

The Union-Business Case for Firm Relocation and Investment in Illinois and Peoria

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Project for Middle Class Renewal

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ABOUT THE PROJECT FOR MIDDLE CLASS RENEWAL

The Project for Middle Class Renewal’s mission is to investigate the working conditions of workers in today’s economy and elevate public discourse on issues affecting workers with research, analysis and education in order to develop and propose public policies that will reduce poverty, provide forms of representation to all workers, prevent gender, race, and LGBTQ+ discrimination, create more stable forms of employment, and promote middle-class paying jobs.

Each year, the Project will be dedicated to a number of critical research studies and education forums on contemporary public policies and practices impacting labor and workplace issues. The report that follows, along with all other PMCR reports, may be found by clicking on “Project for Middle Class Renewal” at illinoislabored.org

If you would like to partner with the Labor Education Program in supporting the work of the Project or have questions about the Project please contact Bob Bruno, Director of the Labor Education Program at (312) 996-2491.

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Executive Summary

Illinois offers abundant opportunities for business to thrive. The state's strategic location, highly-educated workforce, access to capital and cutting-edge research, and reasonable business costs all provide enticing reasons for businesses to locate in Illinois. As a result, 37 *Fortune 500* corporations call Illinois "home."¹

Below are the top ten reasons for a business to locate to the Peoria area in Illinois:

1. Illinois has the largest intermodal inland port in the Western Hemisphere, with more than 110 public-use airports, almost 7,000 miles of freight railroad tracks, and 145,000 miles of highways.
2. Illinois has 3 of the top 50 national universities and Bradley University, ranked 6th among regional universities in the Midwest, is located in Peoria.
3. Over half of Peoria's manufacturing workforce has at least some college-level training, considerably higher than manufacturing employees in other states.
4. Illinois residents are very productive, adding nearly \$98,000 in annual output per worker.
5. While unionization is relatively high in Illinois, production worker wages in the state are competitive with the region.
6. Consumer spending is high in Illinois, exceeding regional neighbors by between \$2,200 and \$7,500 per resident.
7. The workplace fatality rate is much lower in Illinois than in neighboring states.
8. The turnover rate in the manufacturing sector in Peoria County is 4.1%, lower than the manufacturing turnover rates in adjacent states, which range from 5.0% to 6.0%.
9. Over the past 5 years, there have been zero "major work stoppages" in the private sector in Illinois.
10. Business costs in Illinois are competitive with the national average and have trended downward over the past few decades.

Location and Transportation Benefits

The heart of the American economy, Illinois provides easy access to the nation and the world. Over 110 public-use airports, almost 7,000 miles of freight railroad tracks, 145,000 miles of highways, and 1,100 miles of inland waterways serve as intermodal arteries pumping economic life from Illinois to the rest of the United States.² The City of Chicago, the 8th-largest city in the world by gross domestic product (GDP), is home to O’Hare International Airport and Chicago Midway International Airport – which are able to move goods, services, and passengers anywhere in the United States in under 4 hours.³ O’Hare is the 4th-busiest airport in the world, enplaning and deplaning 77 million passengers, and ranks second in total aircraft movements with 875,000 total take-offs and landings.⁴ As the largest intermodal inland port in the Western Hemisphere, Illinois checks off all transportation-related boxes: highway accessibility, major market proximity, major airport accessibility, freight accessibility, and relatively low shipping costs.⁵

Additionally, Illinois’ infrastructure quality outshines nearly all of its regional neighbors as well as the United States as a whole. Illinois has fewer public road miles that are in poor condition (18%) than Missouri, Wisconsin, and the national average. Iowa has a similar share of roads in poor condition but has significantly more bridges that have been deemed structurally deficient than Illinois. In fact, Illinois is tied with Indiana and Kentucky for the highest-quality bridge infrastructure in the region, with only 8% that are structurally deficient. Illinois’ bridge quality is also superior to the national average (Figure 1).

