

The Workforce Study of Springfield and Sangamon County, Illinois

Executive Summary

July, 1999

This is an executive summary of a study commissioned by the Economic Development Council for Springfield and Sangamon County, Illinois (a joint venture of the City of Springfield, Sangamon County, and The Greater Springfield Chamber of Commerce) This study was conducted by The Pathfinders, Site Selection/Location Analysis Consultants. Their address is as follows:

The Pathfinders
Attention Joe White
4363 Lindbergh
Dallas, Texas 78244
Phone: (972) 387-3750
E-Mail: white2735@aol.com

The funding for this study was provided in part by generous grants from the following:

Illinois Department of Commerce and Community Affairs
Robert Morris College
Sangamon County
The City of Springfield, Illinois
The Greater Springfield Chamber of Commerce

For more information or to request a copy of the full report, please contact:

Bradley J. Warren
The Economic Development Council for Springfield and Sangamon County
3 South Old State Capitol Plaza
Springfield, Illinois 62701
Phone: (217) 525-6010
Fax: (217) 525-8768
E-Mail: bwarren@gfcc.org
Web Site: www.gfcc.org

Introduction

In January of 1999, the Economic Development Council for Springfield and Sangamon County (EDC) determined to gather additional information on the labor force which it could use in its communications with prospective employers. Three concepts motivated the EDC to act:

1. The region's low unemployment rate may discourage some employers from locating a new facility in Sangamon County, due to the apparently small size of the unemployed work force.
2. New employers typically recruit their workforce from among the currently employed. These workers are termed underemployed and are seeking employment positions which are better suited to their skill set, their experience or their salary expectations.
3. Understanding the advantages of the greater Springfield area as a sight for new business is one of the first steps in enhancing the EDC's marketing efforts.

Understanding these concepts, the EDC retained the services of The Pathfinders, an economic development consulting firm in Dallas, Texas, to perform an audit of the local labor pool and determine the characteristics of the underemployed. Additionally, the EDC requested that The Pathfinders evaluate Sangamon County's business recruitment potential and conduct a comprehensive wage and benefits survey. The collection of the consultant's work in these areas is presented in a compilation entitled, *The Workforce Study of Springfield and Sangamon County, Illinois*.

At the conclusion of the study, the consultant made the following, broad summations:

...if this workforce assessment were conducted for a corporate client considering Springfield among other candidates as a location, The Pathfinders would assure that client that a pool of labor exists which appears competitively priced, industrially qualified and balanced in office, administrative and computer skills and experience.

...an answer to the fundamental question of whether Sangamon County has the attributes which make it saleable as a location to business and industry... is clearly "yes".

This executive summary presents the primary findings and excerpts from the full report.

The Workforce Verification Audit

The consultant retained by the EDC evaluated the labor market in an geographic area of four counties continuous with and including Sangamon County. For the purposes of this analysis, the “Springfield area” consists of five counties in Illinois. The subject counties and their estimated civilian work forces are: **Sangamon (100,400), Christian (18,900), Morgan (17,350), Logan (12,100), and Menard (6,050)**. The Springfield area has a combined civilian labor force of approximately 154,800 people. This area was chosen to represent the most reasonable boundary of the local labor market from which a new employer was likely to draw its workforce. The Audit included the enumeration of the underemployed in the five county area and determined various demographics for this source of hidden labor.

Methodology of the Workforce Verification Audit

In this study, The Pathfinders employed a methodology developed for U.S. Department of Defense projects to determine civilian workforce characteristics and availability in communities across the nation where military installations were scheduled for closure. That methodology was then refined by senior site selection and human resources executives among The Pathfinders’ corporate clients to produce the workforce information needed in assessing communities as a location for a new operation.

In this workforce assessment, The Pathfinders conducted telephone interviews with individuals throughout the survey area. Those individuals were stratified across age (19-49), gender, household income (up to \$100,000), local telephone exchange areas and zip codes. The purpose was to ascertain availability for work with a new employer, to determine desired pay rates, and to collect information on age, education, commuting patterns, experience and skills. Sufficient surveys were completed with individuals to produce results for that entire population group which vary by no more than plus or minus 5 percentage points.

