
State of Illinois Defense Industry Adjustment (DIA) Program

Greater Peoria Region Economic Profile

June, 2016

UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN • CHICAGO • SPRINGFIELD



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



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Regional Economic Profile

The Office of Economic Adjustment (OEA), an arm of the U.S. Department of Defense, initiated the Defense Industry Adjustment (DIA) Program to assist communities in planning for adjustments and resiliency in the face of defense industry changes. As of the beginning of 2016, a project team made up of the University of Illinois Office of Vice President for Research (OVPR), the UIC Voorhees Center, and the Quad Cities Chamber of Commerce, has begun work on the State of Illinois Defense Industry Adjustment Project to assess the impact of changes in defense industry spending in Illinois, and to assist impacted sectors in their efforts to develop plans and options to mitigate impact.

At number 48, the State of Illinois is one of the lowest defense spending states as a percentage of total state GDP. As of fiscal year 2014, only 0.8 percent of the state GDP is attributed to defense spending. Still, this accounted for \$5.6 billion in annual spending, largely for manufacturing of Supplies & Equipment (a category with 49% of annual spending contracts). The top direct defense spending locations in the state include: St. Clair County, Winnebago County, Lake, Cook, & DuPage Counties, Peoria County, and Rock Island County. These seven counties currently account for \$4.5 billion of annual spending in the state.

As part of the project team, the UIC Voorhees Center for Neighborhood and Community Improvement will analyze data, conduct studies, and engage with stakeholders to inform and assist impacted sectors in their efforts to develop plans and strategies. The first of these efforts involves compiling community and economic profiles to share with community stakeholders in five regions of the state (Quad Cities, Rockford, Chicago Metro, Metro East, and Peoria) in order to inform the direction of the state DIA Project.

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 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 military base) 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 specialized as Greater Peoria, 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.

This report covers the eight-county region that consists of Fulton, Logan, Marshall, Mason, McLean, Peoria, Tazewell, and Woodford Counties.¹ Unless otherwise indicated, regional data is defined using these geographies. Additional notes on definitions and data sources may be found at the end of this document. If there are any questions, please contact Yittayih Zelalem, Co-director of the Nathalie P. Voorhees Center for Neighborhood & Community Improvement at the University of Illinois at Chicago, at 312-996-6674 or e-mail at: yittazel@uic.edu.

¹ This region is larger than the 5-county region defined by the Greater Peoria Economic Development Council. We chose to include Fulton, Marshall, and McLean Counties because 2014 home-destination analysis by Census showed that substantial number of workers from those counties are employed in Peoria County and the Peoria Metro Region.

Regional Economic Highlights

- Health care, manufacturing and retail trade accounted for the largest shares among sectors in 2014, representing 15.5 percent, 11.8 percent, and 10.6 percent of regional employment, respectively.
- Accommodation and food services, manufacturing, and professional and technical services respectively created the most jobs from 2010 to 2014, together adding 3,749 jobs in the region.
- Employment in the Greater Peoria Region was essentially flat from 2010 to 2014, expanding by 0.2 percent compared to the national growth rate of 6.9 percent. Moreover, regional employment has been declining in the last two years and currently it is nearly at the low point experienced during the recession.
- Private sector's share of employment in the eight-county Greater Peoria region is greater than its share in the nation. On the other hand, the federal government accounts for a relatively smaller portion of employment in the region.
- The 2005 unemployment rate in the region (6.0%) is higher than the national unemployment rate (5.3%) and close to the state rate (5.9%). While the unemployment rate in the region was below the national average until the recession, recent unemployment rates have been above the national average.
- Regional initial unemployment insurance (UI) claims peaked during the recession (2009) and recent year regional insurance claims have not returned to their pre-recession levels yet.
- The current annual average wage for all industries in the region is \$49,410 and is slightly below the national and Illinois figures (average annual wages for all industries in Illinois was \$54,106; and \$51,364 in the U.S.). There has not been a significant change in the gap between regional and national wages during the last ten years.
- The Greater Peoria Region is specialized in various manufacturing industries. Among these, primary metal manufacturing (NAICS 331), fabricated metal product manufacturing (NAICS 332), and machinery manufacturing (NAICS 333) are likely the most closely related to defense.
- Defense contracts have been in the range of less than 1 percent of the gross regional product for the last ten years and this share appears to be trending lower in recent years.
- Regional employment in the fabricated metal product manufacturing declined substantially during the recession and has not completely recovered yet. Similarly, regional employment in machinery manufacturing declined substantially during the recession and has not recovered yet. In fact, while national machinery manufacturing employment started growing immediately after the recession ended in 2010, regional employment in the industry continued its downward trend.
- Three major growth occupation groups are: Management Occupations, Computer and Mathematical Occupations, and Architecture and Engineering Occupations.

Employment by Sector and Industry

Health care and social assistance is the largest industry by employment in the Greater Peoria Region. The health care sector employed 42,807 workers in 2014, approximately 15.5 percent of total employment in the eight-county region (Figure 1). After health care, manufacturing and retail trade are the two largest sectors. These three sectors together constituted nearly 38 percent of total regional employment in 2014. While two of these sectors (health care and retail trade) are similarly dominant sectors at the national level, manufacturing accounts for a larger share of employment in the Greater Peoria Region than in the U.S. (Table 1). The share of manufacturing in regional employment is 11.8 percent whereas it is just shy of 8.9 percent for the nation (the corresponding figure for Illinois is 10.1%).

