



# tma news bulletin

THE VOICE OF ILLINOIS MANUFACTURING

## IMPACTING PUBLIC POLICY

TMA MEMBERS ENGAGE  
AT THE LOCAL, STATE AND  
FEDERAL LEVEL



# tma news bulletin

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## technology & manufacturing association

The Technology & Manufacturing Association (TMA) was founded in 1925 by eight small manufacturing companies who believed they could better themselves by associating with one another. Through the years, members established programs and services that would help their businesses grow and prosper, train their employees, and provide medical and retirement benefits. As a result of these efforts, TMA has grown into a not-for-profit organization of precision manufacturing and supplier companies in the greater Chicago area.

TMA is governed by a Board of Directors, composed of executives from member firms. A full-time professional staff works closely with the Board, its committees and trust.

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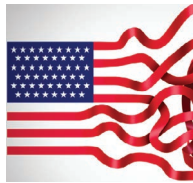
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# message from the president



**TMA Members & Friends,**

**“We will not go quietly into the night!”**

Echoing the poet Dylan Thomas, these were the words uttered by U.S. President Thomas Whitmore (played by Bill Pullman) in the movie *Independence Day* as he rallied the remaining fighter pilots for one last assault on the alien motherships intent on destroying humanity.

That thought keeps rolling around in my mind. Last month I shared a little outrage at politicians who make careless decisions. And in all fairness, they have made a mess; a mess of the U.S. Tax Code, a mess of the finances of the State of Illinois, and a mess of Cook County and the City of Chicago. Outrage may be warranted, but even more important is action.

TMA is not going quietly into the night. TMA members are engaged and taking action, and getting some results. Consider that in just the last four months, TMA Board member Patricia Miller sat next to President Trump at the White House for a briefing on the State of Manufacturing. Governor Rauner toured Atlas Tool Works as part of his “Listening Tour,” and took questions from TMA employees. Congressman Peter Roskam visited TMA to brief members in January, and in April toured three TMA member companies. TMA Government Relations Committee Chair Zach Mottl was invited to brief the House Ways and Means Committee on tax reform and the impacts on manufacturing.

TMA is engaged. In opposition to the Cook County mandated employee sick leave and minimum wage ordinances, TMA members and staff have reached out directly to more than 250 local mayors and village presidents, trustees and council members to share our concern and opposition. TMA-BSI Chair Al Panico testified before the Arlington Heights Village Board to urge (successfully) for Arlington Heights to opt out of the Cook County mandates. The Prikos family of Excell Engineering is engaged with the Village of Niles and the Panek family of Panek Precision is urging the Village of Northbrook to opt out as well. As of this writing, the majority of home rule municipalities in Cook County (over 15 at last count) have rejected the Cook County mandates. More than 24 TMA companies have taken direct action to share their position, and they are being heard.

I could go on about the record year the TMA Political Action Committee has had with the support of members. The fact that elected officials are now calling TMA for briefings, tours and information as well as news coverage of TMA member involvement is unprecedented. My point is ... **TMA will not go quietly into the night!**



Steve Rauschenberger



# IMPACTING PUBLIC POLICY

## TMA MEMBERS ENGAGE AT THE LOCAL, STATE AND FEDERAL LEVELS

“All politics is local,” the late Tip O’Neill is credited with saying as third-longest serving US House Speaker. While state and national politics get the most attention from news sources, most people underrate how powerful local politics can be.

For instance, no one could have imagined the political firestorm Cook County Commissioner Sean Morrison lit when he visited with the Technology & Manufacturing Association’s network of human resource directors in mid-March.

Morrison, a business owner himself, shared with HR reps over breakfast the details of two new countywide mandates that would affect every Cook County business: 1. Raising the minimum wage over the next five years to \$13 per hour in 2020, and 2. Requiring employers grant each employee 40 hours of mandatory paid time off each year.

Morrison argued against the new ordinances based on an Illinois Supreme Court decision that prohibits local municipalities from setting wage policy between private sector businesses and their employees. Such authority lies with the state alone, Morrison said.

“The state Supreme Court has opined and the State Constitution is very clear on how it grants municipal and or government powers,” Morrison said. “As home rule authorities, we have only two duties: ministerial and public safety.”

The ordinances that will go into effect July 1 do not fall within those categories, Morrison said.

“We don’t have the authority to make an ordinance that mandates what a private business is going to pay somebody and what benefits they’re going to offer,” he said.

Despite Morrison’s arguments, the two mandates passed the Cook County Board along party lines – 13 Democrats for and four Republicans against.

“We do all sorts of things to attract businesses, but these ordinances will drive businesses out,” Morrison said. “Already, we are losing revenue as manufacturers leave the far western parts of Cook County to other counties – this will only make the situation worse.”

Notices of the 40 hours of paid time off after 120 days of employment are to be included in employee paychecks two weeks before July 1st and notices will need to be posted before it goes into effect. It will be the responsibility of employers to find the wording Cook County requires.

Two groups exempted to the new ordinances are government employees and those involved in collective bargaining agreements, if they have an agreement with their unions.

Cook County businesses either have to obey the new laws or escape them if the villages in which they are located opt out, and choose to acknowledge authority for such rules to the state.

TMA President Steve Rauschenberger agrees that the role of passing work mandates like PTO (paid time off) and minimum wage is the state’s, not county’s. Hundreds of TMA member companies could be affected by the new county ordinances.

“TMA businesses observe all state and federal laws affecting employers and their employees,” Rauschenberger said. “Our members accept and are willing to administer the laws placed upon them, but it is wrong for local governments to interfere with state and federal laws that affect employers and employees.”

“TMA members compete with manufacturers across the world,” Rauschenberger said, “and they are placed at yet another disadvantage when local governments require them to provide additional benefits based on local politics,” said the former state senator .



“What they’ll get at those local levels is less employment, and a loss of jobs, not an increase in wages or benefits,” Rauschenberger said. “The vast majority will lose because of less economic activity in their areas.”

Rauschenberger called on TMA member businesses to contact their local village and town officials and encourage them to opt out of the county’s impending regulation before the June 30, 2017 deadline. One by one, TMA members began reaching out to local officials.

Within a few weeks of Commissioner Morrison’s visit at TMA, the Arlington Heights village board scheduled the issue to be revisited at their May 1st meeting. Hearing from Line Group President and CEO Al Panico and TMA President Rauschenberger, they voted to exempt Arlington Heights from the county mandates.

Later, Rauschenberger and X-L Engineering CEO Paul Prikos appeared at north suburban Niles’ public hearing on the mandates, and came away encouraged that the village council would also choose to reject the Cook County Board’s ordinances.

