Signs *of the* Times

Midwestern Demographic Trends and Their Implications for Public Policy

CSG Midwest

A publication of
The Council of State Governments
Midwestern Office

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The Midwestern Office supports several groups of state officials, including the Midwestern Governors' Conference and the Midwestern Legislative Conference, an association of all legislators in the region's 11 states: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. The Canadian provinces of Ontario and Saskatchewan are affiliate members of the MLC.

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Introduction: Preparing for the future

Examination of demographic trends helps policymakers plan ahead

State lawmakers oftentimes find it hard to look very far forward, because they inevitably are faced with a challenging array of tasks right in front of them. Critical issues of the day — from filling budget shortfalls, to redistricting, to state responses to the Sept. 11 terrorist attacks — require a considerable amount of time and effort. And more than ever before, legislators simply do not have much time. This is especially true for lawmakers in the growing number of states with term limits in place. Consequently, it would be tempting for elected officials to focus solely on public policy issues of immediate concern. Legislators, though, know that part of their duty is to look ahead and help their respective states make plans to deal with emerging issues. By doing so, they provide a critical helping hand to their legislative successors, who will thus have a better chance of effectively addressing the needs of their states and their people.

One useful way of forecasting critical matters of concern in government is to examine key demographic trends. That is what the Midwestern Office of The Council of State Governments has done in this report, *"Signs of the Times: Midwestern Demographic Trends and Their Implications for Public Policy."* This publication focuses on five demographic trends that will impact public policy for years to come: aging, family structure, immigration, the skilled workforce shortage and suburban growth. Many of these issues, although surely ones that will have an impact around the country, will touch the Midwestern region in very unique ways.

Connecting the trends

Much has been made of the burgeoning population of senior citizens and its anticipated effects on state health care systems and overall spending. Some parts of the Midwest already have among the highest proportions of elderly residents in the country. In the future, the entire region should expect a larger percentage of people 65 and older. More demands will be placed on states as a result, with health care issues such as long-term care and prescription drug coverage becoming even more prominent in the coming decades. Government, of course, will rely heavily on the working-age population to pay for the services needed to care adequately for seniors. This fact underscores the importance of two other trends examined in this report: immigration and the skilled workforce shortage.

While every state in this region saw population increases (of varying degrees) between 1990 and 2000, none matched the national average of 13.2 percent. The numbers would have been even more dramatic if it wasn't for the influx of immigrants into the Midwest, where the foreign-born population grew at rates higher than the national average. International migration patterns helped keep Midwestern populations growing, but many states in this region have experienced negative net losses in the area of domestic migration. This region is suffering from a "brain drain." Many highly skilled, well-trained workers have left the Midwest for the South and the West. Furthermore, national projections indicate that the labor and skills shortages seen in the 1990s will only intensify in the future.

In order to maintain steady levels of economic growth and ensure overall prosperity within their states, policymakers in this region must discover effective ways to create, recruit and retain a skilled workforce. Meanwhile, they also will need to meet the challenges created by the arrival of immigrants, a population that could make vital contributions to the region's economy in the future.

Movement within a state's borders is also an important demographic indicator. Statistics indicate that suburbanization is occurring more dramatically in many parts of the Midwest when compared to population shifts in other regions of the country. Population growth in suburban areas has been occurring for multiple generations, and more and more emphasis is being placed on its effects — from the environmental and transportation concerns related to sprawl, to the loss of populations and tax bases in rural areas and inner-city neighborhoods. Recent legislative action suggests that states are in a position to take a more active role in land-use issues, but developing successful policies often proves to be extremely difficult.

States are just beginning to analyze how recent changes in public policy might have influenced demographic trends in another area: family structure. Increases in single-parent households and out-of-wedlock births over the last half century have been the subjects of much consternation and political debate, but reversals in these trends were seen in the late 1990s. These changes will amplify lawmakers' interest in pursuing public policies that affect the prevalence of various household types.

Contributors

Five members of CSG's Midwestern Office staff contributed to this report. Jacqueline M. Kocinski wrote the section on the aging population. She is a public policy analyst and staffs the Midwestern Legislative Conference's Health and Human Services Committee. Publications manager Tim Anderson examined the issue of family structure, while regional director Mike McCabe studied the regional trends in and effects of immigration. The section analyzing the Midwest's skilled workforce shortage was written by Laura A. Tomaka. A program manager with CSG's Midwestern Office, she also staffs the MLC's Economic Development Committee. Jeff Greco, a policy analyst who staffs the MLC's Agriculture Committee, is the author of the section on suburban growth.

The last part of this report includes various state and national statistics gathered by the U.S. Census Bureau and other federal agencies. We hope that each section in this publication provides valuable information and analysis for Midwestern policymakers as they attempt to prepare state governments and their citizens for the challenges and opportunities that lie ahead in the 21st century.

Aging: Elderly population will rise

More demands will be placed on region's health care systems

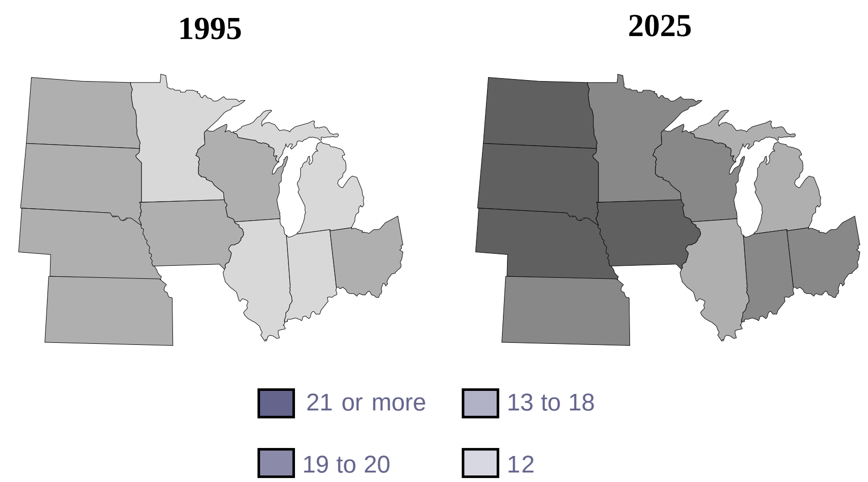
Over the next half century, the world's population will grow markedly older. The number of people age 60 and above will triple — to nearly 2 billion worldwide — and there will be a five-fold increase in the number of people over 80 years of age, to 379 million. In the United States, the only major industrialized nation whose overall population is expected to grow over the next 50 years, this trend is of particular concern, as the number of elderly Americans (age 65 and older) is projected to top the number of young during this period.

Policymakers at all levels of government are examining the social, economic and health implications of this dramatic demographic shift, with many already having begun to plan for the challenges that lie ahead.

Planning for the future

Today, the Midwestern region has the highest percentage of counties with proportions of adults 65 years old and over that exceed the overall U.S. proportion, but this is largely a reflection of a regional trend that has seen an out-migration by younger people, while older residents stay in place. In fact, 2000 U.S. Census Bureau figures show that over the last decade, the older population has grown at a much lower rate (7 percent) in the Midwest than in the West (20 percent) or South (16 percent), for example. However, as those born between 1946 and 1964 — commonly referred to as the baby boom generation — reach retirement age after 2010, the elderly population is expected to soar in this region. Aging is expected to slow temporarily after 2040, when the baby boomers' generation dies, but pick up again as fertility rates stay low and mortality rates continue to decline.

Percent of total states' populations 65 years old and over

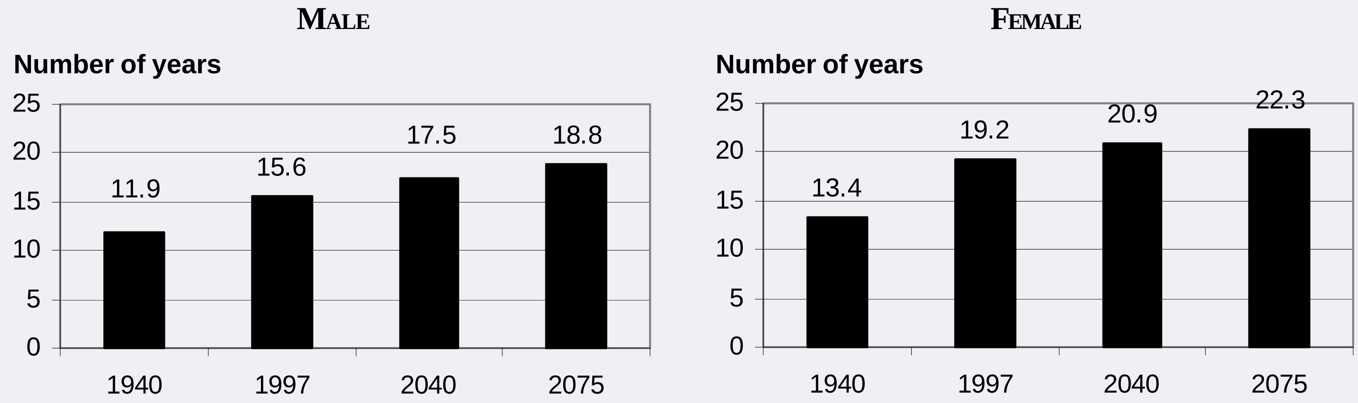


Source: U.S. Census Bureau, Current Population Reports (1997)

Forty-five million Americans — or one in every six — are 60 or older. Over the next 30 years, one in every four U.S. residents will reach that mark. To prepare for this aging trend, many states have begun to examine statistical forecasts and project possible policy implications under various scenarios. The goal is to assess current state resources, see where — when examined against future needs — gaps exist and determine what will have to be addressed. In California, for example, the Legislature in 1999 passed a law calling for the secretary of the state Health and Human Services Agency to develop, by July 2003, a statewide strategic plan that focuses on impending demographic, economic and social changes triggered by the aging population. A working group headed by University of California researchers presented its recommendations to lawmakers this past April, and these will serve as a basis for the state's plans.