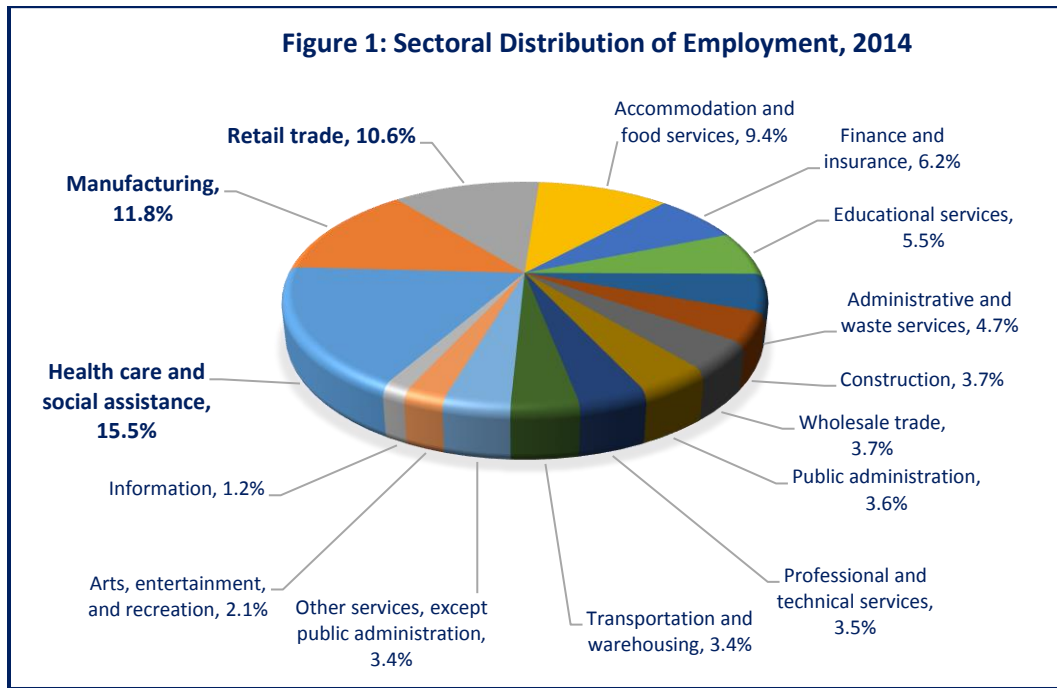


Table 1: Top Industries by Employment, 2014

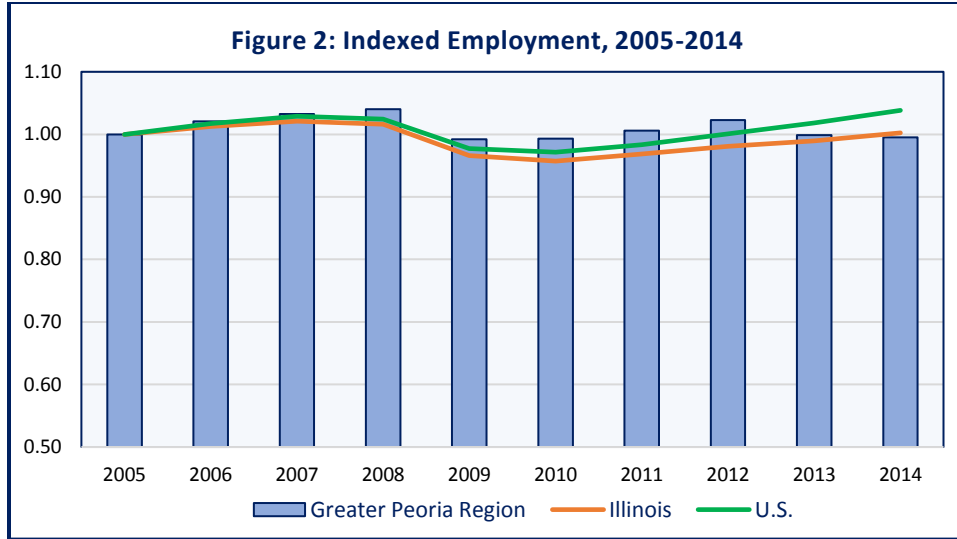
Industry	Greater Peoria Region			United States		
	Rank	Employment	Share	Rank	Employment	Share
Health care and social assistance*	1	42,807	15.5%	1	19,783,384	14.5%
Manufacturing	2	32,568	11.8%	4	12,202,114	8.9%
Retail trade	3	29,280	10.6%	2	15,406,097	11.3%
Accommodation and food services	4	26,135	9.4%	3	12,622,094	9.2%
Finance and insurance	5	17,063	6.2%	11	5,664,688	4.1%
Educational services*	6	15,314	5.5%	5	12,200,960	8.9%
Administrative and waste services*	7	13,066	4.7%	6	8,657,458	6.3%
Construction*	8	10,301	3.7%	9	6,290,487	4.6%
Wholesale trade	9	10,257	3.7%	10	5,816,318	4.3%
Public administration*	10	10,048	3.6%	8	7,221,251	5.3%
Professional and technical services*	11	9,616	3.5%	7	8,453,203	6.2%
Transportation and warehousing*	12	9,403	3.4%	12	5,325,471	3.9%
Other services, except public administration*	13	9,313	3.4%	13	4,274,676	3.1%
Arts, entertainment, and recreation*	14	5,690	2.1%	15	2,480,359	1.8%
Information*	15	3,437	1.2%	14	2,875,116	2.1%
Real estate and rental and leasing	16	2,473	0.9%	17	2,083,636	1.5%
Utilities*	17	1,278	0.5%	20	802,552	0.6%
Management of companies and enterprises*	18	927	0.3%	16	2,154,136	1.6%
Agriculture, forestry, fishing and hunting*	19	369	0.1%	18	1,237,636	0.9%
Unclassified	20	89	0.0%	21	215,085	0.2%
Mining, quarrying, and oil and gas extraction*	21	75	0.0%	19	842,095	0.6%
Total with Data Suppression		249,509	100%		136,608,816	100%
Total without Data Suppression		277,049	100%		136,613,609	100%