The movement to opt-out before June 30th appears to be growing as the deadline nears.

“I would anticipate many more municipalities will likely opt out of Cook County’s Minimum Wage and Paid Sick Leave ordinances,” Commissioner Morrison told *News Bulletin*.

“That is because allowing these two ordinances to become significant regulatory economic policies for their towns will

put them at a tremendous economic disadvantage to surrounding municipalities, neighboring counties and even Indiana border businesses.”

Morrison said that most of the mayors and managers he has spoken with were none too pleased with the overreach by Cook County government and the council’s increasing willingness to pass ordinances which go well beyond Cook County’s scope of authority granted by the Illinois constitution.

“They felt that such ordinances like this only serve to cause additional harm and further contribute to the negative economic climate being felt by municipalities in Cook County through over-taxation and over-regulation,” Morrison said.

At least 19 other Cook County localities have rejected the mandates: Barrington, Rosemont, Oak Forest, Mount Prospect, Tinley Park, River Forest, Schaumburg, Palos Park, Elmwood Park, Streamwood, Wheeling, Elk Grove Village, Palatine, Bartlett, Hanover Park, Hoffman Estates, Western Springs, Rolling Meadows and Bedford Park.

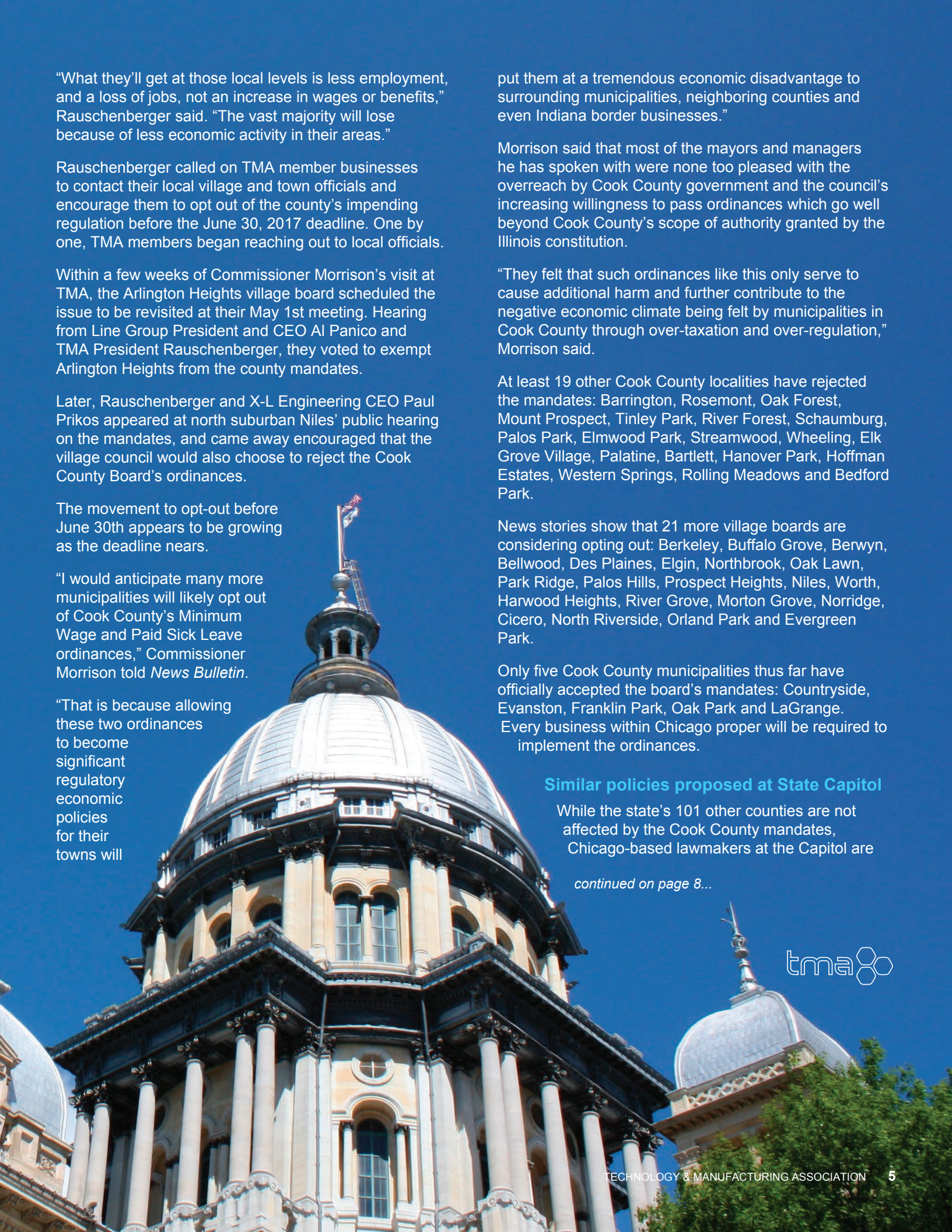
News stories show that 21 more village boards are considering opting out: Berkeley, Buffalo Grove, Berwyn, Bellwood, Des Plaines, Elgin, Northbrook, Oak Lawn, Park Ridge, Palos Hills, Prospect Heights, Niles, Worth, Harwood Heights, River Grove, Morton Grove, Norridge, Cicero, North Riverside, Orland Park and Evergreen Park.

Only five Cook County municipalities thus far have officially accepted the board’s mandates: Countryside, Evanston, Franklin Park, Oak Park and LaGrange. Every business within Chicago proper will be required to implement the ordinances.

### Similar policies proposed at State Capitol

While the state’s 101 other counties are not affected by the Cook County mandates, Chicago-based lawmakers at the Capitol are

*continued on page 8...*



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# MANUFACTURER *and* STATE SENATOR KYLE McCARTER

## CUSTOM PRODUCT INNOVATIONS



### By Fran Eaton

At the Illinois State Capitol, Senator Kyle McCarter is the only elected official that is also a manufacturer – one that knows from personal experience how state laws and regulations can positively (or negatively) affect small businesses.

In downstate Lebanon, McCarter is known as the founder and president of Custom Product Innovations and Custom Coating Innovations, two manufacturing companies that employ 25 local residents.

Thousands of miles away in East African Kenya, McCarter and his wife Victoria are revered as the directors and key benefactors of a medical clinic, an elementary school and an orphanage.

And if that weren't enough, McCarter's name is now being circulated for consideration to be the United States' ambassador to Kenya.