Some responses to the surveys were not included because they were provided by individuals whose employment situations or expectations placed them outside of the group of workers most likely to be hired by a new employer locating in the area.. These individuals fell into the following three groups. The response of individuals in these groups were removed from the survey data prior to analysis.:

Individuals who were nearing retirement

Individuals who have been in their current position for more than 15 years.

Individuals whose salary expectations were not consistent with their skill level, training or experience.

The Nature of Underemployment in the Greater Springfield Labor Market

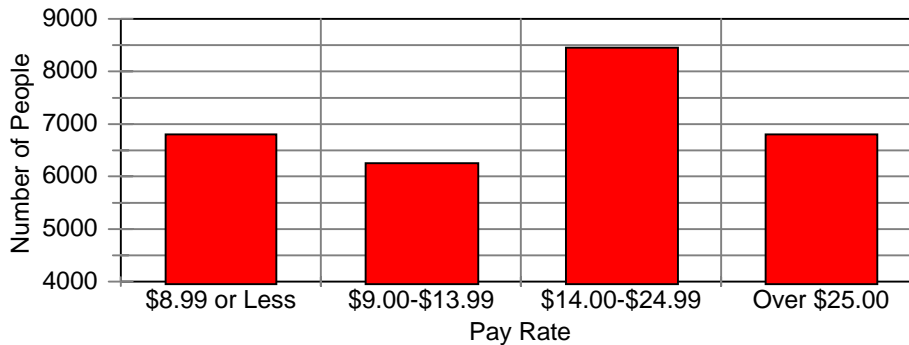
From the consultants work, the following indicates the number of underemployed workers who might be available to a new employer seeking a location in Sangamon County, Illinois. These workers constitute the region’s “hidden labor force.”

Unemployed	4,600
Not working, but contemplating re-entering the workforce	5,400
Underemployed	<u>32,500</u>
TOTAL NUMBER OF WORKERS AVAILABLE FOR AN EMPLOYER	<u>42,500</u>

The following graphs taken from the full report show the characteristics of the underemployed in the Springfield Area.

