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# State of Illinois Defense Industry Adjustment (DIA) Program

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## Northeast Illinois Region Economic Profile

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UNIVERSITY OF ILLINOIS  
URBANA-CHAMPAIGN • CHICAGO • SPRINGFIELD



**Nathalie P. Voorhees Center  
for Neighborhood and  
Community Improvement**



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## Regional Economic Profile

The purpose of this regional economic profile is to provide an overview of a region's economy in terms of its current composition, changes in employment, and occupations. Each indicator is analyzed in comparison with the state and national averages to provide a better understanding of local status and trends. A comparative understanding of a region's economy in terms of compositional change and performance informs policy makers and analysts to better position the region in the national economy. To the extent that data are available, the profile analyzes changes over a period of 10 years—long enough to reveal important dynamics, but short enough to focus on the kinds of local changes that may be malleable through regional planning activity.

Drawing on local and national data sources, this profile considers both the fundamental economic conditions and sectoral drivers of the regional economy. The economic indicators/industrial data items being analyzed are divided into three main groups:

**Basic economic indicators:** Indicators that measure economic conditions and help evaluate regional economic performance: (1) Employment and its sectoral distribution, (2) Unemployment rate, (3) Unemployment insurance claims, (4) Annual wages, and (5) Occupations. Descriptive analysis of these indicators help determine how the local economy is faring relative to its position in the past or its current position as measured against a referent economy (i.e., the nation or the state).

**Dependency on government employment:** Analysis of government employment as a share of total regional employment helps assess the degree to which regional employment base depends on the federal or state/local government activities. Besides examining changes in government/private sector portion of employment over time, the analysis identifies the regional employment base that is directly attributable to the Department of Defense (employment at the Naval Station Great Lakes) or related departments (e.g., employment at Hospitals administrated by the Department of Veterans Affairs).

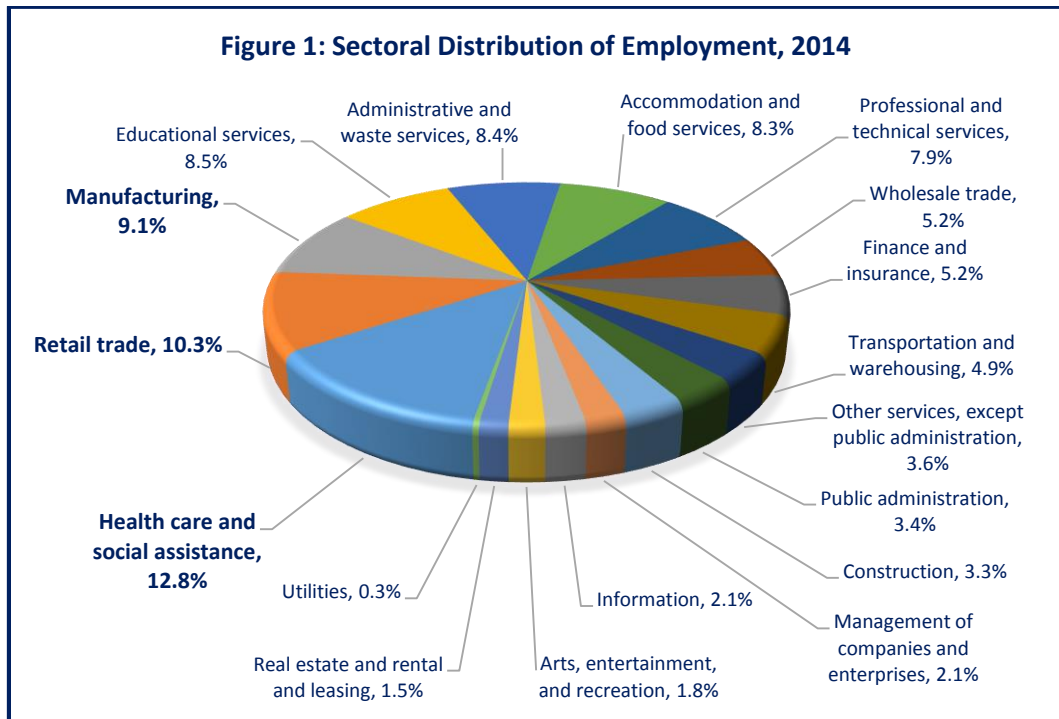
**Defense related industrial activities:** The profile identifies specific manufacturing and professional/technical services industries in which businesses may be performing defense contract work or are part of the defense industry supply chain. Some of the establishments operating in such industries are owned by the federal government and perform work assigned to them by local bases or the Department of Defense. Unlike such cases where the amount and type of economic activity are relatively predictable, economic activities performed by private sector establishments are far less detectable through the publicly available secondary data sources on which this profile relies. In a region with an economy as industrially diverse and specialized as Northeast Illinois, private sector establishments might be carrying out defense contract work at various levels originating from different parts of the country. Given this challenge, the profile focuses on those industries that show heavy regional specialization and in which businesses are believed to be performing defense contract work or constitute part of defense supply chain. By analyzing regional employment trends in these industries in comparison with the nation, the profile explores the “defense activity-industrial performance” nexus. Finally, the region's share of national defense contracts is analyzed, and local industries that perform substantial work originating from the Department of Defense are identified.

## Regional Economic Highlights

- Health care, retail trade, and manufacturing accounted for the largest shares of any sector in 2014, representing 12.8 percent, 10.3 percent, and 9.1 percent of regional employment, respectively.
- All sectors except public administration, and finance and insurance posted gains in employment from 2010 to 2014. Educational services, administrative services, and professional and technical services respectively created the most jobs over the period, together adding 168,144 jobs in the region.
- Current regional employment is still below the pre-recession level. During the same period, the U.S. economy performed slightly better. Employment in the Northeast Illinois Region expanded 6.6 percent from 2010 to 2014, but lagged the national growth rate of 6.9 percent.
- Relative to the nation and Illinois, the private sector accounts for a large portion of employment in the seven-county region. On the other hand, state and local governments account for a small (around 11%) portion of regional employment. Likewise, the federal government accounts for a relatively small portion of employment in the seven-county region.
- The current (2015) unemployment rate in the region (5.8%) is higher than the national unemployment rate (5.3%) and nearly the same as the state rate (5.9%). After peaking during the recession (2009), recent year regional insurance claims to a large extent seem to have returned to their pre-recession levels.
- The current annual average wage for all industries in the region is \$58,174. This exceeds the national and Illinois figures (average annual wages for all industries in Illinois was \$54,106 and \$51,364 in the U.S. in 2014). There has not been a significant change in the gap between regional and national wages during the last ten years.
- The seven-county region is specialized in various manufacturing, financial, and business service industries. Among those, fabricated metal product manufacturing (NAICS 332) and professional and technical services (NAICS 541) are likely the most closely related to defense.
- Defense contracts have been in the range of less than 1 percent of gross regional product for the last ten years although it appears to be trending higher in recent years.
- Regional employment in the fabricated metal product manufacturing declined substantially during the recession and has not completely recovered yet. While national employment increased in the last four years in this industry, regional employment remained the same. Regional employment in professional and technical services closely follows the national trend and has already surpassed the pre-recession levels.
- Three major growth occupation groups are: Management Occupations; Computer and Mathematical Occupations; Personal Care and Service Occupations.

