

# Illinois deals with manufacturing job woes

Thursday, December 18, 2003

By Steve Stanek (sstanek@illinoisleader.com)



Freeport's Goodyear plant is the proud original equipment supplier of an impressive list of customers including: AM General, Caterpillar, Ford, General Motors, Fleetwood, John Deere and Case.

**CHICAGO** -- Industrial production saw its largest one-month jump in four years in November, according to the Federal Reserve, but the loss of manufacturing jobs continues to be of concern, particularly in Illinois, where more than 140,000 such jobs have disappeared since 2000.

Nationally, about 2.7 million manufacturing jobs have been lost since 2000. In Illinois, where about 720,000 persons are employed in manufacturing, thousands more jobs will be lost unless state and federal officials take proper actions, according to various business and government officials.

**Congressman Donald Manzullo (R-Ill.)** discussed the manufacturing situation with members of the **Illinois Manufacturers Association** earlier this month in Chicago.

"People are asleep at the switch," said Manzullo, chairman of the House Small Business Committee. "They just think, 'Well, if we lose manufacturing jobs, we'll pick it up somewhere else.' That's just bad economics."

He was backed up by Glen Johnson, the IMA's incoming board chairman, who said, "If this continues, manufacturing will disappear from Illinois in 15 years."

About 10,000 manufacturing jobs have been lost in Manzullo's district, which includes the Rockford area, home to nearly 1,000 factories and one of the most densely populated manufacturing communities in the United States. Rockford is the largest producer of fasteners in the world and is considered the world's tool and die capital as well.

Though the improving economy has resulted in five consecutive months of growth in the manufacturing sector, Manzullo said he worries about the long-term health of U.S. manufacturing, in large part because of poor government policies.

To help keep manufacturing jobs in America, Manzullo has proposed a bill to reduce the corporate tax rate for manufacturers by 10 percent. This bill (H.R. 1769) was written with **Reps. Phil Crane (R-Ill.), Charles Rangel (D-N.Y.)** and **Sander Levin (D-Mich.)**.

Manzullo has also sought a Government Accounting Office investigation of currency manipulations in China, Japan, Taiwan and South Korea. The national **Association of Manufacturers** estimates two-thirds of the U.S. trade deficit with East Asian countries is due to their artificially low currencies, which make their products much cheaper on world markets.

Manzullo has also used his position to enforce "Buy American" laws, which require U.S. agencies to buy American products when possible.

Because healthcare costs have become a major issue with employers and their workers, Manzullo is promoting association health plans (passed by the House in 2003), expanded Medical Savings Accounts, tax credits for the uninsured and medical malpractice reform (passed by the House in 2003) to lower health insurance premiums and give workers more control over their own medical spending.

He has also written legislation to expand **Small Business Administration** programs to small manufacturers. The bill raises maximum loan limits in several SBA programs and encourages federal agencies to do more business with small manufacturers.

Manzullo, now serving his sixth term, also backed **President George Bush's** recent decision to rescind steel tariffs. He broke with Bush and Republican leaders in Congress and opposed the imposition of steel tariffs in March 2002, because they sharply increased steel prices. For every job in the steel-making industry, 59 jobs exist in American

steel-consuming industries, according to Manzullo. The International Trade Commission two months ago found that steel tariffs cost American steel-consuming businesses about \$680 million in lost capital and jobs.

"These are a few actions we can take to halt these job losses and put Americans back to work," Manzullo said.

While Manzullo's focus was on national issues, business leaders in Illinois say there are things that can be done statewide to improve Illinois' manufacturing environment.

One helpful action would be for the state to rescind its \$650 million tax hike, which hit businesses especially hard, said **Gregory Baise**, the IMA's president and chief executive officer.

"**Gov. (Rod) Blagojevich** and other state leaders fail to recognize that when you put more pressure on these businesses, they are going to be moving jobs someplace else," Baise said. "Look to our north, where Wisconsin has a Democrat governor who has a program to cut taxes and regulations. In Michigan, the same thing. We see remarkably different patterns of what these three Democrat governors are doing.

"Illinois is now the target for neighboring states that hope to steal our jobs," he said. "They can point to lower costs of doing business. Policy planners in Illinois, Republican and Democrat, need to start looking at how to cut government and do what the private sector has been doing for years."

State spending in fiscal 1998 was about \$35.8 billion. This year it is \$53 billion. Spending skyrocketed under former **Republican Gov. George Ryan**, who this week was indicted on 22 federal charges including racketeering, tax fraud, mail fraud, and lying to federal investigators. It has stayed high under Blagojevich, despite a multi-billion dollar budget deficit.

Baise said manufacturing accounts for nearly one-quarter of Illinois' domestic product and about fourteen percent of the state's employment. He also pointed out that manufacturing jobs in Illinois, in industries including metals, auto parts, chemicals, pharmaceuticals and food manufacturing, pay on average more than \$40,000, nearly double the average service-sector job.

"Once those jobs and that tax base are lost, they're probably never coming back," Baise said.

**Doug Whitley**, president and CEO of the **Illinois State Chamber of Commerce**, said the Blagojevich administration "has to embrace tax policies and fiscal policies to promote jobs and investment. What they did this past spring (raising taxes and eliminating certain investment incentives) was anti-business.

"Number one on my list now is the manufacturing, machinery and equipment sales tax exemption. It's been on the books since the 1970s. Last spring there was talk of repealing it. They may be looking it again next year, and that would be a severe mistake."

The state chamber of commerce is also drafting legislation to reinstate and improve on the research and development tax credit that was repealed last spring.

"R&D is the jobs incubator for the future," Whitley said. "We must have those kinds of incentives if we want to have a future for the manufacturing employment sector."

Another major issue, he said, is the state's workers compensation insurance system.

"It's a swamp and employers are not only disadvantaged, they are abused in Illinois," Whitley said. "The system needs to be reformed. In Illinois, employers rarely win appeals. The presumption is the employee is always right. No one in the industrial commission setting can believe someone might file a fraudulent claim, even when the evidence is there. Workers comp reform is a high priority agenda item for us."