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

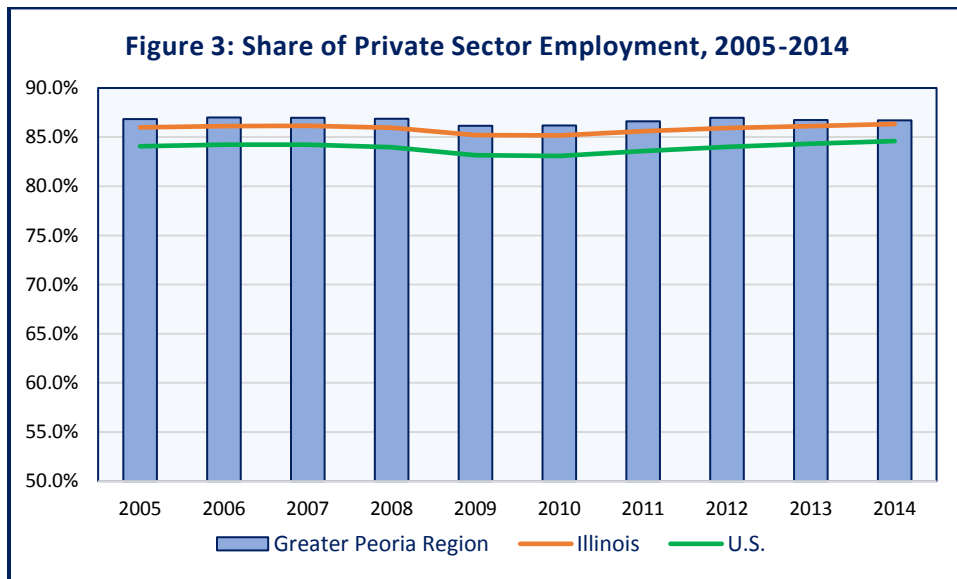
Although the regional economy started expanding after the recession ended in 2010, this lasted only two years. In contrast to national and statewide trends, regional employment has been declining in the last two years and currently it is nearly at the lowest recession point (Table 2). During the same period, the U.S. economy performed considerably better, and as a result the current national employment level surpasses pre-recession levels. Differences in employment growth can also be seen in Figure 2 where employment levels for the eight-county region, Illinois, and the U.S. are shown as shares of 2005 employment.

Table 2: Employment by Region, 2008-2014

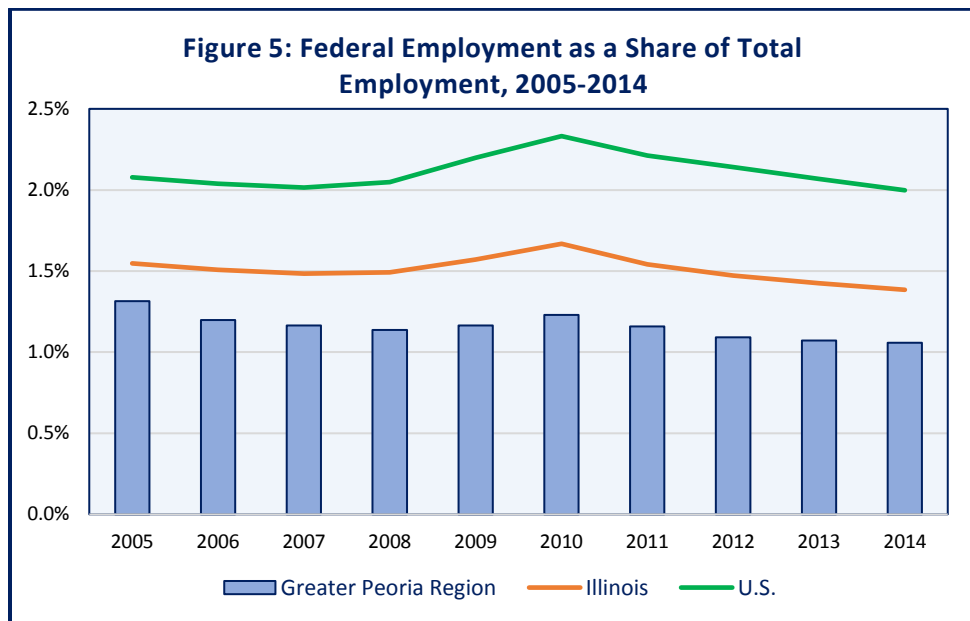
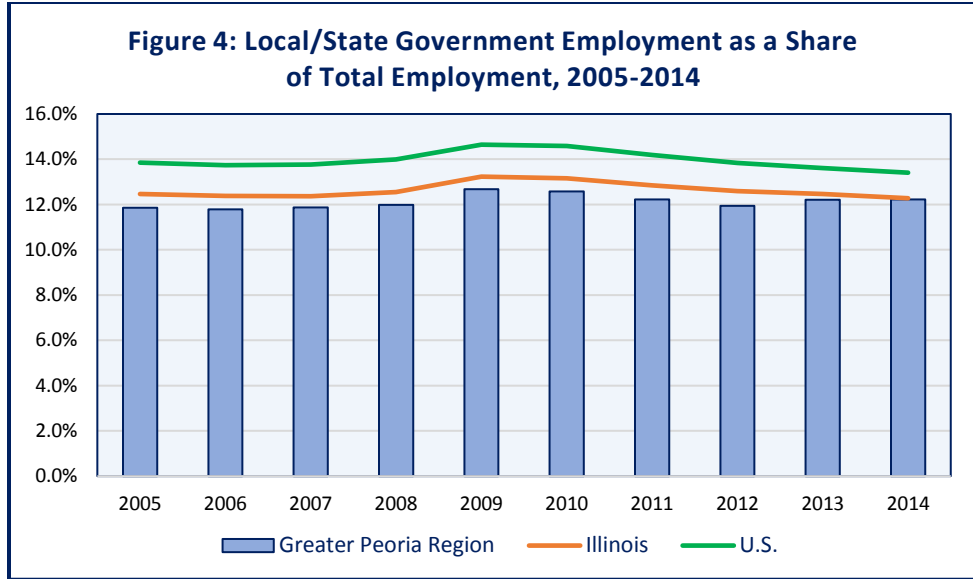
	2008	2009	2010	2011	2012	2013	2014
Region	289,555	276,232	276,488	280,029	284,793	278,065	277,049
Illinois	5,841,692	5,551,930	5,502,322	5,566,648	5,636,918	5,687,541	5,762,156
U.S.	134,805,659	128,607,842	127,820,442	129,411,095	131,696,378	133,968,434	136,613,609



Relative to the nation and Illinois, the private sector accounts for a slightly larger portion of employment in the eight-county region (Figure 3). On the other hand, state and local governments account for around 12 percent of regional employment, a share smaller than the share observed for the nation, but very close to the share for the state of Illinois (Figure 4). Likewise, the federal government accounts for a relatively small portion of employment in the eight-county region (Figure 5). This federal employment is partially attributable to the Peoria Readiness Center, which hosts 2,200 Illinois Air National Guard Members.²



² 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

The current unemployment rate in the region (6.0%) is higher than the national unemployment rate (5.3%) and nearly same as the state rate (5.9%).³ After rising sharply during the recession years

³ 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

of 2009 and 2010, the regional unemployment rate has fallen in recent years. However, it is still higher than pre-recession levels (Figure 6). It is important to note that while the unemployment rate in the Greater Peoria Region was below the national average until 2012, in the last three years the regional unemployment rate has been above the national average. This could be an indication of a slow regional recovery or of industrial and/or occupational changes occurring in the regional economy relative to the nation. There are small but notable variations among counties in the region in terms of the unemployment rate (Table 3). Overall, Fulton County, Mason County and Peoria County have higher unemployment rates than other counties.