**Employment by Sectors and Industry**

Health care and social assistance is the largest industry by employment in the region. The health care sector employed more than 505,000 workers in 2014, approximately 13 percent of total employment in the seven-county region (Figure 1). After health care, retail trade and manufacturing are the two largest sectors. These three sectors together constituted nearly one third of total regional employment in 2014. These sectors are also dominant sectors at the national level. However, manufacturing accounts for a slightly larger share of employment in the Northeast Illinois Region than in the U.S. (Table 1). The share of manufacturing in regional employment is 9.1 while it is nearly 8.9% in national employment (the corresponding figure for the state of Illinois is 10.1%).



**Table 1: Top Industries by Employment, 2014**

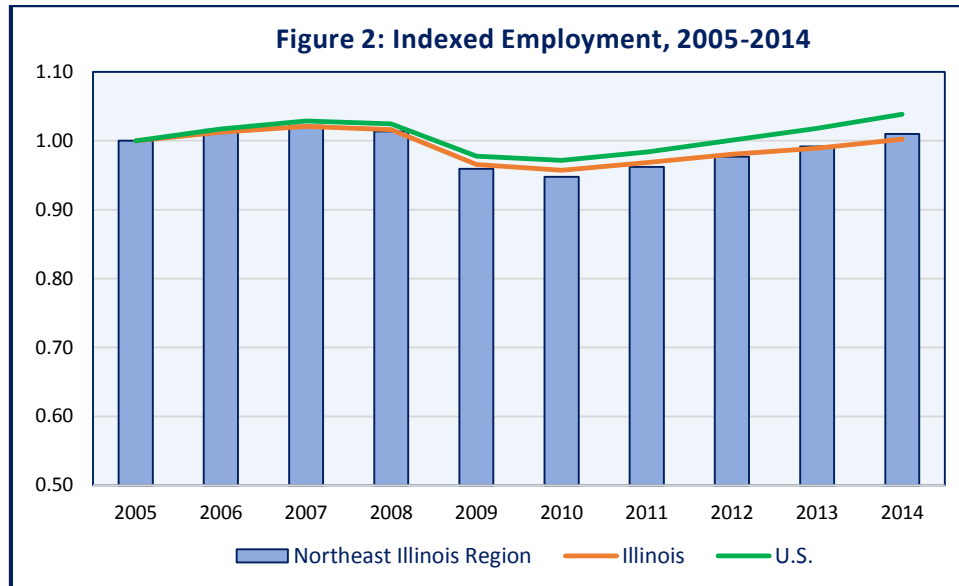
Industry	Northeast Illinois Region			United States		
	Rank	Employment	Share	Rank	Employment	Share
Health care and social assistance*	1	505,043	12.8%	1	19,783,384	14.5%
Retail trade	2	406,416	10.3%	2	15,406,097	11.3%
Manufacturing	3	358,638	9.1%	4	12,202,114	8.9%
Educational services*	4	333,200	8.5%	5	12,200,960	8.9%
Administrative and waste services*	5	329,558	8.4%	6	8,657,458	6.3%
Accommodation and food services*	6	327,267	8.3%	3	12,622,094	9.2%
Professional and technical services*	7	310,444	7.9%	7	8,453,203	6.2%
Wholesale trade*	8	206,148	5.2%	10	5,816,318	4.3%
Finance and insurance*	9	204,050	5.2%	11	5,664,688	4.1%
Transportation and warehousing*	10	193,610	4.9%	12	5,325,471	3.9%
Other services, except public administration*	11	142,436	3.6%	13	4,274,676	3.1%
Public administration*	12	133,066	3.4%	8	7,221,251	5.3%
Construction*	13	129,977	3.3%	9	6,290,487	4.6%
Management of companies and enterprises	14	82,067	2.1%	16	2,154,136	1.6%
Information*	15	81,817	2.1%	14	2,875,116	2.1%
Arts, entertainment, and recreation*	16	72,751	1.8%	15	2,480,359	1.8%
Real estate and rental and leasing*	17	58,680	1.5%	17	2,083,636	1.5%
Utilities*	18	12,695	0.3%	20	802,552	0.6%
Unclassified	19	4,992	0.1%	21	215,085	0.2%
Agriculture, forestry, fishing and hunting*	20	2,464	0.1%	18	1,237,636	0.9%
Mining, quarrying, and oil and gas extraction*	21	1,101	0.0%	19	842,095	0.6%
<b>Total with Data Suppression</b>		<b>3,896,420</b>	<b>100%</b>		<b>136,608,816</b>	<b>100%</b>
<b>Total without Data Suppression</b>		<b>3,941,055</b>	<b>100%</b>		<b>136,613,609</b>	<b>100%</b>

\*Industries for which employment data are suppressed. Shares are calculated using total without data suppression.

Although the regional economy continues to expand after the recession ended in 2010, similar to the trend in Illinois, current regional employment has not reached the pre-recession level yet (Table 2). During the same period, the U.S. economy performed slightly better. The current national employment level surpassed pre-recession level. Differences in employment growth can also be seen in Figure 2 where employment levels for the seven-county region, Illinois, and the U.S. are shown as shares of 2005 employment.

**Table 2: Employment by Region, 2008-2014**

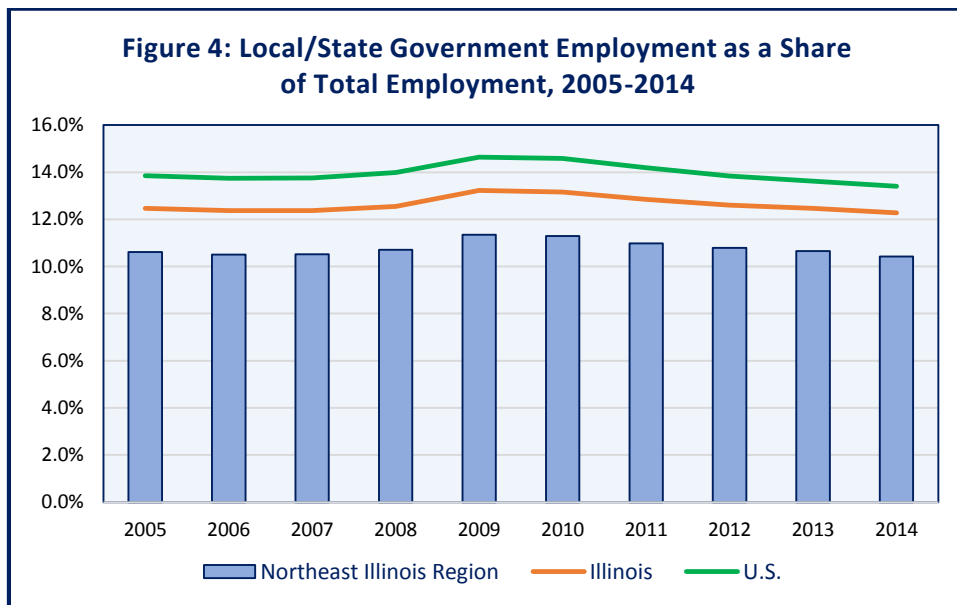
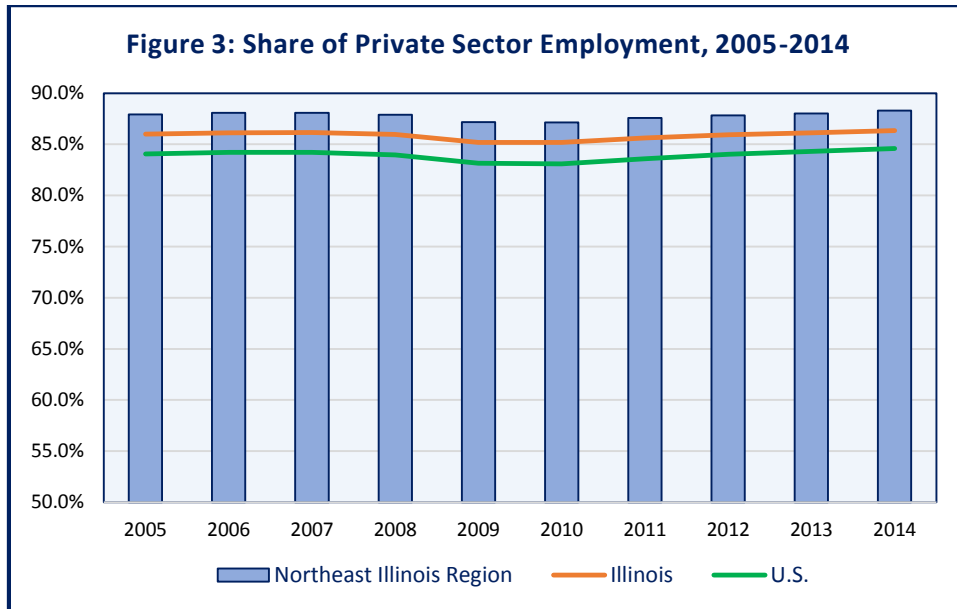
	2008	2009	2010	2011	2012	2013	2014
<b>Region</b>	3,955,955	3,743,649	3,698,609	3,755,358	3,813,222	3,871,475	3,941,055
<b>Illinois</b>	5,841,692	5,551,930	5,502,322	5,566,648	5,636,918	5,687,541	5,762,156
<b>U.S.</b>	134,805,659	128,607,842	127,820,442	129,411,095	131,696,378	133,968,434	136,613,609