Education, Skilled Labor, and Productivity Benefits

The State of Illinois is disproportionately home to first-rate scholarship and research. According to the 2016 “national universities ranking” by the *U.S. News and World Report*, 3 of the Top 50 universities in America are located in Illinois: the

FIGURE 1: THE QUALITY OF PUBLIC INFRASTRUCTURE, JAN. 2017

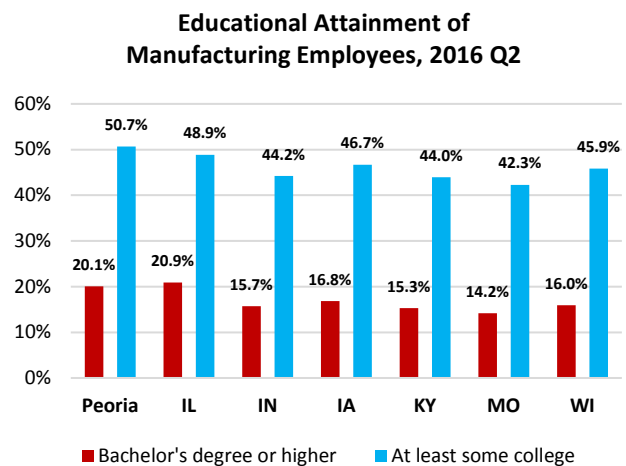
The Quality of Public Infrastructure, January 2017			
State	Roads in Poor Condition	Structurally Deficient Bridges	Miles of Freight Railroads
IL	18%	8%	6,986
IN	8%	8%	4,075
IA	18%	21%	3,869
KY	8%	8%	2,608
MO	24%	13%	3,957
WI	27%	9%	3,449
US	20%	9%	--

Source(s): Analysis of American Society of Civil Engineers. (2017). “Infrastructure Super Map.” Accessed at <http://www.infrastructurereportcard.org/infrastructure-super-map/>.

University of Chicago (#3), Northwestern University (#12) and the University of Illinois at Urbana-Champaign (#44). In addition, Bradley University is located in Peoria, Illinois. Bradley University educates over 5,300 total students annually and is ranked the 6th-best “regional university” in the Midwest.⁶

The prevalence of top-tier universities in Illinois results in a high-skilled workforce. Illinois has better educational attainment levels than neighboring states and the national average.⁷ This is particularly true in the manufacturing sector of the economy, as depicted in Figure 2. The share

FIGURE 2: MANUFACTURING WORKER EDUCATION LEVELS, 2016



Source(s): Analysis of Census. (2017). Quarterly Workforce Indicators (QWI). LED Extraction Tool. Data are for the 2nd Quarter of 2016, the most recent quarter for which data are available. Accessed at <https://ledextract.ces.census.gov>.

of manufacturing employees with at least a bachelor's degree is significantly higher in Peoria County (20.1%) and the State of Illinois (20.9%) than in every other bordering state (which range from 14.2% to 16.8%). Over half of Peoria County's manufacturing workforce (50.7%) has some college-level training compared to between 42.3% and 46.7% in nearby states. Illinois also has specialized expertise in pharmaceuticals, capital goods manufacturing, logistics, and other areas that are valuable to manufacturers.⁸

Illinois also has a large supply of untapped labor. In 2016, Illinois had over 100,000 individuals with an associate's degree or higher who were unemployed and looking for work, nearly as many workers as the five adjacent states combined. Fully 25.8% of Illinois' unemployed individuals have earned at least a two-year associate's degree, a higher percentage than Indiana, Kentucky, and Missouri and equivalent to Wisconsin. Illinois offers new employers a pool of talented, able-bodied individuals who are ready to get to work (Figure 3).

FIGURE 3: UNEMPLOYED INDIVIDUALS EDUCATION LEVELS, 2016

Unemployed with an Associate's Degree or Higher, 2016		
State	Estimated Workers	Share of the Unemployed
IL	102,905	25.8%
IN	26,648	16.5%
IA	18,388	29.6%
KY	20,197	18.6%
MO	31,344	22.7%
WI	38,961	25.8%
US	2,073,027	26.8%

Source(s): Analysis of Center for Economic and Policy Research (CEPR). (2017). 2016 Current Population Survey Outgoing Rotation Groups (CPS ORG). Accessed at <http://ceprdata.org/cps-uniform-data-extracts/cps-outgoing-rotation-group/cps-orq-data/>.

Employed Illinois residents are among the most productive in the United States (Figure 4). Data from the Bureau of Economic Analysis (BEA) at the U.S. Department of Commerce reveals that nearly \$98,000 in annual economic output is contributed per worker in Illinois, far surpassing

FIGURE 4: ECONOMIC OUTPUT PER WORKER, 2014

Economic Output Per Worker, 2014		
State	GDP Per Employee	Manufacturing GDP Per Employee
IL	\$97,974	\$166,277
IN	\$86,883	\$185,077
IA	\$83,240	\$140,018
KY	\$76,406	\$150,146
MO	\$78,649	\$138,229
WI	\$81,352	\$117,319
US	\$92,806	\$162,676

Source(s): Analysis of Bureau of Economic Analysis (BEA). (2017). 2014 GDP & Personal Income. Regional Data. U.S. Department of Commerce. Accessed at https://www.bea.gov/iTable/index_regional.cfm.

