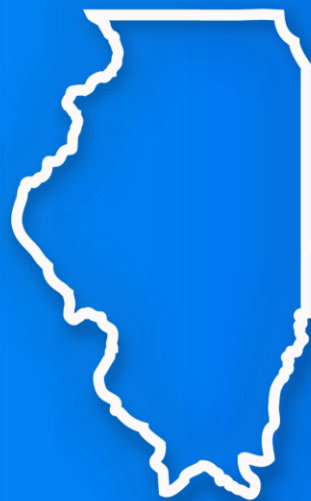




ILLINOIS REVENUE



Demographic Trends & The Illinois Economy

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Disclaimer

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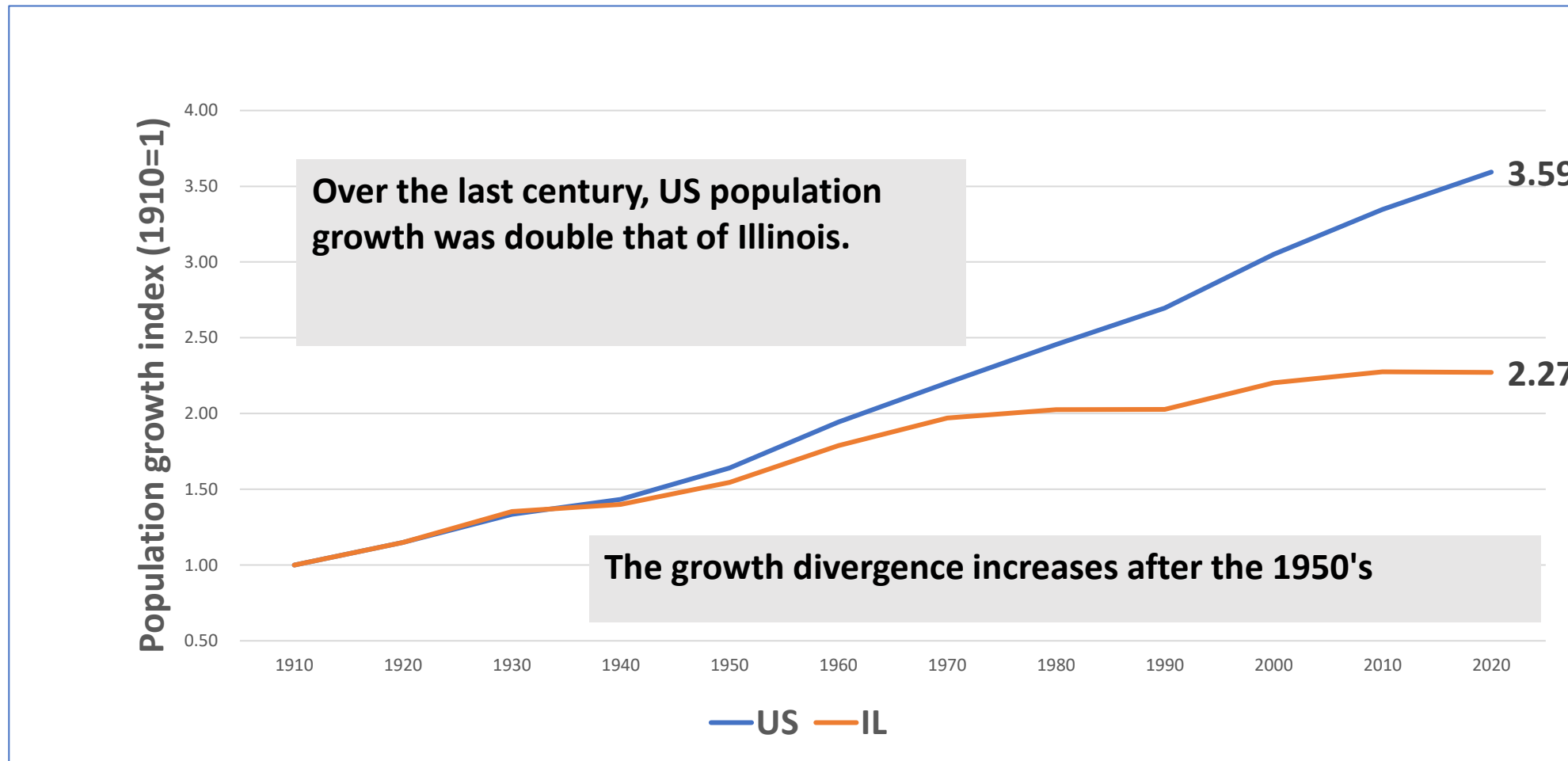
Abstract