Here in the Midwest, Minnesota began a two-year initiative in 1996 to engage all segments of the populace in a discussion of what the demographic changes resulting from the aging of the baby boom generation will mean for the state. As part of Minnesota's Project 2030 — named for the point in time

Life expectancy at age 65



Source: The Urban Institute, 1997 Annual Report

when the proportion of the state's population over age 65 is expected to be at its height — special liaisons in each state agency worked cooperatively with the office of the governor to analyze what the department's particular needs will be in light of an aging population and to determine measurable indicators of readiness to address these needs.

Projects like those undertaken in California and Minnesota are identifying key policy challenges that states will be forced to confront in the not-so-distant future. Investigators are finding that issues such as the economic status of the elderly; employment and retirement; health status and service needs, including mental health; long-term care; family caregiving; housing for older adults, including assisted living; transportation and mobility; and overall strategies for successful aging will require the attention of policymakers if the economic and social fabric of society is to remain strong.

Economic challenges

The economic implications of a rapidly aging society are profound, and researchers have been quick to warn of the serious fiscal consequences that will likely accompany this demographic shift. Economists project that the aging trend will yield particularly adverse effects on economic expansion after 2010, as workforce growth slows and spending on age-related government transfers increases. These changes reflect the short-term effect of the aging of the baby boom generation and the longer-term consequences of reduced fertility rates and increasing life expectancy. The changing age composition of the U.S. population will reduce the share of workers and increase the number of dependent elderly. This ratio of elderly to working adults is significant because, 30 years from now, workers will be supporting far greater numbers of retirees than is currently the case. Under these circumstances, the nation's social insurance system as it is presently structured will not be able to adequately support a majority of beneficiaries.

Private savings rates, particularly personal savings, have been on a sharp decline overall, and this is a trend expected to continue. Due in part to public provision of benefits such as Social Security, Medicare and Medicaid, individuals tend to save only modestly for future retirement needs. However, with the tendency toward earlier retirement and longer life spans, even more savings will actually be necessary to maintain current growth in living standards. At the same time, the aging of the population will have a significant impact on public savings, as major government transfer programs disproportionately benefit the elderly. In the face of this looming reality, governments may well look to create incentives for private savings.

It is news to no one, especially state policymakers, that the cost of health care has been rising, and skyrocketing out-of-pocket health care costs are likely to be the chief culprit threatening the economic status of seniors in the future. Today, expenditures on the elderly account for 8 percent of the gross domestic product, but by 2075, they are projected to account for 23 percent. Health spending is expected to make up three-quarters of this increase.

National spending for drugs has tripled in the last decade and is projected to more than double between 2000 and 2010, from an estimated $117 billion to $366 billion, according to the Health Care Financing Administration. Americans 65 and older pay an average of $1,205 a year for prescriptions — up from $559 in 1992. By 2010, the cost will rise to $2,810.

States have already turned their attention to the financial burdens placed on the elderly who lack pharmaceutical coverage, with more than 30 enacting plans designed to help seniors meet their often staggering drug expenses. People between the ages of 65 and 74 take an average of nine prescription medications, and among those age 75 and over, the number of medications averages more than 11. Efforts to develop drug benefits for seniors not only reflect a desire to ensure that the 85 percent of the elderly who require prescription medications can take them, but that their struggle to pay for the medicine does not push them into poverty.

While a variety of pharmaceutical assistance initiatives have been developed across the nation — from Iowa's discount program, to Wisconsin's newly enacted subsidy program (set to become operational in September 2002), to a Maine program that combines drug discounts and price controls — in the Midwest, only half of the states have plans in place. The remainder will be pressed to come up with answers for their senior citizens trying to maintain the level of health that today's medicines help ensure.

Caring for the elderly

Because of advances in medicine, as well as the general pursuit of healthier lifestyles, seniors are living longer. Currently, the most rapidly growing segment of the U.S. population is the oldest old, those age 85 and over. In just the 1990s, this population group grew by 38 percent. Even the number of centenarians rose by 35 percent over the last decade. The U.S. Census Bureau projects that as many as 1 million individuals will be 100 or older by 2050. So, while older Americans are indeed enjoying healthier lives, needs are expected to increase for long-term care and other support services.

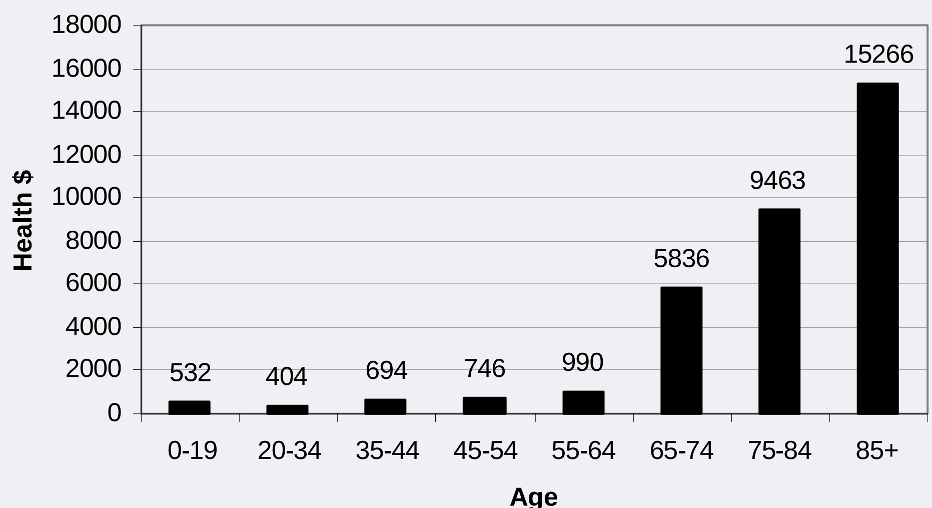
Long-term care encompasses a range of services, including skilled nursing care, home health care and adult day care, as well as assistance with chores, meals, transportation or other social services. State oversight of skilled care and assisted living facilities will become even more important as the numbers of elderly grow. For the majority of seniors who may not need intensive care, self-directed services that allow them to remain at home will be a priority.

Today, states enjoy the flexibility to provide home- and community-based care services under waivers in the Medicaid program. However, with a current shortage of nurses and home health care workers that is only expected to grow more acute, states will need to turn their attention to shoring up the health care workforce. In Nebraska, legislators have approved a nursing scholarship program that includes financial incentives for the recruitment and retention of nurses in the state. Gov. Bill Janklow included in his fiscal year 2003 budget recommendation the establishment of two temporary programs designed to increase the number of nurses in South Dakota. One would develop a concentrated 12-month baccalaureate program in nursing for those who already possess a relevant degree. Another would use intergovernmental transfer fund dollars to expand the availability of 24-month associate nursing degree programs to four central state locations. The goal of the program is to encourage graduates to remain and work in areas of high need. Under these proposals, at the end of five years, the state would expect to see an additional 450 nurses added to its ranks.

Still, the formal health care workforce will never be adequate to address the needs of a booming senior population, and informal caregivers will remain the true backbone of the nation's long-term care system. In the most recent National Long Term Care Survey, conducted in 1994, there were more than 7 million individuals serving as informal caregivers, providing unpaid help to senior relatives. The federal government gives states options for caregiver support, such as respite care or support groups; specialized information, referral or training; and care management under Medicaid.

There is no escaping the fact that the burden of paying for long-term care falls disproportionately onto states. For those unable to cover the expense, Medicaid pays for approximately 63 percent of all long-term care. With state Medicaid costs already breaking many budgets, the increasing need for long-term care that will accompany a rising elderly population will require states to redouble their efforts to encourage the purchase of private insurance. Indiana's long-term care program, the Indiana Partnership Program, is one of only four such initiatives nationwide. The state partners with insurance companies and agents to make available a high-quality, long-term care insurance product with built-in consumer protection features, such as safeguards against inflation. Indiana's plan stands out as a model because it provides participants with the added benefit of Medicaid asset protection should they exhaust their private insurance benefits. A unique agreement resulting from legislation passed in both Indiana and Connecticut means that Indiana residents who move to Connecticut will enjoy such protection in their new home state as well. And, as of 2001, Hoosiers purchasing long-term care insurance through the Indiana Partnership can receive a 100 percent state tax deduction for premiums paid, with no cap on the amount claimed.

AGE-RELATED GOVERNMENT EXPENDITURES ON HEALTH PER CAPITA, 1997*



* all levels of government

Source: Urban Institute, "Economic Consequences of an Aging Population"

Beyond recognizing the need for enhancing traditional care and services for the elderly, a burgeoning senior population will require states to enhance programs that foster independence, providing older citizens with easy access to the resources and services that affect them. Nutrition, housing and transportation needs will need to be addressed, and elderly citizens living in rural communities will face special challenges in these and other areas.

The impact of mental health on the well-being of older Americans has tended to receive scant attention, though they commit suicide at a rate 50 percent higher than that of people under the age of 65. Depression is a key factor in suicide among seniors, but to date there has been poor recognition of the problem and little treatment targeted to the needs of the elderly.

Meeting the needs of seniors

Clearly, the demographic shift toward an aging America means states will have no choice but to look at whether they will have to develop new ways of doing business to accommodate the changing needs of their citizenry, and most will agree that planning for these changes cannot begin too soon if policymakers are to ensure that the age wave does not strain states' abilities to provide the supports required. Further, older citizens are a politically active group in the United States and thus a powerful force at the polling place. Lawmakers can expect to feel pressure from seniors who want to ensure that future policies guarantee the same rights and privileges to all citizens, regardless of age, that they have the right to be autonomous in the decision-making processes affecting their independence, and that they have a voice in the development of policies and initiatives impacting them.