McCarter was raised as a "typical Air Force brat," he says, before his military chaplain father settled the McCarter Family in Oklahoma during Kyle's high school years. McCarter decided to pursue a degree in accounting at

nearby Oral Robert University, where he met his wife Victoria.

After graduating, McCarter and his wife served as missionaries in East Kenya for five years, where they cultivated a deep passion for the people. With two children in tow, they returned to the Collinsville area, where McCarter began working for his father-in-law as a manufacturing sales rep.

"As a sales rep in five different states, I learned a lot about manufacturing as I was visiting plants. I was in every kind of factory you can think of: steel mills, paper plants, glass plants, bottle plants, where I sold industrial hose fittings, extrusions, every component you can think of for auto manufacturing," McCarter said. "I also learned and did quality control of the parts I was selling."

With all that hands-on knowledge, McCarter launched his own manufacturing business 15 years ago in downtown Collinsville with a fax machine, pallet jack and pallet racks.

"Our first location wasn't the best of places," McCarter

chuckled. “I had my desk up on pallets to stay out of water because the roof leaked so much.”

During those early years, for the most part the couple lived off Mrs. McCarter’s teaching job in East St. Louis, one of the state’s toughest areas.

“When times are rough, business owners are the first ones that go without,” McCarter said. “When you go home and tell your wife everybody got paid but you, well, it’s not a romantic weekend.”

Products that McCarter’s companies make these days include insulated gloves for power line men, power line connection insulators, aircraft emergency equipment and physical fitness items. Over the years, he also has acquired and developed several of his own patents.

McCarter’s experience of writing payroll checks and struggling to enlarge a business in a regulation-heavy state makes his a voice a weighted one when he goes to the State Capitol. He’s a vocal critic of tax dollars subsidizing the private sector and regulations suffocating business growth. For him, Illinois’ workers compensation system and the laws crippling independent contractors are two of the most devastating public policies.

Moving his businesses 19 miles west is always a temptation. “I know what it takes to move businesses,” McCarter said. “It’s definitely an option,” he said, to move across the Mississippi River as Illinois’ political system grows more and more challenging.

McCarter was setting up the business he moved from St. Louis when he got the call in February 2009 to move up from his spot on the St. Clair County Board to be state senator when the incumbent was sidelined with an unexpected health issue.

“I was actually in one of the machines, crawling through one of the ovens to hook up some lines, when I got the call I was being considered for Frank Watson’s seat,” McCarter said. “After an interview the following Saturday, they picked me,” and he was on his way to serve at the Capitol.

After running for re-election in 2010, 2012 and 2014, McCarter publicly announced he does not intend to run for re-election in 2018 because he “firmly believes in term limits.”

Since the state legislature refuses to impose term limits, he says he’s opting to set an example for others by not running again.

His point of view will be missed, as he’s known for asking tough questions of those making budget requests during Senate Appropriations II Committee hearings. McCarter says his background in accounting and his experience running a business does color the way he views the budget process.

“Take some zeroes off the state budget, and it’s my business’ budget,” McCarter said. “Take a few more zeroes off and it’s my home. It’s the same with the state budget. We shouldn’t spend more than we take in. It’s as simple as that.”

McCarter awaits notice as to whether he’ll be serving the Trump Administration as ambassador to Kenya, where he hopes to return in order to encourage industry among the Kenyan people.

John Wesley, an 18th Century Christian theologian, outlined McCarter’s worldview: “Make all you can, save all you can, give all you can,” McCarter said. “I apply that same principle. I’m going to do everything I can to make as much as I can, be as efficient as I can to save what I can, in order to give away all I can.”

Custom Product Innovations and Custom Coating Innovations are located at 40 Commerce Lane in Lebanon, Illinois.



Illinois manufacturer and State Sen. Kyle McCarter with children taking part in the Each 1 Feed 1 ministries he and his wife support in Kenya. McCarter has been recommended to President Trump to be U.S. Ambassador to Kenya.

## IMPACTING PUBLIC POLICY (cont'd)

busily promoting their enactment statewide. While the state has functioned without a budget for two years, Chicago lawmakers are trying to levy in two employer mandates similar to those that will go in effect in July for Chicago and Cook County businesses.

TMA lobbyist Jay Shattuck is keeping TMA's Government Relations Committee up to date with the ever-changing Capitol environment, but as the session's May 31st deadline approaches, the political climate intensifies at the Capitol.

Shattuck explains why TMA is opposed to the paid sick leave mandate:

"One size does not fit all. These bills disproportionately hurt small manufacturers that survive on the slimmest of margins and often have highly fluctuating revenue as well as staffing needs," Shattuck says. "They have far less means to handle the increased costs that will certainly come with this mandate."

"Unless a manufacturer offers a paid time off equivalent at the option of the employee or has a collective bargaining agreement explicitly waiving the mandate, they will have to change their benefit structure to accommodate the legislation," Shattuck says.

Another bill being considered in the waning days of the session would raise the state's minimum wage to \$15 per hour – higher than any of the states surrounding Illinois.

"Now's the time to contact state lawmakers as they cast votes on tax hikes, minimum wage, mandated paid time off and workers' comp changes," Rauschenberger said. "As a former state senator, believe me, what the people that elected me said always mattered to me."

### National business policy heads in opposite direction

Tax reform and health care insurance policy are at the top of the "to-do" list in Washington D.C., and the US House and Senate have been busy the first three months of the

Trump Administration reversing policies that the previous administration set into motion during its last days.

House Speaker Paul Ryan of Wisconsin explained in an op-ed that 14 times Congress used a law enacted in the 1990s called the Congressional Review Act. The law gives Congress 60 days to repeal regulations from the previous administration with a simple voting majority.

"In just four months, Congress overturned 14 harmful Obama-era regulations — those rushed through in the 11th hour of his presidency," Ryan wrote. "These dictates were poorly crafted, complicated and created massive uncertainty. They made it difficult for businesses to grow and threatened tens of thousands of jobs. They unilaterally grabbed power from the states and gave it to bureaucrats in Washington. They were bad for our economy and our culture."

"Repealing some of the most harmful, last-minute Obama-era regulations was the first step in undoing Obama's big government policies and fulfilling our pledges to the American people," Ryan said.

Now that the Congressional Review Act time limit has expired, the president and Congress are focusing on major changes in the federal tax code and the health care insurance system.

One of the hot topics in tax reform is the border adjustment tax (BAT) that is discussed in detail in this month's TMA News Bulletin. There are varying opinions on the proposal even among TMA members. TMA's GRC Committee Chairman Zach Mottl testified in a congressional hearing on his support for the BAT, while other TMA members say the concept would be detrimental for their businesses.