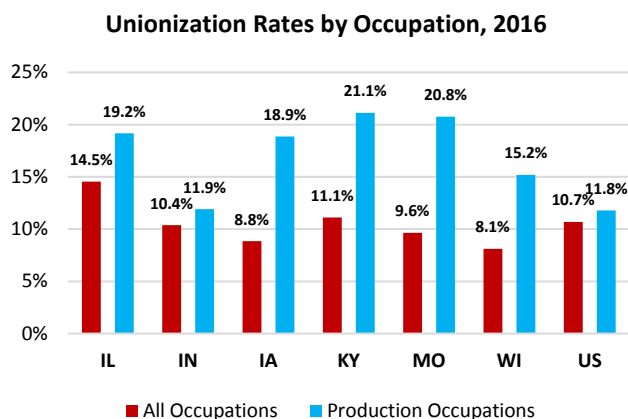
the per-worker GDP in neighboring states— which range from just over \$76,000 to just under \$87,000 in one year. In manufacturing, output per employee is over \$166,000 annually in Illinois, which exceeds the comparable value added in Iowa, Kentucky, Missouri, Wisconsin, and the national average.

Unionization, Wages, and Labor Costs and Benefits

Unionization is relatively high in Illinois, which partially contributes to unit labor costs that are slightly above the national average.⁹ The union membership rate is 14.5% for all workers in Illinois and 19.2% for workers in production occupations. The overall unionization rate exceeds all other bordering states by between 3.4 and 6.4 percentage points. The union density of production workers, however, is similar to neighboring Iowa (18.9%) and lower than the comparable rates in Kentucky (21.1%) and Missouri (20.8%). Unionization is higher in Illinois than the national average for all workers and for production workers (Figure 5).

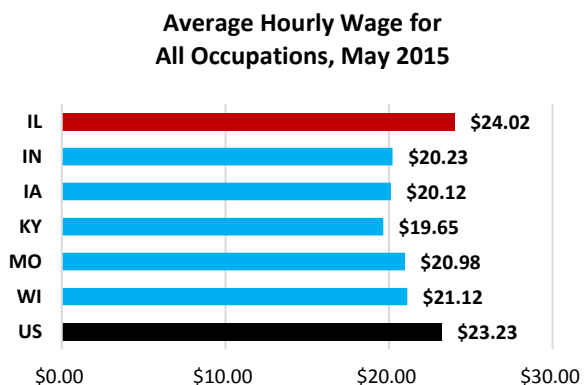
Relatively higher wages in Illinois translates into higher consumer demand in the state. The BEA measures the goods and services purchased by households and nonprofit institutions serving households through personal consumption expenditures (PCEs). In 2014, personal consumption expenditures in Illinois averaged

FIGURE 5: UNIONIZATION RATES BY OCCUPATION, 2016



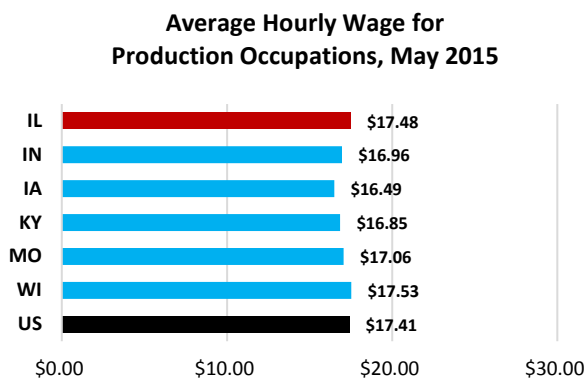
Source(s): Analysis of Center for Economic and Policy Research (CEPR). (2017). 2016 Current Population Survey Outgoing Rotation Groups (CPS ORG). Accessed at <http://ceprdata.org/cps-uniform-data-extracts/cps-outgoing-rotation-group/cps-org-data/>.

FIGURE 6: AVERAGE WAGE FOR ALL OCCUPATIONS, 2015



Source(s): Analysis of Bureau of Labor Statistics (BLS). (2016). May 2015 Occupational Employment Statistics (OES). Accessed at <https://www.bls.gov/oes/tables.htm>.

