

## ASK THE EXPERT

By Lindsey Myers, Consultant, McCallum Sweeney Consulting

### What to Do When Labor Costs Don't Add Up

**Evaluating labor costs shouldn't be labor intensive. Here are some handy tips for sorting your way through conflicting data sources and calculating wages at a prospective site.**

**Q** As we prepare site selection decision, we are faced with labor data from various sources that appear to have different results. How can we best understand local wages in the areas we are considering?

**The Expert Says:** In order to thoroughly evaluate an area under consideration for new investment, you must compare data from a variety of sources and not rely solely on one source. An important first step, if you have not already done so, is to identify the positions that you will be employing in your new facility.

Once you have identified the positions that will be employed in the new facility, a good place to start your research is with federal data available through the Bureau of Labor Statistics. You will be able to find out the number of people employed in each occupation code in an area as well as the median hourly wage, the mean hourly wage, and the mean annual wage. By starting with federal level data, you are able to compare different areas of the country by the same resource. While a good starting point for your research, it is important to note that BLS data is usually a few years behind.

Your next step is to look at state level data for the areas in which you have narrowed your site selection search. Most states have a labor market information (LMI) division that provides labor statistics similar to

those available through the Bureau of Labor Statistics. This data is usually slightly more up to date than federal information, but each state may calculate the data differently, so it is not always comparing apples to apples.

Once you have narrowed down your search to specific communities, you should ask the local economic developer if they have any local wage



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surveys. These surveys are usually conducted by their local chamber of commerce or the Society for Human Resource Management (SHRM) chapter. These are usually not published publicly, so asking the local economic developer if they have a survey available is important. Like the state level data, each survey is conducted differently so you need to pay special attention to the methodology, date, and sample size of the survey.

In addition to the data available at the federal, state, and local level,

there are also private databases where you can purchase wage information for specific areas and industries. Like the information collected from other sources, you need to consider the methodology, data, and sources of the information you are purchasing.

After you have narrowed your search to a few specific locations, talking to private industries in the area where you are looking is helpful. While the local economic development contact can help you arrange these meetings, the meetings should be closed door between you and the general manager or human resource manager at the companies. You want to find out about specific wage and benefit information, and you also should ask about the labor market in general, recruitment of new employees, unionization issues in the area, workers compensation climate, etc. While these meetings can be the most revealing in terms of wage information, you need to realize that these companies are just a small subset of the market, so you should not rely solely on these interviews.

While the above sources of information are important pieces when evaluating wage information in an area, they are all merely pieces. Evaluating all of them together makes the picture clearer and allows you to make a more informed site selection decision. And finally, wages are only a piece of the site selection decision, so it important not put too large of an emphasis on wages alone. **BM**