The good news is that there is overall optimism that tax change can occur within the next year – and input from manufacturers will weigh heavily among decision makers.

Sure, Tip O'Neill was right. "All politics is local."

Take that first step and let your representatives to the village, county board, state legislature and Congress know how their votes could affect your business.

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## TMA AMBASSADORS | PAY IT FORWARD

TMA represents and advocates for members in state legislatures and classrooms, in the media and to opinion leaders.

However, TMA also helps members work on their businesses as well as in their businesses. We endeavor to understand our members' pain points, to solve their problems, and to complete and grow their companies through an array of benefits that meet the needs of today's manufacturers.

**Help your fellow manufacturers. Bring them into TMA and become an ambassador for TMA and for your industry.**





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## PRO-BAT

### Best Tax Reform You've Never Heard Of

By Michael Stumo

Illinois Hightech Doodads, Inc. is really good at making doodads that are sold globally. IHD's manufacturing processes are the best in the world, having applied LEAN production methods and developed proprietary process technology. Product quality exceeds that of its German, Chinese and US multinational competitors.

But it cannot sell in the German market because of a 20% consumption tax (value added tax or VAT) charged on imports. The company is also losing domestic market share to Chinese Doodads, Inc., in part because of a 16% Chinese VAT export rebate that subsidizes shipments to the US market.

IHD has 300 employees, is organized as a C corporation and had \$250 million in gross sales in 2016. But its profit was only \$1 million due to increasing price pressures from foreign competition. IHD paid an effective corporate income tax rate of 27 percent so its corporate income tax bill was \$270,000. IHD's payroll tax bill was \$2.3M when including the employer and employee share of the 15.3% payroll tax.

The IHD management team believes the 35% US corporate income tax rate is too high, but realized that a 15% tax rate reduction would only have provided a \$150 thousand tax benefit in 2016, not enough to make a difference with foreign competitors. They compared that number to the \$400 thousand German VAT that would have been charged on a recent \$2M bid on a German contract... a contract that they did not win.

Manufacturers in other countries often strategically advocate increased consumption taxes to fund reduction in other domestic taxes like payroll taxes. The result is tax relief because companies don't directly pay consumption taxes, rather, they merely collect and remit them. Germany, the biggest net exporter in the world in relation to its economic size, has a high VAT that funds major reduction in other costs like pension

and health benefits.

Consumption taxes are called goods and services taxes (GSTs) in Canada, Australia, New Zealand or value added taxes in other countries. Goods and services are taxed as to the incremental value that is added at each level of the supply chain. This is called the "credit/invoice method," which is legal under World Trade Organization rules. The figure below illustrates how it works.

US exporters are double taxes, paying US taxes plus the foreign GST. Importers receive an export subsidy in the form of a GST rebate. Thus consumption taxes also act as replacements for tariff and subsidy cuts.

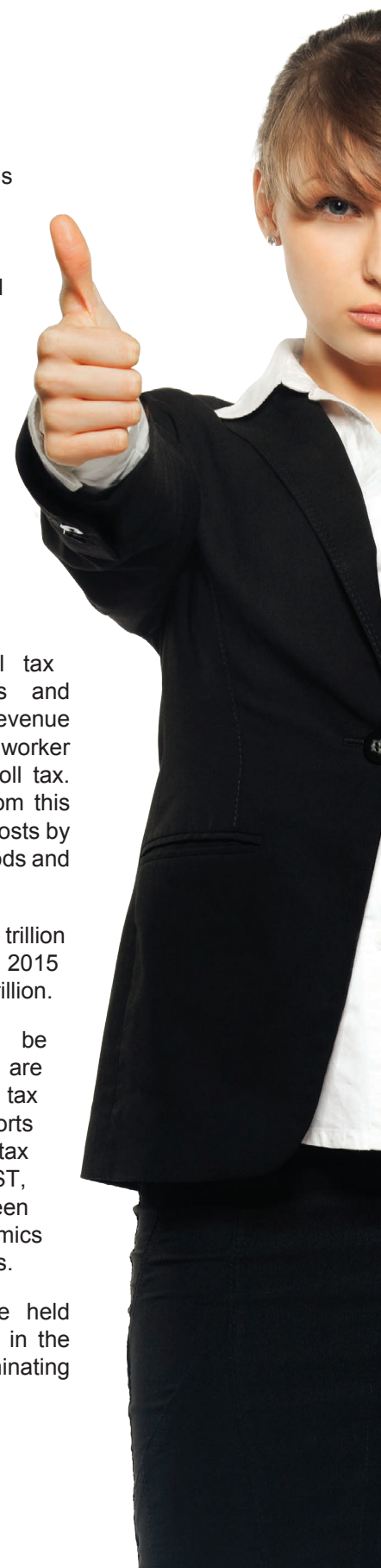
The US should eliminate this global tax discrimination by enacting a goods and services tax (GST), using the added revenue to provide a full credit against both the worker and company share of the 15.3% payroll tax. The most significant economic gains from this shift arise from reducing domestic labor costs by 15.3%, which are embedded in all US goods and services.

A broad based 12% GST could raise \$1.4 trillion in new revenue. Payroll tax revenue in 2015 was 33% of total tax revenue at \$1.056 trillion.

US trade competitiveness would be substantially improved because exports are freed from both the GST and payroll tax burden, lowering export prices. Imports would not benefit from a U.S. payroll tax reduction but would pay the additional GST, thus raising their prices. This effect has been called "Fiscal Devaluation" because it mimics a currency devaluation for trade purposes.

Domestic consumers and workers are held harmless. The payroll tax is embedded in the cost of all goods and services. Thus eliminating

*continued on page 12...*



### ANTI-BAT

## Strike Out For Most U.S. Companies

By Zachary Person

Who doesn't want to see control back in the hands of American business owners? For years, imports have grown and competition from globally diversified players has become more intense.

Countering these trends is what the proposed Border Adjustment Tax (BAT) was designed to do: 1) reduce imports, 2) improve the competitiveness of US companies on the global stage and 3) bring back US manufacturing jobs. But if you look past the title and really dig into the current iteration of a BAT, the concept fails to score for most US companies.

How does the BAT work?

According to The Tax Foundation: "In the plan, businesses in the United States would no longer be able to deduct the cost of purchases from abroad, or imports. At the same time, businesses would no longer be taxed on the revenue attributable to sales abroad, or exports."

Not only is the BAT an adjustment to tax write-offs, but it also places an actual tax on imported goods. This is an important point because this shift in the tax code would fundamentally change how corporate taxes would be calculated. For example, one of the targets of this corporate tax reduction on exports would be to reduce the incentive for controversial US tax reduction tactics such as "Corporate Inversions" into Ireland and other lower-tax jurisdictions.