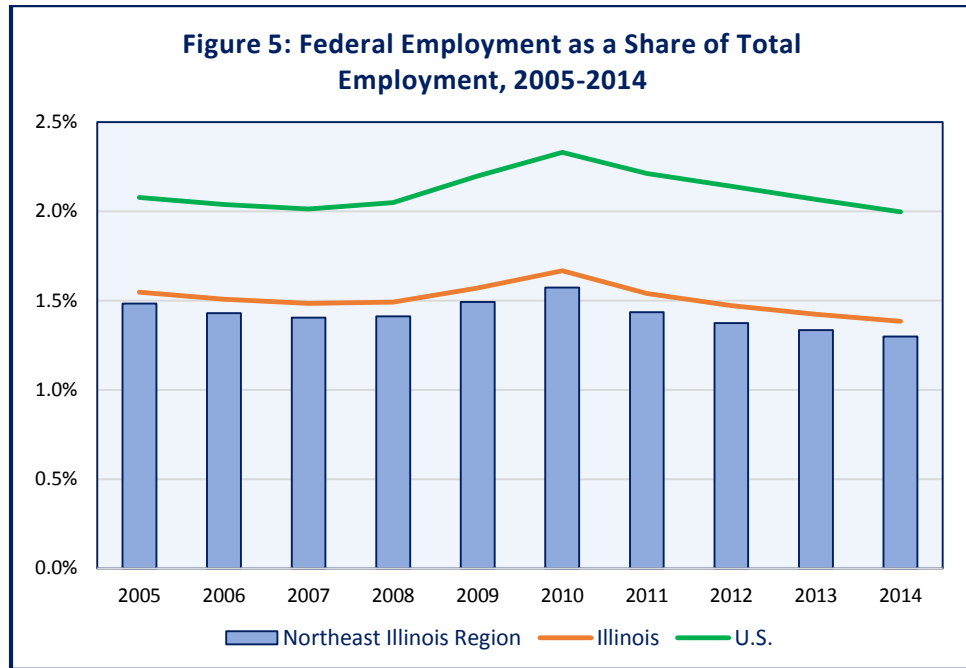


Relative to the nation and Illinois, the private sector accounts for a large portion of employment in the seven-county region. On the other hand, state and local governments account for around 11% of regional employment, a share much smaller than the share observed for the nation or the state of Illinois. Likewise, the federal government accounts for a relatively small portion of employment in the seven-county region.

Similar to other regions, the federal government’s role in employment in this region is largely attributable to general government activities (e.g., Justice and safety activities; Administration of human resource programs; Administration of economic and environmental programs etc.). However, hospitals owned and operated by federal government through the Department of Veterans Affairs constitutes a considerable share of federal employment in the region (8,881 of 51,218 in 2014). Naval Station Great Lakes (NSGL) located in Lake County employed 3,906 military personnel and 4,620 civilians in 2013.<sup>1</sup> It is important to note that parallel to national trends, the share of the federal government in regional employment is declining while the share of private sector employment is increasing in the last five years (two parallel trends are observable in Figure 3 and Figure 5). In fact, similar to the trend observed at the state level, federal government’s share in regional employment in 2014 is smaller than its share in 2005 or 2006.

<sup>1</sup> Illinois military base and defense industry assets economic impact study: State and regional analyses (2014). Northern Illinois University, Illinois Chamber of Commerce, Office of the Lieutenant Governor.





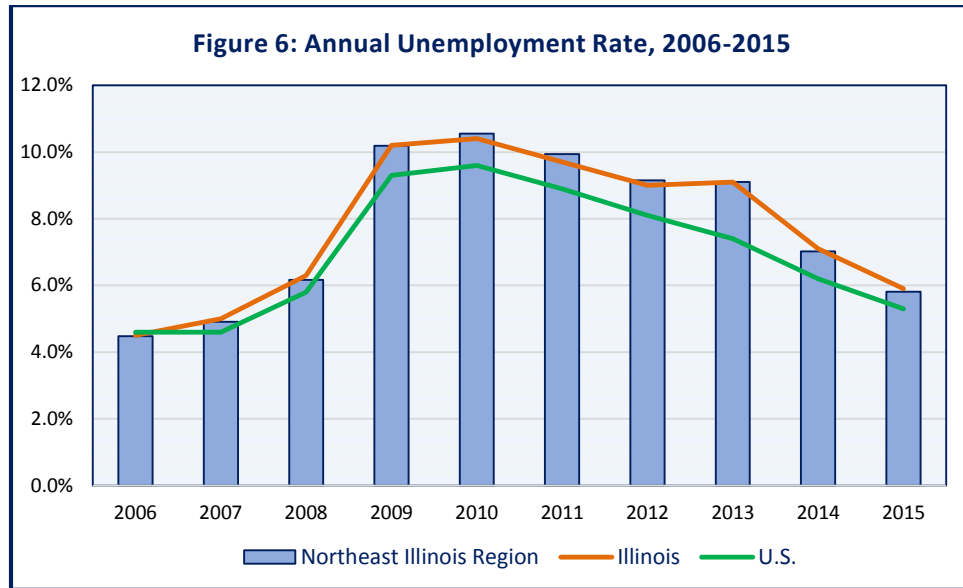
### Unemployment Rate

Current unemployment rate in the region (5.8%) is higher than the national unemployment rate (5.3%) and nearly the same as the state rate.<sup>2</sup> After rising sharply during the recession years of 2009 and 2010, the regional unemployment rate has fallen in recent years. However, it is still higher than pre-recession levels (Figure 6). Although the unemployment rate in the Northeast Illinois Region was slightly above the national average, this trend seems to be changing slightly in recent years. This could be indicative of industrial and/or occupational changes occurring in the regional economy relative to the nation, or that the region still continues to recover from the recession. There are small, but notable variations among counties in the region in terms of the unemployment rate. Overall, Cook County and Will County have higher unemployment rates than other counties. Unemployment rate in Lake County where the Naval Station Great Lakes is located, is lower than the regional and state averages, but slightly above the national average.

