

## Q. How do companies use economic data when deciding to relocate to a market? What are the factors considered? *by Dr. Larry Allen, Ph.D.*

Economic data is a way of taking the temperature and pulse for a regional economy, of lighting up the radar screen with the diastolic and systolic echoes of regional economic activity. Businesses vary in the depth of economic analysis they conduct before choosing a location. A personally-owned business may make decisions rooted in family considerations, and familiarity of local conditions. An Everest of data collection and analysis will precede the location of retail chain stores and large manufacturing plants.

Before looking at regional economic data, a business may already have a region in mind for relocation. Desire to penetrate new markets, segregate or integrate corporate functions, or a loftier visibility may be considerations. Maybe a business hopes to whittle down the dual transportation costs of acquiring inputs and marketing outputs. Some regions hold out the likelihood of savings in production costs that outweigh costlier transportation. Production costs may benefit from bargain labor costs or a natural resource such as water. Modern technology has subtracted from the large place of raw materials, but energy prices can be a weighty locational factor, particularly for branch plant locations. A retail business may be looking at a population size, household income, and opportunities to monopolize a population within a given radius. Unionization may enter into the decision if a company needs a low-wage, cooperative work force for manual and routine work. Capital-intensive industries may shun the bite of high corporate profits' taxes, and high personal taxes seem to slacken regional growth.

Some location considerations transcend the boundaries of economic measurement. A business may want to know the kind of commercial and political ties that could develop, and if the citizens of the adopted community will make intelligent and useful allies in the quest for survival and profits. Political and legal atmospherics favorable to business are a plus. Much can be learned about a community by learning the ideals to which it responds. Fears of loosing strategic employees may add weight to these factors. Amenities such as good weather, good roads, museums, sunshine, and other public services may allow firms to recruit more productive workers at lower costs.

Some factors may be over rated. All businesses are going to say that low taxes and right-to-work laws are important because they regard it unwise to say differently, definitely not wanting to encourage these things. Myopic litmus tests are unlikely to shackle location decisions, but in these matters exceptions disturb every generalization.

The selection of a broad region will focus on labor, state taxes, business climate, and proximity to customers and suppliers. The choice of a particular site within a region will stress such things as land cost, access to good roads, and good local schools.

A company may identify several locations that stand roughly equal, but often a business must accept trade offs in a location decision. Businesses differ in taste and logic, and may rank good schools above good laws. Once a group of locations falls within the circle of acceptability, a business analyzes economic data to see beyond protective colorization and look for hidden and maybe even nameless costs and benefits of each location

relevant to that business. If a location looks ideal except for one glaring and disturbing anomaly, a business can look into the economic and social data to study the issue from more than one angle. Maybe an area has above average wages, a negative trait considered alone, but there may be compensating benefits. If the area enjoys a high concentration of large multi-national enterprises that voluntarily pay high wages and screen employees with demanding aptitude tests, high wages may be indicative of a top-drawer workforce. Also, a high wage region that has long endured brutally high unemployment may be home to hundreds of workers willing to work for much lower wages.

Economic data leads to the formation of expectations, often with a prejudice toward believing that existing conditions will obstinately persevere into the future. Forecasters are biased in favor of underestimating the strength of changes already in sight, and may smile at predictions of a dramatic turning point in a region's economy. Prospective businesses will put out of court the idea that a raring upturn is right around the corner for a region muddling through a slump or weak-winged recovery. Outside businesses will declare a depressed region a case of incurable economic arteriosclerosis before they heroically forecast the bright dawn of a fresh prosperity. If a region has been reporting strong growth, outsiders are likely to predict strong growth in the future. In the 1970s exploding oil prices fueled a lusty growth in oil patch regions, which regional forecasters confidently predicted would continue in the 1980s as forecasted oil prices wildly soared to \$80 per barrel. Hardly one person in a million is able to fathom the tangled wheels of an economic turning point.

Things that can be counted and quantified may receive more consideration than more important things that cannot be measured. The same data may be looked upon with dissimilar features depending upon how the community has reacted to it. Has the community been finding successful responses to new challenges, and will it accept the leadership it receives from the officials of a new employer? A community loosing population is guilty until proven innocent. It helps if a community has a self-respecting business and political leadership that intelligently acts as an initiative center amid a flux of economic forces, adding its own redirecting and remolding energy to the external economic forces that drive (and whipsaw) the region. A community that has overcome difficulties will be viewed more favorably than a community fortunate enough to have had problems go away without community action.

Data from published and government sources is more likely to shape a decision to open a facility in a broad region than in a particular community, more likely to shape a decision to open a branch plant in North East Texas than a branch plant in Greenville, Texas, and more likely to shape a decision to open a plant in Greenville than open a plant on a particular site in Greenville. Communities with the right mix of ability and adaptability outdo other communities. A decision will depend more on non-standard and non-published data as the process zeros in on one community and finally pinpoints one spot of real estate.

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