

# Business Location Decisions

Statistical studies have shown that areas with a better educated workforce experience more business startups and increase the likelihood that a firm chooses to locate in the region.

- The better educated an area's population is, the more likely it can attract foreign-owned manufacturing firms (Friedman et al., 1992; Coughlin & Segev, 2000).
- Local characteristics like educational attainment of the population and other characteristics of the labor market directly affect the profitability of a firm and in turn encourage businesses to locate in counties with a well-educated population (Rosenthal & Strange, 2001).
- The presence of skilled (educated) labor is critical to the use and production of information technology (Bresnahan et al., 2002). A poorly educated county is less likely to produce and/or use information technology and will experience low demand for skilled workers.
- A strong K-12 educational system is vital for developing talent and attracting businesses; specialized training and talent are often more important to firms than the size of the local workforce; and universities are the major cause of innovation in almost all regions (Porter, 2003).
- Research and development firms are shown to be drawn to universities to recruit highly-educated graduates and provide up-to-date training for their current employees (Malecki & Bradbury, 1992; Harding, 1989).
- Access to quality labor is extremely influential in the firm location decisions of service-based firms, regardless of whether the size of the potential market areas is large (state) or small (town/city) (Schmenner, 1994).
- In a series of studies, evidence has been found that various measures of educational attainment and education quality have a positive effect on the economic growth rates of countries. (For example, see Robert J. Barro, "The Determinants of Economic Growth: A Cross Country Empirical Study," Cambridge and London, MIT Press: 1997.)