<sup>2</sup> The similarity between regional and Illinois unemployment rates might be a reflection of the fact that the Northeast Illinois Region accounts for a large portion of state employment. In 2015, according to the Illinois Department of Employment Security, Economic Information and Analysis, 67.3% of the state’s labor force is located in the seven-county region.

The unemployment rate is a measure of an economy’s realized potential in terms of providing jobs to those looking for work. It is a lagging indicator and generally falls following a period of economic growth. Low unemployment rate suggests a tight labor market that cannot accommodate new firms unless there is growth in the local labor market. Conversely, a high unemployment rate suggests there is hardship in the local economy and active economic development efforts are needed. It is important to determine whether the unemployment is associated with specific industries and occupations.





**Table 3: Unemployment Rate (%) by County and Region, 2006-2015**

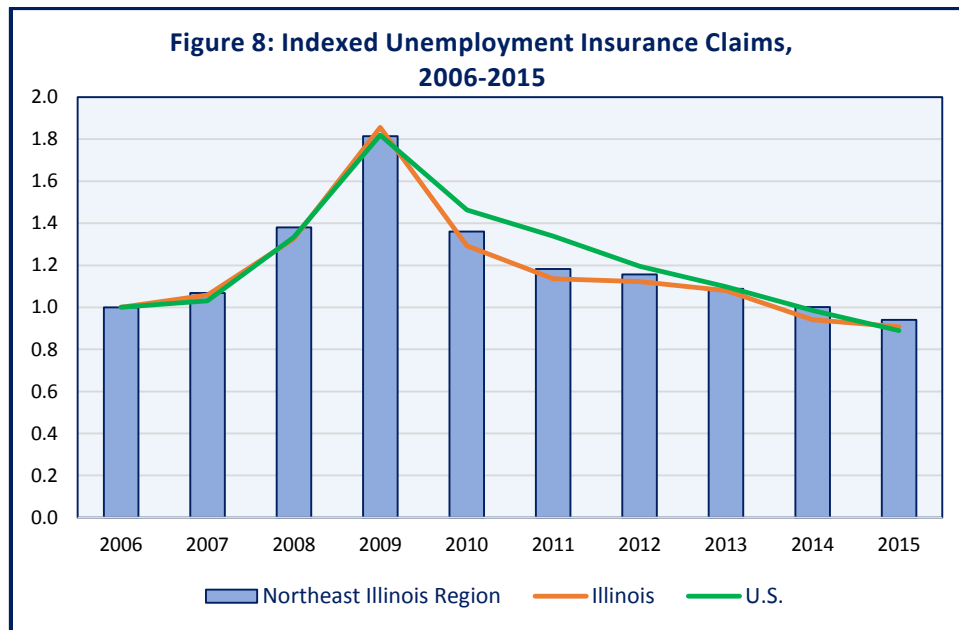
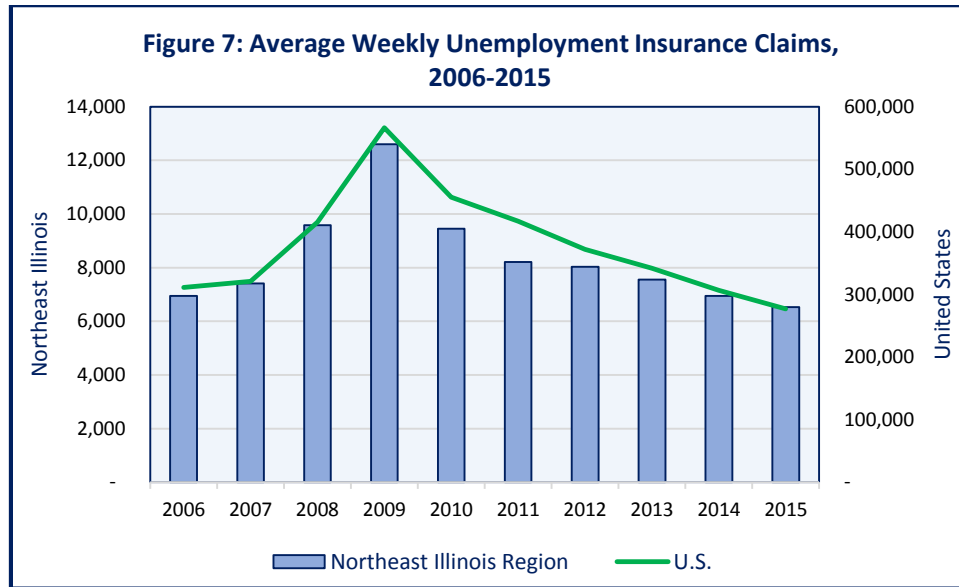
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Cook County	4.9	5.3	6.4	10.5	10.9	10.4	9.6	9.6	7.4	6.1
DuPage County	3.5	3.9	5.0	8.6	8.9	8.1	7.5	7.4	5.6	4.7
Kane County	4.0	4.5	6.0	10.5	11.0	9.8	8.9	8.7	7.0	5.8
Kendall County	3.9	4.3	5.8	10.1	10.2	9.2	8.3	8.3	6.3	5.1
Lake County	4.2	4.8	6.4	9.8	9.8	8.9	8.1	8.1	6.5	5.5
McHenry County	3.8	4.3	5.8	9.8	10.5	9.8	8.9	8.5	6.4	5.3
Will County	4.3	4.8	6.1	10.3	11.1	10.5	9.7	9.7	7.4	6.0
<b>Seven-County Region</b>	<b>4.5</b>	<b>4.9</b>	<b>6.2</b>	<b>10.2</b>	<b>10.6</b>	<b>9.9</b>	<b>9.2</b>	<b>9.1</b>	<b>7.0</b>	<b>5.8</b>
<b>Illinois</b>	<b>4.5</b>	<b>5.0</b>	<b>6.3</b>	<b>10.2</b>	<b>10.4</b>	<b>9.7</b>	<b>9.0</b>	<b>9.1</b>	<b>7.1</b>	<b>5.9</b>
<b>U.S.</b>	<b>4.6</b>	<b>4.6</b>	<b>5.8</b>	<b>9.3</b>	<b>9.6</b>	<b>8.9</b>	<b>8.1</b>	<b>7.4</b>	<b>6.2</b>	<b>5.3</b>

### Initial Unemployment Insurance Claims

After peaking during the recession (2009), recent regional insurance claims to a large extent seem to have returned to their pre-recession levels.<sup>3</sup> Overall, the trend for the seven-county region is very similar to trends observed for Illinois, or the U.S. Similar to the national and statewide trends, the region experienced a higher number of claims during the recession years of 2008, 2009, and 2010, but the most recent claims are below pre-recession levels. In Figure 8, initial unemployment

<sup>3</sup> Initial unemployment insurance claims are a leading indicator of economic conditions and are used in the analysis of current unemployment trends. New claims anticipate subsequent movement in the economy, primarily measuring emerging unemployment.