- Illinois' population growth has been modest in recent decades and below the rest of the country. Illinois is not alone as other large states experience similar trends.
- Possible causes for this population growth slowdown are the tax burden, climate and environment, housing supply and affordability, Jobs and labor conditions, etc.
- This presentation explores the economic cost of this demographic trend for Illinois and some policies that may help reverse it.

What Drives Migration and Population Growth?

- **Tax Burden:** low tax states attract residents.
- **Housing affordability:** more affordable housing states attract residents.
- **Climate:** favorable weather tends to attract residents.
- **Labor market and wages:** states with expanding employment attract migration.
- **Other factors include:** general economic opportunity and cost of living, quality of public services, business climate, amenities such as scenic surroundings, outdoor recreation, etc.

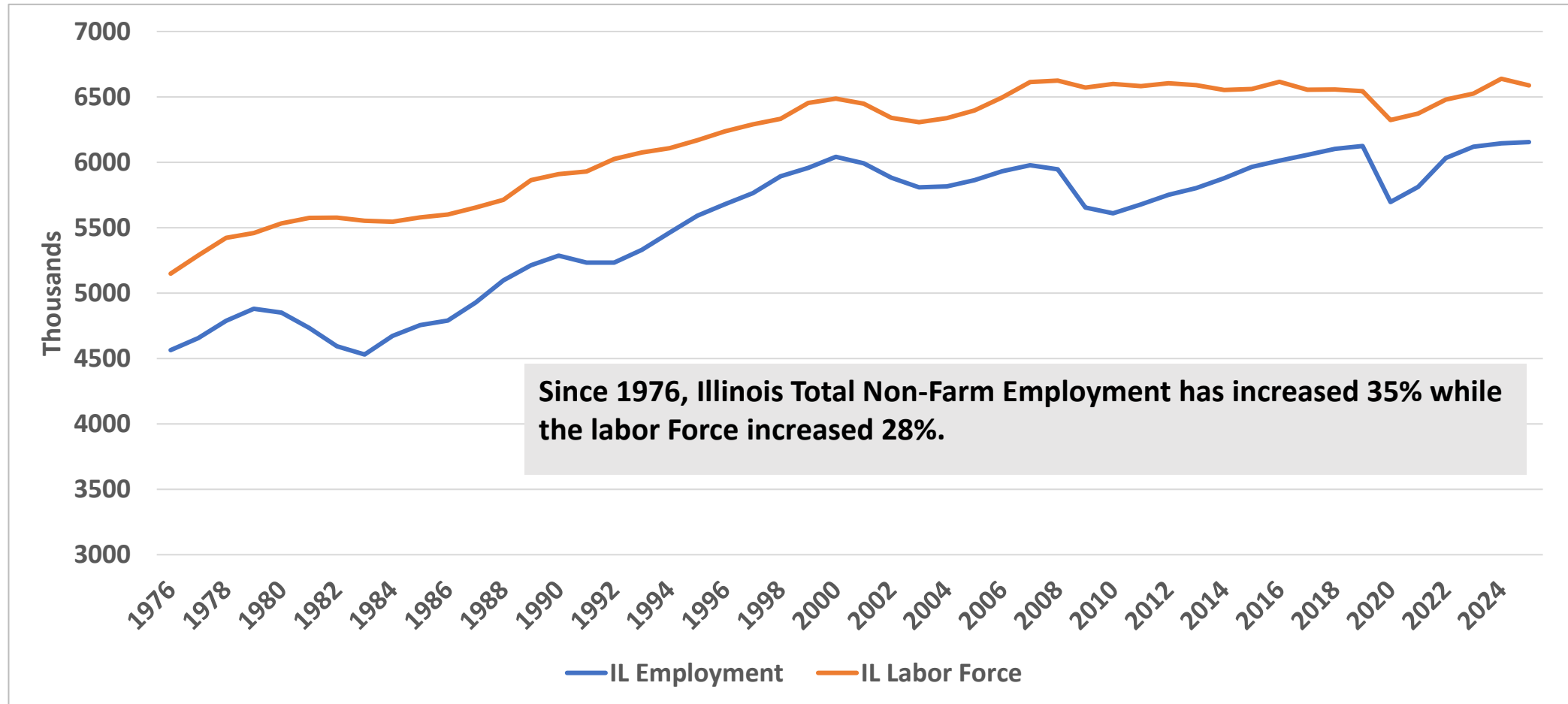
US vs IL Population Growth: 1910 – 2020.