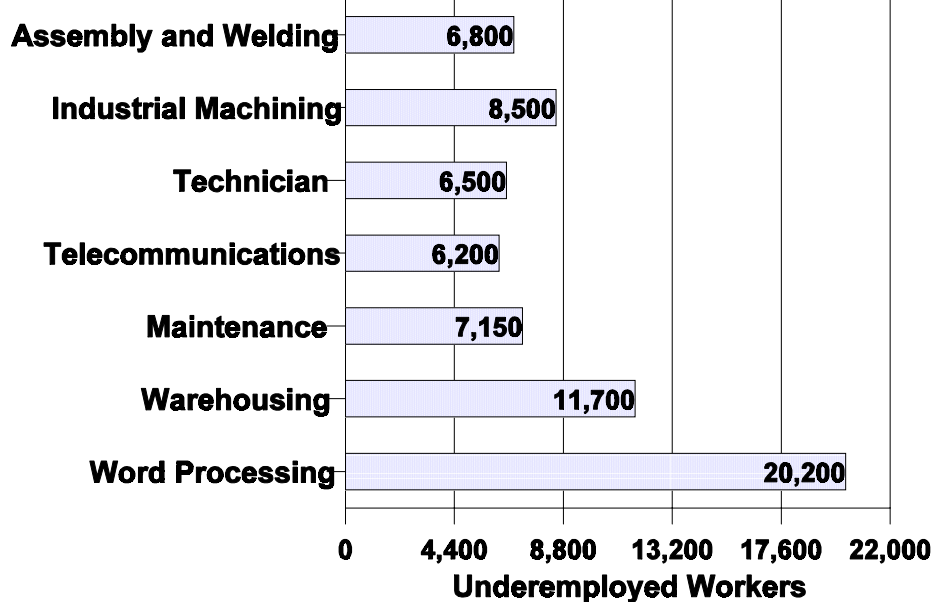
Desired Wage Rate

Springfield Area Underemployed

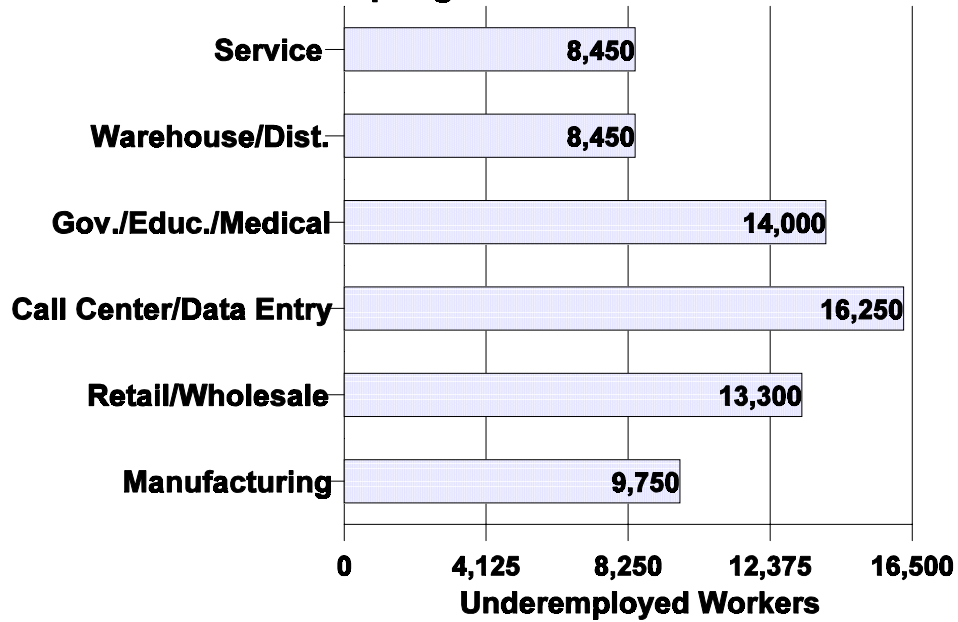


Underemployed Workers with Certain Skills

Springfield Area

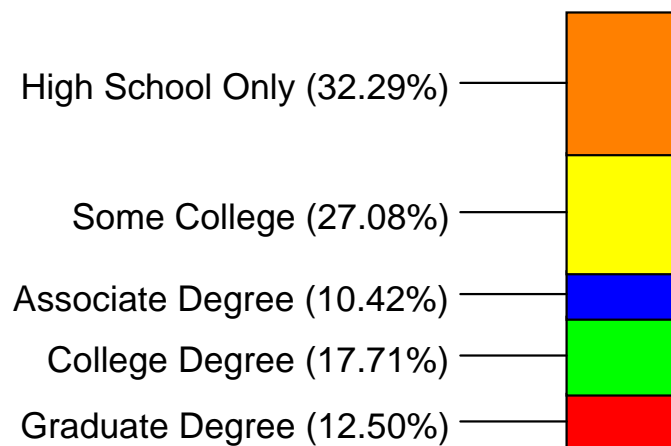