Family structure: A reversal of trends

Policymakers will look for ways to nurture stronger families

The increase in the number of children being raised by single parents has been one of this country's most scrutinized cultural changes over the last several decades. But in the latter part of the 1990s, some compelling new trends arose that captured the attention of policymakers and social critics alike. The percentage of children under 18 living with a single mother dropped, while the rate of births to unmarried women leveled off after a half century of dramatic increases. These changes were welcome news to those who for years have bemoaned the effects of the declining two-parent family structure on children, society and government itself.

So now an intriguing question is being asked: To what extent, if any, did government policy have a role in halting a trend that had been occurring over multiple generations? Ultimately, the response of state lawmakers will help determine the direction and shape of social policy. Some observers believe the trends reversed thanks to the 1996 federal welfare reform law and state programs that followed, arguing policy modifications encouraged the two-parent family structure and reduced out-of-wedlock births by demanding more personal responsibility of people receiving welfare benefits. Others, though, note that the recent trend also coincided with unusually strong economic times. They also question whether any government policy could have such a rapid, direct impact on a fundamental societal unit like family structure.

Research analyzing the story behind the statistics has just begun, and it is too early to tell whether the leveling off of single-parent households and out-of-wedlock births will be fleeting or a more long-term trend. It is clear, though, that public policymakers will increasingly be interested in seeking ways to affect family structure.

A regional perspective

Most Midwestern states have a larger percentage of households headed by married couples when compared to the national average. In fact, 2000 U.S. Census Bureau statistics indicate that four of the region's states — Iowa, Kansas, Nebraska and South Dakota — had among the 10 highest proportions of married couple households in the nation. Higher or lower populations of older people, who are more likely to be married, can partly explain the state differences. However, many states in this region also have a lower percentage of female-headed family households (no husband present). North Dakota (7.8 percent) and Iowa (8.6 percent) have the lowest percentages in the nation, while Kansas, Minnesota and South Dakota also are near the bottom. Only Illinois and Michigan have percentages of female family households higher than the national average, 12.2 percent. The same reasons given for the rise in single-parent families might also explain differences between regions and states. They include changes in social norms and values, growth in the economic independence of women and the narrowing of the wage gap.

Despite statistical variations, no state has been untouched by changes in the family structure. Between 1960 and 2000, the percentage of U.S. children living in single-parent homes rose from 9.2 percent to 26.7 percent. Poverty rates are higher in this type of household; in turn, income levels have been shown to influence family structure. (Parents with low incomes have higher divorce rates and are more likely not to get married in the first place). Nationally, 12.7 percent of all families with children under the age of 18 lived in poverty in 2000, compared to 6 percent of married-couple families with children under 18. The figures are even more striking among certain minority groups. For example, 24.9 percent of all black families with children under 18 years old and 22.9 percent of Hispanic families with children under 18 lived in poverty in 2000. Among married-couple families with children, the numbers drop to 6.3 percent (blacks) and 16.9 percent (Hispanics).

State policymakers have a clear interest in the numbers. First, income levels within a state affect tax bases and revenue streams. Second, low-income families are more likely to need state services through programs such as Medicaid. Finally, policy areas of top concern in government — education, criminal justice and health care — are impacted. For example, at a time when states are increasingly scrutinizing student achievement and assessment, studies indicate that children in single-parent homes tend to have below-average test scores, poorer attendance records, higher dropout rates and lower expectations about college. In addition, delinquency rates are less prevalent in two-parent households. One study of 1993 juvenile incarceration rates in Wisconsin found that 87 percent of the offenders came from never-married households or broken homes. A U.S. Department of Health and Human Services report concluded that adolescents living with two biological or adoptive parents were significantly less likely to use or have problems with illicit drugs, alcohol or cigarettes than adolescents in other family structures.

Family types (as percent of total households in state)*

State	Married-couple households	Male householder	Female householder
IL	51.3 (54.1)	4.1 (3.5)	12.3 (12.0)
IN	53.6 (58.2)	3.9 (2.9)	11.1 (10.5)
IA	55.1 (59.2)	3.3 (2.4)	8.6 (8.0)
KS	54.7 (58.5)	3.6 (2.6)	9.3 (8.6)
MI	51.4 (55.1)	4.1 (3.3)	12.5 (12.9)
MN	53.7 (57.2)	3.6 (2.8)	8.9 (8.6)
NE	54.2 (58.2)	3.3 (2.5)	9.1 (8.3)
ND	53.4 (59.1)	3.3 (2.7)	7.8 (7.3)
OH	51.4 (56.1)	3.8 (3.0)	12.1 (11.7)
SD	54.2 (58.9)	3.7 (2.7)	9.0 (8.0)
WI	53.2 (57.5)	3.9 (2.8)	9.6 (9.6)

* 2000 U.S. Census figures, with 1990 numbers in parentheses

Married couple household — A family in which the householder and his/her spouse are enumerated as members of the same household.
Other Family: Male Householder — A family with a male householder and no spouse or householder present.
Other Family: Female Householder — A family with a female householder and no spouse or householder present.

Source: U.S. Census Bureau, "Households and Families: 2000"

Figures like these, combined with the statistical trends seen in the late 1990s, will energize policymakers interested in legislation that actively promotes two-parent households. But resistance will come from those who believe such governmental attempts are simplistic or misguided. Another argument will be for state government to instead focus on providing additional economic and community resources to low-income families.

Some of the same studies that report lower achievement among children in single-parent families also conclude that the most important factor is low income. In fact, researchers at RAND — a nonprofit research institution — found that "single-parent status by itself was not significant" in determining student performance. Factors such as parents' education and income levels were much more important; moreover, large investments in school systems were found to positively influence achievement, specifically among minority youths.

In the future, state policymakers will consider different public policy approaches. Some policies will aim to influence trends in family structure, while others will concentrate on providing vital resources to individuals living in various household types.

Impacting family structure

As part of the 1996 welfare reform law, the federal government tasked states with developing strategies to reduce the number of out-of-wedlock births and has since provided bonus money to the highest-performing states, one of which has consistently been Michigan. Among the programs created in the Wolverine State is the Michigan Abstinence Partnership. Formed in 1993 by the Department of Community Health, the partnership has created an award-winning media campaign, along with various educational programs, that target 9- to 14-year-olds and their parents.

Other states also have been placing a greater emphasis on curbing the frequency of nonmarital childbearing, especially among teens. Additional funding will mean more scrutiny of the effectiveness of state abstinence education programs and other initiatives. If successful, the efforts could save the government money. Women age 17 and under who give birth outside of marriage are more likely to go on public assistance and spend more years on it once enrolled. Among children living with single mothers, children born outside of wedlock are 1.7 times as likely to be poor than those born to married parents.

Another attempt to reduce nonmarital childbearing has been the establishment of family caps on welfare benefits. In states such as Illinois, Indiana, Nebraska, North Dakota and Wisconsin, welfare checks do not increase with family size. These measures have reduced benefits among certain recipients, but research so far is inconclusive about the effects on the rate of out-of-wedlock births. If found to be effective, momentum will increase for family caps to be implemented beyond the 23 states that now have them in place.

A sometimes more contentious method of impacting family structure involves various state attempts at “marriage preservation.” In response to rises in divorce rates and single-parent families, some lawmakers already have tried to intervene legislatively. Florida now requires that marriage education be taught in high school and offers discounts on marriage license fees for couples who take premarital classes. In Oklahoma, a $10 million Marriage Initiative has been launched with the goal of reducing the state’s divorce rate by one-third by 2010.

In fall 2001, a group of Michigan lawmakers introduced legislation that would create a $50 marriage preservation tax credit for premarital/marital education or counseling programs and modify the state’s no-fault divorce system. In another measure, a divorce would be granted to parents only after completion of the following: a program that discusses the consequences of divorce, and development of a plan that spells out custody arrangements for children.

Some of the recent state initiatives in the areas of marriage and divorce are obvious attempts to impact family structure, but more traditional policies — although perhaps more subtle or far-reaching in intent — can have a considerable effect. One particularly interesting example that lawmakers might consider when shaping future welfare policy comes from a 2000 study by the Manpower Demonstration Research Corp. The nonprofit, nonpartisan organization studied the Minnesota Family Investment Program (MFIP), that state’s welfare reform initiative, and its effects on long-term recipients (both single-parent and married households).

The program, examined when it was a pilot project (between 1994 and 1998), was considered unique at the time because its goal was not only to move welfare recipients into work and to reduce dependence on public assistance, but also to help working families leave poverty. Recipients were given financial incentives to get jobs and, once employed, could retain more of their welfare benefits when compared to more traditional government programs. In addition, child care subsidies were paid directly to providers.

Among single parents in MFIP, employment increased and poverty decreased, while the behavior and school performance of children in these families improved. In addition, recipients were more likely to marry compared to people receiving benefits from the traditional Aid to Families with Dependent Children (AFDC) program.

The effects on two-parent families were somewhat different. Family earnings actually decreased because one of the two parents was more likely to reduce employment hours or delay entry into the workforce. However, overall income rose due to the program’s financial incentives and less restrictive rules for two-parent families. The two-parent families in MFIP over a three-year period also were much more likely to stay married (67 percent) than were those in AFDC (38.1 percent). Researchers suggest that the enhanced benefits for working families, and resulting reductions in work hours and financial strain, contributed to the promising marital statistics.

The study gives hope to state policymakers who would like government assistance to not only provide immediate help to individuals in need, but also influence long-term trends in family structure.