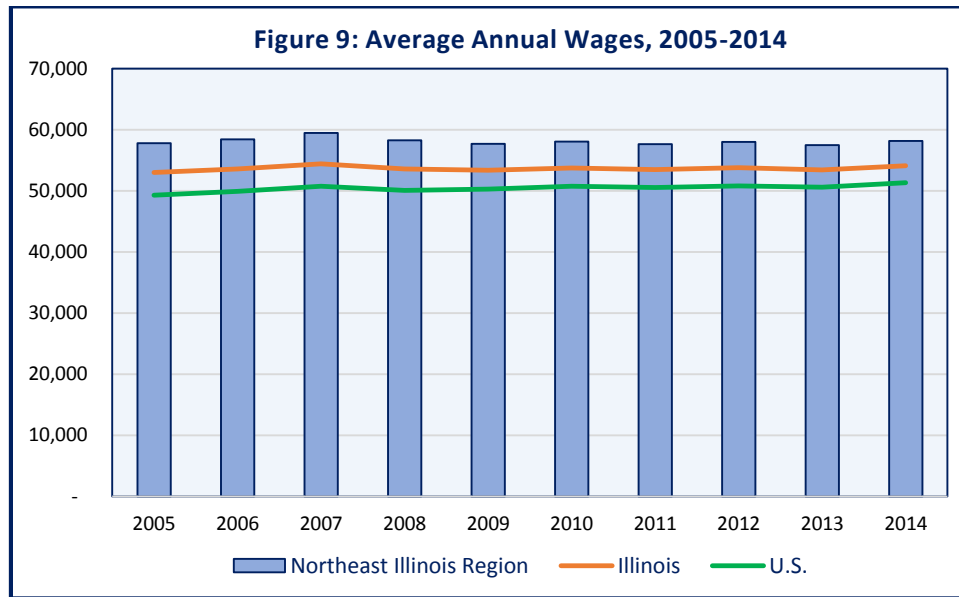
claims for the seven-county region, Illinois, and the U.S. are shown as a share of 2006 initial unemployment claims. Current initial claims in the region appear to have returned to their pre-recession levels in 2014 and below the pre-recession level in 2015.



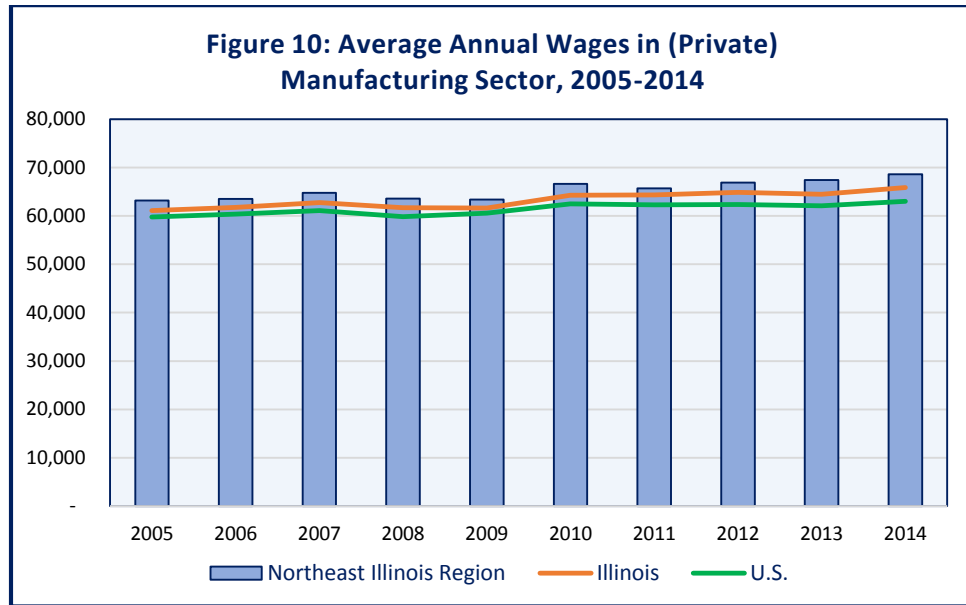
### Annual Wages

The current average wage for all industries in the region is \$58,174 (2014). This figure is above the national and Illinois figures (According to BLS 2014 estimates, average annual wages for all

industries in Illinois was \$54,106; and \$51,364 in the U.S.).<sup>4</sup> Figure 9 depicts average annual wages for the economy as a whole while Figure 10 examines average annual wages for just the manufacturing sector. Different trends are observed in terms of changes in wages for the economy as a whole and the manufacturing sector. While the average annual wages for all industries have been stable both at the regional and national levels, the annual wages for the manufacturing sector have risen notably. Another observation is that while regional wages for the manufacturing sector has been closer to the national average (relative to the wages for the economy as a whole), wages in the manufacturing sector started increasing slightly more than the U.S. or the state.



<sup>4</sup> Annual wages are a key to understanding what the standard of living is in the local economy. Earnings from employment in the form of wages remain the primary source of income for individuals to support themselves and their families. Industry-level annual wages are also considered as an indicator of a region’s competitiveness. All monetary figures are in 2014 dollars. Previous year wages are adjusted for inflation using Consumer Price Index (CPI) deflators published by the U.S. Bureau of Labor Statistics (BLS).



### Regional Industrial Specialization

The seven-county region appears to be specialized in at least twenty 3-digit NAICS industries (Table 4).<sup>5</sup> The list of industries range from transportation to manufacturing, and from financial to business services. The following two industries and businesses operating in these industries are likely performing defense related contract work: Fabricated metal product manufacturing (NAICS 332); Professional and technical services (NAICS 541). Besides being regionally concentrated, these two industries are a major source of employment in the region. While NAICS 332 provides the largest employment base among manufacturing industries with the highest LQs, NAICS 541 provides the largest employment base among the services industries with highest LQs.

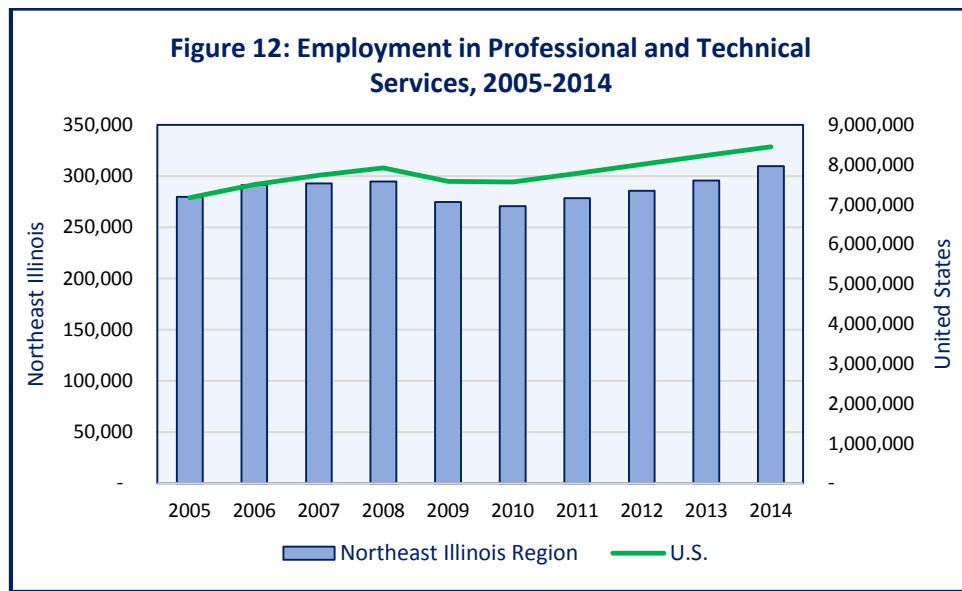
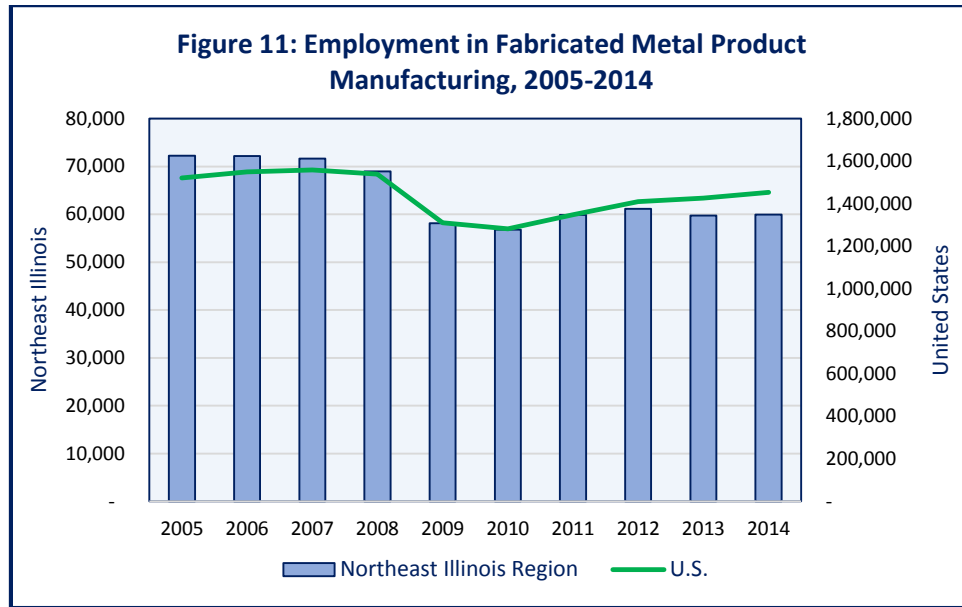
<sup>5</sup>This specialization is determined by location quotients. Location quotients (LQs) are a relatively simple measure consisting of ratios that compare a region’s distribution of employment to a reference region (U.S.). These ratios are interpreted as relative regional concentration or industrial specialization. Industries with LQs greater than 1.25 are interpreted as regionally concentrated because these are likely to be the export base industries whose further growth will stimulate the overall economy.