All this seems to make sense in theory; however, when you dig into the real-world details, things start to fall apart. Here are a few issues:

1) Too few U.S. companies export to offset BAT costs

According to the Small Business Administration

and the US Department of Commerce, there are about 30 million small companies in the US and about 304,000 of these companies export. That comes out to less than two percent of small businesses that actually export. If the BAT were implemented, 98% of small companies would – directly or indirectly – pay a theoretical tax on imports and have no exports to offset an import tax.

2) BAT would make imports too expensive, devastating nation's retailers

Essentially 100% of US individuals buy products at retail outlets that import most of these items because there is no other realistic US domestic alternative. The net effect of a large import tax hike would increase prices on inputs and retail prices across a variety of industries. The idea is that there would be a strong incentive to create manufacturing in the United States, and grow sales in overseas markets. However, an increase in input prices combined with an even stronger dollar would continue to make US products too expensive to sell into foreign markets, thus hurting export sales and thereby negating the export incentive.

A larger import tax would hurt retailers – large and small – most of which are stuck in the race-to-the-bottom price war where cheaper imports are the only way they can stay in business. And because most input price increases are passed along to the consumer, prices would increase for everyone, taking money out of the pockets of a population already struggling with stagnant wage growth.

3) BAT could incentivize offshoring

As for the effect on manufacturing jobs and limiting tax avoidance schemes like Corporate Inversions: the ultra-strong dollar combined with more expensive production costs could have the effect of incentivizing companies to move production out of the US and closer to their export markets and lower costs.

*continued on page 12...*

# THE BAT DEBATE (cont'd)

## PRO-BAT

### Best Tax Reform You've Never Heard Of

it lowers goods and services prices - or increases wages depending upon the particular competitive forces in each product sector. A GST raises goods and services prices. The GST/payroll tax combination would largely cancel each other out in relation to domestic sales.

The House GOP has proposed a destination based cash flow tax of 20%, which is border adjustable. Export revenue is tax exempt while import costs are not deductible. They are on the right track but their plan would violate WTO rules. It would also produce wildly fluctuating tax liability results between companies that primarily export and those that primarily import.

Reducing corporate income tax rates and simplifying the tax system is important. Formulary apportionment is probably the best way to do so, an article for another time. But eliminating the payroll tax burden with a US GST provides far more tax relief to all businesses, not just C corporations, while massively improving our trade competitiveness.



Michael Stumo is CEO of the Washington DC-based Coalition for a Prosperous America.

## ANTI-BAT

### Strike Out For Most U.S. Companies

4) BAT would not benefit most manufacturers

The export tax credit and a lower tax rate would theoretically apply to corporate tax rates or non-pass-through C-Corps. According to the Internal Revenue Service, almost two-thirds of manufacturers are organized as pass-through entities where 65.6 percent are either S corporations or partnerships. If they included sole proprietorships, the percentage of pass-through entities rises to 83.4%. The remaining 16.6% are C-Corporations. This means without other major changes to the tax code, most manufacturers would not reap any benefits of this BAT reform.

At this point given these issues, pushback from the business community has stalled this BAT on Capitol Hill. However, there remains political will to push through another version. The important takeaway here is that we must be just as careful with the next Border Adjustment Tax iteration - because the U.S. economy and global competitiveness depend on getting this right.



Author Zachary Person is Illinois SBDC International Trade Center Program Manager at College of DuPage.

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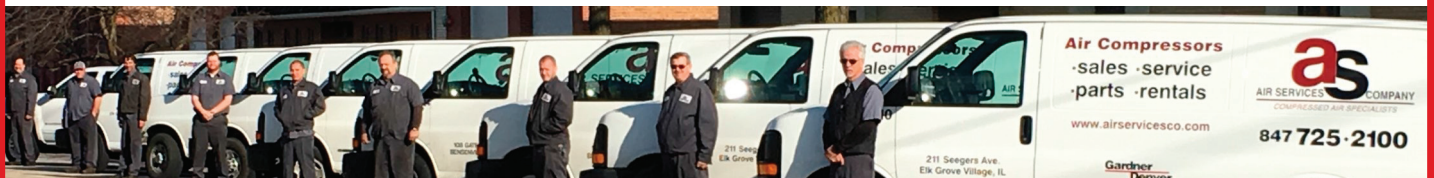


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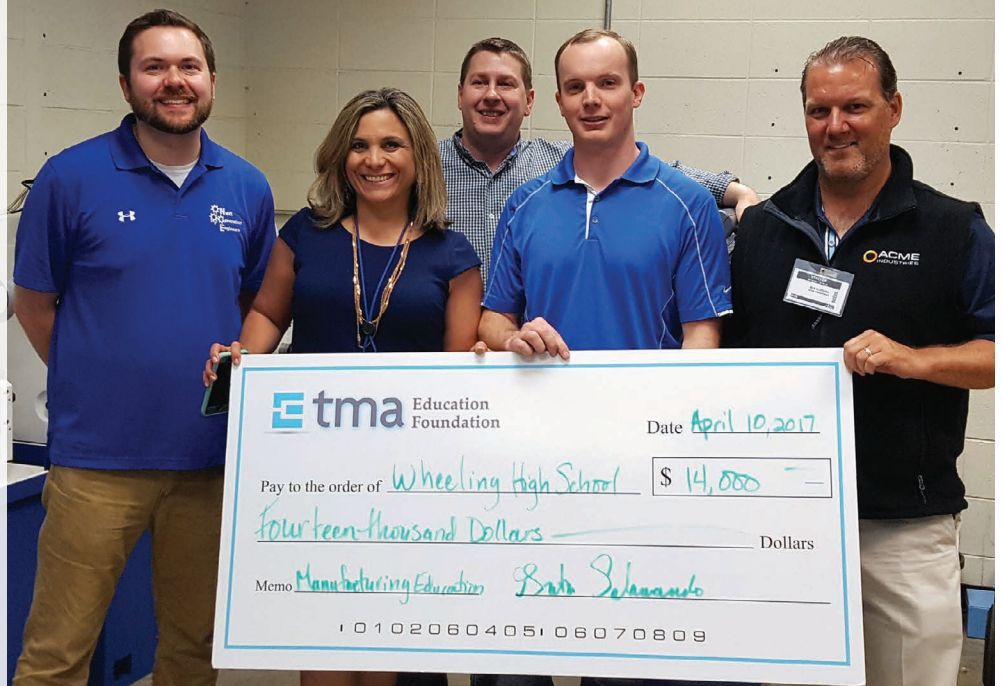


## \$14,000 Grant From TMA Education Foundation to Wheeling High School

Wheeling High School's STEM program will be offering more in the upcoming year to attract students to manufacturing careers, thanks to the generosity of TMA members.