Helping low-income families

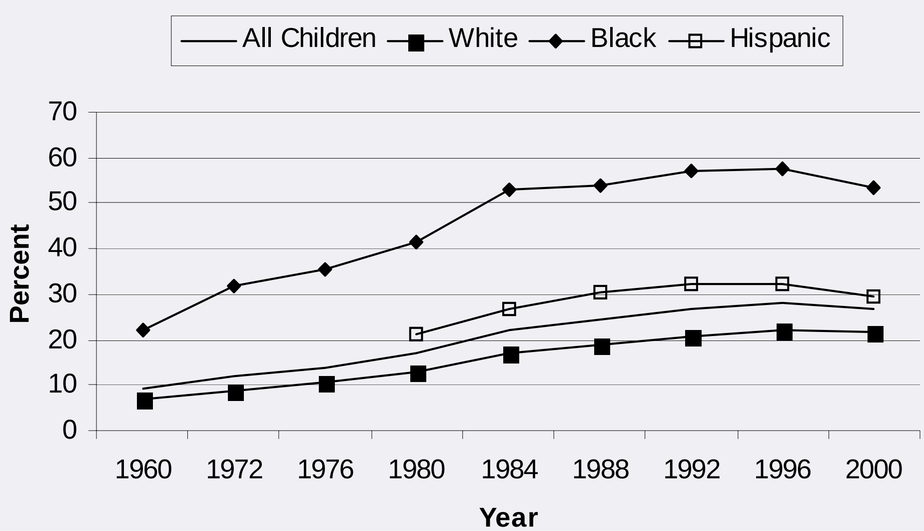
If reduced financial strain can improve marital stability, then perhaps more legislatures will consider enactment or expansion of earned income tax credits (EITC), which, by supplementing the wages of low-income workers, attempt to reduce poverty and promote work.

Five Midwestern states — Illinois, Iowa, Kansas, Minnesota and Wisconsin — are among the 16 that currently have EITCs. All are modeled after the federal version, but significant variations exist between individual states' tax credits.

Supporters of EITCs often single out the plans in place in Minnesota and Wisconsin. Minnesota offers one of the largest tax reductions for working families, between 15 percent and 46 percent of the federal credit depending on earnings, while Wisconsin's system is the only one that changes the amount of credit depending on the number of children in a family (4 percent for one, 14 percent for two and 43 percent for three).

Improving child support collection is another way states can help boost the income levels among single-parent households and, in the process, reduce families' needs for state assistance. In addition, it can help keep marriages together or improve relations between divorced parents. According to the most recent U.S. Census Bureau report analyzing child support data, of the 14 million custodial parents eligible for child support in 1997, 41 percent had received the full amount owed them. The poverty rate for families receiving all child support payments was 15.2 percent; it climbed to 35.7 percent for those getting no payments. States, armed with technological advances and enhanced enforcement abilities, will continue to test new ways of improving collection rates. For many households, particularly low-income families without the resources to pursue child support collection effectively, government intervention is vitally important.

LIVING ARRANGEMENTS OF CHILDREN UNDER 18 YEARS OLD (PERCENT LIVING WITH ONE PARENT)



Source: U.S. Census Bureau (Historical Time Series)

Public policy directions

Few trends have been the focus of more political campaigns and sloganeering than the demographic shift toward more single-parent homes, one of the underlying issues that led to the much-used term "family values." Although serious doubts have existed about whether public policy can — and should — correspond with the political rhetoric, legislative initiatives indicate a willingness to try. Recent trends regarding out-of-wedlock births and family household types will likely embolden these efforts.

Regardless of ideological perspective, it is clear that state programs impact families. More attention is now being placed on the ability of public policy to influence household structure. Meanwhile, lawmakers will continue to look at how state programs can improve the lives of families — regardless of household structure — and, in the process, make them less reliant on government services.

Immigration: The new Midwesterners

Increase in foreign-born residents provides challenges and opportunities

America's image as a nation of immigrants is more than just a reflection of its past. As a new century begins, the country is once again awash in new arrivals, just as it was a century ago. Like the great wave of immigration that marked the early decades of the 20th century, the current era of mass immigration is changing the fabric of American society. From coast to coast, and increasingly in the heart of the Midwest, immigrants are arriving in unprecedented numbers, and their impact on the states and local communities in which they settle presents a wide range of challenges and opportunities for policymakers.

New Americans, new neighbors

In 1970, immigrants accounted for less than 5 percent of the total American population. In the last three decades, however, more than 26 million new immigrants — about a third of all immigrants who have ever come to America — have arrived in the United States. During that time, America's foreign-born population has grown to more than 30 million (more than twice the number at the peak of the early-20th-century immigration wave), and the immigrant share of the total population has more than doubled, climbing to almost 11 percent (a 70-year high).

In the last 10 years alone, the immigrant population grew by more than 50 percent, or four times faster than the total population and more than six times as fast as the native-born segment. With more than a million new immigrants (legal and illegal) arriving each year, the foreign-born population rose by almost 11 million in the 1990s. The vast majority (700,000 to 900,000 per year) were legal immigrants who came to join family members or to find work, but the Immigration and Naturalization Service (INS) estimates that several hundred thousand illegal immigrants also entered the country each year. Recent U.S. Census Bureau estimates indicate that the American foreign-born population now includes as many as 8 million illegal immigrants, counting those who entered the country illegally (about 60 percent of the total, according to the INS) and those who overstayed temporary visas.

Foreign-born population growth, 1990-2000

State	Foreign-born (1990)	Foreign-born (2000)	Increase
IL	952,272	1,519,880	59.6%
IN	94,263	185,280	96.6%
IA	43,316	94,299	117.7%
KS	62,840	81,538	29.8%
MI	355,393	522,546	47.0%
MN	113,039	262,457	132.2%
NE	28,198	76,357	170.8%
ND	9,388	13,012	38.6%
OH	259,673	335,031	29.0%
SD	7,731	13,536	75.1%
WI	121,547	215,007	76.9%
Midwest	2,047,660	3,318,943	62.1%
U.S.	19,767,316	30,466,222	54.1%

Source: U.S. Census Bureau

The recent influx of new arrivals has been most apparent in the handful of states that are now home to the majority of America's immigrants. California alone accounts for more than 30 percent of the nation's foreign-born population (more than twice the share of any other state), and the top six immigrant states (California, New York, Florida, Texas, New Jersey and Illinois) together encompass more than 70 percent of the nation's immigrants, or almost twice their share of the general population. But in unprecedented numbers, new arrivals are settling in states and communities across the country, many of which are experiencing disproportionately rapid growth in their immigrant populations.

Here in the Midwest, where total population growth in the 1990s (7.8 percent) lagged behind the national pace (13.2 percent), the foreign-born population grew by 62.1 percent, easily exceeding the national rate of 54.1 percent. And in individual Midwestern states, which experienced total population growth rates ranging from less than 1 percent in North Dakota to just over 12 percent in Minnesota, immigrant population growth rates ranged from 29 percent in Ohio to more than 170 percent in Nebraska. In fact, immigrant growth rates exceeded the national pace in seven of 11 Midwestern states, including three (Iowa, Minnesota and Nebraska) that saw increases of more than twice the national rate.

Immigrants still account for a relatively small share of the total population in most Midwestern states (less than 5 percent in eight states) and in the region as a whole (5.64 percent compared to 10.83 percent nationally), but the region's foreign-born population, which now includes just over 10 percent of the nation's immigrants, is large (3.3 million) and growing disproportionately fast. With an estimated 13 million new immigrants predicted to enter the United States over the next decade, the Midwestern states can expect to see their immigrant populations climb sharply in coming years.

Foreign-born population by region of birth, percent share (rank within state), 2000

State	Latin America	Asia	Europe	Other
IL	45.5 (1)	23.5 (3)	27.3 (2)	3.7 (4)
IN	38.3 (1)	29.4 (2)	27.4 (3)	4.9 (4)
IA	38.7 (1)	31.9 (2)	21.4 (3)	8.0 (4)
KS	37.3 (2)	39.9 (1)	14.2 (3)	8.6 (4)
MI	17.0 (3)	41.5 (1)	30.8 (2)	10.7 (4)
MN	29.2 (2)	39.0 (1)	16.2 (3)	15.6 (4)
NE	55.9 (1)	25.5 (2)	12.0 (3)	6.6 (4)
ND	10.7 (4)	27.4 (3)	32.1 (1)	29.8 (2)
OH	12.8 (3)	32.4 (2)	43.2 (1)	11.6 (4)
SD	25.6 (2)	30.6 (1)	23.4 (3)	20.4 (4)
WI	31.7 (2)	37.1 (1)	24.2 (3)	7.0 (4)
Midwest	34.7 (1)	30.4 (2)	27.6 (3)	7.3 (4)
U.S.	50.8 (1)	27.5 (2)	15.7 (3)	6.0 (4)

Source: U.S. Census Bureau

Driven by a wave of recent immigration from Mexico, which alone accounts for more than a quarter of the foreign-born in the United States, Latin America has emerged as the single largest source of immigrants in America (15.5 million, or more than half of all immigrants). Asia is the second largest source (27.5 percent), and Europe is third (15.7 percent). By comparison, this region's immigrant population is significantly less Hispanic (34.7 percent), slightly more Asian (30.4 percent) and considerably more European (27.6 percent). But Latin America remains the largest source of immigrants to the Midwest as a whole, even though it is the largest source in only four Midwestern states (Illinois, Indiana, Iowa and Nebraska). Asia, the Midwest's second largest source, is the leading provider of immigrants in five of the region's states (Kansas, Michigan, Minnesota, South Dakota and Wisconsin), and Europe remains the top source in two (North Dakota and Ohio).

The impact of immigration

While America's immigration policies are debated and determined primarily at the federal level, state and local governments bear the principal responsibility for welcoming and integrating immigrants into their new communities. The National Academy of Sciences (NAS) has concluded that immigrants make invaluable contributions to the American workforce and to the economy as a whole, but successful assimilation takes time, and new immigrants must often overcome significant obstacles during the transition.

Though many immigrants come to the United States in search of work, most are unskilled and undereducated. Fewer than half (44.9 percent) are trained beyond the high school level, and the segment with less than a high school diploma (30 percent) is about three times as large as that of the native population. On the other hand, immigrants are slightly more likely than natives to possess graduate or professional degrees, but the highly educated comprise relatively small shares of both populations (10.7 percent and 9.3 percent). Clearly, as the influx of new arrivals continues, states will increasingly be challenged to meet the educational needs of immigrants and their children.