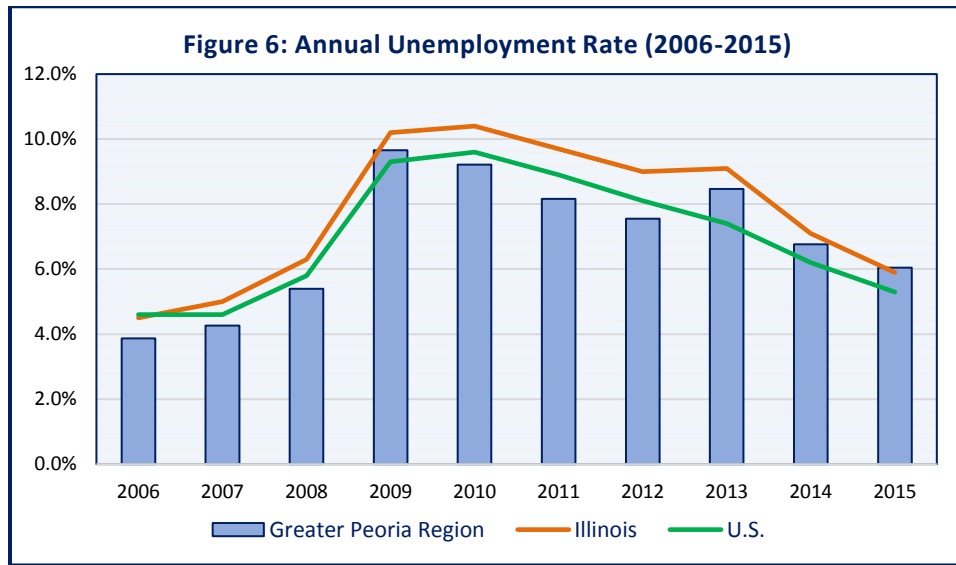


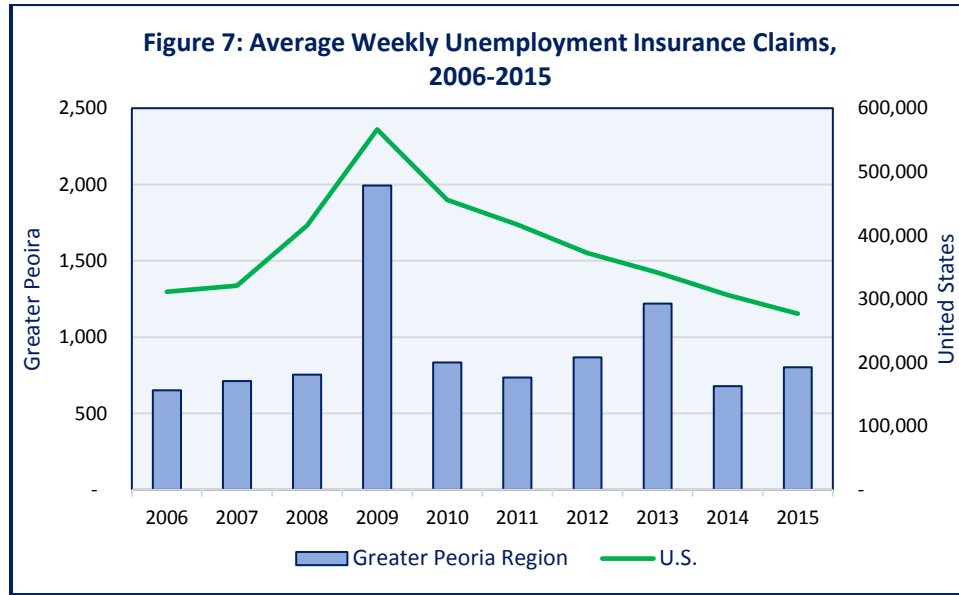
Table 3: Unemployment Rate (%) by County and Region, 2006-2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fulton County	5.1	5.3	6.5	11.4	11.7	10.5	9.9	10.9	8.6	7.7
Logan County	4.6	4.8	6.6	9.3	8.6	7.8	7.5	8.2	6.5	5.5
Marshall County	3.8	4.3	5.4	10.5	10.2	8.8	8.2	9.0	7.0	6.7
Mason County	5.7	6.5	7.8	12.3	12.3	10.7	10.0	11.0	8.7	7.2
McLean County	3.4	3.7	4.9	7.2	7.1	6.7	6.4	6.6	5.5	4.9
Peoria County	4.2	4.6	5.7	11.0	10.5	9.3	8.4	9.7	7.8	6.9
Tazewell County	3.7	4.2	5.2	10.5	9.9	8.3	7.5	8.7	6.8	6.3
Woodford County	3.1	3.4	4.2	8.2	7.7	6.5	6.1	7.2	5.6	5.1
<i>Eight-County Region</i>	3.9	4.3	5.4	9.7	9.2	8.2	7.6	8.5	6.8	6.0
Illinois	4.5	5.0	6.3	10.2	10.4	9.7	9.0	9.1	7.1	5.9
U.S.	4.6	4.6	5.8	9.3	9.6	8.9	8.1	7.4	6.2	5.3