In April, TMA's Education Foundation President Robert Clifford presented the District 214 secondary school a \$14,000 grant to buy two manual lathes.

In 2017, TMA's Education Foundation has donated over \$166,000 to eleven different area high schools to bolster manufacturing education.



Left to Right: Kurt Fenzel (Engineering/Manufacturing Teacher), Angela Sisi (WHS Principal), Michael Geist (Engineering/Manufacturing Teacher), Tom Steinbach (Engineering/Manufacturing Teacher) and far right, TMA Education Foundation President Robert Clifford (Acme Industries, Inc.)

# PRESIDENT & CONGRESS CHIP AWAY AT ANTI-BUSINESS REGULATIONS

Federal regulations hampering businesses were a prime target of President Trump during his 2016 campaign, and a like-minded Congressional majority is backing Trump's effort to cut those regulations by seventy-five percent.

Within the 60-day deadline, Congress passed a resolution that would repeal a rule set by the Obama Administration in which employers were required to keep records of work-related injuries and illnesses for five years. President Trump signed the repeal - cutting that record-keeping time to six months - into law April 3, 2017.

Congressman Bradley Byrne (R-AL), chairman of the House Workforce Protections Subcommittee and chief sponsor of the resolution, said the rule was an "unlawful power grab" that only increased paperwork and did nothing to improve worker health and safety.

Earlier, Congress also passed a resolution to repeal the Fair Labor and Safe Workplaces rule, which restricted companies with histories of workplace hazards or wage thefts from securing federal contracts over \$500,000.

President Trump also signed that repeal into law.



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We should meet.



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Peter Gillespie, Regional President  
312-263-0016

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# tma | events

## may calendar sponsor

### **BIG KAISER**<sup>®</sup> **PRECISION TOOLING INC.**

#### JUNE 8

##### Lunch & Tour: APS

APS is a global leader in aircraft propeller system maintenance services. Founded in 1953 with 5 employees, APS has grown to 50 employees serving air carriers, OEMs, MROs, and asset managers worldwide.

TIME: 11:30am - 1:30pm  
COST: \$35 (includes lunch)  
LOCATION: Lake Zurich, IL

#### JUNE 15

##### HR Peer Group

If the contracts you receive from your customers have a FAR or an ITAR clause, you might be a government contractor or subcontractor and not even know it. Former investigator Sandra Hueneman of Manchester Consultants will discuss various requirements for government contractors.

TIME: 8:00am - 10:00am  
COST: Free  
LOCATION: Schaumburg, IL

#### JUNE 21

##### Machining Peer Group

Assemble with your peers for lunch to discuss challenges and strategies of machining, and improve your best practices. Lunch to be followed by a robotics tour at Panek Precision.

TIME: 11:30am - 1:30pm  
COST: Free (lunch provided)  
LOCATION: Northbrook, IL

#### JUNE 23

##### TMA Golf Outing | Bartlett Hills

Join your colleagues at TMA's first 2017 golf outing at Bartlett Hills Golf Club. The outing includes: 18 hole scramble w/cart, grilled steak and BBQ lunch, contests and watering holes, and PGA Store gift bag with a \$20 gift card.

TIME: 7:30am  
COST: \$140/person - \$500/foursome  
LOCATION: Bartlett, IL

#### JULY 12

##### Sales & Marketing Peer Group

Join your peers to discuss challenges and strategies of sales and marketing in the manufacturing environment.

TIME: 11:30am - 1:30pm  
COST: Free (lunch provided)  
LOCATION: Lombard, IL

## tma | new members

**Ace Machine & Tool, Inc.**  
Cortland, IL  
[www.acemachinetoolinc.com](http://www.acemachinetoolinc.com)

**Acme Finishing, LLC**  
Elk Grove Village, IL  
[www.acmefinishing.com](http://www.acmefinishing.com)

**AFC America, Ltd.**  
Gurnee, IL  
[www.afcarbide.com](http://www.afcarbide.com)

**Base Metals Group**  
Alsip, IL  
[www.basemg.com](http://www.basemg.com)

**Bibby Financial Services**  
Lombard, IL  
[www.bibbyusa.com](http://www.bibbyusa.com)

**Compressed Air Advisors, Inc.**  
Hillside, IL  
[www.compressedairadvisors.com](http://www.compressedairadvisors.com)

**Continental Electrical Construction**  
Oakbrook, IL  
[www.cecco.com](http://www.cecco.com)

**DeKind Computer Consultants**  
Lake Villa, IL  
[www.dekind.com](http://www.dekind.com)

**G & Z Industries, Inc.**  
Wheeling, IL  
[www.gzind.com](http://www.gzind.com)

**Katalyst Technologies**  
Evanston, IL  
[www.katalysttech.com](http://www.katalysttech.com)

**Leaders Bank**  
Oak Brook, IL  
[www.leadersbank.com](http://www.leadersbank.com)



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# U.S. MANUFACTURING OUTPUT & EMPLOYMENT ON THE RISE

Overall, things are looking up in 2017 for the US economy, John Augustine of Huntington Wealth and Investment Management told those attending an economic breakfast in late April, hosted by TMA's Supplier Network Committee.

In a chart (below) showing figures dating back to 1939, Augustine pointed to a gradual recovery in manufacturing employment after hitting the lowest point in 70 years in 2009 – the “Great Recession,” Augustine, Huntington’s chief investment officer, called it. Now manufactured durable and non-durable goods are reaching historic highs.

“There are five themes currently on our minds,” Augustine said. Those themes included:

1. Global economy has more inflationary than recessionary forces present.
2. Global central banks remain ultra-accommodative, and are likely to stay that way in the near-term. Risk to this scenario is in the Fed 2H-2017.

3. U.S. manufacturing is mixed, with increased activity around housing, but decreased around auto production.
4. Improved corporate profitability should lead to rising capital spending in 2017.
5. Trump Administration policy agenda (taxes, repatriation, infrastructure) bring upside potential to the US economy in 2018, if enacted.