**Table 4: Industries with Relatively High Location Quotients, 2014**

NAICS Code	Industry	U.S.	Northeast Illinois Region	LQ
481	Air transportation*	446,221	33,294	2.59
335	Electrical equipment and appliance mfg.*	377,794	18,250	1.67
519	Other information services*	351,329	16,737	1.65
485	Transit and ground passenger transportation*	709,828	31,705	1.55
523	Securities, commodity contracts, investments*	881,871	39,377	1.55
813	Membership associations and organizations*	1,366,110	60,932	1.55
323	Printing and related support activities	454,629	20,252	1.54
322	Paper manufacturing*	371,784	15,746	1.47
325	Chemical manufacturing	800,255	33,837	1.47
<b>332</b>	<b>Fabricated metal product manufacturing</b>	<b>1,453,560</b>	<b>59,965</b>	<b>1.43</b>
326	Plastics and rubber products manufacturing	673,098	27,557	1.42
339	Miscellaneous manufacturing	583,226	23,219	1.38
561	Administrative and support services*	8,236,623	318,423	1.34
488	Support activities for transportation*	696,414	26,796	1.33
551	Management of companies and enterprises	2,154,136	82,067	1.32
423	Merchant wholesalers, durable goods	2,908,993	108,586	1.29
443	Electronics and appliance stores	488,425	18,016	1.28
<b>541</b>	<b>Professional and technical services*</b>	<b>8,453,203</b>	<b>310,444</b>	<b>1.27</b>
712	Museums, historical sites, zoos, and parks*	234,402	8,517	1.26
424	Merchant wholesalers, nondurable goods	2,010,879	72,931	1.26
<b>Total Employment with Data Suppression</b>		<b>136,594,884</b>	<b>3,883,582</b>	<b>N.A.</b>
<b>Total Employment without Data Suppression</b>		<b>136,613,609</b>	<b>3,941,055</b>	<b>N.A.</b>

\* Industries for which employment data at the regional level are suppressed. LQs are likely underestimated for these industries.

Given their size in the seven-county regional economy and potential supply-chain linkages to the defense industry, Figures 11 and 12 examine regional employment levels in these industries in comparison with national trends. Regional employment in fabricated metal product manufacturing declined substantially during the recession and has not completely recovered yet. While national employment increased in the last four years, regional employment remained the same. Regional employment in professional and technical services closely follows the national trend and surpassed the pre-recession levels.



**Occupations**

There are three major growth occupation groups: Management Occupations; Computer and Mathematical Occupations; Personal Care and Service Occupations (Table 5). Occupation groups with increased occupational employment LQ values over time indicate that industries that demand these occupations are probably growing and might demand equivalent or similar occupations in the future (Table 6). Understanding the current and changing occupation mix of a region informs policy makers and analysts about occupational requirements of local industries. Specifically, they could inform educational and workforce training policies and programs for growing and/or

specialized industries. For example, employment growth in professional and technical services (NAICS 541) discussed above are probably related to growth in management, computer and mathematical occupations.

**Table 5: Changes in Major Occupation Groups in Chicago-Naperville-Joliet and Lake-Kenosha County Metropolitan Statistical Areas, 2010-2015**

Occ. Code	Occupation Title	Northeast Illinois Region			U.S.		
		2010	2015	Change	2010	2015	Change
<b>11-0000</b>	<b>Management Occupations</b>	<b>223,950</b>	<b>279,220</b>	<b>24.7%</b>	<b>6,022,860</b>	<b>6,936,990</b>	<b>15.2%</b>
13-0000	Business and Financial Operations Occupations	247,160	233,210	-5.6%	6,090,910	7,032,560	15.5%
<b>15-0000</b>	<b>Computer and Mathematical Occupations</b>	<b>103,170</b>	<b>134,830</b>	<b>30.7%</b>	<b>3,283,950</b>	<b>4,005,250</b>	<b>22.0%</b>
17-0000	Architecture and Engineering Occupations	57,430	58,170	1.3%	2,305,530	2,475,390	7.4%
19-0000	Life, Physical, and Social Science Occupations	26,000	24,010	-7.7%	1,064,510	1,146,110	7.7%
21-0000	Community and Social Service Occupations	50,130	47,630	-5.0%	1,901,180	1,972,140	3.7%
23-0000	Legal Occupations	37,050	37,040	0.0%	992,650	1,062,370	7.0%
25-0000	Education, Training, and Library Occupations	283,730	247,020	-12.9%	8,457,870	8,542,670	1.0%
27-0000	Arts, Design, Entertainment, Sports, and Media Occ.	53,520	52,510	-1.9%	1,716,640	1,843,600	7.4%
29-0000	Healthcare Practitioners and Technical Occupations	220,420	214,210	-2.8%	7,346,580	8,021,800	9.2%
31-0000	Healthcare Support Occupations	104,420	106,150	1.7%	3,962,930	3,989,910	0.7%
33-0000	Protective Service Occupations	102,750	104,950	2.1%	3,187,810	3,351,620	5.1%
35-0000	Food Preparation and Serving Related Occupations	296,250	319,040	7.7%	11,027,340	12,577,080	14.1%
37-0000	Building and Grounds Cleaning and Maintenance Occ.	131,810	122,780	-6.9%	4,175,550	4,407,050	5.5%
<b>39-0000</b>	<b>Personal Care and Service Occupations</b>	<b>94,000</b>	<b>123,440</b>	<b>31.3%</b>	<b>3,425,220</b>	<b>4,307,500</b>	<b>25.8%</b>
41-0000	Sales and Related Occupations	424,880	416,850	-1.9%	13,437,980	14,462,120	7.6%
43-0000	Office and Administrative Support Occupations	633,420	630,670	-0.4%	21,503,800	21,846,420	1.6%
45-0000	Farming, Fishing, and Forestry Occupations	1,800	3,240	80.0%	408,040	454,230	11.3%
47-0000	Construction and Extraction Occupations	133,430	106,310	-20.3%	5,072,530	5,477,820	8.0%
49-0000	Installation, Maintenance, and Repair Occupations	116,570	121,690	4.4%	4,928,960	5,374,150	9.0%
51-0000	Production Occupations	273,000	270,070	-1.1%	8,236,340	9,073,290	10.2%
53-0000	Transportation and Material Moving Occupations	296,840	315,290	6.2%	8,547,980	9,536,610	11.6%
<b>00-0000</b>	<b>All Occupations</b>	<b>3,911,720</b>	<b>3,968,340</b>	<b>1.4%</b>	<b>127,097,160</b>	<b>137,896,660</b>	<b>8.5%</b>

The region for this table comprised of two metropolitan areas: Chicago-Naperville-Joliet, IL Metropolitan Division and Lake County-Kenosha County, IL-WI Metropolitan Division, as defined by the BLS. This region includes the seven-county CMAP region plus Kenosha County, WI. Occupations data at the county level are not available, therefore equivalent occupational statistics cannot be presented for the seven-county region.