The health and welfare of immigrants are also concerns, primarily due to the disproportionately high rate of poverty among the foreign-born population. According to the Census Bureau, the nationwide poverty rate for immigrants (16.8 percent) is about 50 percent higher than that of natives (11.2 percent), but the rate varies considerably by country of origin and decade of entry into the United States. For example, more than a quarter of Mexican immigrants, but less than 10 percent of those from India, live in poverty. And whereas more than 23 percent of all immigrants who arrived in the 1990s are poor, less than 12 percent of those who arrived in the 1970s live in poverty, numbers which suggest that immigrants who stay and become integrated into the general population tend to fare better over time.

Not surprisingly, immigrants tend to be high users of welfare programs when compared to natives, though reforms in the late 1990s that made citizenship an eligibility requirement for most public benefits have narrowed the gap. Still, as more immigrants arrive and become citizens, the high immigrant poverty rate will inevitably impact state and local public assistance programs.

Another concern is that while immigrants tend to be healthier than natives, they are two-and-a-half times more likely to lack health insurance. But a recent report by the Kaiser Commission on Medicaid and the Uninsured concluded that immigrants are not a major cause of recent growth in the nation's uninsured population. In fact, between 1994 and 1998, the number of new immigrants without health insurance actually declined by 100,000.

While these and other concerns tend to fuel a perception that immigrants are a drain on public resources, the NAS has concluded that the average immigrant actually contributes $1,800 more in taxes than he or she consumes in public benefits each year.

Other studies have shown that state and local governments lose money on foreign-born residents since most immigrant taxes are paid to the federal government while the bulk of immigrant services are provided locally. But the NAS found that over a lifetime, immigrants and their children pay an average of $80,000 more in total taxes than they receive in local, state and federal benefits combined.

Moreover, according to the National Immigration Forum, as they assimilate over time, immigrants tend to become net economic contributors, usually after 10 to 15 years of residency. In fact, adult immigrants who become citizens (as do almost 40 percent) tend to have higher incomes and pay more in taxes than do natives.

Immigrants are also increasingly seen as invaluable additions to the nation's workforce, especially in states where labor shortages and slow population growth have posed economic threats. In some states, new immigrants accounted for most, or even all, of the total population growth over the last decade, and nationwide, foreign-born residents now comprise almost 13 percent of the workforce. Many (41.7 percent of all immigrant workers) find employment in unskilled occupations, where they tend to constitute disproportionately large shares of total workers. But most (58.3 percent of the total) work in skilled occupations, where, compared to natives, they comprise disproportionately small shares of all workers.

This dynamic tends to feed the misperception that most immigrant workers are unskilled, when, in fact, unskilled immigrants simply tend to be more visible relative to their skilled counterparts.

States take action

As the American landscape continues to change, immigrant issues are beginning to appear more frequently on state policy agendas. States with relatively small foreign-born populations have been slow to address the unique challenges and opportunities that immigration presents, but that too is beginning to change.

In Iowa, for example, Gov. Tom Vilsack embraced the promise of immigration when he launched an initiative designed to attract more skilled immigrant workers into his state. Motivated in part by concerns over the state's tight labor market and aging workforce, the New Iowans Pilot Project challenged three Iowa communities to assess their future workforce needs and to begin developing the cultural and public support systems necessary to attract and retain new immigrant workers. The hope is that by welcoming and integrating skilled immigrants into the general population, local communities and businesses will thrive and the state's economy will continue to grow.

The plan drew criticism from opponents concerned about the potential downside of increased immigration, but the program will be evaluated after the pilot communities complete their initial assessments and submit recommendations to the state.

Farmers in North Carolina have also become recruiters of immigrant workers in a cooperative effort (administered by the North Carolina Growers Association) designed to meet their seasonal labor needs. And participants in a rural summit held last summer in Minnesota learned that immigrants have breathed new life into that state's rural communities, while posing new challenges related to housing and education.

As they seek to meet the challenges generated by immigration, officials will undoubtedly draw from the experiences of states with larger immigrant populations.

In Illinois, for example, the state long ago established a Bureau of Refugee and Immigrant Services to address the needs of a foreign-born population that now numbers more than 1.5 million. Housed within the Department of Human Services, the bureau coordinates the efforts of community-based organizations and other partners throughout the state to provide immigrant services ranging from community outreach and interpreter training to English-as-a-second-language instruction, civic education and INS advocacy. The bureau also develops policy recommendations to facilitate the integration of immigrants into the state's service system.

Influx of new arrivals will continue

Barring a dramatic shift in federal policy, the immigrant tide will continue to rise in the years to come. By the end of last summer, the stage even appeared to be set for a loosening of immigration policy. But talk of freer movement across America's southern border and a gradual amnesty for the nation's illegal aliens was quickly replaced following the Sept. 11 terrorist attacks by calls for tighter border controls, closer monitoring of temporary visa holders and a crackdown on illegal immigrants. The recent economic downturn has also reduced the demand for foreign labor, at least temporarily, but most observers believe the flow of immigrants will remain high in the long run.

If the Census Bureau's projections prove accurate, immigration will play an important role in America's future population growth. By 2050, Hispanic Americans will constitute 20 percent of the American population, while non-Hispanic whites will account for a bare majority, down from almost 75 percent in 1995.

IMMIGRANTS' SHARE OF STATES' TOTAL POPULATIONS, 2000

State	Percentage
IL	12.24
IN	5.34
IA	5.26
KS	4.46
MI	4.01
MN	3.22
NE	3.05
ND	3.03
OH	2.95
SD	2.03
WI	1.79
Midwest	5.64
U.S.	10.83

Source: U.S. Census Bureau

Governmental impacts

The implications of this growth are especially significant for policymakers at the state and local levels, who will see both the composition and the concentrations of their constituencies change. Although it may not be surprising that immigrants are far more likely than natives to live in central cities (and far less likely to live in rural areas), what is surprising is that more immigrants now live in suburban communities than in cities. Some migrate to the suburbs after settling initially in larger urban centers, but increasingly, new immigrants first come to the suburbs, usually because jobs and friends or family members are there. If that pattern continues, immigration will contribute to the suburbanization of American society.

Government itself remains one of the most important arenas in which new immigrants will likely make their mark in the years to come. To date, political influence has been slow in coming for the nation's foreign-born, but with immigrants already accounting for more than 5 percent of all eligible voters (and more than 15 percent in California), that too will change as America's immigrant heritage gives way to its immigrant future.

Skilled workforce shortage: The race is on

Midwestern states search for ways to train, retain their workers

Just as developments in technology and human capital led the transition of the United States from an agricultural to an industrial economy in the late 19th century, America began another economic transformation in the latter half of the 20th century, driven once again by new technologies and advancements in human capital. And just as the earlier changes disrupted old ways of doing business, this most recent transition from an industrial economy to a knowledge-based, information economy has challenged old economic models that are no longer appropriate.

In this New Economy, those workers with the applicable skills and knowledge will prosper, or at least keep pace, but those lacking the necessary skills and training simply will not. Demand for skilled labor, even in times of job cutbacks, remains high and will only increase in the coming decades, resulting in an economic imperative to create and maintain an educated, skilled workforce to make certain that the information economy continues to move forward. In the Midwest, which in the past decade has experienced a steady siphoning off of some of its most skilled and talented young workers, policymakers are challenged to reverse the decade-long "brain drain" trend in order to ensure and improve future economic growth and prevent their citizens, communities and states from being left behind.

Employment and population trends

The 1990s marked the longest period of economic expansion in U.S. history, and some of the nation's largest budget surpluses, greatest declines in welfare rolls, and lowest poverty levels and unemployment rates were experienced in Midwestern states. Gains in employment were particularly noticeable in this region, as jobless rates were typically a half to a full percentage point lower than the national average, which hovered around 4 percent during the late 1990s. Unemployment figures in Indiana, Iowa, Minnesota, Nebraska, North Dakota and South Dakota dipped well below 3 percent.

The nation's historic period of economic growth ended in 2001, and among the more recent trends has been a rise in jobless rates. Still, the region's unemployment numbers continue to outperform the rest of nation. In October 2001, the national rate jumped to 5.4 percent (up from 4.9 percent in September). North Dakota's 2 percent unemployment rate marked the lowest in the nation, while figures in Iowa, Nebraska, South Dakota and Wisconsin also remained below 4 percent. At 5.5 percent, Illinois was the only Midwestern state to top the national jobless rate.

Low unemployment rates, which lead to tight labor markets, have highlighted the struggle of businesses to recruit adequately trained and qualified workers. The emergence of a gap between the skills required by employers and those possessed by workers has put states in a race to create, recruit and retain individuals able to fill openings in increasingly technological workplaces. Finding and keeping skilled workers became the biggest employment issue of the late 1990s. Despite the recent slowing of the economy, projections indicate that the nation will continue to face shortages of labor and skills at all levels. Trends portend that the Midwest will feel this shortage, driven by both economics and demographics, more acutely than the western and southern regions of the nation.

The 2000 U.S. Census shows that in the 1990s, the total U.S. population grew by about 13 percent — a figure that was not matched by a single state in the region. The average population growth rate in the Midwestern states between 1990 and 2000 was 7.8 percent. Minnesota topped the regional list at 12.4 percent, barely outperforming the slowest growing of the western states, and neighboring North Dakota's population remained nearly flat, at 0.5 percent growth.

In addition to birth rates and death rates, net domestic and international migration rates comprise the third factor that accounts for almost all of the change in population, and migration patterns have shaped the recent labor force trends in the Midwest. Every U.S. state experienced positive foreign immigration within its borders. Looking at domestic migration, however, a much different picture emerges, with some states exporting large numbers of residents to other states. In the Midwest, only Indiana, Minnesota and Wisconsin maintained more of their own citizens than they lost to out-of-state migration. The fact that these are the same three states that had the greatest rates of population growth in the region points to the importance of maintaining residents in order to achieve growth.