The Previous Experience of the Underemployed Springfield Area

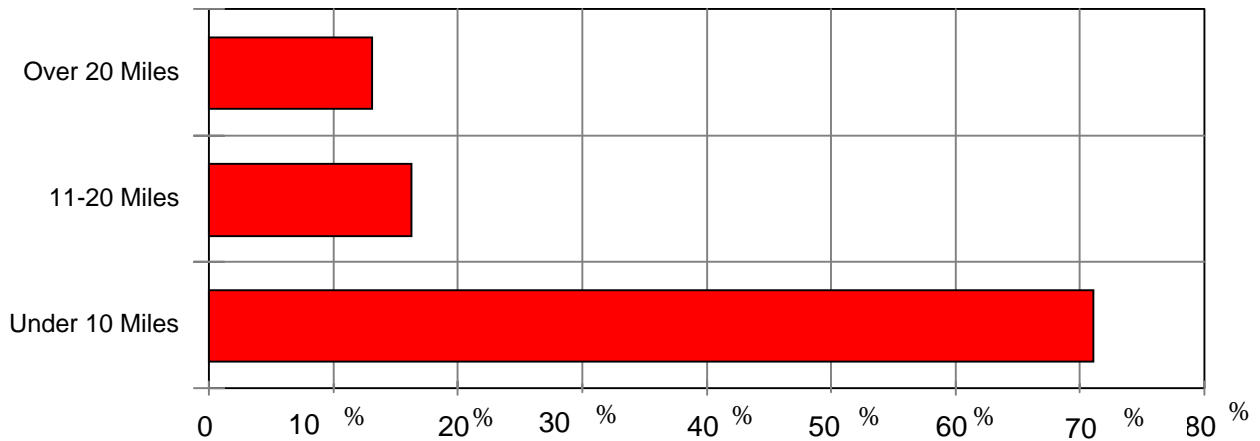


Education Level of the Underemployed Springfield Area

(Of Those With At Least A High School Degree)