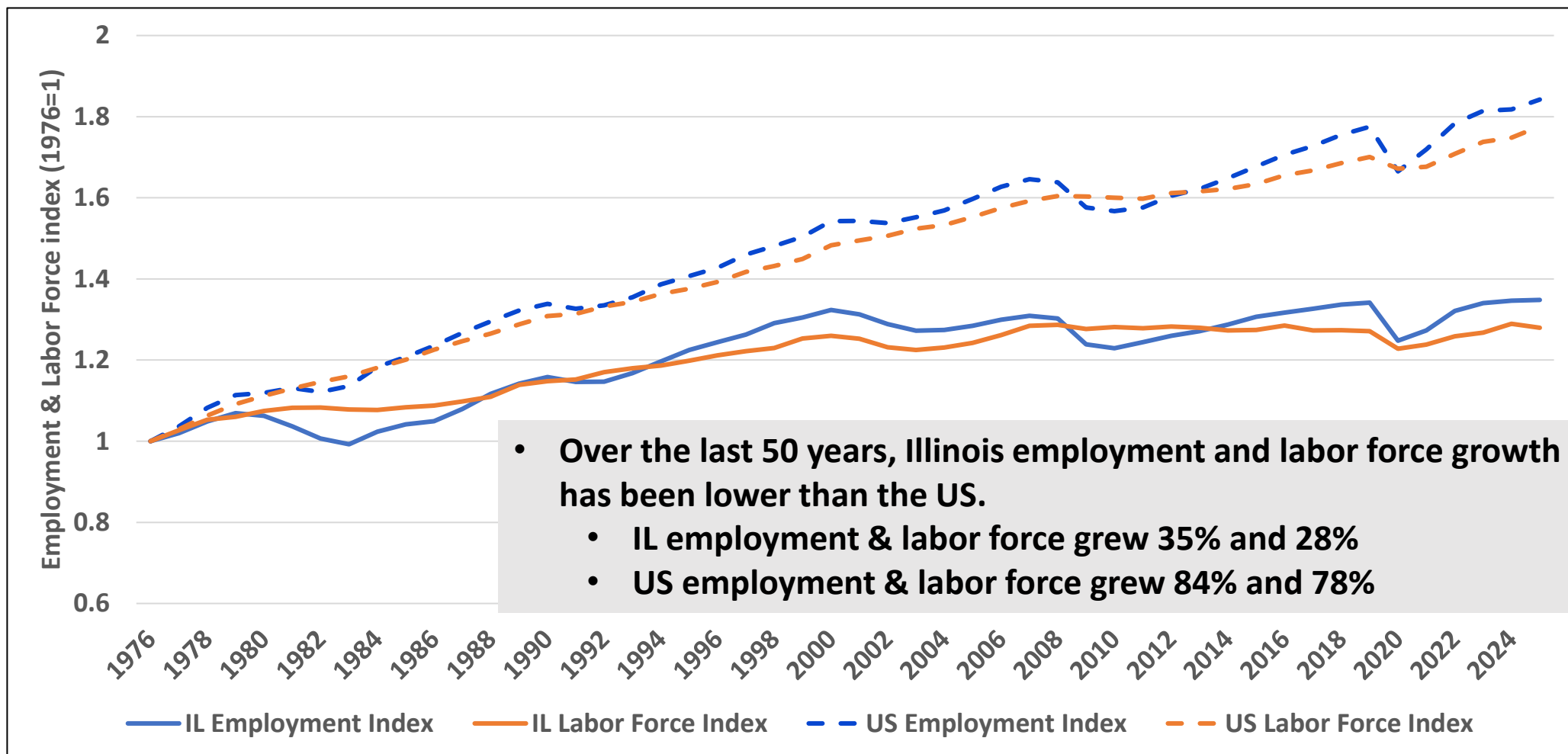
Some Empirical Studies on Population and Economic Growth:

