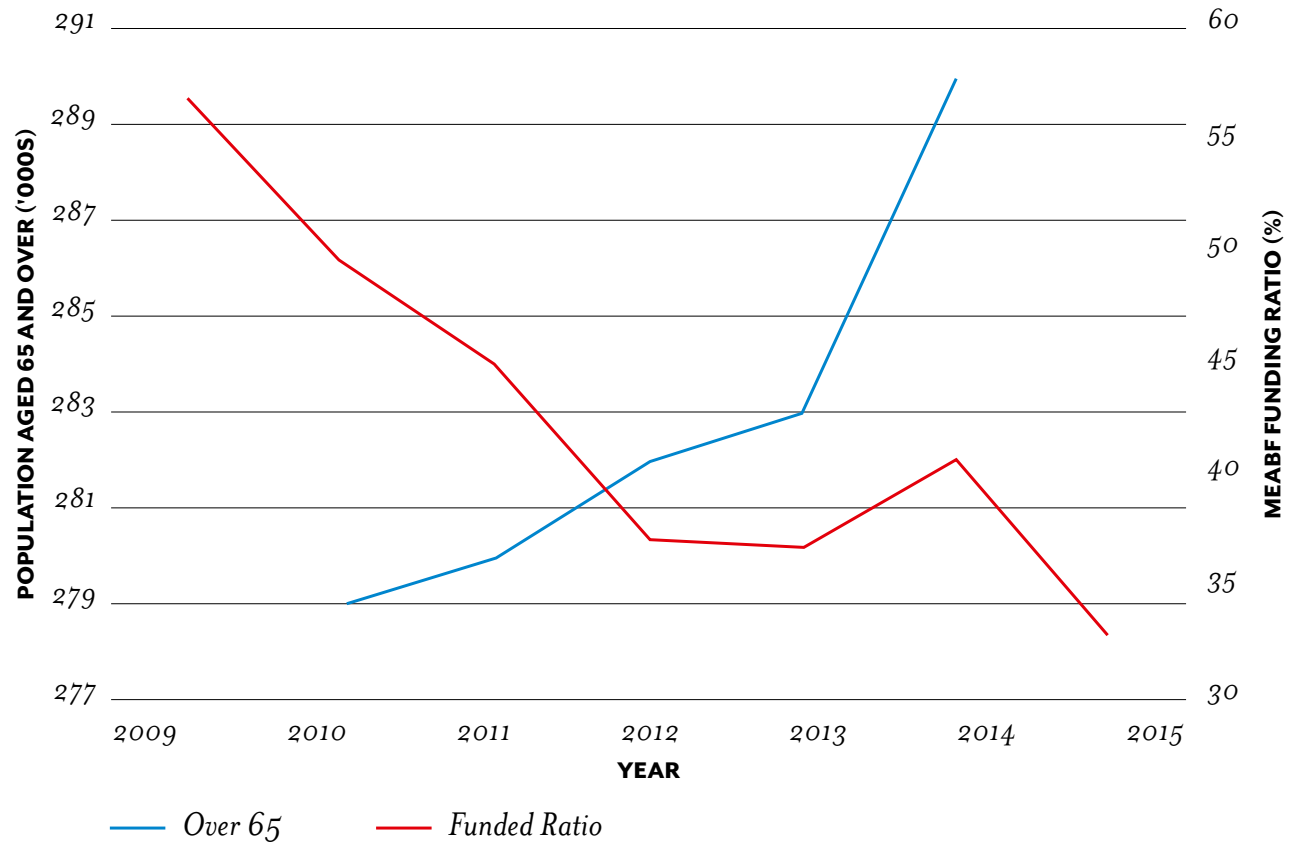
(See IMF Discussion Note, ‘Redistribution, Inequality, and Growth’ [2014].)



INCOME INEQUALITY IN ILLINOIS
 Source: Illinois Economic Policy Institute
[HTTP://ILLINOISEPI.ORG/](http://illinoisepi.org/)

VII. PENSION PLAN FUNDING AND AGING

THE FACT THAT Chicago’s pension fund liabilities are under-funded has been much discussed in media reports. This graph helps to substantiate, visually, that problem of under-funded pension fund liabilities. The graph focuses on the Municipal Employees’ Annuity and Benefit Fund of Chicago. The plan, set up in 1921 by the Illinois General Assembly, provides disability and retirement benefits to qualifying employees of the City of Chicago and the Chicago Board of Education. The red line indicates a steady decline (with a small increase in 2013-2014) in the funding ratio of the pension plan. The blue line signals the rising elderly population. The graph points to a possible impending crisis, and certainly a sense of heightened insecurity, as it appears that this key pension plan may not be able to provide pension benefits to an increasing population of elderly individuals in Chicago.



