



# Manufacturing drives big wage boost in Peoria County

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 Peoria county may have lost Caterpillar's headquarters, but the central Illinois community is enjoying a manufacturing boom that appears to be fattening workers' paychecks.

Peoria saw a 24 percent jump in average weekly earnings in the first quarter of 2018, compared with the same period a year earlier, the steepest increase by far among the 349 largest counties in the nation, according to data released Wednesday by the Bureau of Labor Statistics. Manufacturing wages in Peoria county, which rose by \$1,802 a week, or 61 percent, fueled the jump.

The county's wage gain is so large — six times the 3.7 percent growth in average weekly earnings nationally — that economists caution it might be a statistical fluke, or a rebound from a particularly bad first quarter of 2017. But economic development officials in the community say hiring is robust.

"We have seen a real bounce back, especially in the manufacturing sector, and those are good-paying jobs and we have lots of them available," said Chris Setti, CEO of the Greater Peoria Economic Development Council. Caterpillar had a hiring fair recently for jobs starting at \$20 an hour, its competitor Komatsu has radio ads playing offering jobs starting at \$24, and their suppliers are hiring as well, he said.

Peoria's good news comes as wage growth nationally, as well as in Illinois and the Chicago area, continues to advance at a tepid pace despite a tight labor market. And it is welcome news after a tough year.

Peoria reeled from the gut punch of Caterpillar's announcement early last year that it was moving its headquarters, and about 300 executives, to the Chicago suburb of Deerfield. But the industrial manufacturing giant is still Peoria's largest single employer, with 12,000 people working in its factories and research and development there, and the company has been reporting strong earnings amid strong global demand for heavy machinery.

Construction in the region also may be boosting wages, as numerous road and bridge projects are underway and [Bradley University](#) is making a \$90 million investment in merging its colleges of business and engineering into the same building, said Scott Sorrel, county administrator for Peoria County.

"The region has always lagged behind the rest of the state, so I think we are starting to see a bit of catch up," Sorrel said.

Cook County's weekly wage growth for the first quarter was 3.7 percent, on par with the nation.

Economists have been waiting for wages to show signs of life in an otherwise strong economy that has employers straining to fill a growing number of positions. Illinois' [unemployment rate](#) fell to 4.2 percent in July, its lowest point in 18 years, while the national unemployment rate was 3.9 percent. But wage growth locally and nationally has been slower than expected given the circumstances, and rising prices have mitigated the benefit of higher paychecks.

In the Chicago metro area, average hourly earnings rose 2.7 percent in July compared with a year before, about the same as the national average, according to the [Federal Reserve Bank](#) of St. Louis.

The Chicago area, which saw flat wage growth much of last year, has caught up to the national average thanks to a strong Midwestern economy bolstered by a healthy manufacturing sector, which in turn has been boosted by robust global economic growth pushing up demand for construction and mining equipment, said Thomas Walstrum, business economist with the Federal Reserve Bank of Chicago.

But wage growth, though improving, remains slower than it was before the Great Recession, perplexing economists who can't pinpoint why it's been slow for so long.

"The two most prominent reasons are slowing productivity growth and that there is still slack in the labor market," Walstrum said. "Of those two, I would say slow productivity growth is more convincing."

Productivity rises when more work can be accomplished in the same amount of time, often thanks to technological advancements. Wage growth is a function of both inflation and productivity, so without the latter higher prices can effectively erase wage gains, Walstrum said.

That's been what has been happening nationally, where inflation has outpaced wage growth for three quarters. A rise in the consumer price index of 2.9 percent in July meant inflation-adjusted wages — known as "real" hourly wages — were actually lower than a year before. But people have been working more hours, perhaps to afford higher prices, so their weekly real earnings are slightly higher than a year ago.

"You expect your kids to do better than you, and for a big part of the population that's not the case anymore," Walstrum said.

The Chicago area has seen lower inflation, of about 1.9 percent in July. But longer-term labor dynamics also have been eroding area consumers' purchasing power.

In the region, median real household income declined 4.9 percent between 1989 and 2016, in part because of a decline in jobs that pay middle-class wages, said Austen Edwards, policy analyst at the Chicago Metropolitan Agency for Planning. Despite the more recent improvements in the short-term economic outlook, "the longer-term broad challenges to well-being we don't see changing," he said.

Other measures of wages tell a different story.

[ADP](#) analyzed payroll data on more than 24 million people and tried to weed out the effects of higher-paid baby boomers retiring, which could push down average wages, and focus on the wage gains of people who continued working or switched jobs.

In Illinois, people who stayed in their jobs saw wages increase by 4.5 percent in June compared with a year earlier, a bit less than the 4.9 percent growth nationally. People who switched jobs saw a 5.7 percent wage increase in Illinois, compared with 4.8 percent nationally.

Ahu Yildirmaz, head of the ADP Research Institute, said the labor shortage is hitting employers, and they are starting to pay more to retain workers, especially for hard-to-fill high-skill positions.

"I believe it is time that they came to the realization that holding and retaining workers is as important as attracting new talent," she said.

Glassdoor, in an analysis of the millions of anonymous salary reports employees post to its site, identified the jobs with the highest wage gains in Chicago, which are in line with national patterns.

Truck drivers, of whom there is a massive shortage nationwide, saw wages grow 6.7 percent in July compared with the prior year, to \$58,975. Bartenders, warehouse associates, cashiers, financial advisers, tax managers, and property managers also saw wage growth over 5 percent in Chicago.

The city's bank tellers saw the greatest wage gains, of 8.6 percent, but they are also among the lowest-paid jobs, with a median base pay of \$31,549.

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