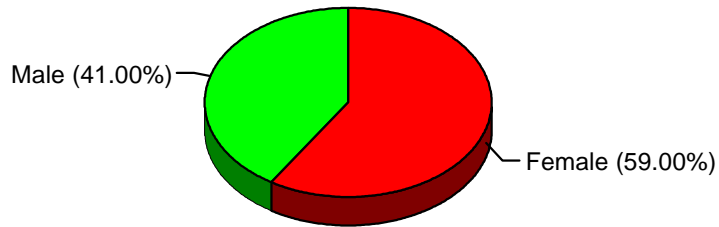


Underemployed Commute To Work

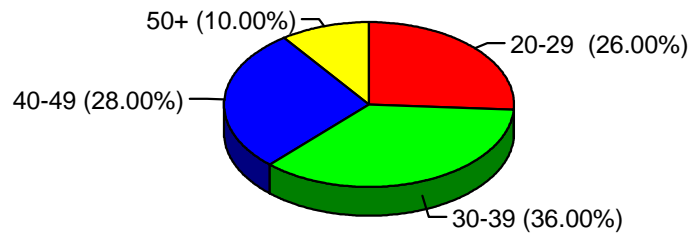


*71% commute less than 10 n

Female/Male Underemployed Workers

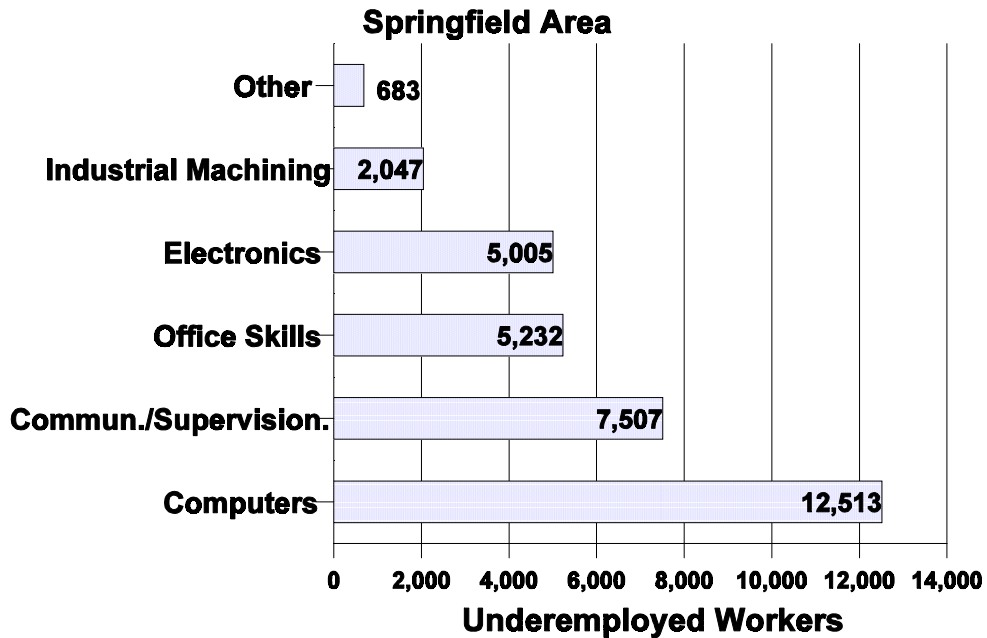


Age



In addition to those characteristics identified above, The Pathfinders also asked survey respondents “Would you be interested in any training courses?”. Of the respondents to the workforce verification survey, a significant number (70%) expressed possible future interest in training programs. The course areas requested and results are depicted in the graph below.

Training Requests of the Underemployed



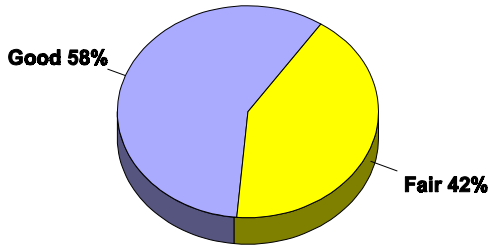
Employer Assessment of the Local Labor Pool

In developing a profile of the existing workers in the Springfield area, The Pathfinders considered such factors as labor availability, productivity, unionization, attitudes, costs, and education. The analysis is based upon interviews conducted by The Pathfinders with senior management and human relations professionals from local companies in each of the counties in the survey area. Each of these companies operates in the industrial, commercial, or service sectors. The interview sampling was sufficiently large to make valid workforce judgements.

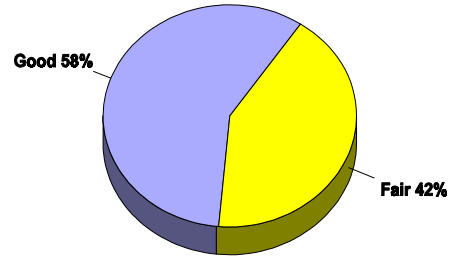
The Pathfinders asked those employers interviewed to provide a subjective view of their workers, in addition to objective and quantitative measurements of labor productivity, availability, attitudes, and costs. Those employers with operations in other regions of the United States were asked to compare their experiences in those areas with those in the Springfield area.

The following graphs present the summary of local employers’ comments about the local labor pool.

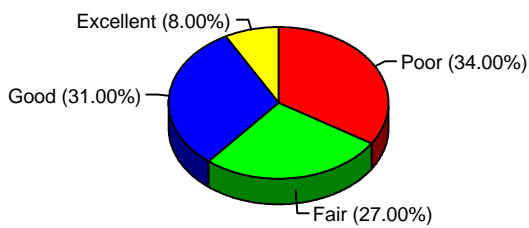
Literacy of the Underemployed
Springfield Area Employer Assessment



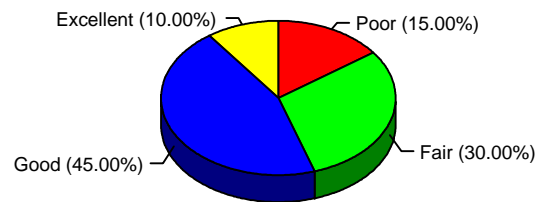
Numeral Skills of the Underemployed
Springfield Area Employer Assessment