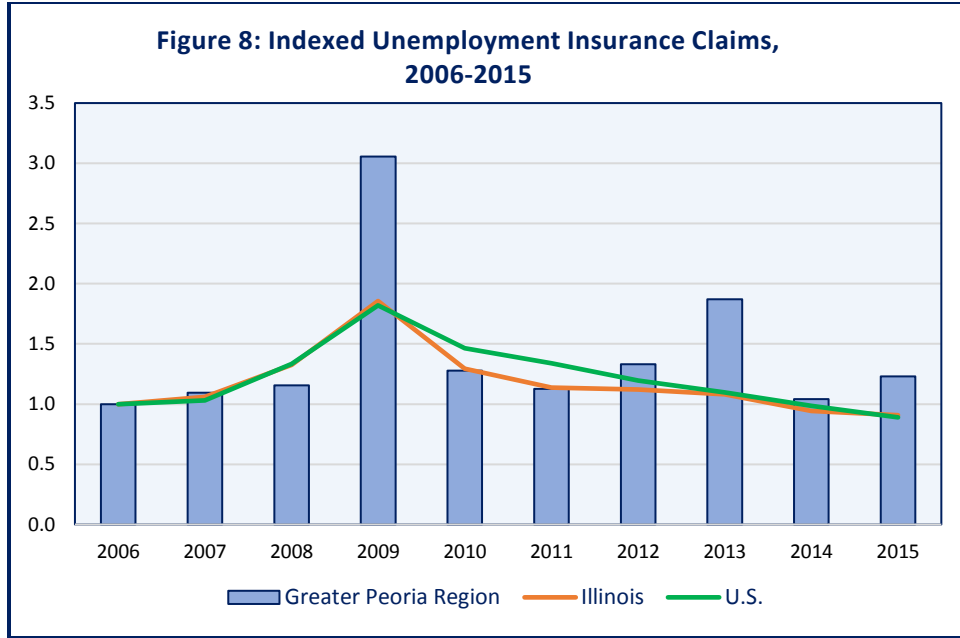
local economy and active economic development efforts are needed. It is important to determine whether the unemployment is associated with specific industries and occupations.

Initial Unemployment Insurance Claims

Regional initial unemployment insurance (UI) claims peaked during the recession (2009) and recent regional insurance claims have not yet returned to their pre-recession levels.⁴ The trend for the eight-county region is different from trends observed for the U.S. or Illinois (Figure 7). In 2009, UI claims spiked to a much greater degree than nation- or state-wide claims. Another, smaller, peak in UI claims occurred in 2013. Differences in regional, state and national level trends are observed more clearly in Figure 8, which shows initial unemployment claims for the eight-county region, Illinois, and the U.S. as a share of 2006 initial unemployment claims.



⁴ 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.

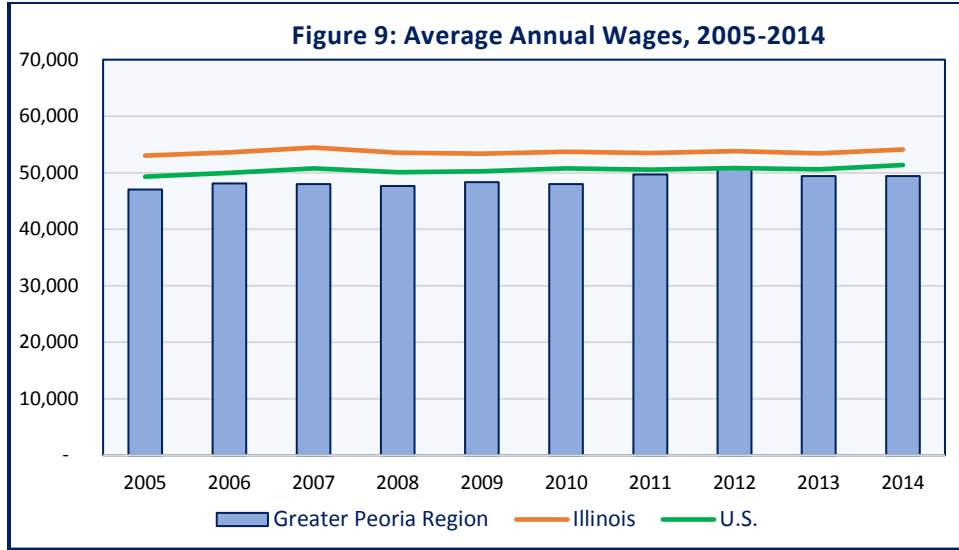


Annual Wages

The current average annual wage for all industries in the region is \$49,410 (2014). This figure is slightly below the national and Illinois figures (according to 2014 estimates, average annual wages for all industries in Illinois was \$54,106 and \$51,364 in the U.S.).⁵ 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 the last ten years, while average regional wages for all industries have been consistently slightly below the national and Illinois figures, regional wages for the manufacturing sector have been considerably above the national and state averages.

The manufacturing sector is selected for the analysis of changes in wages compared to the economy as a whole because, as discussed in the following pages, three of the regionally concentrated industries are manufacturing with potential defense-industry supply linkages.

⁵ Annual wages are a key to understanding the standard of living in a 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 the 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).



Industrial Specialization

The eight-county region appears to be specialized in at least eight 3-digit NAICS industries (Table 4).⁶ Three of these industries are part of the manufacturing sector and are likely either performing defense-related contract work or are part of the extended defense industry supply chain: Primary

⁶ 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.

metal manufacturing (NAICS 331); Fabricated metal product manufacturing (NAICS 332); Machinery manufacturing (NAICS 333).

Table 4: Industries with Relatively High Location Quotients, 2014

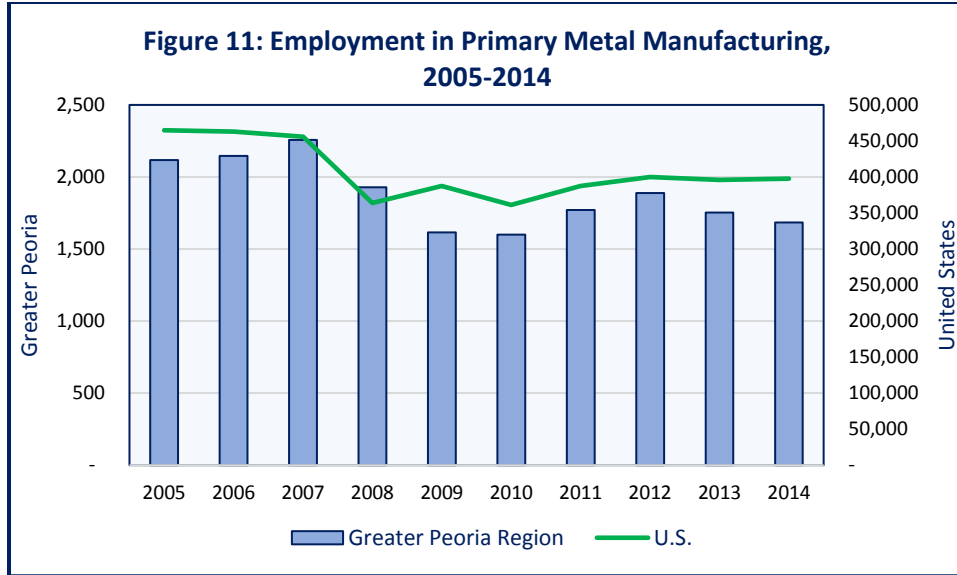
NAICS Code	Industry	U.S.	Region	LQ
331	Primary metal manufacturing*	397,520	1,685	2.09
493	Warehousing and storage*	749,002	2,364	1.56
447	Gasoline stations	880,461	2,747	1.54
811	Repair and maintenance	1,252,834	3,908	1.54
332	Fabricated metal product manufacturing*	1,453,560	4,440	1.51
333	Machinery manufacturing*	1,120,463	3,149	1.39
921	Executive, legislative and general government*	2,990,526	8,073	1.33
623	Nursing and residential care facilities	3,459,606	9,072	1.29
Total Employment with Data Suppression		136,594,884	214,460	N.A.
Total Employment without Data Suppression		136,613,609	277,049	N.A.