PENSION FUNDING AND AGING

Source: Municipal Employees’ Annuity and Benefit Fund of Chicago & American Community Survey

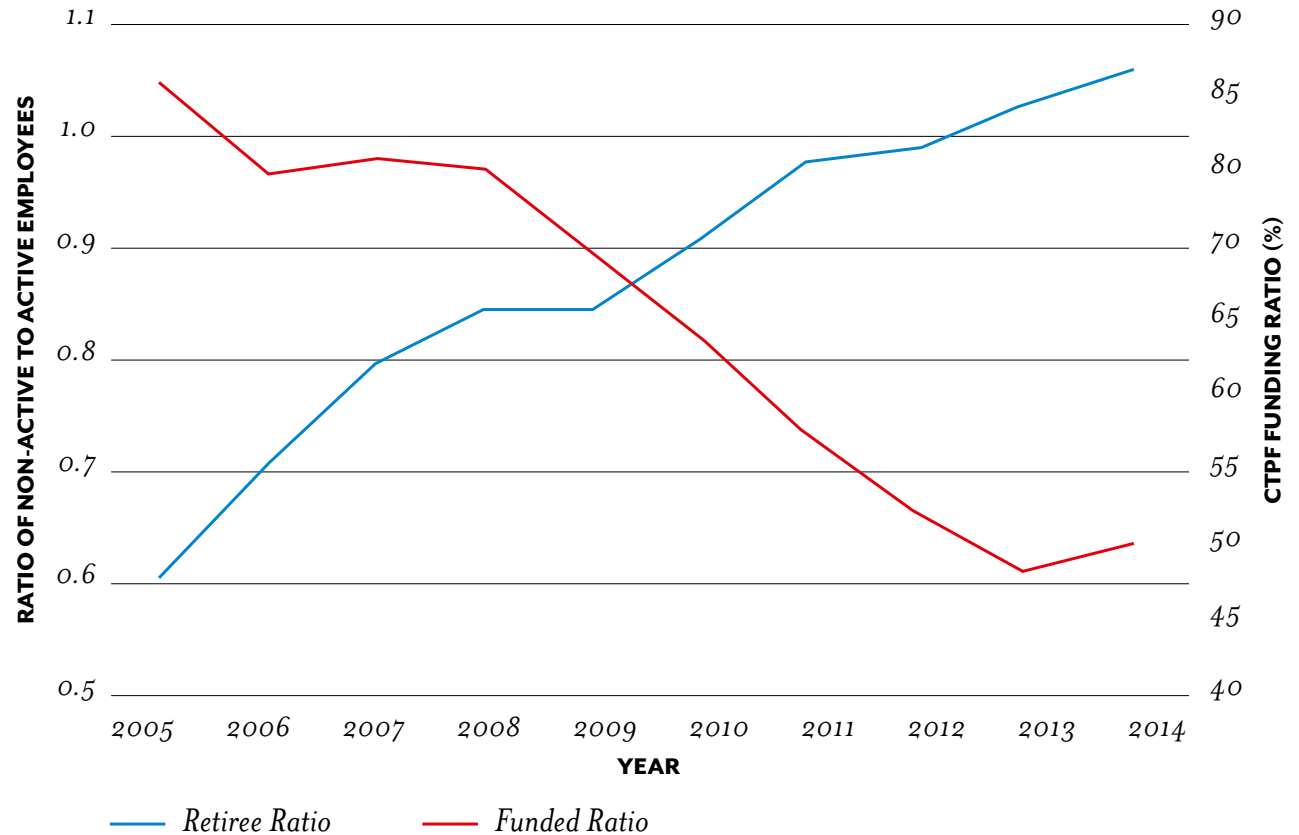
[HTTP://WWW.MEABF.ORG/](http://www.meabf.org/)

[HTTPS://WWW.CENSUS.GOV/PROGRAMS-SURVEYS/ACS/](https://www.census.gov/programs-surveys/acs/)

VIII. TEACHERS' PENSION PLAN FUNDING AND RETIREES

THIS GRAPH ILLUSTRATES another aspect of the pensions crisis in Chicago – the position of the teachers' pension fund. The Chicago Teachers' Pension Fund, set up by the Illinois state legislature in 1895, provides disability, survivor, and retirement benefits to teachers and employees in Chicago public schools. It is under-funded and the problem has become worse over time.

The graph shows that the funding ratio for the fund has decreased, from a level of healthy funding in 2005 to a position of serious under-funding in 2013. A slight improvement in 2014 does not mean the problem has disappeared. At the same time, as the blue line shows, the ratio of non-active to active employees has increased, meaning there are more and more people reliant on – or soon to be reliant on – the pension fund.

