

Excerpt from *The State of Illinois Manufacturing 2003*, a report to the Illinois Association of Manufacturers, pps. 73-74.

## **Make Illinois the Destination State for High-Road Manufacturing<sup>1</sup>**

Traditional approaches are no longer sufficient, and failure to act can have disastrous consequences. The fork in the road is a choice between the “High Road” and the “Low Road.”

The High Road seeks a strong return on investment by:

- Being smarter and investing in innovation in the more competitive environment;
- Making a commitment to the continual enhancement of employees’ skills;
- Being more efficient and cutting waste;
- Having a long-term vision and commitment;
- Providing strong material incentives for high performance, as well as providing decent wages, benefits, and security;
- Promoting useful partnerships with stakeholders both within the firm, in the sector, and in the community; and
- Being transparent, straightforward and fair.

Some would see this as the way manufacturing was generally done in the past; it is not a particularly new concept.

In contrast, the Low Road seeks a strong return on investment by:

- Emphasizing short-term gains, even if they mean postponing or sacrificing improvements in the productive capacity of the company or sector;
- Keeping wages and benefits at the lowest possible levels;
- Managing by intimidation, undermining employee initiative, and discouraging the exercise of employee rights; and
- Ignoring the needs and concerns of those beyond the most short-sighted and powerful shareholders, investors, and/or managers.

The pursuit of the Low Road by some companies is made possible by new opportunities created

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<sup>11</sup> High Road and Low Road concepts apply to the labor movement, government, community based organizations and other organizations as well.

by the global economy and new technology. Manufacturers can take the Low Road by responding to the challenge of domestic and global competition by slashing costs, reducing investment and lowering wages, or moving production to the state or country with the lowest wages at the moment. This is a risky strategy because there is always a competitor with even lower costs lurking down the road willing to engage in a destructive “race to the bottom.” Jobs that were moved a few years ago from the U.S. to Mexico, for example, are now moving to China.

The other option for companies is to adopt a High Road strategy of high productivity based on a skilled workforce, adequate capital investment and innovation. Companies can expand their partnerships with those that do the work—encouraging participation in solving the problems of production through greater creativity and innovation. They can reward high performance with high pay. They can create networks of companies in the same cluster that can work locally together to better compete globally. They can build a web of loyalty and support from their suppliers, customers and the community with integrity, fairness, and an absolute commitment to good stewardship of the assets they control. For example, as noted in Chapter 3, the local food industry enjoys labor productivity that is 23% above the national average while workers in the industry earn 11% more than the national average. This combination, supported by above-average capital investment, leads to labor costs as a percentage of shipments 6% *below* the national average.

At the very heart of a High Road strategy is a commitment to innovation, such as developing new niches and markets, adding value to existing products, investing in research and development, expanding market share, and improving the efficiency of the productive process and the productivity of employees. Some Illinois companies have been quite successful at retaining and growing their Illinois operations using these strategies. For example, American Licorice, a confectionery manufacturing company in Cook County, increased efficiency by 30% through an employee education and training program. The increased performance reversed the company’s decision to move to Mexico, and it invested in a new training facility to maintain these gains.