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

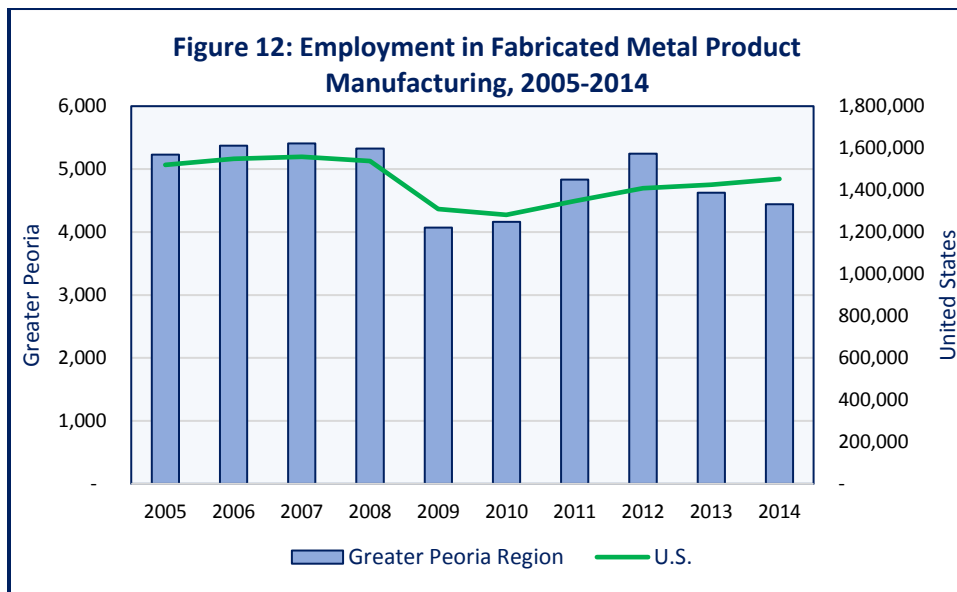
Given their size in the eight-county regional economy and potential supply-chain linkages to the defense industry, the following figures examine regional employment levels in these industries in comparison with national trends.

Overall, regional employment in primary metal manufacturing follows the national trend (Figure 11). However, regional employment declined more drastically during the recession years compared to the national employment in this industry. Also, while national employment has been mostly stable in the last three years, regional employment is again declining.⁷

⁷ There is some possibility that this trend is an artefact of data suppression applied to employment estimates in this industry by the U.S. Bureau of Labor Statistics. While Peoria County, which has the largest employment in this industry, lost more than 200 jobs, the number of establishments remained the same from 2012 to 2014 in the region. McLean County, where employment data are suppressed, added one new establishment in the region.

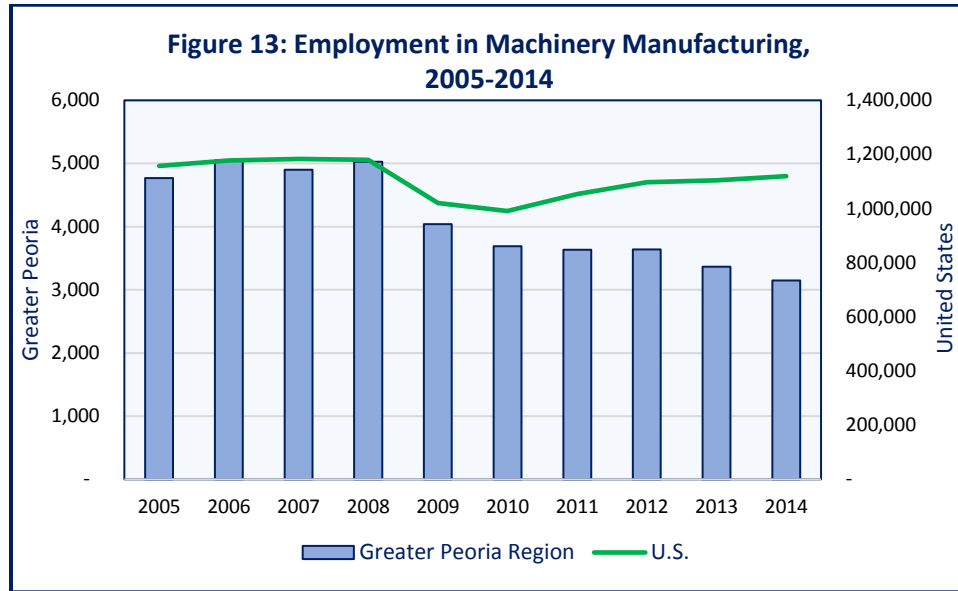


Regional employment in fabricated metal manufacturing mostly follows the national trend, at least until 2010 (Figure 12). Since then, while regional employment in this industry grew faster than national employment in 2011 and 2012, it started declining in 2013.⁸



⁸ It is unlikely that this trend is an artefact of data suppression applied to employment estimates in this industry by the U.S. Bureau of Labor Statistics. Employment in this industry declined in Marshall, Mason, McLean, and Tazewell Counties. Tazewell County, which has the largest employment in this industry, lost more than 700 jobs from 2012 to 2014.

