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ASK THE EXPERT

By Mark Sweeney, Senior Principal, McCallum Sweeney Consulting

A Three-Tier Approach to Labor

Figuring out how to compare locations based on their work force is touch. This month, expert Mark Sweeney guides a reader through the process.

Q: We feel that the quality and availability of labor will be the most important factor in the success of our upcoming expansion. What's the best way to compare different labor markets? —Anonymous reader

The Expert Says: We recommend a three-tier approach. First, examine secondary source data, typically from the U.S. government (Bureau of Labor Statistics, Census Bureau, etc.) This allows for some level of “apples-to-apples” comparison since the source and methodology behind the data is the same. Second, examine local secondary sources—local wage surveys are an example. This provides more focused and timely data for a location.



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Finally, do primary research—on-the-ground interviews with local employers and employment agencies. It is only after completing all three levels of research and analysis that you can be comfortable with final assessments and comparisons of labor markets for a particular project.

Labor availability should be looked at generally (overall presence and trends) as well as specifically (availability of certain skill sets relevant to your project). The size and growth trends of the civilian labor force are two common and important statistics. The concentration of the workforce in various industries and occupations is also readily available and insightful. The unemployment rate and its trend is also useful information, but should be used with caution. Seasonal impacts, recent closings or expansions, people not counted in the statistics, discharging military personnel and their spouses, and pools of underemployed people should also be taken into account, as should the annual graduates of local and regional universities as well as technical and community colleges.

The nature of your operation also influences which availability statistics are the most important to you. Many distribution center projects hire unemployed persons, so that statistic is important as a direct indicator of availability for these projects. Your expected turnover rate will also determine whether a labor market has adequate availability. You may be comfortable being able to start up by hiring 500 people in a market, but if your expected turnover rate is 20%, will that market be able to supply 100 employees a year to fulfill replacement hiring?

Remember that no labor market analysis is complete without considering labor availability in neighboring jurisdictions and examining commuting patterns. The relative attractiveness of your employment opportunities will influence the geographic extent from which you might effectively recruit.

Labor quality can be partly measured through the education attainment, industry, and occupational concentration statistics readily available. Productivity statistics are also available, but because so many factors influence productivity measures, it is risky to place too much weight on them. The best source of labor quality comes from extensive interviews with existing employers. Properly designed and executed, these interviews allow the site selector to explore in considerable depth a range of quality issues from such basic factors as attendance or language issues, to trainability, to the ability to work in certain environments (e.g., self-directed work teams).

Regarding labor-management relations, union data is available but is not necessarily user-friendly. It may take time to sort through the data available from the government. In addition, you may want to focus on the presence and activities of certain unions as opposed to overall union presence and activity.