**Table 6: Occupational Employment Location Quotients, Chicago-Naperville-Joliet and Lake-Kenosha County Metropolitan Statistical Areas, 2015\***

Occ. Code	Occupation Title	2010	2015
<b>11-0000</b>	<b>Management Occupations</b>	<b>1.21</b>	<b>1.40</b>
13-0000	Business and Financial Operations Occupations	1.32	1.15
<b>15-0000</b>	<b>Computer and Mathematical Occupations</b>	<b>1.02</b>	<b>1.17</b>
17-0000	Architecture and Engineering Occupations	0.81	0.82
19-0000	Life, Physical, and Social Science Occupations	0.79	0.73
21-0000	Community and Social Service Occupations	0.86	0.84
23-0000	Legal Occupations	1.21	1.21
25-0000	Education, Training, and Library Occupations	1.09	1.00
27-0000	Arts, Design, Entertainment, Sports, and Media Occ.	1.01	0.99
29-0000	Healthcare Practitioners and Technical Occupations	0.97	0.93
31-0000	Healthcare Support Occupations	0.86	0.92
33-0000	Protective Service Occupations	1.05	1.09
35-0000	Food Preparation and Serving Related Occupations	0.87	0.88
37-0000	Building and Grounds Cleaning and Maintenance Occ.	1.03	0.97
39-0000	Personal Care and Service Occupations	0.89	1.00
41-0000	Sales and Related Occupations	1.03	1.00
43-0000	Office and Administrative Support Occupations	0.96	1.00
45-0000	Farming, Fishing, and Forestry Occupations	0.14	0.25
47-0000	Construction and Extraction Occupations	0.85	0.67
49-0000	Installation, Maintenance, and Repair Occupations	0.77	0.79
51-0000	Production Occupations	1.08	1.03
53-0000	Transportation and Material Moving Occupations	1.13	1.15
<b>00-0000</b>	<b>All Occupations</b>	<b>1.00</b>	<b>1.00</b>

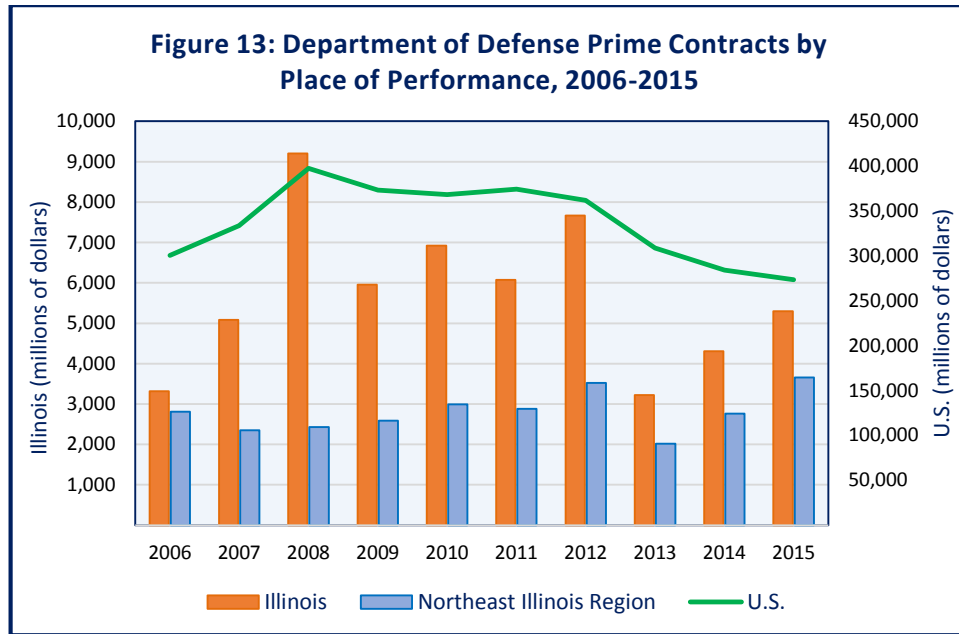
\*Reference region in LQ calculations is U.S.

### Trends in Department of Defense Contracts

Since 2006, the Department of Defense spent at least \$2 billion dollars in contracts annually in the Northeast Illinois Region (Figure 13).<sup>6</sup> Although these contracts constitute less than 1 percent of the gross regional product, it supports a large industrial base and is substantial for regional businesses in certain industries (Table 7).<sup>7</sup> Overall, the number of DoD contracts performed in the region closely tracks the statewide trend. It is worth noting that the region's share in state and national defense spending appears to be trending higher in recent years; such is the case between 2013 and 2015 when contracts performed in the region increased from \$2.0 billion to \$3.6 billion.

<sup>6</sup> Contracts spending data are not adjusted for inflation. Data are derived from USASpending.gov, which is a publicly available, searchable website operated by the U.S. Treasury Department's Bureau of the Fiscal Service. Figures for the Northeast Illinois Region are a low-end tally of contracting dollars because the data source includes only direct contracts and not subcontracts.

<sup>7</sup> According to the U.S. Bureau of Economic Analysis, Chicago-Naperville-Elgin MSA's gross regional product was \$610.5 billion in 2014.



In 2015, \$3.65 billion worth of DoD contracts were performed in the Northeast Illinois Region. Businesses operating in manufacturing, wholesale trade, construction, and professional and technical services received the most contract dollars obligated in FY 2015 (Table 7); the top five industries include: Medical equipment merchant wholesalers (NAICS 423450); Search, detection, and navigation instruments (NAICS 334511); Heavy duty truck manufacturing (NAICS 336120); Aircraft manufacturing (NAICS 336411); and, Engineering services (NAICS 541330). As discussed above, businesses in professional and technical services (NAICS 541) appear to be carrying out a substantial portion of DoD contracts performed in the region. Although fabricated metal product manufacturing (NAICS 332) does not appear in the list, businesses classified in this industry are likely carrying out sub-contract work for prime contractors in industries such as truck manufacturing or construction.