- Maestas, Mullen & Powell (2022) find that population aging reduced per capita GDP growth by 0.3% per year during 1980-2010.
- Becker (1999) finds that a growing population in high-income economies leads to greater income growth. Population growth in low-income economies would slower economic growth.
- Irwin (2016) & Baker (2005) find that falling labor force as cause of slower GDP growth.
- Batini, Callen & McKibbin (2006) found that population aging in advance economies will likely reduce per capita growth rates in the next decades.

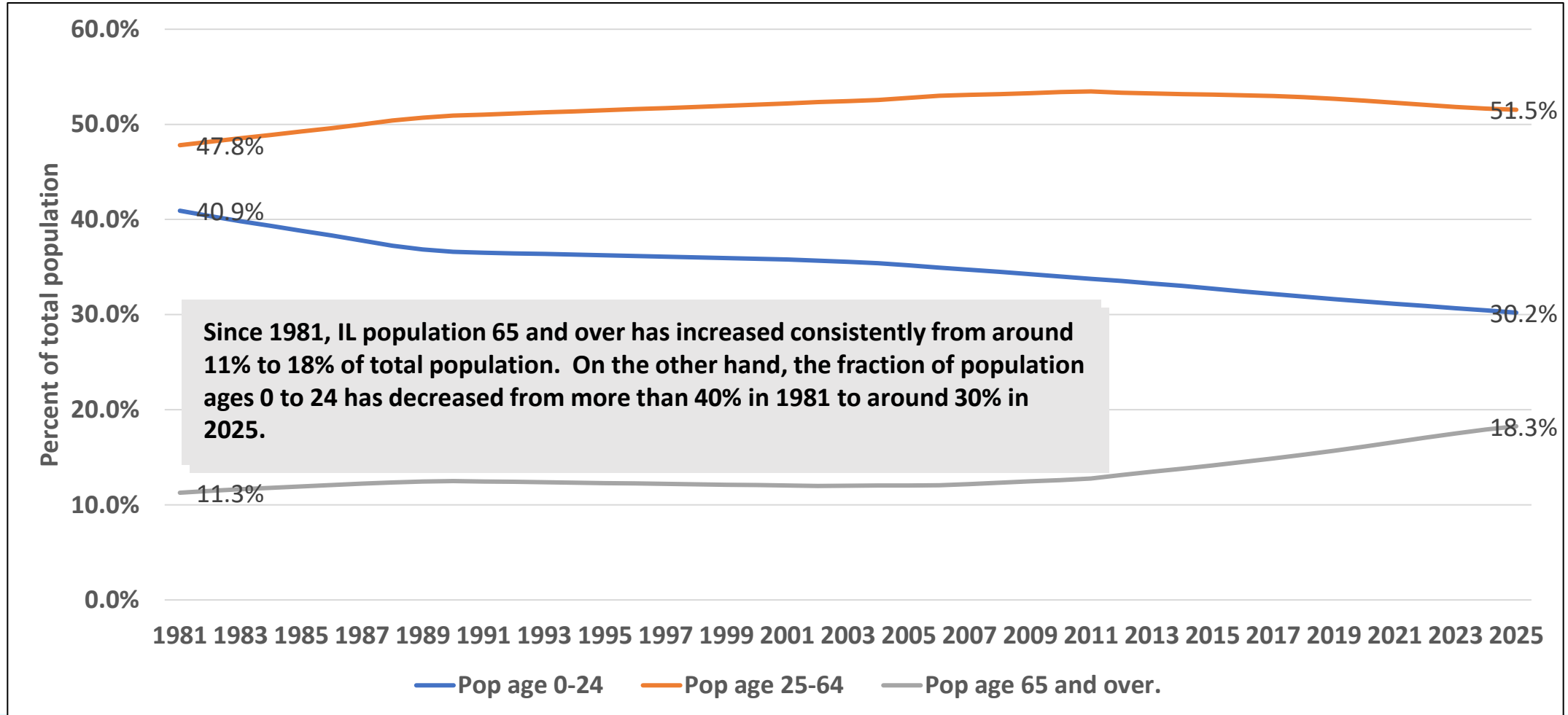
IL Total Employment and Labor Force, 1976-2025.