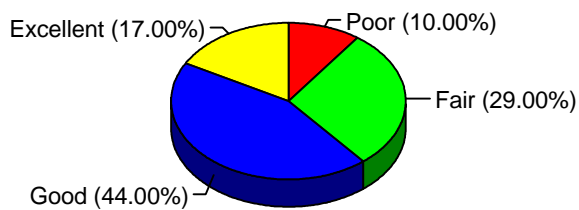
Availability of Skilled Labor



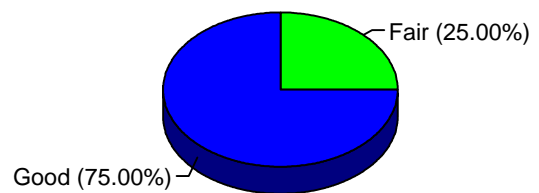
Unskilled Availability



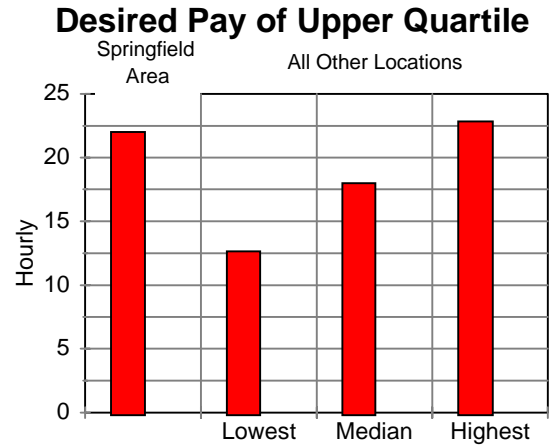
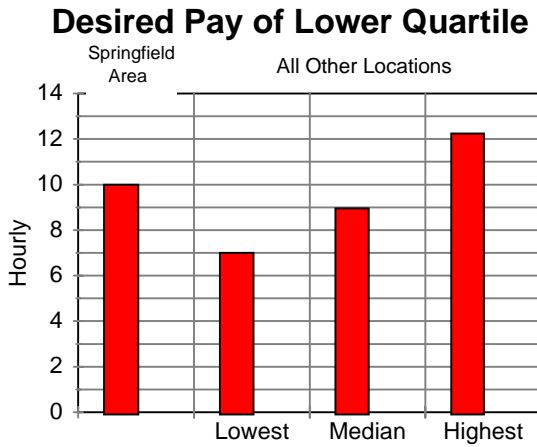
Productivity



Professional Availability



Pay Desired-Underemployed Workers Springfield Area Versus Other Locations



The workforce verification report documented the number of underemployed workers in the Springfield area which would be available for an employer at various pay rates ranging from below \$7 per hour to \$20 per hour or above (median \$11.02) and which have the skills, experience and education to justify the desired pay rates.

The chart on the left above shows that 25% of the underemployed workers in the Springfield area merit and would take a new job for \$9.99 per hour or less. In all locations which have been surveyed, the lowest pay rate in that lower quartile is \$6.95 or less, the median \$8.95 or less and the highest pay \$12.25 or less.

Those in the upper quartile have superior education, greater skills and more experience, yet based on current pay rates are still underemployed. In the Springfield area, those individuals in that upper 25% can command \$22.00 per hour or more. That wage is just above the median for that upper quartile in all areas surveyed and just below the high for that upper quartile of \$22.83.

Assessment of Springfield, Illinois as a Business Location

The Pathfinders staff has employed its experience in site searches for corporate clients to evaluate Sangamon County as a location for business and industry from an industrial prospect's perspective. The conclusion drawn from that evaluation is that Sangamon County holds a very competitive position in the business recruitment marketplace. Fundamentally, this comparative analysis can be used to answer the following questions:

1. What forces are at work which may discourage firms in Sangamon County from expanding locally?
2. How does Sangamon County appear to a representative of a company considering it as a place in which to locate a new operation?
3. What assets and advantages does it possess that will encourage new firms to move into the area or existing firms to expand their operations in the area?
4. What factors make Sangamon County a logical locational choice over its competitors?

