

HOME IS WHERE THE BEST EMPLOYEES ARE: 5 EMPLOYMENT FACTORS FOR MANUFACTURERS TO CONSIDER DURING SITE SELECTIONS

Insights
Mar 30, 2022

The impacts of COVID-19, the Russo-Ukrainian War, chip shortages, and skyrocketing fuel costs have many manufacturers re-evaluating their global production and supply chain decisions. The ever-changing risks and transportation cost associated with global sourcing increasingly outweigh the benefits of geographically dispersed manufacturing sites. Expanding existing domestic production operations is often the first choice. Unfortunately, expanding existing facilities may not be a viable option due to site constraints, permitting issues, or the lack of available workers. As a result, many manufacturers are re-evaluating expanding production in new locations in the United States. What are the considerations that manufacturers should keep in mind when beginning their site-selection process? This Insight reviews the five biggest employment factors to keep in mind.

The Basics

Site selection involves numerous considerations including, but not limited to:

- **Access to existing suppliers and customers:** Are there sufficient crucial suppliers within reasonable travel times and can you get your products to your primary customers?
- **Available land:** Will your site be landlocked prohibiting future development?

Related People



Raymond W. Perez
Of Counsel

Service Focus

Site Selection and Incentives

Industry Focus

Manufacturing

- **Reliable cost competitive utilities:** Will you have access to sufficient levels of gas, electric and water to support your operations?
- **Reliable transportation systems:** Can your employees get to and from work efficiently?
- **Environmental constraints:** Will you be able to obtain permits to construct and operate the facility in a timely manner?
- **Quality of life:** Is the proposed location desirable for workers including those you might need to transfer from existing production facilities?
- **Available, qualified workforce:** Will the skilled staff you need to meet both today's and tomorrow's needs be available in your new location?

While all these factors may be critical to your operation's long-term success, the most important factor will likely be access to an available, well qualified workforce. If you can't get the staff in the quantities you'll need or if they lack the skill and expertise for your operations, then it is quite likely the new operations will struggle to maintain profitability.

5 Factors to Consider

The question becomes what factors a manufacturer should evaluate to gain an understanding of nature and quality of the local workforce. The following are the five most significant employment-related factors to consider:

1. Demographic data

Most labor data is maintained by occupation. For example, the Bureau of Labor Statistics publishes a great deal of useful data by occupation and geographic area. In order to maximize the value of this information, your company should have a clear understanding of the types of jobs your facility will utilize and the standard occupational names for those jobs.

If possible, your analysis should include occupations as rates of the applicable labor force (number per 10,000 of labor force). This will make it easier to make apples-to-apples comparisons. In addition, it's also important to look at trends over time, not just at a single point.

You should confirm that the drive times and public transportation options for the demographic data provided are realistic. Reasonable commute times vary by region of the country which can impact the actual available labor pool for your proposed operation.

Unemployment rates and related data will also provide valuable insight into the workforce availability. The unemployment rate for the area is important, but it is also essential to dig deeper to understand the applicable rates for the types of workers you'll need. For example, unemployment for unskilled workers might be much higher than skilled workers. In addition, the unemployment rate for software professionals may be much different than the rate for mechanical engineers.

2. Education Levels

Most locales can provide detailed information on education levels in the proposed hiring area. This typically includes high school graduation rates and the number of college graduates and higher degreed individuals. If your operations will require specific technical skills, you should confirm the available number of workers with those skills and certifications. Again, long term data can indicate positive or negative trends impacting the future supply of available workers.

3. Educational Resources

Future training and education resources may be just as important as current educational levels. You should evaluate the type of training available at local community and four-year institutions. If your operation utilizes complex manufacturing systems, you'll need trained technical personnel to keep the equipment running. It is not uncommon for local technical schools to work closely with industry to develop training and certification programs that align with the organization's needs. Four-year colleges can also provide graduates to support advanced production needs such as process engineers and data analytic engineers. Some states also offer extensive training support (including funding for training programs) as an incentive to locate in the area. These incentives can be substantial and can often address any shortcomings in the available workforce.

4. Regulatory Environment

Each state may have unique employment laws and regulatory agencies that enforce the laws. These can include such areas as safety, workers' compensation, anti-discrimination, and unemployment. It is not uncommon for the states to enforce their laws differently from state to state which can have a significant impact on the operations. For example, if the organization was assuming it could manage compliance issues from a home office, those employees may not have the knowledge or experience to efficiently handle the issues in a distant state. This could result in increased costs and staffing requirements for the new location.

5. Workforce Competition

Manufacturers will also need to have a thorough understand of the current and likely future competition for the available workforce. If an existing employer is in a similar line of business or have similar manufacturing processes, it will likely be a long-term competitor for skilled workers.

In addition, it is important to be well informed about publicly available information regarding future manufacturing operations in the area. Planned closings or expansions of local employers can significantly impact the future market for trained workers. This information can usually be gained through review of local news sources or conversations with local community leaders.

Conclusion

As risk factors associated with global manufacturing operations increase, employers will look increasingly to domestic operations to provide stable production and reduced transportation costs. The labor and employment variables may be the most significant considerations to ensuring the success of the new project. Developing a clear understanding of the capabilities and availability of the workforce is essential to ensuring the greatest opportunity for success.

We will monitor these developments and provide updates as warranted, so make sure that you are subscribed to [Fisher Phillips' Insights](#) to get the most up-to-date information direct to your inbox. If you have further questions, contact your Fisher Phillips attorney, the author of this Insight, or any attorney in our [Manufacturing Industry Practice Group](#).