Contrary to a commonly held perception of the region, the problem of population loss through outmigration is not just limited to the Great Plains portion of the Midwest. The Great Lakes states are struggling with this as well. Illinois, Michigan and Ohio (along with North Dakota) all saw more residents move out of their states than join their citizenries through migration. In other states, immigration helped ease the negative impact of the outmigration of native-born populations.

MIGRATION BY STATE, 1990-1999

State	Net domestic migration	Net international migration	Total net migration
IL	-560,003	384,026	-175,977
IN	83,674	29,053	111,727
IA	-15,542	21,151	5,609
KS	-16,224	28,233	12,009
MI	-199,465	99,735	-99,730
MN	86,847	55,173	142,020
NE	-3,693	15,138	11,445
ND	-37,387	5,305	-32,082
OH	-166,200	52,922	-113,278
SD	-2,881	4,890	2,009
WI	90,224	24,969	115,193
Midwest	-737,957	720,595	-21,055
U.S.	0	7,478,078	7,478,078

Source: U.S. Census Bureau

A closer examination of the demographic components of migration is important in understanding the economic and employment impacts of a shifting population. Recent research has shown that better-educated people — those with trade skills or college degrees — are more likely to move out of state than lower-skilled workers. In the Midwestern states, keeping college graduates has become a greater challenge than creating them. The steady outflow of workers at the higher skill and education levels not only leaves fewer replacement workers as older generations reach retirement age, but it also serves to exacerbate the skills gap in the remaining labor pool.

According to the Population Reference Bureau, among the top five states experiencing low growth in their working-age populations, three are located in the Midwest: Iowa (3 percent), Ohio (2 percent) and Michigan (no growth). During the 1990s, the baby boom and Generation X populations in Michigan dropped by 10 percent, while the state's total population increased by 7 percent.

Several factors are contributing to this brain drain of the young and most talented Midwestern workers. Higher-paying jobs and better career opportunities in other states, warmer climates, and localities with greater social and cultural amenities seem to top the list of reasons for leaving. The highly educated and those possessing high-tech skills are valued and sought after in the national labor market. And in terms of the development of a high-tech economy with access to investment capital and start-up opportunities, the Midwest has lagged behind the rest of the nation, creating lower demand for high-skill workers in this region. Increasingly, the region's young workers find that the opportunities fitting their profile in terms of skills and education level, along with pay and benefit structure, do not exist in their home states.

Employment projections from the U.S. Bureau of Labor Statistics show that labor force growth and labor demand will be deeply impacted by the aging of the baby boom generation, which will move into its retirement years beginning later this decade. During the next several years, the number of adults in the working-age population nationally will continue to increase, but projections show that labor demand will outpace supply after 2005. While the youth labor force (16- to 24-year-olds) is expected to grow this decade at a faster pace than the overall labor force for the first time in 25 years, the numbers in two other key age groups, 25-34 and 35-44, are expected to shrink. The result will be a nationwide labor shortage of 35 million workers by 2030. The Midwest alone will experience a decline of about 3 million workers in the next 15 years. In the long term, the relatively older and less-educated composition of the region's labor force will lower workforce participation and productivity rates.

With a shrinking pool of available working-age adults, demand for highly educated workers will become particularly acute. Employment projections show that most new jobs in the future will require post-secondary training and many will require a college education. According to the Employment Policy Foundation, about half of the 35 million unfilled jobs in coming years will require a college degree. The Bureau of Labor Statistics predicts that while the economy will continue to generate jobs at all levels, growth rates will be faster, on average, for occupations requiring at least an associate's degree than for those requiring less training. Future shortages are expected to be most acute in fields requiring the highest levels of skills and education, including some of the fields already experiencing shortages: health care, information technology, professional services, construction and the craft trades.

Study after study has documented the impending deepening of the skills shortage and the challenges facing business to fill positions. The technology sector is most seriously impacted by the shortage of skilled workers. The federal government predicts that 80 percent of all new jobs in the next decade will be in IT-related fields, and by 2006, there will be an unmet demand for 1.3 million new IT workers. In a recent National Association of Manufacturers survey of member firms, approximately 90 percent reported difficulty finding qualified candidates.

So while increases have been seen in the unemployment rate in 2001, they have only served to highlight and reinforce the seriousness of the skills shortage. Recent job losses hit the manufacturing sector hardest, while many areas of the service sector — including education services, medical services and finance — experienced job gains. Furthermore, growth in high-earning jobs during this recent spate of employment contraction indicates a continuing demand for high-skill workers and emphasizes the need to increase the training and education of the workforce.

Implications and responses

Because there is little expectation that the Midwest's population will undergo dramatic increases compared to other parts of the nation over the next several years, there is a growing realization that policymakers need to be more proactive if their states are to adequately address workforce and skill shortages and keep up with labor market demand. Failing to do so would put the Midwest at risk of losing both portions of its economic base and the potential for economic growth.

Inadequate labor supplies undermine business capacity and negatively impact the ability to sustain businesses. If recent trends continue, businesses may not start or expand in the Midwest, some may be compelled to move to states with the needed labor, and less-mobile firms could be forced to cease operations altogether. A shrinking workforce (and one that is concentrated on low-skill sectors) also has implications for a state's tax base. The ability to support essential social services — especially in the face of an aging population that will rely more heavily on governmental programs in retirement years — is also at risk.

Some argue that the brain drain is more correctly viewed as a symptom of a larger economic development problem, and not simply a problem in and of itself. Increasingly, therefore, policymakers are more closely examining the economic context within which the loss of workers and skills shortages occurs.

The result has been that state economic development policy has taken a decisive turn away from "smokestack chasing" to "people chasing," as the challenge of the past decade has been to find workers for jobs, rather than to find jobs for workers. Pressures have mounted to lure back the young who have left and to make communities more attractive to citizens and high-tech businesses alike. The Michigan Economic Development Corp. has shifted its entire advertising focus from business recruitment to worker recruitment, launching a $5 million campaign to attract out-of-state workers — especially in the fields of life sciences, computers and engineering — from nearby metropolitan areas. Iowa, Nebraska and North Dakota have started their own efforts to bring back former citizens through initiatives such as direct mailing and "recruitment parties" for former residents now residing in other states. Iowa has targeted immigrants to help close their workforce shortages and has established New Iowan Centers to provide new foreign residents with support and access to services. That state also offers scholarships to graduates who choose to remain within its borders.

States are trying to more effectively involve business in workforce development through such efforts as public-private partnerships and through restructured state and federal workforce development systems. Training partnerships between government, educational institutions and the private sector are being recognized as the model for closing the skills gap and addressing the needs of those businesses driving the New Economy. Community colleges are being targeted for the provision of much of the job-related training and skill enhancement programs. For example, Illinois lawmakers consolidated the state's adult education program under the Illinois Community College Board, which already had been delivering many employment-related services. Such changes in job training reflect a new emphasis on assisting employers and providing workers with real prospects for the future.

PROJECTED CHANGE IN NUMBER OF JOBS, 1998-2008

State	Additional jobs	Increase
IL	810,250	13%
IN	463,350	16%
IA	261,500	16%
KS	228,450	15%
MI	479,400	10%
MN	434,750	16%
NE	130,800	13%
ND	34,350	9%
OH	738,900	12%
SD	55,600	13%
WI	388,150	13%
U.S.	20,281,500	15%

Source: U.S. Bureau of Labor Statistics

Coordinating and consolidating economic development, welfare, education, workforce training and even tourism efforts are becoming commonplace in state government. In 2001, Minnesota and North Dakota joined Illinois, Michigan, Ohio and Wisconsin on the list of Midwestern states that have undertaken agency reorganization and mergers in order to meet the growing demands of labor shortages, a high-tech economy and a work-based welfare system. Combining the various state programs under a single unit helps to ensure that social services, business recruitment, economic development efforts and workforce preparedness programs are all operating under a coordinated mission.

A culture for the New Economy

Workforce development and job training are becoming central themes in many states' overall economic development efforts, but improving the condition of human capital also needs to be accompanied by an environment that encourages the development of New Economy businesses and a culture of entrepreneurship. This includes access to investment, seed and venture capital, and the development of the physical and technological infrastructure to support high-tech businesses. In addition, support for research universities and for linkages between these institutions and businesses (which help getting cutting-edge ideas, research and products to the market) are important in improving a state's economic and workforce environment. Such entrepreneurial support drives the growth of existing companies, encourages start-ups and fuels spinoff employment in related fields. Creating a favorable business climate no longer centers on the package of business incentives offered to firms. It means the development of human capital, technology and entrepreneurial capital. Skills and education will be dominant, if not decisive, factors in the Midwest's ability to keep up with other parts of the nation and to compete in the global economy.

Seeking ways to improve education and skills, and then finding ways to hold on to those possessing the sought-after skills, will continue to be a policy priority in the competitive labor market of the 21st century.

The development of high-tech firms goes hand-in-hand with the presence of highly skilled workers, and support for an entrepreneurial business environment can lead to the creation of businesses that ultimately employ those with the greatest skills and education in the workforce. As state policymakers attempt to increase the numbers of high-productivity, highly paid workers in the state's labor market, the solutions they choose and responses they craft may in the end be determined by how the brain drain dilemma is defined and approached: whether it is viewed as a simple problem in its own right (one of migration patterns and population attraction and retention) or as part of the state's larger economic development problem.

Suburban growth: A changing landscape

Sprawl, other land-use issues emerge as key concerns around region

Suburban growth is transforming the Midwest, forcing policymakers to consider the trend's impact on hard-hit rural areas and inner cities as well as on burgeoning suburban communities. As legislatures consider ways to balance often competing regional interests within their states, they will look to subtle but significant shifts in the way Midwesterners live and work in an increasingly suburbanized environment.

Demographic changes already have galvanized public opinion in many states around land-use, growth control and economic development issues in which rural, urban and suburban areas alike now have a stake. The decisions that state legislatures make in these areas will become increasingly important if current trends in population continue.

