

**SITE SELECTION**

*From the Workforce 2023 Guide*

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# 5 Workforce Factors to Consider in Site Selection

Asking the right questions leads to the best outcomes, especially when it comes to your future workforce.



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by Raymond W. Perez

The impacts of COVID-19, the Russo-Ukrainian War, chip shortages, and skyrocketing fuel costs have many companies re-evaluating their operations and supply chain decisions. The ever-changing risks and transportation costs associated with global sourcing increasingly outweigh the benefits of geographically dispersed manufacturing sites. With the passage of the CHIPS Act and the Inflation Reduction Act, employers have additional incentives to evaluate enhancing production and related operations in the United States.



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Site selection involves numerous considerations including, but not limited to:

- Access to existing suppliers and customers
- Available land and buildings
- Tax incentives and cash grants
- Reliable cost competitive utilities
- Environmental constraints
- Quality of life
- Available, qualified workforce

While all these factors may be critical to your operation's long-term success, the most important factor will likely be access to an available, well-qualified workforce. If you can't get the staff in the quantities you'll need or if they lack the skill and expertise for your operations, then it is quite likely the new operations will struggle to maintain profitability.

The question becomes what factors a company should evaluate to gain an understanding of the nature and quality of the local workforce. The following are the five most significant employment-related factors to consider:

### **Demographic Data**

Most labor data are maintained by occupation. For example, the U.S. Bureau of Labor Statistics publishes a great deal of useful data by occupation and geographic area. In order to maximize the value of this information, your company should have a clear understanding of the types of jobs your facility will utilize, the standard occupational names for those jobs, and the anticipated pay rates for each job title.

If possible, the analysis should include local occupations as rates of the applicable labor force (e.g., number per 10,000 of the labor force). This will make it easier to make apples-to-apples comparisons when considering several alternatives. Average and median pay rates for the area are also essential to ensuring your proposed

rates will be competitive in the applicable labor markets. In addition, it's also important to look at trends over time, not just at a single point. A downward trend may indicate a sufficient level of workers for your current needs but might not be adequate five or 10 years down the road.

You should confirm that the drive times and public transportation options for the demographic data provided are realistic and up to date. Reasonable commute times vary by region of the country, which can impact the actual available labor pool for your proposed operation. Demographic information is often provided by metropolitan statistical areas (MSAs) or core-based statistical areas (CBSAs). However, such areas could encompass hundreds of square miles and could have the bulk of the targeted workforce living several hours away from your proposed location.

Unemployment rates and related data will also provide valuable insight into workforce availability. The unemployment rate for the area is important, but it is also essential to dig deeper to understand the applicable rates for the types of workers you'll need. For example, unemployment for unskilled workers might be much higher than for skilled workers. In addition, the unemployment rate for software engineers may be much different from the rate for mechanical engineers.

## **Education Levels**

Most locales can provide detailed information on education levels in the proposed hiring area. This typically includes high school graduation rates and the number of college graduates and higher-degreed individuals. If your operations will require specific technical skills, you should confirm the available number of workers with those skills and certifications. Again, long-term data can indicate positive or negative trends impacting the future supply of available workers.

It is also essential to gain an understanding of the number of high schools, technical schools and four-year colleges within a 60-mile radius and the number of graduates each produces on an annual basis. These schools will likely be the source for your future workforce in years to come.

## **Educational Resources**

Future training and education resources may be just as important as current educational levels. You should evaluate the type of training available at local community and four-year institutions.

If your operation utilizes complex manufacturing systems, you'll need trained technical personnel to keep the equipment running. As part of an incentive package, it is not uncommon for local technical schools to work closely with industry to develop training and certification programs that align with the organization's needs. Close coordination with technical colleges can result in training programs designed around the specific equipment and processes utilized by your organization.

Four-year colleges will also provide graduates to support advanced production needs such as process engineers and data analytics engineers. For example, as consumer products and manufacturing systems become more "electrified," organizations will need more electrical engineers and related expertise to meet future production requirements. Colleges that put more resources into such programs may provide a strategic advantage to employers seeking to hire their graduates.

Some states also offer extensive training support (including funding for training programs and dedicated training centers) as an incentive to locate in the area. These targeted, employer-specific incentives can reduce the costs associated with hiring and training workers and can reduce start-up timelines significantly.

## **Regulatory Environment**

Each state may have unique labor and employment laws and regulatory agencies that enforce the laws. These can include such areas as safety, workers' compensation, anti-discrimination and unemployment. It is not uncommon for the states to enforce their laws differently from state to state, which can have a significant impact on the operations. An in-depth understanding of the court systems, judiciary, regulatory officials, and procedures can help new companies avoid missteps and support smooth long-term operations.

For example, if the organization was assuming it could manage employment law compliance issues from a home office, those employees may not have the knowledge or experience to efficiently handle the issues in a distant state. This could result in increased costs and staffing requirements for the new location.

## Workforce Competition

Companies will also need to have a thorough understanding of the current and likely future competition for the available workforce. If an existing employer is in a similar line of business or has similar business processes (e.g., IT or accounting), it will likely be a long-term competitor for skilled workers.

In addition, it is important to be well informed about publicly available information regarding future employment demands in the area. Planned closings or expansions of local employers can significantly impact the future market for trained workers. This information can usually be gained through a review of local news sources or conversations with local community leaders.

As risk factors associated with global operations increase, employers should look increasingly to domestic operations to provide stable production and reduced transportation costs. The competition among states for this economic development is certainly increasing. As a result, understanding the needs at a proposed location and the available incentives to address those needs can provide long-term strategic advantages for the business. Workforce tops that list of needs and deserves all the scrutiny your team can muster.





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