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How to Factor in Labor Needs While Selecting a Site for Expansion

With today’s low unemployment rates, companies must consider how they will fulfill their workforce needs early on in the site selection process.

Sam Moses, Mark Simmons, and Azad Khan; Business Expansion and Location Solutions Team; Parker Poe

Workforce Q4 2023



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...how many of expanding operations. How much available land is there? Are there utilities nearby to power the site? What's the closest interstate and port to move our goods? But as unemployment rates have steadily dropped in the past decade — except for a two-year period during the COVID-19 pandemic — one factor has been climbing higher on this list: labor.

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In today's tight labor market, where unemployment rates are back to pre-pandemic lows of just under 4 percent nationally, companies are forced to dig into the data of the communities where they intend to set up operations. On top of questions like land availability, companies — including manufacturers — are forced to consider the labor needs question early on in the site selection process.

While there isn't necessarily a magic labor number to hit, manufacturers can seek out the reassurances they need for labor, including whether they can get a skilled workforce at a competitive price. With the help of data, companies can begin to paint a picture of the labor market and learn, for instance, how many applicants a community has per job and how many people are considered underemployed.

Here's an in-depth look at how companies might assess whether the communities have the availability and quality of labor needed for their project during the site selection process.

Use Available Resources

Companies looking to locate in the United States should be able to find state and local government-backed workforce development programs that can assist with labor questions. By teaming up with these programs, companies can learn more about the availability and skillsets of the existing labor pool, as well as the cost of labor in a particular region. Companies can also help line up training for a specific skillset they will need. In many cases, that training can be done on the job or prior to employment. Given the tight market, companies across the country are considering these questions much earlier in the site selection process today compared to 15 or 20 years ago.

Companies are also becoming more creative about attracting and retaining labor. By offering child daycare services, fun events on the weekends for employees and their families, or smaller perks like movie tickets, companies can better recruit and retain employees.

Workers want to be paid a competitive wage and have solid benefits. But they're also looking for a company that offers an attractive culture and one that provides schedule flexibility.

How Automation Factors into Labor Needs

While the entire country is dealing with

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companies to consider the ongoing impact of automation. Manufacturers today might not need as many employees given the advent of automation. Ten years ago, for example, a large manufacturing project with a capital investment of \$100 million would likely have brought 300 to 400 jobs to a community. Today, that same project might only need 50 employees. Automation can help solve the labor question for companies.

The less labor-intensive a project is, the more it could save a company locating to a community that has fewer applicants for the jobs the company needs.

Data Diving

Numbers don't lie. A company looking to open up a new manufacturing site in the U.S. should look at labor and employment data throughout the course of the site selection process. Not every piece of data — especially data based on surveys — can be relied on 100 percent, meaning companies should look at multiple sources. Those sources include the Bureau of Labor Statistics, as well as more localized data that communities can provide upon request.

The better understanding a company can glean of a community's labor pool from this data, the better informed it can be when it's time to make a decision between the top finalists being considered by the company.

Here are a few points to consider:

- Is there a military installation in the community, meaning can you look for skilled soldiers transitioning from the military to civilian workforce?
- Are there technical colleges nearby?
- What is the age breakdown of the population, and is the community attracting younger people to the labor market?
- What does state employment data say about how many potential job candidates there are in the workforce?
- How many job applicants are there per job opening?

“If the pay is right and the commute is bearable, employees will travel between county and state borders.”

From these sorts of questions, a company can begin to learn more about the demand and undersupply of a particular type of job in a certain area. Companies can use this granular data to draw several insights, including whether the size of the labor market has grown at a pace that's faster than the national or state average. If a company knows it needs machinists or engineers, for example, it can learn how many people with those skills are applying to those jobs in a given community.

In addition to labor questions, companies should dig into wage data. Should a company locate in a place that has high or low wages, and what is the supply of jobs relative to that?

a competitive price.



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It's important for companies not to look at this data through the lens of city or county borders. Employees usually do not consider a county's border when applying for jobs; if the pay is right and the commute is bearable, employees will travel between county and state borders. Companies should apply this rule when it comes to data: Instead of looking at data within a particular city or county, consider data within a 30- or 60-minute drive time of the site that's under consideration.

Go Beyond the Data and Talk to People

A German manufacturer of computer parts wants to open its first facility in the Southeast. The company has its own culture and, in particular, its own hiring policies. But it doesn't know much about the labor market in the U.S., let alone how the market is different between states like Georgia, North Carolina, and South Carolina.

In this example, the German company can set up a phone call with the human resources and other leadership departments with existing companies in these states. It can ask the American companies what sorts of workforce challenges exist and where labor can be found.

By interviewing the American companies, the German executives are able to get more information beyond the data points they already reviewed. The Germans can go a step further and interview staffing firms that are putting temporary workers into different manufacturing facilities. They can ask questions such as, "How did you find, attract, and retain the employees you needed, and how has it been going?"

Companies can use data and conversations with existing companies to learn about the workforce in a particular community.

Final Takeaway

Even with automation, companies will always need to consider the availability of skilled workers during the site selection process. Today, with low unemployment rates, companies don't have to devote every waking hour to finding the exact number of qualified workers. Instead, companies can use data and conversations with existing companies to learn about the workforce in a particular community. If there aren't the right number of skilled workers, a company can lean on the fact that governmental-backed workforce programs exist to identify qualified candidates and teach them the skills needed in the new job.

Parker Poe attorney Sam Moses and Parker Poe Consulting's Mark Simmons and Azad Khan are part of the firm's Business Expansion and Location Solutions Team. The team provides legal and location solutions for companies expanding their operations across the United States. In this collaborative model, experienced consultants provide data-driven location analysis, working alongside attorneys advising on legal strategy, to create a seamless and proven structure for successful expansion projects with the added benefit of saving companies time and money.



Sam Moses is a partner in Parker Poe's Columbia, South Carolina office, and focuses on corporate work and economic development.



Solutions and as part of the firm's corporate services, he spearheads site selection processes, facilitates corporate/public meetings, and develops and implements incentive negotiation strategies.



At Parker Poe Consulting, Azad Khan advises clients on all facets of their site selection and economic development initiatives. With a particular emphasis on location-specific business costs, taxes, incentives, compliance, workforce analysis, and quality-of-life analysis. Prior to joining Parker Poe Consulting, Azad served as the Director of Research for Central SC Alliance, where he led all research activities and provided support for companies across various industries, including automotive, aerospace, customer service, alternative energy and textiles.

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