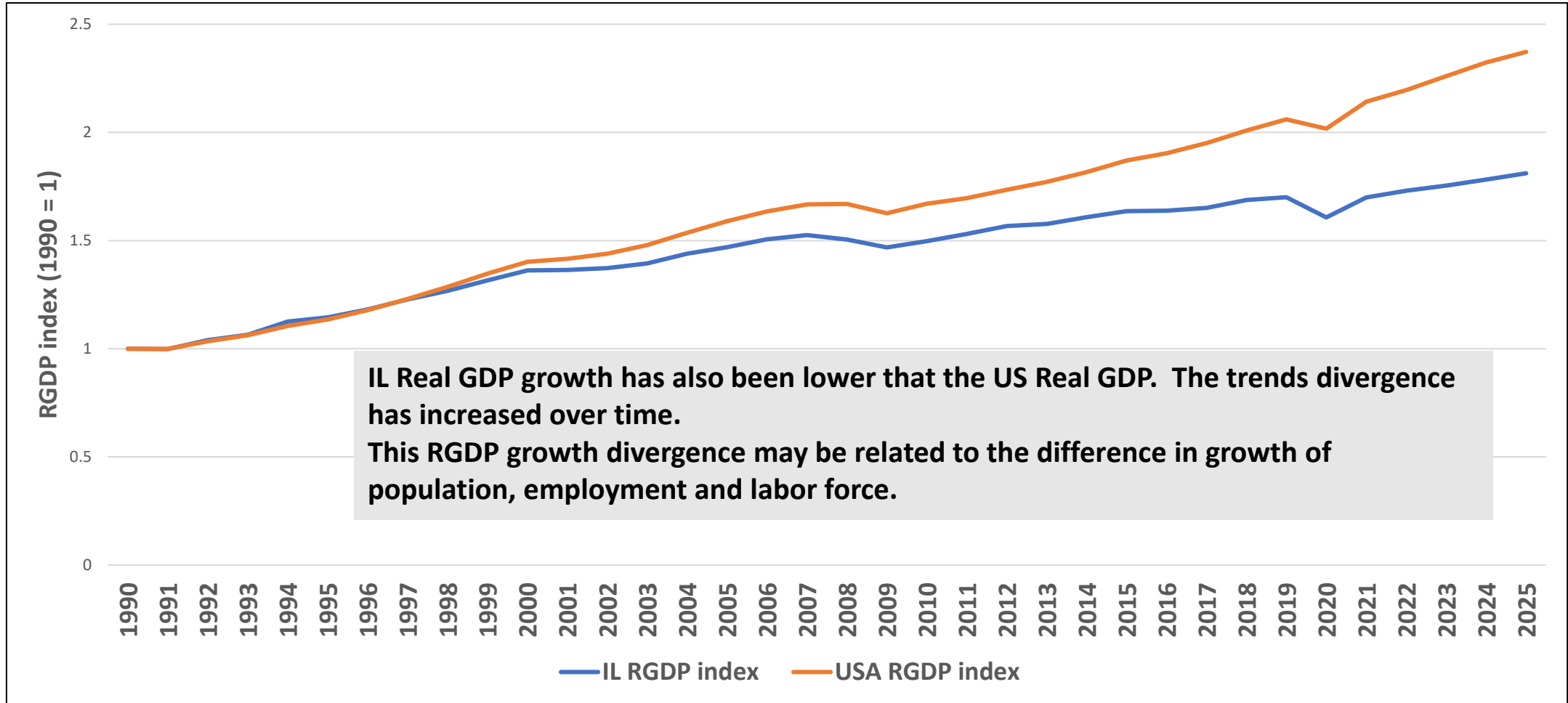
Employment & Labor Force Growth: IL vs US.



