

Assessing Organized Labor’s Effect on the Location Decision

The increased importance with which Corporate Survey respondents regard the “right-to-work” and “low union profile” factors signifies the need for a new dialogue between labor and management.

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In over 22 years of performing site selection projects for companies both large and small, not once in my entire career has a company said to me, “Ed, our firm would like you to help us establish our business in a location that is heavily organized so we can take advantage of the incumbent work force skills and the institutional craft

knowledge already established to help us become more successful and competitive.” In a similar manner, not once have I ever heard of a union approaching a company and saying, “Let us find ways we can be more productive, profitable, and competitive so that we can all benefit from working toward a sustainable common goal.”

These are the top-ranked site selection factors from our 23rd Annual Corporate Survey of our readers conducted in the fall of 2008. To read the survey in its entirety, [click here](#).

Corporate Survey 2008	
Site Selection Factors	
Ranking	Ranking
1. Highway accessibility	9. Low union profile
2. Labor costs	10. Available land
3. Occupancy and construction costs	11. Availability of buildings
4. Tax exemptions	12. Proximity to major markets
5. Energy availability and costs	13. Right-to-work state
6. Availability of skilled labor	14. Environmental regulations
7. State and local incentives	15. Expedited or “fast-track” permitting
8. Corporate tax rate	16. Proximity to suppliers
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Why is it that this dialogue does not take place? One could say that it is a combination of factors. Some would say that historical events remain in the memories of those who probably never experienced labor-management conflict in the first place. Others might say that federal and state laws are already in place to protect the interests of both parties and are inherently one-sided. And still others would say it is greed and selfishness and would point the finger at the other party. Regardless of the reasons for not communicating in the past, a constructive dialogue should be taking place — one that focuses on common ground instead of divisiveness, and one that is not legislatively mandated.

The Facts

According to Area Development’s 2008 Annual Corporate Survey, the

importance of being in a right-to-work state increased by 4.5 percent from the year 2007 to 2008. This sentiment is further reinforced by a 2.1 percent increase in the importance of seeking locations with a low union profile. Of the 25 factors measured, only three other factors had more significant increases in importance. Of those three, two have a direct relationship to work force quality — proximity to technical university and training programs. Are companies seeking a labor environment that focuses solely on controlling wage and earnings costs, or are the competitive dynamics of the marketplace forcing them to pursue a more comprehensive model? Interestingly enough, the factor that answers this question — labor costs — actually decreased in importance by almost 1 percent.

What does labor have to say about this issue? According to the U.S. Census Bureau's 2009 Statistical Abstract, union membership in the private sector has decreased from 14.3 percent in 1983 to 7.5 percent in 2007, from a high of almost 28.3 percent in 1954. If statistics are any indication of reality, there appears to be a meeting of the minds in this regard. Furthermore, if the assumption that the market is fair is an accepted truism, then the recent financial problems associated with the automotive "Big Three" certainly make a clear statement. In all fairness, there is plenty of blame to go around on both sides. However, it does beg the question to be asked about the success of European and Asian automotive nonunion transplants. It is difficult not to accept that at least part of their success is attributable to labor-management relations.

The Impact

Our clients have directed us to guide them to locations where the overriding consideration regarding labor is work ethic and basic skills, with work ethic by far the most important criterion. In the absence of skills, they will consider locations where the work force can be trained either in-house or with the assistance of the state and regional economic development programs and educational institutions. The results of the Area Development Corporate Survey validate that others are experiencing this same directive as well.

Why are our clients telling us to do this? Work force skill requirements are changing at an ever-increasing rate. Technological improvements have altered the way products are produced and the skill requirements of the workers. It is no longer feasible to accept inflexible work rules that inhibit innovation and productivity improvements. Companies need to have the flexibility to adapt quickly and efficiently — otherwise they will cease to exist.

As we evaluate potential locations, our clients want to know which companies are organized, which trade union represents the workers, what were the circumstances surrounding the event, and what was the vote count. Having this information readily available is not an option; it is crucial to the decision-making process. It not only describes the event, but it also provides insight into issues that will be on the minds of workers in the community as well. Sometimes the circumstances surrounding one or two companies are far more important than the aggregate statistics of organized labor.

How can companies make an accurate assessment of organized labor's effects on a location? The National Labor Relations Board (NLRB) keeps records of union elections, vote count, bargaining unit representation, de-certifications, and industry data. NLRB data is a good indicator of trends and general statistics, but it does not give specifics to support effective decision-making. Most communities can also provide general statistics; however, many do not have the requisite detail as just described, which is very important to the evaluation process.

If the community does not have the information readily available, one-on-one interviews with the heads of human resources or plant managers of major employers in the region are required. The interview process is time-consuming, but it is necessary for a thorough evaluation. From a practical standpoint, the interviews should not only include the opinions of local employers, but also of the local leadership in order to provide an objective balance.

How can communities use labor-management information to their advantage to recruit? First and foremost, they need to have the information available so that an informed decision can be made. The information will eventually be discovered so it is best to present the facts

as early as possible. Without this, the merits of the work force will never be considered, and a company will be at the mercy of the due diligence expertise and capabilities of its evaluators (some are good, while others are not so good).

Second, community leaders must be able to describe work force programs that concentrate on developing knowledge and skills that are relevant and transferable.

Thirdly, and also critically important, they should demonstrate a clear understanding that preparing citizens to enter the work force starts the minute they enter the K-12 educational system. Knowledge transfer can only occur when basic reading, comprehension, math, and reasoning skills are firmly established at an early age. Education, work force development, productivity, and competitiveness go hand-in-hand.

The Consequences

History and statistics are only relevant if their meanings are properly interpreted. Recent economic turmoil has been the result of myriad problems in the financial markets and poor decisions in other sectors. However, these issues aside, the importance of labor-management relations is, and will continue to be, one that is keenly on the minds of every one of our clients.

Some might ask, "How can we enact legislation that will protect jobs and provide better benefits and earnings to workers?" However, a better question would be, "How can we provide education, training, and skills that increase the value and self-esteem of individuals according to the dictates of the marketplace?" Asian and European companies understand where competitiveness and prosperity begin in their value propositions and have successfully displaced American icons of industry. By reframing the question and opening up the dialog between companies, their work forces, and unions, U.S. industries will be able to better compete both domestically and internationally.