

Ranked #3 Availability of Skilled Labor

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The respondents to *Area Development's* Annual Corporate Survey ranked **AVAILABILITY OF SKILLED LABOR** as the third-most-important site selection criterion, but how is this factor evaluated?

In order to understand the importance of the availability of skilled labor, one must understand how labor analyses are conducted in general, how "skilled labor" is interpreted in today's labor marketplace, and how it may impact the

outcome of a site location study.

In nearly all site location studies, labor constitutes one of the most — if not the most — important criterion of the study. The term "labor" incorporates a broad range of primary factors used to determine labor conditions, including but not limited to availability, quality, productivity, labor relations, and trainability. Each of these primary factors is further defined and evaluated through the use of sub-factors that are comprised of population and work force characteristics or traits. Specific sub-factors may vary from one site location study to another, and may even vary in importance from one study to another, but they can become driving factors and discriminators.

PRIMARY LABOR FACTORS

Labor information is normally collected and evaluated in phases as a site location study progresses. During the initial phase of the study, primary factors related to labor are identified, and

Combined Ratings* of 2005 Factors

Site Selection Factors

2005

Ranking

1.	Highway accessibility	91.4
2.	Labor costs	87.9
3.	Availability of skilled labor	87.2
4.	State and local incentives	86.0
5.	Availability of high-speed Internet access	85.7
6.	Corporate tax rate	85.0
7.	Occupancy or construction costs	83.7
8.	Tax exemptions	83.6
9.	Proximity to major markets	83.2
10.	Energy availability and costs	82.8

*All figures are percentages and are the total of "very important" and "important" ratings of the Area Development Corporate Survey and are rounded to the nearest tenth of a percent.

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qualifying criteria are defined as follows:

- *Work force density* — All mega-project site location studies, and most other location studies, are typically initiated by defining qualifying and eliminating criteria relative to work force density. This is particularly important for companies hiring hundreds or thousands of employees. Work force density is typically measured by the size of the work force located within an acceptable commuting distance of a geographical region. Commuting distances may vary based on geographical characteristics, road and highway networks, and traffic patterns and congestion. Geographical regions with an acceptable size of an existing work force normally progress to the next level of analysis. Those not qualifying are eliminated.

- *Employment classifications* — Most companies prefer to locate in a region where there are existing businesses performing similar types of activities, whether manufacturing, distribution, services, or other. The existence of similar types of companies increases the probability of an existing work force from which new employees can be recruited, and is an important indicator of the existence of a skilled work force for that particular type of business or industry.

- *Educational attainment levels* — Educational attainment can be a significant factor in qualifying and eliminating various geographical regions. The higher the educational attainment levels, the more likely the company will be able to recruit trainable labor in the absence of employment candidates with specific skill sets.

- *Labor costs* — While labor costs are typically one of the primary screening factors used in a site location study, companies paying low to moderate wages will not typically locate into a geographical region where they will have a high level of competition for available labor based on wage rates. Conversely, companies paying above average wages, i.e. national scale versus local scale, typically do not want to locate into a region with significantly lower wages in order to avoid conflict and resentment from existing business and industry.

FINAL LABOR ANALYSIS

Once geographical regions are qualified using the above criteria, labor typi-

cally does not come back into play during a site location study until the short list of communities is defined. However, at that point, labor once again becomes the most important criterion for the study, and may become the deciding factor. Then, evaluation of the availability of skilled labor takes on a new dimension and becomes significantly more important for companies requiring these types of employees.

Labor analysis for short-listed communities becomes an intense process covering multiple factors and conditions. Statistical data from U.S. Department of Labor studies and reports are accessed, downloaded, and cross-referenced. Direct comparisons are made across all short-listed communities to determine specific strengths and weaknesses within the work force including trends, both positive and negative. Information and data that may be available within or from the short-listed communities, including any recent labor studies performed by other economic development groups or consultants, are collected and integrated into the evaluation.

A detailed analysis is performed on existing business and industry using information and data available from various resources and databases. Business clusters are identified as well as employment numbers, trends in employment, and types of individuals employed at the various locations. Correlations can be drawn related to the skill sets or knowledge sets most likely contained within selected types of businesses or industry.

VISITS AND INTERVIEWS

Interviews and visitations are typically made to educational and training institutions located within the region. These visits may include vocational training centers, community colleges, and four-year universities. Inquiries are made relative to student enrollment, acceptance qualifications, attendance, graduation rates, and job placement numbers. Any information available relative to graduate follow-ups, employer interviews, and continuing educational activities is also collected and integrated into the labor analysis. To the extent the educational facilities may offer programs or courses specifically related to the skill or knowledge sets sought by the compa-

ny, interviews will be conducted with the individuals who teach or administer the programs for direct feedback on the quality and performance of the students.

One of the best sources of information from both an applied and firsthand perspective comes from interviewing existing business and industry representatives. These interviews typically focus on the actual experience that existing companies have had since locating into the region. It is common to interview companies that have recently located into the region as well as companies that may have been in the region for five, 10, 15, or more years. A key focus of the interview is a discussion of the following critical factors:

- *Labor availability* — the ability to recruit specific types of individuals based on skill, knowledge, or experience requirements

- *Labor trainability* — the ability to train employment candidates in specific skill or knowledge sets related to company performance requirements

- *Productivity* — characteristics of the work force related to turnover, absenteeism, re-work, cost, and efficiency, both locally and compared to other company operations in other geographical locations

- *Drugs in the workplace* — results related to the use of pre-employment drug screening, random testing of employees, and discovery of drug paraphernalia on the company's property

- *Training* — use of local vocational

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training facilities, community colleges, or other training and educational facilities to assist in screening, training, and selecting a qualified work force (Similarly, the experience of the company in recruiting and training its own work force and the trainability of employment candidates should be evaluated.)

- *Commuting patterns* — a review of the general commuting patterns and locations of origination for existing employees, including work schedule impact caused by congestion, accidents, and weather conditions

NARROWING THE FOCUS FURTHER

Companies that may require higher levels of technical skills or higher levels of a knowledge base within their work force will extend the labor analysis to focus on these specific requirements. These higher-level skill or knowledge-based jobs may include mechanics, technicians, engineers, technical operators, supervisors, or managers. Most of these types of skills are normally developed through extensive educational programs offered at postsecondary educational facilities. For most companies, however,

these higher skill levels are only required within 15 to 20 percent of the work force, with the balance of employees capable of being trained in-house or through structured, short-term training programs.

In the final analysis, availability of skilled labor is only one element of a comprehensive labor evaluation. It is typically examined only for short-listed communities, but it certainly can become an overriding factor in a site location study if it is determined that the geographical region cannot support recruitment of a work force with the requisite skill or knowledge base requirements of the company. **AREA**

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