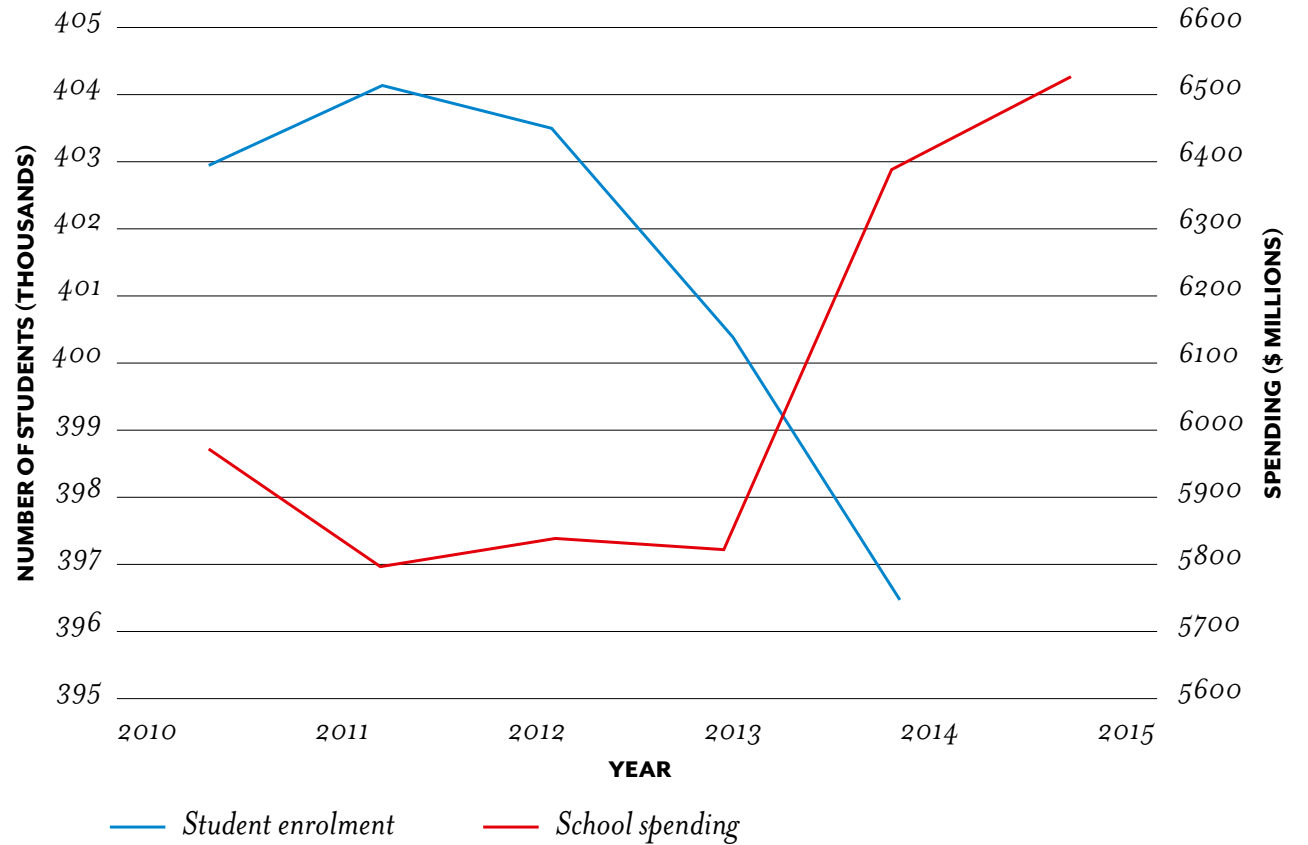


CHICAGO TEACHERS' PENSION FUND - AND NUMBER OF RETIREES
 Source: Chicago Teachers' Pension Fund, Comprehensive Annual Financial Reports
[HTTP://WWW.CTPF.ORG/](http://www.ctpf.org/)

IX. EDUCATION SPENDING AND ENROLMENT

THESE FIGURES, graphed after reviewing information in the transparent Comprehensive Annual Financial Reports of Chicago Public Schools, reveal startling developments in Chicago’s education sector. While school spending has increased significantly, particularly since 2013, student enrolment in Chicago’s public schools has dropped steadily. No statistics are yet available for student enrolment in 2015 (hence this absent data point in the graph).

Student enrolment has partly declined due to Chicago’s population exodus, represented in Graph I. But it will remain worrying if money continues to be injected into Chicago’s school system as enrolments dwindle.