A longtime trend

Suburban growth has been consistent throughout the country for at least the last 50 years. However, data from the 2000 U.S. Census reveal that this trend was less pronounced over the last decade, as rural areas experienced a mild renaissance fueled by mobile urbanites fleeing sprawl and retirees in search of more bucolic surroundings. Fully half of the nation's fastest-growing counties are now classified as nonmetropolitan, and rural growth has actually outpaced urban and suburban growth in 11 U.S. states. At the same time, many cities have slowed or eliminated the exodus of urbanites seen in the 1960s and '70s by focusing on aggressive economic and social development programs and marketing a range of cultural attractions unmatched by suburban areas. An infusion of well-educated baby boomers and young professionals has spurred urban revitalization efforts that are transforming many older cities.

Comparison of 1990-2000 population growth in states and their largest metropolitan areas

State	Percent growth	Largest metro area	Percent growth	Difference
IL	8.6	Chicago-Gary-Kenosha	11.1	+2.5
IN	9.7	Indianapolis	16.4	+6.7
IA	5.4	Des Moines	16.1	+10.7
KS	8.5	Wichita	12.4	+3.9
MI	6.9	Detroit-Ann Arbor-Flint	5.2	-1.7
MN	12.4	Minneapolis-St. Paul	16.9	+4.5
NE	8.4	Omaha	12.1	+3.7
ND	0.5	Fargo-Moorhead	13.7	+13.2
OH	4.7	Cleveland-Akron	3.0	-1.7
SD	8.5	Sioux Falls	23.8	+15.3
WI	9.6	Milwaukee-Racine	5.1	-4.5

Source: U.S. Census Bureau

But these highly publicized "counter trends" mask the larger reality that suburbs continue to outpace both urban and rural communities in population growth, especially in the Midwest. Central cities in four of this region's 10 largest metropolitan areas lost population between 1990 and 2000, but suburban areas in all 10 of the metropolitan areas registered gains — often robust and at the expense of older neighborhoods in inner cities.

In fact, the suburban share of overall metropolitan area growth averaged more than 100 percent in the Midwest (compared to 83.7 percent nationally) as a result of continuing population losses in several large cities. In the six central cities that managed to add population — Chicago, Columbus, Indianapolis, Minneapolis/St. Paul, Grand Rapids and Kansas City — suburbs still accounted for 85 percent of their areas' population gains.

Even more ominous for cities, government data suggest that urban areas fell behind not only in raw population growth but in the important categories of job creation and income expansion.

While the Midwest's eight largest metropolitan areas experienced modest employment growth during the past decade (1 percent), cities' share of overall metropolitan-area employment continues to decrease. U.S. Commerce Department figures reveal that the central cities registered a 1.4 percent decline between 1987 and 1997.

Moreover, the national data that statisticians cite do not always mirror circumstances in the Midwest. While cities in the South and West have added people and jobs by annexing new land, welcoming new immigrants and redeveloping property, these solutions have proven more elusive for Midwestern cities already fully developed and suffering from declining tax bases. The Census Bureau reports that while most cities across the country have registered population gains, the population of the 10 largest Midwestern cities declined by an average of 3 percent.

In rural areas, the dichotomy between Midwestern and national growth rates is even more pronounced. Some rural counties in the South and West have benefited enormously from close proximity to metro areas, a high rate of retiree growth or the nearby presence of tourist attractions, but many counties in the Midwest enjoy none of these population enhancers. Between 40 percent and 90 percent of the counties in Kansas, Nebraska, North Dakota and South Dakota lost residents — in some cases, a third or more of the total population moved away during the 1990s. In North Dakota, 47 of the state's 53 counties lost population, while more than half of Kansas' population resided in just nine of the state's 104 counties; most of the remaining areas in the state lost population.

Policy challenges

The greatest challenge that Midwestern legislators face is the need to direct the pace of development according to the needs and wishes of residents. One-size-fits-all development programs may address overall population losses to other states, but they do not reflect the divergent demographic pressures facing different areas within a state.

Minnesota and Wisconsin are among the many states that have offered tax rebates to employers to stem population and job losses. But state programs have sometimes exacerbated sprawl, angering suburbanites in already overdeveloped areas, without alleviating employment deficiencies in inner cities and rural areas.

A study conducted by the Minnesota Institute of Taxation and Economic Policy in late 2000 suggested that suburban areas that offer tax incentives typically end up luring businesses from inner cities rather than from out of state; in a sample of 27 businesses that took advantage of one Minneapolis suburb's incentives, all of the businesses had simply transferred operations from urban areas, and only one was purportedly ready to leave the state altogether if the incentives had not been made available.

In Wisconsin, the Senate voted to amend the state's tax incentive program to allow only blighted areas in inner cities to receive benefits. The program, as originally designed, was meant to control sprawl by encouraging employers to consider inner-city locations. Ironically, employers often took advantage of vaguely written language to build in prime suburban locations, away from city centers and accessible transportation, contributing further to the problem of sprawl while doing nothing to alleviate urban underemployment. (The Wisconsin Assembly had not yet acted on the measure as of December 2001.)

In an attempt to better coordinate growth planning, the Minnesota Legislature passed a law limiting lawmakers' borrowing requests to those with statewide significance. In signing the law, Gov. Jesse Ventura declared that the "days of pitting one region against another are over" and predicted that more balanced growth patterns would soon develop across the state. But some lawmakers doubt that rural Minnesota can sustain growth without the benefit of funding targeted to the region's infrastructure deficiencies, and they continue to push for a multitrack development program.

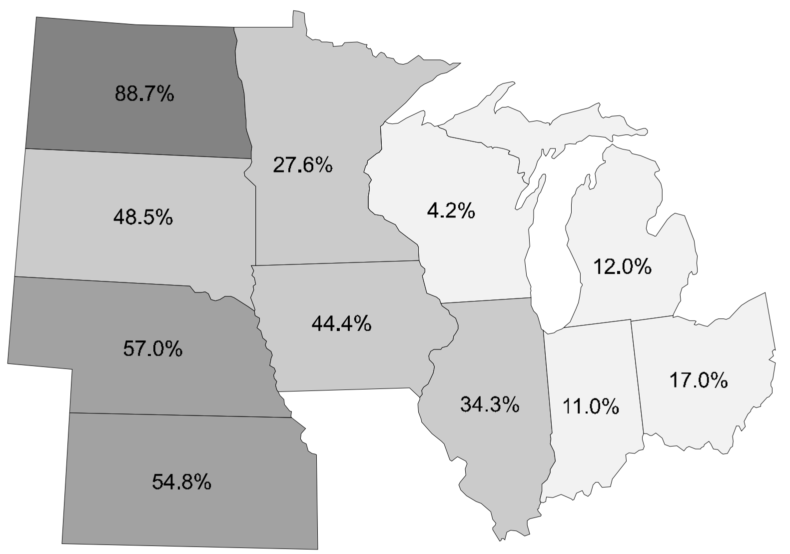
Trying to manage growth

Land use has emerged as perhaps the key demographically driven issue in the Midwest, and continuing suburban growth will only accelerate the trend in coming years.

Nationally, 50 percent of suburban growth is caused by net population increases (such as immigration and natural increases) and 50 percent by shifts in development patterns (fewer people living in larger spaces). But in the Midwest, development shifts are responsible for a much higher percentage of total sprawl: 100 percent in the large metropolitan areas of Chicago, Milwaukee, Detroit and Cleveland. In smaller metropolitan areas, the figure is still above average: between 58 percent and 79 percent in Omaha, Des Moines, Wichita, Kansas City and Cincinnati.

In dual-economy states — those with large metropolitan and rural areas — controlling suburban growth has become an important development issue, one on which residents across demographic lines can often agree.

Percentage of counties that lost population (1990-2000)



Source: U.S. Census Bureau

Rural dwellers in many such states view encroaching suburbanization as a threat to the agriculture industry and to their way of life; in Illinois, for example, population growth in rural areas adjacent to metropolitan areas was actually lower (1.1 percent vs. 1.3 percent) than in more-remote rural regions (those more than one county away from metro areas).

Farmers in close-in areas are tempted to sell land at a premium, often face difficulties in procuring supplies and assistance, and are tempted to seek other opportunities in nearby metro areas. Urban residents benefit from growth control policies when developers have incentives to renovate and revitalize decaying urban neighborhoods rather than develop new land in the suburbs. Cities also can benefit from cleaner air and fewer traffic problems that result from planned growth. Finally, suburban areas benefit when open-land policies improve aesthetics and raise property values.

Several states have now implemented growth control policies, most with broad public support. Wisconsin's Smart Growth law, enacted in 1999, offers communities financial incentives to implement comprehensive land-use plans by 2010. The legislation was the product of a long-debated compromise: some believe the law constrains market forces, while others doubt the enforcement mechanisms and the 10-year implementation period will constrain growth measurably.

In Illinois, Gov. George Ryan managed to secure funding for a land preservation program by including the project in an omnibus public works bill that engendered broad legislative support. While funding levels have been cut due to the state's budget crunch, the Open Land Trust will allow for the purchase of up to $160 million of land in exurban locations that might otherwise be lost to development. Ryan also created a new subcabinet post that will focus on coordinating growth policies between state and municipal officials

In Ohio, voters approved the $400 million Clean Ohio Fund project by a healthy margin (57 percent to 42 percent) in a November 2000 referendum. The program allows municipal governments in suburban areas to designate land that the state will purchase and maintain undeveloped; local governments must contribute 25 percent of the land's price to qualify for state funding.

As the Ohio example shows, growth control commands substantial public support when presented as a "quality of life" issue benefiting the entire state rather than a particular region or interest group.

In Michigan, House-approved legislation seeks to moderate growth by requiring townships to adopt open space ordinances and work with neighboring localities to approve overall development plans. It also forces developers to plan development more carefully and to set aside open land. The plan is not without its critics — builders in particular complain about state intervention in the housing market. But the bill attracted surprisingly diverse support: rural legislators liked the disincentive for builders to continue building outward, suburban supporters noted that property values increased in jurisdictions that already have open space ordinances, and urban legislators hope that restrictions on suburban growth will make city living an increasingly attractive option.