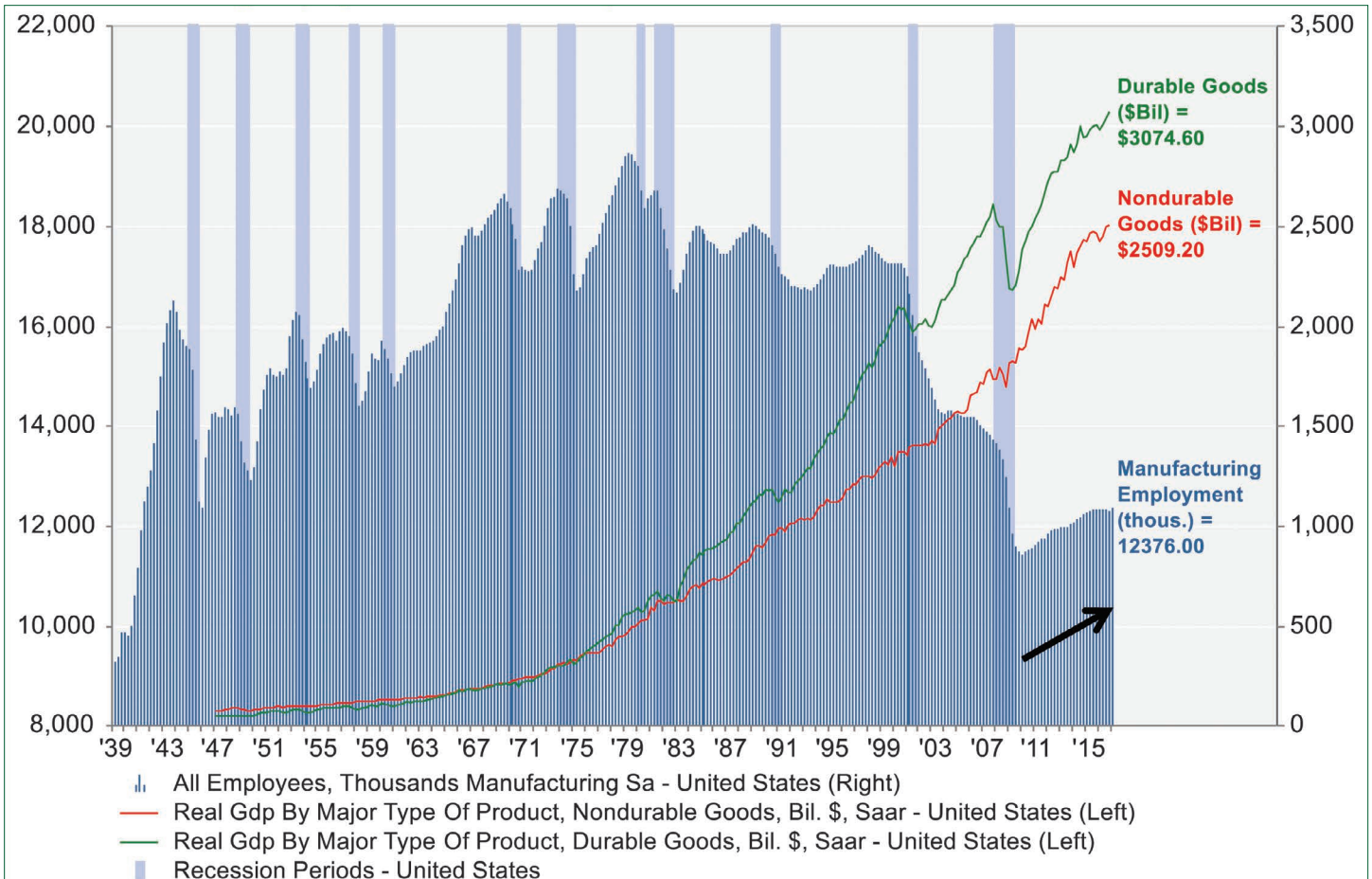
The global economic overview for 2017 estimates GDP growth to be 3.5 percent, slightly more than the 3.15 percent average for the past two years. But global trade is stuck, Augustine said, with China and U.S. numbers almost flattening for the past five years.

Housing starts, construction, exports and employment are up, and only vehicle sales down .80 percent. The US manufacturing index is optimistic with prices, new orders and export orders up, and only inventories down.

*continued on the next page...*

## U.S. Manufacturing Employment and Goods Output

Source: FactSet | Huntington





As of the end of 2016, the US business optimism index is up, and Augustine recommended four questions business owners should ask themselves in planning for 2017:

1. Policy – how will changes affect my business?
2. Pricing – do I have pricing power to take advantage of?
3. People – should I acquire skilled-talent before I can fully fund them in my 2017 plan?

4. Pre-paying – should I be extending current contracts for raw materials?

Augustine also covered market trends such as the US dollar index, the 10 year treasury yield and the price of copper.

Disclaimer: The opinions expressed were those of Huntington Wealth and Investment Management.



John Augustine of Huntington Wealth and Investment Management spoke about the economic outlook to a capacity crowd at the TMA Supplier Network breakfast.

## HISTORIC 93.3% OF MANUFACTURERS POSITIVE ABOUT THE FUTURE

In the latest National Association of Manufacturers' Outlook Survey, 93.3 percent of manufacturers are either somewhat or very positive about their own company's outlook, up from 56.6 percent one year ago and 77.8 percent in December. That represents a new all-time high in the survey's 20-year history.

As a result, the NAM Outlook Index also soared to a new high, up from 53.3 in December to 63.7 in this report. It was the second straight quarter where the outlook exceeded its historical average, which would equate to 50 in the index, and there were strong gains in confidence for all firm sizes.

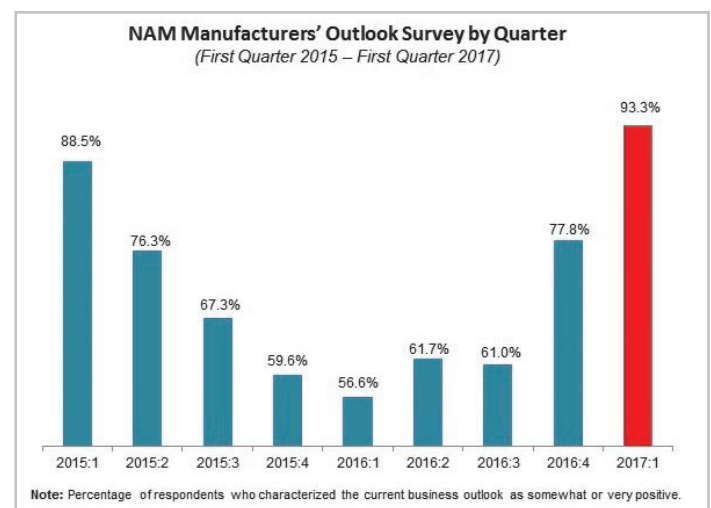
Respondents predict sales growth of 4.9 percent on average over the next 12 months, its fastest pace since the second quarter of 2011, and a healthy rebound from the more paltry 0.4 percent gain forecasted at this time last year. The production data was similar, with 4.8 percent growth in the coming year, up from 3.0 percent in the prior survey.