IL Population by Age: 1981-2025



Real GDP Growth: IL vs US



What would be the economic effect if Illinois grew in tandem with the US?

Illinois demographic trends - two scenarios:

- Scenario 1: What if Illinois population grew at the same rate than US population.
- Scenario 2: What if Illinois employment grew at the same rate than US employment.

Scenario 1: What if Illinois population grew at the same rate than US population?

- There would be significant positive effects on employment, labor force, GDP and personal income.

Category	Units	2027	2030	2032	2034	2036	2038	2040
Total Employment	Thousands (Jobs)	35.353	18.405	10.990	7.764	6.366	5.064	3.137
Private Non-Farm Employment	Thousands (Jobs)	30.778	15.709	9.102	6.340	5.250	4.266	2.726
Population	Thousands	118.003	84.325	65.692	52.870	42.117	31.153	18.697
Labor Force	Thousands	52.573	39.175	30.466	24.475	19.531	14.517	8.522
Gross Domestic Product	Billions of Fixed (2025) Dollars	4.653	2.539	1.566	1.138	0.950	0.764	0.470
Personal Income	Billions of Current Dollars	5.915	3.831	2.684	2.050	1.659	1.237	0.640

Scenario 2: What if Illinois employment grew at the same rate than US employment?

- As expected, it would produce significant positive effects on employment, labor force, GDP and personal income.

Category	Units	2027	2030	2032	2034	2036	2038	2040
Total Employment	Thousands (Jobs)	47.306	20.679	14.156	8.220	9.407	5.881	1.105
Private Non-Farm Employment	Thousands (Jobs)	41.872	17.505	11.771	6.262	7.831	4.788	0.529
Population	Thousands	34.590	32.170	27.130	23.406	19.516	15.078	10.056
Labor Force	Thousands	24.891	19.299	15.582	12.992	10.626	8.068	5.248
Gross Domestic Product	Billions of Fixed (2025) Dollars	6.566	3.124	2.291	1.390	1.671	1.130	0.365
Personal Income	Billions of Current Dollars	4.597	2.739	2.118	1.552	1.640	1.212	0.560

Review of Three Policy Scenarios:

- **Policy 1: Decreasing the cost of housing** between 1% and 3% to Illinois residents. For example, the Illinois BUILD Act recently proposed points in this direction. It reforms the zoning process to allow for more density, reduces regulation and increases state funding of housing construction.
- **Policy 2: Improvement in amenities**, for example if Illinois invest in parks, recreation and conservation as proposed by the Illinois Association of Park Districts – estimated at \$430 million per year.
- **Policy 3: Increase in transfer payments**. Illinois earned income tax credit was recently expanded to include taxpayers with ITIN (individual taxpayer identification number), without a qualifying child, age 18 or older and taxpayers over age 65.

Policy 1: Decreasing the Cost of Housing = 1%

- Housing affordability has a positive impact on population, employment and labor force.
- By 2040 GDP and personal income would be 0.029% and 0.038% -respectively- higher than in the absence of this policy.