Regional employment in machinery manufacturing declined substantially during the recession years and has not recovered yet (Figure 13). While national employment started growing in this industry after the recession ended in 2010, regional employment continued its downward trend.⁹



Occupations

There are four major growth occupation groups: Management Occupations; Computer and Mathematical Occupations; Architecture and Engineering 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 the occupational requirements of local industries. Specifically, they could inform educational and workforce training policies and programs for growing and/or specialized industries.

⁹ It is unlikely that this trend is an artefact of data suppression applied to employment estimates in this industry by the U.S. Bureau of Labor Statistics. Employment in this industry declined in Marshall, Peoria, and Woodford Counties. Peoria County, which has the largest employment in this industry, lost approximately 400 jobs from 2012 to 2014. Tazewell County, where employment data are suppressed, number of establishments declined from 12 in 2012 to 10 in 2014.

Table 5: Changes in Major Occupation Groups in Peoria, IL and the U.S., 2010-2015

Occ. Code	Occupation Title	Region			U.S.		
		2010	2015	Change	2010	2015	Change
11-0000	Management Occupations	7,520	12,180	62.0%	6,022,860	6,936,990	15.2%
13-0000	Business and Financial Operations Occupations	5,930	8,880	49.7%	6,090,910	7,032,560	15.5%
15-0000	Computer and Mathematical Occupations	1,820	5,510	202.7%	3,283,950	4,005,250	22.0%
17-0000	Architecture and Engineering Occupations	3,960	6,690	68.9%	2,305,530	2,475,390	7.4%
19-0000	Life, Physical, and Social Science Occupations	1,240	800	-35.5%	1,064,510	1,146,110	7.7%
21-0000	Community and Social Service Occupations	2,260	2,250	-0.4%	1,901,180	1,972,140	3.7%
23-0000	Legal Occupations	580	970	67.2%	992,650	1,062,370	7.0%
25-0000	Education, Training, and Library Occupations	11,430	11,100	-2.9%	8,457,870	8,542,670	1.0%
27-0000	Arts, Design, Entertainment, Sports, and Media Occ.	2,130	2,020	-5.2%	1,716,640	1,843,600	7.4%
29-0000	Healthcare Practitioners and Technical Occupations	13,230	12,260	-7.3%	7,346,580	8,021,800	9.2%
31-0000	Healthcare Support Occupations	5,980	5,380	-10.0%	3,962,930	3,989,910	0.7%
33-0000	Protective Service Occupations	2,700	2,600	-3.7%	3,187,810	3,351,620	5.1%
35-0000	Food Preparation and Serving Related Occupations	14,920	15,670	5.0%	11,027,340	12,577,080	14.1%
37-0000	Building and Grounds Cleaning and Maintenance Occ.	5,970	5,990	0.3%	4,175,550	4,407,050	5.5%
39-0000	Personal Care and Service Occupations	3,060	4,560	49.0%	3,425,220	4,307,500	25.8%
41-0000	Sales and Related Occupations	15,960	16,070	0.7%	13,437,980	14,462,120	7.6%
43-0000	Office and Administrative Support Occupations	26,000	24,730	-4.9%	21,503,800	21,846,420	1.6%
45-0000	Farming, Fishing, and Forestry Occupations	70	180	157.1%	408,040	454,230	11.3%
47-0000	Construction and Extraction Occupations	7,520	6,800	-9.6%	5,072,530	5,477,820	8.0%
49-0000	Installation, Maintenance, and Repair Occupations	7,250	7,600	4.8%	4,928,960	5,374,150	9.0%
51-0000	Production Occupations	13,950	12,000	-14.0%	8,236,340	9,073,290	10.2%
53-0000	Transportation and Material Moving Occupations	13,110	12,390	-5.5%	8,547,980	9,536,610	11.6%
00-0000	All Occupations	166,600	176,630	6.0%	127,097,160	137,896,660	8.5%

The Peoria, IL Region comprised of five counties: Marshall, Peoria, Stark, Tazewell, and Woodford Counties. Occupations data at the county level are not available, therefore equivalent occupational statistics cannot be presented for the eight-county region.

Table 6: Occupational Employment Location Quotients, Peoria Metropolitan Statistical Areas, 2015*

Occ. Code	Occupation Title	2010	2015
11-0000	Management Occupations	0.95	1.37
13-0000	Business and Financial Operations Occupations	0.74	0.99
15-0000	Computer and Mathematical Occupations	0.42	1.07
17-0000	Architecture and Engineering Occupations	1.31	2.11
19-0000	Life, Physical, and Social Science Occupations	0.89	0.54
21-0000	Community and Social Service Occupations	0.91	0.89
23-0000	Legal Occupations	0.45	0.71
25-0000	Education, Training, and Library Occupations	1.03	1.01
27-0000	Arts, Design, Entertainment, Sports, and Media Occ.	0.95	0.86
29-0000	Healthcare Practitioners and Technical Occupations	1.37	1.19
31-0000	Healthcare Support Occupations	1.15	1.05
33-0000	Protective Service Occupations	0.65	0.61
35-0000	Food Preparation and Serving Related Occupations	1.03	0.97
37-0000	Building and Grounds Cleaning and Maintenance Occ.	1.09	1.06
39-0000	Personal Care and Service Occupations	0.68	0.83
41-0000	Sales and Related Occupations	0.91	0.87
43-0000	Office and Administrative Support Occupations	0.92	0.88
45-0000	Farming, Fishing, and Forestry Occupations	0.13	0.31
47-0000	Construction and Extraction Occupations	1.13	0.97
49-0000	Installation, Maintenance, and Repair Occupations	1.12	1.10
51-0000	Production Occupations	1.29	1.03
53-0000	Transportation and Material Moving Occupations	1.17	1.01
00-0000	All Occupations	1.00	1.00

*Reference region in LQ calculations is U.S.

