



Written by [Bob Adelman](#) on August 14, 2015

Trickle of Companies Leaving Illinois Turning Into a Flood

On Thursday, Hoist Liftruck's announcement that [it was moving](#) more than 500 manufacturing jobs to Indiana was just the latest in a long and almost fevered list of other companies seeking to escape Illinois' outrageous workers compensation costs and high taxes.



On July 14 machine-maker DE-STA-CO said it was moving 100 jobs to Tennessee. The next day energy processor Bunge North America said it was shutting down its plant in Bradley, Illinois, and laying off 210 workers. The day after that General Mills pulled the plug on its manufacturing plant in West Chicago, terminating 500 workers.

A week later Mitsubishi Motors announced it was closing its production facilities that made its Outlander, ending 918 jobs there, even though there was the threat it would have to return some of the \$9 million Illinois paid to get them to move there a few years ago.

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Five days after that Mondelez (makers of Oreos and Chips Ahoy) said it was laying off 600 manufacturing jobs at its Chicago South Side facilities.

On August 12 Kraft Heinz, within weeks of their merger, announced its goal of saving \$1.5 billion by the end of 2017. First to go were 700 jobs at Kraft's Northfield facility. The very next day Motorola Mobility announced it was cutting its workforce in Chicago by 25 percent, eliminating another 500 jobs.

Caterpillar's CEO, Doug Oberhelman, saw these coming years ago. In an open letter to the state's politicians in 2012, Oberhelman was blunt:

Despite the fact that we have announced plans for dozens of new factories in the last few years, and that our work force in the United States has increased by more than 14,500 people in the last 10 years, *we haven't opened a new factory in Illinois in decades....* Illinois is not in the running for such projects.

The primary issue, although not the only one, is the state's costly workers' compensation program. Said Oberhelman: "Our own comparison of workers' compensation costs showed Illinois was far more costly than Indiana ... Iowa and Kansas."

According to Illinois Policy, an independent government watchdog, Illinois companies, including steel fabricators, train-car manufacturers, and welding companies, would save almost \$10 million in premiums *every year* just by moving to Indiana, without shortchanging their workers. Most of that money doesn't go to help workers injured on the job, or making those jobs safer, but to the lawyers. Don Haider, a professor at Northwestern University, explained:

Workers' compensation [in Illinois] is one of those things where the benefits flow not just for



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purposes of industrial safety and protection of the workers. It goes to the real beneficiaries, who by and large are the lawyers.... They're the [real] beneficiaries of this business irritant.

For Marty Flaska, president and CEO of Hoist Lifteruck, it was the deciding factor in his company's decision to move:

I love this city [Bedford Park], but if we can keep an extra \$2 million per year in our family business by moving 15 miles away, why wouldn't we?

Chief Executive Magazine's "2014 Best and Worst States for Business" report ranked Illinois 48th out of 50, with many CEOs venting their opinions on why. Wrote one:

Corruption and union pensions have made Illinois a poor alternative for business. Continually avoiding [addressing and fixing] the problems have only exacerbated the situation. More conservative states are easier to work in and with.

Said another:

Illinois is rated in the worst category; their taxing scheme is deleterious toward small business ... The Illinois House assembly is inept in addressing the hard issues.... They are a taxing and spending machine with little regard to the consequences and impacts to its citizens and businesses.

A third put it this way:

Illinois is a horrendous state in which to do business. It is governed by a class of incompetent, corrupt politicians. It's like doing business in a third-world country.

And then there's the matter of property taxes, which are the second-highest in the United States, with indications that the pols in Springfield will raise them again.

Finally, there's Michael Madigan, the virtual overlord of Illinois politics. Speaker of the Illinois House and chairman of the state's Democratic Party, he is the longest-serving speaker in state history and is referred to as the "Velvet Hammer — a.k.a. the Real Governor of Illinois." His control style caused Rich Miller, editor of a political newsletter, to claim: "The pile of political corpses outside Madigan's Statehouse door of those who tried to beat him one way or another is a mile high and a mile wide."

He is owned by the AFL-CIO, the Illinois Education Association, the Illinois Federation of Teachers, the Chicago Teachers Union, and, of course, the SEIU — the Service Employees International Union — which have been happily and successfully funding his reelection campaigns for years.

He is also, predictably, a founder of Madigan and Getzendanner, a law firm that specializes in corporate real estate property tax appeals.

The combination of intransigence on the part of Madigan to change the status quo, and the immovable Democratic political machine in Springfield, coupled with high property taxes and outrageous workers' compensation premiums, is impoverishing the middle class. Research from Pew Charitable Trusts shows that since 2000 the percentage of Illinois households that are counted as middle class has shrunk from 50 percent to below 46 percent, the smallest percentage of any state in the Midwest.

Property taxes are so high in Illinois that 34 percent of households in the state spend more than 30 percent of their income on housing. As Illinois Policy expressed it, taxes are "like a second mortgage," averaging \$3,939 a year, the second highest in the nation, and only \$32 below New Jersey, the country's worst offender. This is twice that of Missouri homeowners and two-and-a-half times that of



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Indiana homeowners.

The silence from Springfield over fixing anything is deafening and is likely to remain so until such time as Madigan is ousted and a normal political process can be restored there. Until then, expect the flood of companies and jobs to continue to flow outward from Illinois to more sensible states such as Indiana, Missouri, Iowa, Kansas, and Michigan.



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