FIGURE 7: AVERAGE WAGE FOR PRODUCTION OCCUPATIONS, 2015



Source(s): Analysis of Bureau of Labor Statistics (BLS). (2016). May 2015 Occupational Employment Statistics (OES). Accessed at <https://www.bls.gov/oes/tables.htm>.

nearly \$39,000. Consumer spending in Illinois exceeded the national average by about \$1,500 per capita and surpassed regional neighbors by between \$2,200 and \$7,500 per resident. Businesses locating in Illinois have direct access to the largest consumer market in the Midwest (Figure 8).

FIGURE 8: PERSONAL CONSUMPTION EXPENDITURES, 2014

Personal Consumption Expenditures (PCEs), 2014	
State	Annual Consumer Spending Per Resident
IL	\$38,657
IN	\$33,404
IA	\$35,106
KY	\$31,161
MO	\$35,390
WI	\$36,428
US	\$37,188

Source(s): Analysis of Bureau of Economic Analysis (BEA). (2017). 2014 GDP & Personal Income. Regional Data. U.S. Department of Commerce. Accessed at https://www.bea.gov/iTable/index_regional.cfm.

One perceived risk of high union density by employers is the cost of bureaucratic workplace rules. However, restrictive items in collective bargaining agreements pertain to the health and safety of the workforce. In Illinois, workers have lower injury rates due to standardized safety procedures introduced by labor unions. In 2015, Illinois had 2.6 workplace deaths per 100,000 private industry employees. This on-the-job fatality rate is considerably below all five bordering states, ranging from 0.8 to 2.1 fewer workplace deaths per 100,000 employees in Illinois (Figure 9).

FIGURE 9: RATE OF FATAL INJURIES AT WORK, 2015

Rate of Fatal Injuries at Work, 2015			
State	Fatalities at Work	Workers in Private Industry	Fatalities Per 100,000 Workers
IL	154	5,852,710	2.63
IN	111	2,947,380	3.77
IA	57	1,526,950	3.73
KY	87	1,838,220	4.73
MO	108	2,712,240	3.98
WI	95	2,771,600	3.43
US	4,379	137,896,660	3.18

Source(s): Analysis of Bureau of Labor Statistics (BLS). (2016). 2015 Census of Fatal Occupational Injuries (CFOI) and May 2015 Occupational Employment Statistics (OES). Accessed at <https://www.bls.gov/data/>

The impact of collectively bargained health and safety provisions contributes to a virtuous chain of employment practices and benefits. The absence of such measures can have costly and deadly consequences. For example, the American South has become a magnet for auto parts manufacturing. In doing so however it has also taken on the worst characteristics of production in low-wage unregulated regions of the world. In an expose *Bloomberg* (2017) reported the following:

“Parts suppliers in the American South compete for low-margin orders against suppliers in Mexico and Asia. They promise delivery schedules they can’t possibly meet and face ruinous penalties if they fall short. Employees work ungodly hours, six or seven days a week, for months on end. Pay is low, turnover is high, training is scant, and safety is an afterthought, usually after someone is badly hurt. Many of the same woes that typify work conditions at contract manufacturers across Asia now bedevil parts plants in the South.”

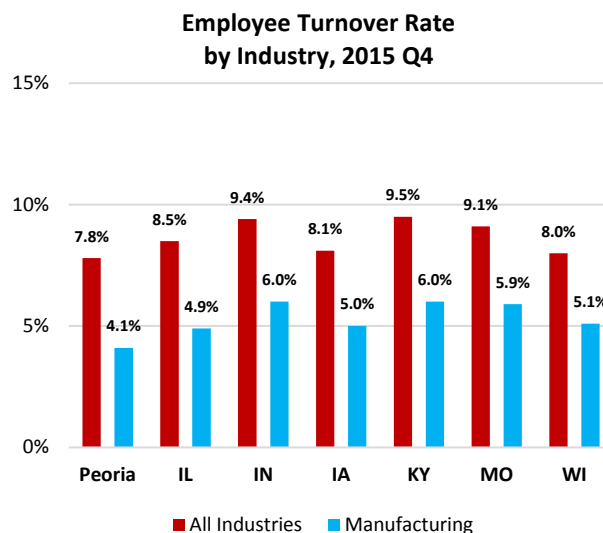
The story goes on to note that “many plants in the North are unionized; only a few are in the South.”¹⁰ Safer workplaces in Illinois improve productivity, attract higher order value production and save employers in the state from paying unnecessary workers’ compensation costs and legal fees.