The information generated from this assessment provides an overview of Sangamon County's most marketable attributes that can be immediately communicated to corporate investors. This report addresses the following site selection factors:

- # Labor and Workforce Issues
- # Property Taxes
- # Utilities Cost, Availability, Reliability
 - (a) electricity
 - (b) natural gas
 - (c) water
 - (d) sewage treatment
- # Industrial Sites
- # Transportation
- # Quality of Life

The consideration of Sangamon County's strengths and weaknesses as a location for business and industry was undertaken from the perspective of a site-selection team which might consider Sangamon County as a candidate for the location of a production or distribution operation. It uses the same methodology employed by The Pathfinders in site searches for corporate clients.

The reader should be cautioned about placing too much value on those factors where Sangamon County enjoys an advantage or being too concerned about those factors where a disadvantage exists. The purpose of the comparative analysis is to determine if radical advantages exist or where disadvantages would be so radical as to be "deal killers". **Moreover, it provides an answer to the fundamental question of whether Sangamon County has the attributes which make it saleable as a location to business and industry. The answer to that is clearly "yes".**

- # Its central location provides good access to markets.

- # Its location on two Interstate Highways is positive, and rail and trucking services are good. Jet service would improve air transportation.
- # All utilities services are reliable and ample water and sewage capacities exist.
- # The cost of natural gas is very low and the cost of electricity is moderate.
- # Property taxes are reasonable.
- # Good, fully developed industrial/business sites are available but there is a shortage of existing buildings. The erection of a spec building should be considered.
- # The local government would be considered to be cooperative and the quality of life quotient is good.
- # The workforce possesses a variety of skills and diverse experience.
- # The workforce quality is good, but it would not be considered to be low cost. Business recruitment targets should be those companies requiring better skills and higher quality in its employee base.
- # Annualized operating costs in the area are favorable.

The attitudes of the elected and appointed officials in Sangamon County do not present a constraint to business expansions or business attraction. While exhibiting appropriate concerns about environmental and quality of life issues, the local government would be considered to be pro-business

Labor

The area workforce received good marks for productivity, with almost 60% of the companies reporting productivity as good or excellent. That is consistent with the fact that many of the companies interviewed stated that their Sangamon County operation compared very favorably with operations in other locations in terms of profitability and production. That is indicative of good management but also of a very productive workforce.

Overwhelmingly, the companies interviewed judged absenteeism, turnover and tardiness to be low. Low instances of drug problems were reported and most companies tested for drugs.

The following is a Summary of Employer's Ratings of the Availability of Workers:

	<u>Excellent</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>
Skilled Availability	8%	31%	27%	34%
Unskilled Availability	10%	45%	30%	15%
Productivity	17%	44%	29%	10%
Literacy Competence	14%	57%	29%	0%
Numeracy Competence	14%	43%	43%	0%

Turnover rates were generally reported to be low. Not one company reported absenteeism to be high. There is very little incidence of drug problems in the workplace.

Taxes

Federal, state, and local tax systems and regulatory policies clearly have an impact on business expansion and economic growth. Comparisons of total tax burdens, fiscal responsibility, and local government financial condition are fundamental in the site-selection process. Such considerations must, however, be taken in context as they are typically subsidiary to comparative advantages or disadvantages in other key location criteria.

A comparison of local real and personal property taxes a company would encounter in Sangamon County relative to other communities with which it might commonly compete is shown on the accompanying charts.

This comparative analysis of taxation costs in randomly selected communities is provided to demonstrate that the property tax burden is relatively low in Springfield. It indicates that capital-intensive operations which are normally sensitive to tax rates should be recruitment targets.

Utilities

Sangamon County's ability to deliver water to a new industry is a strength and can be effectively presented as such to a company requiring large volumes of water, such as food processing operations.

The rates shown on the following page for natural gas in Sangamon County are standard rates charged by the gas companies for usage at this level and are presented for the purposes of a comparative analysis alone. Those utilities companies would negotiate rates with a large customer and, in actuality, most very large users would find an alternative supplier of gas and simply pay a transport rate to the utility company.