Firms report more confidence about hiring and capital spending than they were in prior quarters. Business leaders in the sector are predicting 2.3 percent and 2.1 percent growth in full-time employment and capital investments, respectively, in this survey. Both figures were negative in the first quarter of 2016.

Rising health insurance costs were once again cited as a major concern, noted by 65.1 percent of manufacturers completing the survey as their top business challenge. They

see these costs increasing 7.2 percent over the next year.

Respondents also listed attracting and retaining a quality workforce as a top worry, with 63.5 percent noting it as a primary challenge. Meanwhile, an unfavorable business climate fell to third place on this list, cited by 58.2 percent, but down from 71.2 percent in December. To the extent that it has dropped on the list, it is likely because manufacturers are hopeful that the Trump administration will continue to provide regulatory relief and make progress on regulatory and tax reform.



# 2017 SURVEY SHOWS MANUFACTURING PAY HOLDING STEADY

While there are reports that overall a majority of US workers are open to leaving their jobs, results from 750 managers to the 2016 Industry Week Salary Survey reflect a slightly different view. Their responses show the current state of manufacturing to be reliably profitable, but not growing by leaps and bounds.

Those responding said that pay in manufacturing plants is holding steady and job satisfaction remains high, but economic challenges including a strong dollar, cheap imports and low oil prices are tempering optimism a bit from previous years.

- The majority of respondents saw pay raises
- 85% are “very satisfied” or “satisfied” with manufacturing as a career path
- 73% are “very satisfied” or “satisfied” with their current job
- Job stability matters most (21%) followed by challenging work (20%)
- Base salaries exceed \$114,000
- Finding manufacturing talent is an ongoing concern

From Industry Week March 2017

# EMPLOYERS: 63% OF U.S. WORKERS OPEN TO LEAVING

The ever-tightening job market holds a message for U.S. employers: work harder to hold on to employees, or they'll be gone. Almost two of every three workers at mid-sized employers are open to leaving for another job, according to a just-released 2016 survey from the ADP Research Institute. While a 13% increase in pay would be a trigger to move, 46% of employees said they'd consider another job even at the current salary or less, provided other expectations such as a better career path were met.

Employers, already having a hard time finding new hires of the kind they want, also need to focus more on retention amid the lowest jobless rate since 2007. The theme was reinforced by three other reports this week: Subdued firings kept unemployment claims last week near a four-decade low; job openings reached an eight-month high in March; and in April, the proportion of small firms citing job openings as hard to fill was the highest since 2000.

Seventeen percent of workers are actively engaged in a job search and another 46% would consider moving if a tempting offer came along, amounting to 63% of the staff being open to leaving, according to ADP's survey, taken in September, of 2,156 employees and 800 mid-sized businesses with 50 to 999 workers.

It also showed employers have only a partial grasp of how much of their workforce they risk losing to the competition. Firms overestimated the share of active searchers, and underestimated the share of those who were passively looking for a switch.

Wages matter, but they're not always the clincher for those who seek more from their workplace, ADP said. For some,

a better work-life balance and opportunities for immediate advancement would be among the incentives to move to another employer, even if the new pay package resembles the old.

Overall, 27% of workers said in the first quarter that they had switched jobs in the past year, the largest share since ADP began the separate series in 2014.

The U.S. is near full employment, one reason why Federal Reserve policy makers--who also watch job-market churn--are expected to raise interest rates in June. Yet pay growth remains relatively modest. Hourly earnings adjusted for inflation rose 0.4% in the 12 months through April, the Labor Department reported on Friday.

Clearly, the tight labor market is driving a wedge between what employees want and what employers are offering. At some point, though, workers in America could see fatter paychecks, and more.

First published in Industry Week May 16, 2017



# RETAINING WORKERS: IT'S NOT JUST ABOUT THE MONEY

Retaining talented light industrial workers during a labor shortage can be challenging. Even when a company offers its best possible hourly wage, a neighboring facility is often paying more.

A strong retention program can make the difference between keeping and losing a talented employee. Here are some strategies to help reduce turnover:

**Develop an Effective Onboarding Program:** Ensuring new workers have a positive first impression of a company's culture, people and processes is the first step to developing a loyal workforce. When onboarding, companies should be very thorough—not only showing new employees around the facility, but providing them with details about performance expectations and introducing them to other employees.

**Provide Ongoing, Meaningful Training:** The importance of an ongoing training program that teaches employees the skills needed to succeed in a manufacturing environment cannot be overstated. A recent national survey commissioned by the Alliance for American Manufacturing found that 78% of respondents felt it is very important to “offer more job training and education programs for workers.”

**Establish a Career Path:** For both full- and part-time employees, it is important to establish a career path starting on day one. This should include discussions about training options, educational opportunities such as tuition reimbursement and long-term advancement goals. This is even more important with Millennials, who often prioritize career growth more than their predecessors. (According to a report by Payscale, 72% of Millennials say they value opportunities for career advancement, compared with 52% for Boomers and 64% for Gen-Xers.

**Recognize and Reward Good Employees:** Companies that recognize and reward employees help create emotional ties that aid in retaining good workers. Recognition can range from a simple “Thank you” acknowledging workers' efforts in real time, to financial incentives and bonuses that

reward exceptional work such as beating production goals or spotting safety defects.

**Engage with Employees:** Technology such as direct deposit and online scheduling has decreased opportunities for managers to personally connect with employees. As a result, some companies are dedicating a specific employee to directly engage with all workers, both permanent and temporary. This person can welcome new employees and introduce them to the team; gather ongoing feedback; resolve employee conflicts; and coordinate special events such as luncheons, staff parties and after-work activities. When everyone feels like a part of a team, they are more likely to be successful and want to remain in their jobs.

**Ensure Worker Safety:** OSHA regulations state that employers have a responsibility to provide a safe workplace, one that is free from hazards, complies with standards and offers employee safety training. This is true for all workers, including part-time and temporary employees. A safe work environment can also help with retention by letting employees know that the company cares.

**Create a Community Service Initiative:** A survey by the Boston College Center for Corporate Citizenship found that a company's community involvement improvement its reputation and its ability to attract and retain employees. Employees who participate in community service activities tend to be more engaged and loyal. Additionally, volunteering can give employees the opportunity to develop new skills and work on leadership qualities.

By Todd Cross, President/COO, BeFlex Staffing Network.  
First published in Industry Week May 12, 2017.

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