Research has also found that the unionization effect on labor market flexibility has been negligible when it is needed most. Defined as the ability to adjust labor costs and employment conditions to improve economic efficiency, analysts have noted that “where the costs of inflexibility are higher,” unions are more responsive to demands “for new work practices and patterns.”¹¹ This data underscores the way that explicit provisions of collective bargaining agreements can be used to provide a framework for the professional management of a firm.

While there are mixed findings about unions and firm productivity, the biggest drags on output are poor labor-management relations and employee morale. A compelling finding on the role that unions play in creating positive work relations and raising employee morale is in their interactive effects with work teams.¹² Employee participation programs contribute more in unionized firms than in nonunion enterprises. The reasons are straightforward and expected. Unions ensure that employee input is heard; during difficult times they sustain employee commitment to the team model.

Another benefit to employers choosing Illinois is the low employee turnover rate in the state. The late economist Albert Rees noted, “The most general way in which unions raise productivity is to reduce turnover.”¹³ By instituting democratic workplaces with grievance procedures, unions promote a workforce with high morale and employees who do not want to quit. As shown in Figure 10, this dynamic is at play in Illinois, and particularly in Peoria County. The overall turnover rate for all industries is 7.8% in Peoria County, lower than the comparable rates in every

FIGURE 10: EMPLOYEE TURNOVER RATE BY INDUSTRY, 2015



Source(s): Analysis of Census. (2017). Quarterly Workforce Indicators (QWI). LED Extraction Tool. Data are for the 4th Quarter of 2015, the most recent quarter for which data are available. Accessed at <https://ledextract.ces.census.gov>.

neighboring state. Similarly, manufacturing turnover in Peoria County, at 4.1%, is significantly lower than the manufacturing turnover rates in adjacent states, which range from 5.0% to 6.0%. The net results of low turnover in Peoria (and Illinois more broadly) are positive employer-employee relationships, experienced workforces, and reduced training costs to businesses.

Finally, an additional perceived risk by employers considering a relocation to Illinois is often the threat of a strike by workers. Workplace stoppages can be costly to employers, reducing profits and negatively impacting product quality and customer service. In actuality, this risk is negligible in Illinois. The Bureau of Labor Statistics (BLS) at the U.S. Department of Labor reports that the period from 2007 to 2016 was the lowest decade on records for major work stoppages in the United States.¹⁴ In the 5-year period from 2012 through 2016, there were an average of 14.4 major work stoppages across the country representing less than 0.005% of total labor hours. Illinois averaged 1.4 major work stoppages annually over this time. All of the major work stoppages in Illinois since 2012 were by employees in the education sector or in local government; none were by private sector workers, including those in occupations with relatively high union density such as construction or manufacturing.¹⁵ While the perceived threat of union strikes still lingers, actual data reveal that the chance of a work stoppage is at historical lows, especially for private industry employers in Illinois.

The Overall Cost of Doing Business in Illinois

High levels of unionization in Illinois do not preclude the state from being an attractive place to do business. In a recent analysis comparing Illinois to similar states, Moody's Analytics found that "business costs in the state are lower than they are nationally and have trended downward for the past few decades."¹⁶ Business costs are lower than neighboring Wisconsin and Michigan, but slightly higher than Iowa and Indiana. Relative business costs are low due to low energy prices and a low tax burden compared to the national average. A separate analysis by the Tax Foundation found that Illinois ranks 23rd in the *2017 State Business Tax Climate Index*, better than Iowa (#40), Kentucky (#34), and Wisconsin (#39) but lower than Indiana (#8) and Missouri (#15).¹⁷ By and large, business costs in Illinois are competitive with the national average and are considerably lower than states with large metropolitan areas such as California and New York.

Conclusion

Illinois' strategic location, top-tier research universities, highly-educated workforce, access to capital and reasonable business costs all provide enticing reasons for businesses to locate in Illinois. Illinois has the largest intermodal inland port in the Western Hemisphere, boasts highly-educated and productive workers, is a consumer-driven economy, saves employers unnecessary costs with low fatality rates and low turnover rates, and has business costs that are competitive with the rest of the nation. Ultimately, Illinois offers abundant opportunities for business to thrive.

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Cover image source: U.S. Department of Transportation, Federal Highway Administration, Office of Freight Management and Operations, Freight Analysis Framework, version 3.1.2, 2011