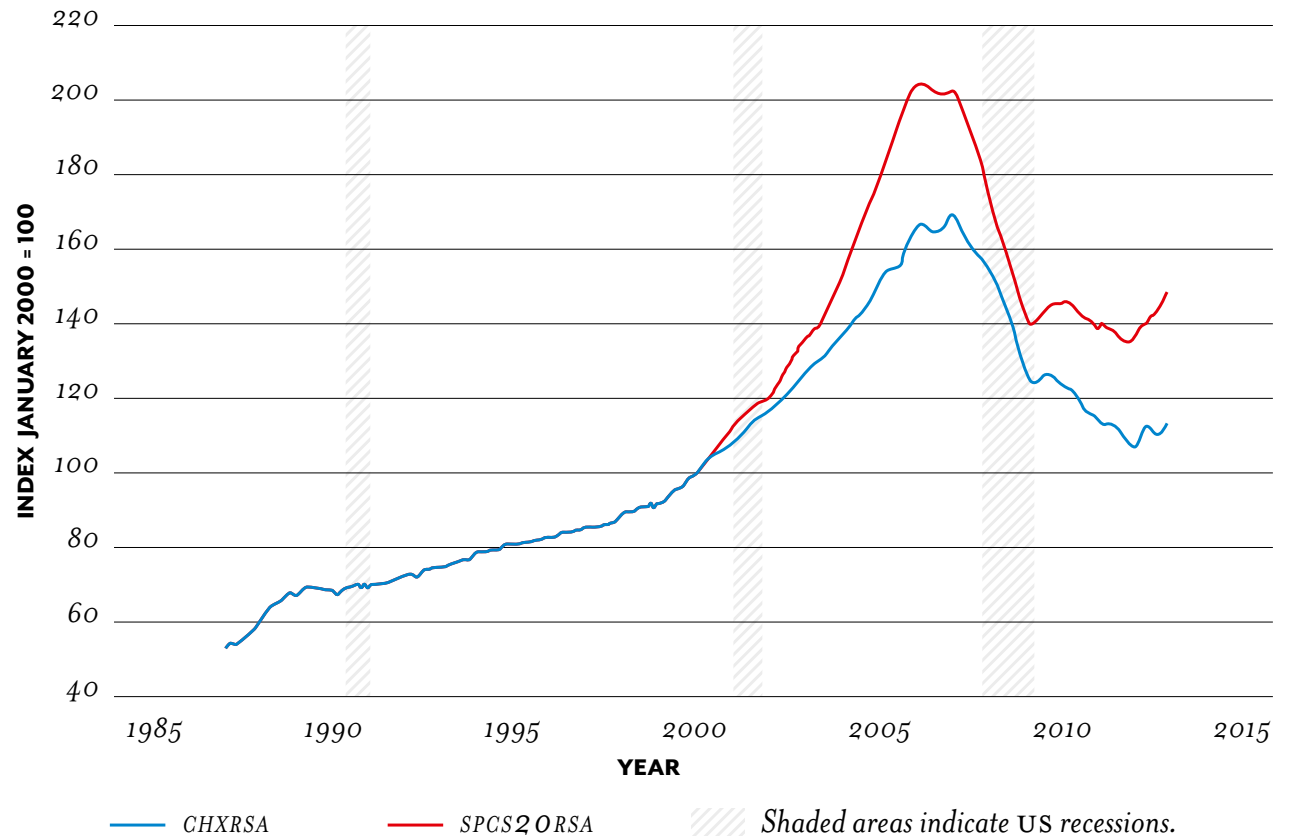
STUDENT ENROLMENT AND SCHOOL DISTRICT SPENDING

Source: Chicago Public Schools, Comprehensive Annual Financial Reports, 2010–2015

[HTTP://CPS.EDU/ABOUT_CPS/FINANCIAL_INFORMATION/](http://cps.edu/about_cps/financial_information/)

X. HOUSE PRICES

LIKE GRAPH 3, this graph does not show a criss-crossing divergent set of trends, but rather highlights an ongoing drift between a Chicago trend and a nationwide trend – in this case, in the context of house prices. Over time, following the year 2000 in particular, nationwide house prices (in red) have increased at a greater rate than Chicago house prices (in blue). This gap was most pronounced in the lead-up to the 2008 financial crisis, but the gap appears to be expanding again in the last couple of years. Some might query whether this graph just shows an over-inflated national housing bubble, rather than weaknesses in the Chicago housing market. It might also be said that lower house prices are good for prospective home-buyers. Notwithstanding these points, the sluggish house price growth is nonetheless reflective of a stagnant local economy.



HOME PRICE INDEX FOR CHICAGO, ILLINOIS (CHXRSA) AND S&P, CASE-SHILLER 20-CITY HOME PRICE INDEX (SPCS2ORSA)
 Source: Federal Reserve Economic Data (FRED), Federal Reserve Bank of St Louis
[HTTPS://FRED.STLOUISFED.ORG/](https://fred.stlouisfed.org/)

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