States with largely rural populations face different challenges. In the upper Great Plains, mass departures from small towns and rural areas have depopulated entire regions, leaving remaining residents with a diminishing tax base and few essential services. The agriculture industry can no longer keep these areas afloat: farming only accounts for 7.6 percent (and falling) of rural employment, and fewer than 2 percent of rural residents engage in farming as a primary occupation. In the latter half of the 1990s, when commodity prices fell precipitously, the rural growth rate was less than half of that in urban areas, and most agricultural regions in the upper Midwest lost population.

Rural states have thus focused on retaining employees and diversifying their workforces and economies. The Growing North Dakota program, now in its 10th year, authorizes the state-funded Bank of North Dakota to endow individuals and cooperatives with funding for community expansion programs and small-business grants.

Nebraska's Rural Economic Opportunities Act, signed in early 2000, provides income tax credits for businesses that create high-paying jobs and invest capital in rural locations.

Other states offer consultation services and funding sources for farmers to refine crops, add value to agricultural output or market their produce in novel ways. All Midwestern states now provide grants or loans to farmers who think up new uses for crops or can refine on-site; many states, including Illinois, Nebraska and Minnesota, have recently expanded either the funding or the range of programs available.

At the local level, cash-strapped counties in several Great Plains states have successfully pooled their resources to provide essential services, freeing up funding for infrastructure improvements that keep residents in the area. Surveys show that more rural residents are forced to leave their home regions because of poor employment prospects than choose to leave voluntarily. If states continue to find innovative ways of using new technology, investing in basic infrastructure and developing new industries, rural areas may even be able to relieve some of the demographic pressures facing bulging metropolitan areas.

Searching for consensus

Demographic trends of the 1990s suggest that total population growth has proceeded more evenly than at any time in the past 50 years — an indication that increasingly mobile Americans are willing to consider a greater range of lifestyle options if they are economically and socially viable. But a closer look at the data reveals that few reversals of postwar demographic trends occurred during the last decade; at best, some of these trends have become less pronounced.

The challenge for policymakers in the Midwest is to balance state support for various demographic regions in ways that will encourage growth in areas willing and able to support it and to limit development that threatens a region's overall quality of life. While economic development has always been a contentious issue for diverse societies, the increasing consensus on the need to manage growth effectively suggests that states are now better positioned than ever to address these critical issues.

Statistical trends in the Midwest

Population changes in the United States and Midwestern states, 1990-2000

	U.S.	Illinois	Indiana	Iowa	Kansas	Michigan	Minnesota	Nebraska	North Dakota	Ohio	South Dakota	Wisconsin
Population in 1990 (in thousands)[1]	248,710	11,431	5,544	2,777	2,478	9,295	4,375	1,578	639	10,847	696	4,892
Population in 2000 (in thousands)[2]	281,422	12,419	6,080	2,926	2,688	9,938	4,919	1,711	642	11,353	755	5,364
Percent change[2]	13.1	8.6	9.7	5.4	8.5	6.9	12.4	8.4	0.5	4.7	8.5	9.6
Percent African American or black in 1990[1]	12.1	14.8	7.8	1.7	5.8	13.9	2.2	3.6	0.6	10.6	0.5	5.0
Percent African American or black in 2000[2]	12.3	15.1	8.4	2.1	5.7	14.2	3.5	4.0	0.6	11.5	0.6	5.7
Percent Asian in 1990[1]	2.8	2.5	0.7	0.9	1.2	1.1	1.8	0.8	0.5	0.8	0.4	1.1
Percent Asian in 2000[2]	3.6	3.4	1.0	1.3	1.7	1.8	2.9	1.3	0.6	1.2	0.6	1.7
Percent Hispanic in 1990[1]	9.0	7.9	1.8	1.2	3.8	2.2	1.2	2.3	0.7	1.3	0.8	1.9
Percent Hispanic in 2000[2]	12.5	12.3	3.5	2.8	7.0	3.3	2.9	5.5	1.2	1.9	1.4	3.6
Percent Native American in 1990[1]	0.8	0.2	0.2	0.3	0.9	0.6	1.1	0.8	4.1	0.2	7.3	0.8
Percent Native American in 2000[2]	0.9	0.2	0.3	0.3	0.9	0.6	1.1	0.9	4.9	0.2	8.3	0.9
Percent white, not of Hispanic origin, in 1990[1]	75.6	74.8	89.6	95.9	88.4	82.3	93.7	92.5	94.2	87.1	91.2	91.3
Percent white, not of Hispanic origin, in 2000[2]	69.1	67.8	85.8	92.6	83.1	78.6	88.2	87.3	91.7	84.0	88.0	87.3
Percent of population 65 and over in 1990[1]	12.6	12.6	12.6	15.3	13.8	11.9	12.5	14.1	14.3	13.0	14.7	13.3
Percent of population 65 and over in 2000[2]	12.4	12.1	12.4	14.9	13.3	12.3	12.1	13.6	14.7	13.3	14.3	13.1

[1] U.S. Census Bureau, 1990 Census of Population, “General Population Characteristics”

[2] U.S. Census Bureau, “State and County Quick Facts”

KEY DEMOGRAPHIC TRENDS AND INDICATORS IN THE MIDWEST AND UNITED STATES

	U.S.	Illinois	Indiana	Iowa	Kansas	Michigan	Minnesota	Nebraska	North Dakota	Ohio	South Dakota	Wisconsin
Violent crime rate in 1990 (per 100,000 people)[1]	731.8	967.4	473.9	299.7	447.7	790.4	306.1	330.0	73.9	506.2	162.8	264.7
Violent crime rate in 1999 (per 100,000 people)[1]	524.7	732.5	374.6	280.0	382.8	574.9	274.0	430.2	66.9	316.4	167.4	245.9
Incarceration rate on Dec. 31, 1990 (per 100,000 people)[2]	292	234	223	139	227	366	72	140	67	289	187	149
Incarceration rate on June 30, 2000 (per 100,000 people)[3]	481	368	332	266	329	478	129	216	146	415	347	380
Median household incomes, 2000 dollars, 1998-2000 (3-yr. avg.)[4]	41,789	46,649	41,315	41,560	38,393	46,034	50,088	39,029	33,769	41,972	35,986	45,441
Homeownership rate in 1990[5]	63.9	63.0	67.0	70.7	69.0	72.3	68.0	67.3	67.2	68.7	66.2	68.3
Homeownership rate in 2000[5]	67.4	67.9	74.9	75.2	69.3	77.2	76.1	70.2	70.7	71.3	71.2	71.8
Unemployment rate in November 1991[6]	7.0	8.2	5.9	5.0	4.2	9.2	5.3	3.2	4.6	6.2	3.5	5.4
Unemployment rate in November 2001[6]	5.7	5.8	4.9	3.4	4.1	5.7	3.8	3.2	2.4	4.7	2.9	4.7
Percent living in poverty, 1989-1991 (3-yr. avg.)[7]	13.5	13.3	14.1	10.1	11.1	13.9	12.0	10.9	13.5	11.8	13.5	9.2
Percent living in poverty, 1998-2000 (3-yr. avg.)[8]	11.9	10.5	8.2	7.9	10.4	10.2	7.8	10.6	12.7	11.1	9.3	8.1
State expenditures per capita in 1999 ($)[9]	3,668	3,159	3,132	3,597	3,154	3,933	4,269	3,111	4,221	3,652	3,099	3,898
State revenues per capita in 1999 ($)[9]	4,236	3,570	3,222	4,053	3,273	4,737	5,254	3,347	4,633	4,555	3,936	5,397
Persons per square mile (2000)[10]	79.6	223.4	169.5	52.4	32.9	175.0	61.8	22.3	9.3	277.3	9.9	98.8
Percent without health insurance, 1998-2000 (3-yr. avg.)[11]	14.4	13.3	11.3	8.2	11.0	10.6	8.2	9.5	12.1	10.2	12.0	9.3
Infant mortality rate in 1990 (per 1,000 live births)[12]	9.2	10.7	9.6	8.1	8.4	10.7	7.3	8.3	8.0	9.8	10.1	8.2
Infant mortality rate in 1998 (per 1,000 live births)[12]	7.2	8.4	7.6	6.6	7.0	8.2	5.9	7.3	8.6	8.0	9.1	7.2
Percent with bachelor's degree in 1990 (Persons 25 and older)[13]	20.3	21.0	15.6	16.9	21.1	17.4	21.8	18.9	18.1	17.0	17.2	17.7
Percent with bachelor's degree in 1999 (Persons 25 and older)[13]	25.2	25.6	18.4	21.7	26.5	21.3	32.0	20.4	22.3	25.5	25.6	23.6

[1] U.S. Bureau of Justice Statistics, "State-by-State and National Trends"

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[4] U.S. Census Bureau, "Money Income in the United States: 2000"

[5] U.S. Census Bureau, "Housing Vacancies and Homownership, Annual Statistics: 2000"

[6] U.S. Bureau of Labor Statistics, "Local Area Unemployment Statistics"

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[8] U.S. Census Bureau, "Poverty in the United States: 2000"

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[13] U.S. Census Bureau, "2000 Statistical Abstract of the United States"

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www.haas.berkeley.edu/groups/iber/AR/Res/Ceda.html

Federal Interagency Forum on Aging Related Statistics
www.agingstats.gov

National Institute on Aging Demography Centers
http://agingmeta.psc.isr.umich.edu/

Pepper Institute on Aging and Public Policy at Florida State University
www.pepperinstitute.org

Urban Institute
www.urban.org

U.S. Department of Health and Human Services
www.aoa.dhhs.gov

Family structure: A reversal of trends

Center on Budget Policy and Priorities
www.cbpp.org

Centers for Disease Control and Prevention
www.cdc.gov

"Growing Up with a Single Parent"
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Population Reference Bureau
www.prb.org

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www.cis.org

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** The U.S. Census Bureau was used extensively as a source for information contained in each section of this report.*

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