**Table 7: Industries with DoD Prime Contracts Valued at least \$10 million, Fiscal Year 2015**

NAICS Code	Industry	Sum of dollars obligated	Share (%)
423450	Medical equipment merchant wholesalers	471,852,320	12.9
334511	Search, detection, and navigation instruments	383,511,003	10.5
336120	Heavy duty truck manufacturing	378,625,020	10.4
336411	Aircraft manufacturing	222,142,596	6.1
541330	Engineering services	194,998,968	5.3
237990	Other heavy construction	177,474,190	4.9
324110	Petroleum refineries	160,009,958	4.4
334419	Other electronic component manufacturing	150,081,911	4.1
541712	Other physical and biological research	119,057,570	3.3
611430	Management training	99,233,144	2.7
334111	Electronic computer manufacturing	87,495,672	2.4
517110	Wired telecommunications carriers	86,318,248	2.4
424210	Druggists' goods merchant wholesalers	80,931,755	2.2
236220	Commercial building construction	80,606,577	2.2
541710	Research and Development in the Physical, Engineering, and Life Sciences	79,070,764	2.2
722310	Food service contractors	70,577,995	1.9
423850	Service establishment equipment merchant wholesalers	70,511,975	1.9
334210	Telephone apparatus manufacturing	59,596,993	1.6
336992	Military armored vehicles and tank parts mfg.	57,680,500	1.6
336413	Other aircraft parts and equipment	54,748,701	1.5
325411	Medicinal and botanical manufacturing	35,323,433	1.0
621111	Offices of physicians, except mental health	24,032,247	0.7
333316	Photographic and photocopying equipment mfg.	22,140,786	0.6
336320	Motor vehicle electrical and equipment mfg.	21,556,707	0.6
511210	Software publishers	20,810,159	0.6
335312	Motor and generator manufacturing	19,396,891	0.5
333611	Turbine and turbine generator set units mfg.	16,037,417	0.4
334220	Broadcast and wireless communications equip.	14,343,112	0.4
541380	Testing laboratories	13,393,212	0.4
541990	All other professional and technical services	13,363,901	0.4
339999	All other miscellaneous manufacturing	13,037,784	0.4
238910	Site preparation contractors	12,921,267	0.4
541512	Computer systems design services	12,738,648	0.3
541519	Other computer related services	12,118,246	0.3
541711	Research and development in biotechnology	11,334,000	0.3
325920	Explosives manufacturing	10,349,229	0.3
	<b>Subtotal</b>	<b>3,357,422,898</b>	<b>91.8</b>
	<b>Other Industries</b>	<b>\$299,736,150</b>	<b>8.2</b>
	<b>General Total</b>	<b>\$3,657,159,048</b>	<b>100</b>

## Summary

Overall, the seven-county regional economy appears to be similar to the U.S. economy in terms of industrial composition. Health care is the largest industry by employment in the region. After health care, retail trade and manufacturing are the two largest sectors. These three sectors together constituted nearly one third of regional employment in 2014. There has not been a significant change in the sectoral distribution of employment in the seven-county region in the last five years. In 2010, these three industries were also the largest employers. There is a slight difference in the public versus private share of employment between the regional economy and the national economy. Relative to the U.S. economy, government (federal or state/local) accounts for a smaller share of regional employment.

The unemployment rate in the seven-county Northeast Illinois Region has been historically slightly above the national average. According to the Illinois Department of Employment Security, the 2015 unemployment rate in the region was 5.8% while it was 5.3% at the national level. Although the regional economy continues to expand after the recession ended in 2010, similar to the trend in Illinois, current regional employment is still behind the pre-recession point. During the same period, the U.S. economy performed slightly better, and the current national employment level surpassed pre-recession levels. Relatively slow growth in employment in the seven-county region could be explained by: 1) the creation of fewer new jobs; 2) slower population growth; or 3) a declining labor force participation rate.

## Definitions & Data Sources

### **Unemployment Rate**

The unemployment rate is the percentage of the labor force that is unemployed. People are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. The labor force is made up of the employed and the unemployed (16 years of age and over). The remainder—those who have no job and are not looking for one—are counted as *not in the labor force*. Many who are not in the labor force are going to school or are retired. Family responsibilities keep others out of the labor force. Since the mid-1990s, typically fewer than 1 in 10 people not in the labor force reported that they want a job (BLS). Unemployment rate reported for the seven-county region is calculated using weighted average for seven counties that comprise the region.

Illinois Department of Employment Security, Economic Information and Analysis

[http://www.ides.illinois.gov/LMI/Pages/Annual\\_Average\\_Data.aspx](http://www.ides.illinois.gov/LMI/Pages/Annual_Average_Data.aspx)

### **Unemployment Insurance (UI) Claims**

UI claims data are widely used as an indicator of labor market conditions. Unemployment insurance (UI) programs are administered at the state level and provide assistance to jobless people who are looking for work. Workers who lose their jobs may file applications to determine if they are eligible for UI assistance. These applications are referred to as "initial claims." Claimants who meet the eligibility requirements must file "continuing claims" for each week that they seek benefits. While the UI claims data provide useful information, they are not used to measure total unemployment because they exclude several important groups. Not all workers are covered by UI programs. For example, self-employed workers, unpaid family workers, workers in certain not-for-profit organizations, and several other small (primarily seasonal) worker categories are not covered. Over the past decade, only about one-third of the total unemployed, on average, received regular UI benefits.

Illinois Department of Employment Security, Economic Information and Analysis

[http://www.ides.illinois.gov/LMI/Pages/Annual\\_Average\\_Data.aspx](http://www.ides.illinois.gov/LMI/Pages/Annual_Average_Data.aspx)

The U.S. Department of Labor

<http://workforcesecurity.doleta.gov/unemploy/claims.asp>

### **Wages**

Wages include bonuses, stock options, severance pay, profit distributions, cash value of meals and lodging, tips and other gratuities, and, in some States, employer contributions to certain deferred compensation plans such as 401(k) plans. Average annual wages reported for the seven-county region are calculated using weighted average for seven counties that comprise the region.

The Quarterly Census of Employment and Wages (QCEW).

<http://www.bls.gov/cew/datatoc.htm>

### **Employment**

The QCEW employment count is a total derived from quarterly contribution reports filed by almost every employer in the U.S., Puerto Rico and the U.S. Virgin Islands. It counts only filled jobs, whether full or part-time, temporary or permanent, by place of work. The quarterly reports include the establishment's monthly employment levels for the pay periods that include the twelfth of the month. Because the QCEW data is based on an establishment census which counts only filled jobs, it is likely that a multi-job holder will be counted two or more times in QCEW data.

The U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW).  
<http://www.bls.gov/cew/datatoc.htm>

### **Occupations**

An occupation is a set of activities or tasks that employees are paid to perform. Employees that perform essentially the same tasks are in the same occupation, whether or not they are in the same industry. Some occupations are concentrated in a few industries, while other occupations are found in the majority of industries. Occupations data derived from the occupational employment statistics (OES). The OES survey is a semi-annual mail survey of non-farm establishments. Note that Military Specific Occupations are not surveyed in OES.

The U.S. Bureau of Labor Statistics, Occupational Employment Statistics (OES).  
<http://www.bls.gov/oes/current/oessrcma.htm>

### **Department of Defense Contracts**

USA Spending reports two different locations for DoD contract awards: (1) The Recipient Location and (2) The Place of Performance. The *recipient location* is usually the headquarters of the entity receiving a federal award while the *place of performance* includes the location for the project being funded by the award or the location where products or services have been purchased for a project being funded by an award. Contract awards reported in this profile are based on the *place of performance*. And, regional contracts figures are approximate as they are derived from congressional districts-level data points. Illinois congressional districts 1 through 11 are considered to be roughly representative of the seven-county Northeast Illinois Region.

Annual contract figures are an aggregation of awards that occurred in a single fiscal year. The federal government operates on a fiscal year that begins on October 1st and ends the following September 30th.

The U.S. Treasury Department Bureau of the Fiscal Service.  
<https://www.usaspending.gov/DownloadCenter/Pages/dataarchives.aspx>