

December 15, 2003

## The State of Illinois Manufacturing

A Study Prepared for the Illinois Manufacturers' Association by CLCR

On December 5, 2003, the Illinois Manufacturers' Association (IMA), representing some 4,000 Illinois manufacturing companies, released a study prepared for the IMA by the Center for Labor and Community Research.

Following is the Executive Summary. The entire 84 page study is available on CLCR's web site: [www.clcr.org](http://www.clcr.org)

### Executive Summary

Many of Illinois' successes today are the result of its vibrant manufacturing economy. This is the economy that literally shook neighborhoods as steel was pounded into forms; that provided an entry into the middle class, home ownership and college educations for the children of millions of African Americans, Hispanics, and immigrants; that made Chicago the Candy Capital of the World; and that made Illinois synonymous with the giants of our national economy—Motorola, Caterpillar, U.S. Steel, Brach Candy, Wrigley, and others.

The strength of the manufacturing sector is fundamental to the overall economic performance of Illinois and the U.S. as a whole. The manufacturing sector in Illinois creates large numbers of jobs that pay high wages to workers, purchases more goods and services from within the state than any other sector, and constitutes a main component of the state export economy. For these and other reasons, manufacturing needs be at the center of all government discussions on economic policy.

The Center for Labor and Community Research (CLCR) was commissioned by the Illinois Manufacturers' Association to analyze the condition of the Illinois manufacturing sector. We found that Illinois manufacturing is essential to Illinois' economy, and although it is among the top manufacturing states in the country, it faces a number of challenges. This report demonstrates why and how Illinois manufacturing matters, explains the current challenges it faces, and recommends actions to overcome some of these challenges. In addition to looking at manufacturing as a whole, this report looks at four key manufacturing sectors, or clusters, that together account for 64% of manufacturing employment in the state. These are the metals, electrical, printing, and food manufacturing sectors.

A few key findings that CLCR uncovered in this study include the following:

- Manufacturing is vital to the state's economy and workers. Manufacturing directly employs 961,000 workers in Illinois. The indirect and induced demand effects of manufacturing generate another 1.4 million positions in other industries. This means

that manufacturing is responsible for 2.3 million jobs, or nearly one third of total Illinois employment.

- Manufacturing products make up 66% of total Illinois exports, amounting to \$35.8 billion in 2000. These exports of manufactured goods were responsible for creating employment opportunities for 430,000 people in Illinois.
- Illinois manufacturing ranks fourth among the nation's leading manufacturing states in productivity and labor costs. Illinois manufacturing workers are the most productive in the nation by far. As a result, labor costs per unit of output are quite low even though workers are relatively well paid.
- While Illinois manufacturing's investment as a share of shipments is competitive, its investment per employee is not. One of Illinois manufacturing's greatest weaknesses is that it has a low manufacturing profit margin.
- Like other U.S. states, Illinois faces increasing competition from low-wage producers in the developing world as well as from highly skilled producers in developed countries. This new reality constitutes a fork in the road for our manufacturing economy. In order to remain competitive into the future, the sector requires increased investments in its infrastructure and workers and an improved workforce development system. Illinois manufacturers must increase the value-added component of their products to justify higher prices, increase research and development to develop new products and production processes, and expand production in those sectors not significantly affected by low-wage competition.
- The Illinois manufacturing sector needs a "High Road" partnership with government and labor that can lead to increased investment in infrastructure, a dramatically improved workforce education and development system, and an Early Warning capacity to identify and address problems before they become a crisis. Such partnerships could also support the sector by creating specialized service centers that provide assistance to Illinois companies in managing key relationships, and by effectively using public subsidies to reward and assist those companies that are pursuing High Road strategies of innovation and development.