None of the companies interviewed expressed any dissatisfaction with the reliability or dependability of electrical power delivery in Sangamon County.

The comparative analyses for utilities costs with randomly selected communities demonstrates that this is a definite strength for Sangamon County.

Cost Comparisons, Gas, Electricity and Taxation Selected Communities

City	Tax (annual)	Electric (monthly)	Gas (monthly)	Annual Costs
Dallas, TX	\$322,800	\$22,950	\$30,400	\$963,000
Memphis, TN	\$291,640	\$23,278	\$21,022	\$823,240
St. Louis, MO	\$288,500	\$18,544	\$26,000	\$823,028
Jackson, MS	\$289,000	\$24,185	\$17,079	\$784,168
Columbus, OH	\$219,720	\$21,914	\$24,725	\$779,388
Alexandria, LA	\$191,250	\$20,097	\$28,000	\$768,414
San Antonio, TX	\$346,000	\$17,068	\$17,688	\$763,072
Springfield, IL	\$252,566	\$23,929	\$18,738	\$764,570
Dayton, OH	\$204,726	\$17,398	\$27,384	\$742,110
Indianapolis, IN	\$239,290	\$19,388	\$21,224	\$726,634
Knoxville, TN	\$144,500	\$21,050	\$23,405	\$677,960
Louisville, KY	\$162,310	\$15,291	\$26,253	\$660,838
Wilmington, NC	\$148,800	\$18,000	\$24,166	\$654,792
Huntsville, AL	\$139,200	\$19,311	\$23,460	\$652,452
Little Rock, AR	\$161,000	\$20,277	\$17,964	\$619,892

Model Used:

Taxation - \$10 million in plant, \$2 million equipment

Gas - 5000 MCF per month

Electricity - 400,000 KWH per month with a 1000 KW Demand

Industrial Sites

The area does not have an inventory of suitable available existing facilities, and consideration should be given to the construction of a spec building. At the minimum, a facility should be designed and permitted. The design would be limited to exterior and structural, leaving the interior design to the user.

In the absence of existing buildings, it is important for a community to have good industrial sites and Sangamon County clearly does.

The Springfield/Sangamon County EDC provided data on seven rail-served sites and fourteen sites without rail service. All but one are currently served by water, sewer, gas, and electricity. Those sites are available in various sizes, ranging from one acre to over 100 acres. Pricing is within reason.

Quality of Life

The executives with whom we spoke in companies located in Sangamon County expressed a great deal of satisfaction with the area's livability quotient. They also indicated that they had no trouble recruiting professionals from other cities to the area because of the livability factor.

The cost of living in Springfield is just below the average according to the American Chamber of Commerce Research Association survey (the most reliable index available).

In today's corporate environment where costs and efficiency drive decisions, the quality of life factor tends to impact the location decision only when it is radically poor, and that is judged most often by crime and safety. Sangamon County's quality of life quotient will not detract from its business recruitment potential.

Transportation

Today, companies are increasingly expressing a preference for non-metropolitan areas as a location for new production facilities. With that preference, some transportation disadvantages, especially relating to air services, must be and are tolerated. Companies are to a greater extent now willing to trade-off location and some transportation disadvantages for a stable, non-union work force, lack of crime, low costs of living, and other advantages which smaller communities offer.

In addition to offering those advantages, Sangamon County's geographic location is in the central portion of the United States. Companies producing products for shipment to locations throughout North America will find its geographic location to be advantageous.

Conclusion

The assessment presented in the foregoing present a very positive view of Sangamon County as a location for business and industry. In the conduct of these assessments, The Pathfinders employed a purely objective standard to drawing conclusions. The client at no time (before, during or after this project) attempted in any manner to influence findings.

Quantitative data was used in this assessment and those numbers speak for themselves (the only exception to that is the section on Livability - Quality of Life). Sangamon County is judged to be a very good business location.