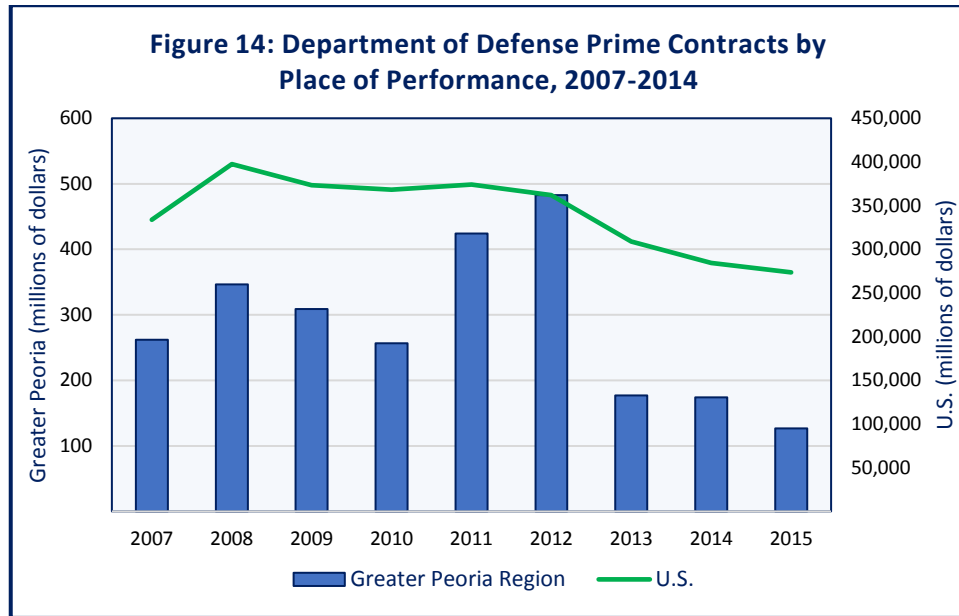
Trends in Department of Defense Contracts

Since 2007, the Department of Defense spent at least \$200 million dollars in contracts on average annually in the Greater Peoria Region (Figure 14).¹⁰ Although these contracts constitute less than 1 percent of the gross regional product, they support regionally concentrated industries and the total amount is substantial for regional businesses in the industries listed in Table 7.¹¹ It is worth

¹⁰ 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. Also, figures for the region are a low-end tally of contracting dollars because the data source includes only direct contracts and not subcontracts.

¹¹ According to the U.S. Bureau of Economic Analysis, the Peoria MSA's gross regional product was \$20.4 billion in 2014.

noting that the region’s share in the national defense spending appears to be decreasing in recent years: such is the case between 2012 and 2015 when contracts performed in the region decreased from \$483 to \$127 million.



In 2015, \$127.8 million worth of Department of Defense (DoD) contracts were performed in the Greater Peoria Region. Businesses operating in manufacturing and construction received the most contract dollars obligated in FY2015 (Table 7). The top four industries include: Construction machinery manufacturing (NAICS 333120); Motor vehicle gasoline engine and parts manufacturing (NAICS 336310); Commercial building construction (NAICS 236220); Electrical equipment manufacturing (NAICS 335999). As discussed above, businesses in machinery manufacturing (NAICS 333) appear to be performing a substantial amount of DoD contracts in the region (75% of the total). Although fabricated metal product manufacturing (NAICS 332) appears to be performing a relatively small amount of contracts, businesses classified in this industry are likely carrying out sub-contract work for prime contractors in industries such as construction machinery manufacturing and motor vehicle engine parts manufacturing.

Table 7: Industries with DoD Prime Contracts Valued at least \$1 million, Fiscal Year 2015

NAICS Code	Industry	Sum of dollars obligated	Share (%)
333120	Construction machinery manufacturing	\$93,225,512	73.5
336310	Motor vehicle gasoline engine and parts mfg.	\$11,524,209	9.1
236220	Commercial building construction	\$6,073,174	4.8
335999	Miscellaneous electrical equipment mfg.	\$4,200,167	3.3
333618	Other engine equipment manufacturing	\$2,123,706	1.7
332312	Fabricated structural metal manufacturing	\$2,023,200	1.6
334419	Other electronic component manufacturing	\$1,972,117	1.6
	Subtotal	\$121,142,086	95.5
	Other Industries	\$5,719,623	4.5
	General Total	\$126,861,709	100.0

Summary

While the manufacturing sector accounts for a larger share of employment in the Greater Peoria Region than in the U.S., overall, the eight-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, manufacturing and retail trade are the two largest sectors. These three sectors together accounted for 38 percent of regional employment in 2014. There has not been a significant change in the sectoral distribution of employment in the eight-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.

Although the regional economy started expanding after the recession ended in 2010, this lasted only for two years. In contrast to national and statewide trends, regional employment has been declining in the last two years and currently it is nearly at the recession point. Relatively slow growth in employment in the two-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. According to the Illinois Department of Employment Security, the 2015 unemployment rate in the region was 6.0 percent while it was 5.3 percent at the national level. While the unemployment rate in the Greater Peoria Region was below the national average until 2012, in the last three years the regional unemployment rate has been consistently above the national average.

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). The unemployment rate reported for the eight-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

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/Unemployment_Insurance_Program_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 eight-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*. Regional contracts figures are approximate as they are derived from congressional districts-level data points. The following zip codes are considered to be roughly representative of the eight-county Peoria region: 61415, 61427, 61431, 61432, 61433, 61441, 61459, 61477, 61482, 61484, 61501, 61519, 61520, 61524, 61531, 61542, 61543, 61544, 61553, 61563, 61723, 61751, 62512, 62518, 62519, 62541, 62543, 62548, 62634, 62635, 62643, 62656, 62666, 62671, 61369, 61375, 61377, 61424, 61537, 61540, 61541, 61565, 61570, 61532, 61546, 61567, 62617, 62633, 62644, 62655, 62664, 62682, 61701, 61702, 61704, 61709, 61710, 61720, 61722, 61724, 61725, 61726, 61728, 61730, 61731, 61732, 61736, 61737, 61744, 61745, 61748, 61752, 61753, 61754, 61758, 61761, 61770, 61772, 61774, 61776, 61790, 61791, 61799, 61451, 61517, 61523, 61525, 61526, 61528, 61529, 61533, 61536, 61539, 61547, 61552, 61559, 61562, 61569, 61601, 61602, 61603, 61604, 61605, 61606, 61607, 61612, 61613, 61614, 61615, 61616, 61625, 61629, 61630, 61633, 61634, 61635, 61636, 61637, 61638, 61639, 61641, 61643, 61650, 61651, 61652, 61653, 61654, 61655, 61656, 61534, 61535, 61550, 61554, 61555, 61558, 61564, 61568, 61571, 61610, 61611, 61721, 61733, 61734, 61747, 61755, 61759, 61516, 61530, 61545, 61548, 61561, 61729, 61738, 61742, 61760, 61771.

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>