Category	Units	2027	2030	2032	2034	2036	2038	2040
Total Employment	Thousands (Jobs)	0.968	1.920	2.158	2.300	2.439	2.579	2.726
Private Non-Farm Employment	Thousands (Jobs)	0.834	1.602	1.793	1.910	2.032	2.159	2.296
Population	Thousands	2.821	8.362	10.382	11.635	12.467	13.023	13.370
Labor Force	Thousands	1.582	4.580	5.637	6.263	6.690	7.017	7.224
Gross Domestic Product	Billions of Fixed (2025) Dollars	0.126	0.266	0.308	0.338	0.367	0.397	0.429
Personal Income	Billions of Current Dollars	0.187	0.377	0.442	0.492	0.543	0.598	0.660

Policy 1: Decreasing the Cost of Housing = 3%

- As expected, this has a stronger impact on population, employment and labor force.
- By 2040 GDP would be almost 1/10th of a percent higher and personal income over 1/10th of a percent higher than in absence of this policy.

Category	Units	2027	2030	2032	2034	2036	2038	2040
Total Employment	Thousands (Jobs)	0.968	5.017	6.124	6.694	7.139	7.588	7.994
Private Non-Farm Employment	Thousands (Jobs)	0.834	4.198	5.093	5.558	5.938	6.339	6.714
Population	Thousands	2.821	20.497	28.381	33.293	36.463	38.578	39.863
Labor Force	Thousands	1.582	11.341	15.526	18.062	19.700	20.753	21.592
Gross Domestic Product	Billions of Fixed (2025) Dollars	0.126	0.691	0.872	0.983	1.076	1.170	1.259
Personal Income	Billions of Current Dollars	0.187	1.004	1.272	1.452	1.612	1.785	1.958

Policy 2: Improvement in Amenities

- As expected, this has a positive impact on population, employment and labor force.
- Furthermore, by 2040 GDP and personal income would be 0.01% higher than in the absence of this improvement.

Category	Units	2027	2030	2032	2034	2036	2038	2040
Total Employment	Thousands (Jobs)	0.270	0.687	0.790	0.840	0.876	0.896	0.922
Private Non-Farm Employment	Thousands (Jobs)	0.208	0.547	0.636	0.683	0.719	0.743	0.773
Population	Thousands	1.416	3.924	4.643	4.952	5.038	4.973	4.823
Labor Force	Thousands	0.749	2.101	2.474	2.617	2.656	2.652	2.558
Gross Domestic Product	Billions of Fixed (2025) Dollars	0.036	0.097	0.114	0.125	0.133	0.139	0.145
Personal Income	Billions of Current Dollars	0.045	0.117	0.135	0.146	0.156	0.164	0.176

Policy 3: Increase in Transfer Payments

- Has a positive impact but not as significant as policies 1 & 2.
- Population, employment and labor force do increase.
- By 2040 GDP and personal income would be 0.007% and 0.017% -respectively- higher than in the absence of this increased payments.

Category	Units	2027	2030	2032	2034	2036	2038	2040
Total Employment	Thousands (Jobs)	1.519	1.537	1.256	1.004	0.842	0.750	0.703
Private Non-Farm Employment	Thousands (Jobs)	1.465	1.433	1.158	0.922	0.771	0.688	0.646
Population	Thousands	0.495	1.364	1.531	1.494	1.381	1.259	1.156
Labor Force	Thousands	0.405	0.868	0.933	0.885	0.797	0.717	0.651
Gross Domestic Product	Billions of Fixed (2025) Dollars	0.191	0.204	0.171	0.141	0.121	0.111	0.108
Disposable Personal Income	Billions of Current Dollars	0.281	0.324	0.317	0.303	0.292	0.286	0.286

Final Comments and Next Steps:

- Policies as the ones reviewed in this presentation work in the right direction – attracting population and fostering economic growth.
- REMI analysis suggests that a policy that improves house affordability yields stronger impact on employment, population and GDP growth.
- A next step would be to study changes in the economic structure of Illinois and how these changes may be playing a role in the demographic trends.
- Explore the role of governance, political conditions and stability in migration and demographic trends.
- Also, an area of research should be to investigate the dynamics of international immigration as it relates to Illinois population.

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