

Workforce Development: More Leads, Projects and Jobs

July 31, 2018

680 Views

When Braidy Industries announced its decision in 2017 to locate a \$1.5 billion advanced aluminum mill in Greenup County that would bring 550 new jobs to northeastern Kentucky, the company specifically credited Kentucky's recently passed right-to-work law for its site-selection choice. A year later, economic development officials across the state say the law has improved site-selection consultants' view of the commonwealth's business climate and is increasing the leads they are getting.

The Braidy Industries aluminum mill now under construction was one sixth of the state's record \$9.2 billion in project announcements in 2017, beating the previous best year by more than 75 percent.

Northern Kentucky officials report an ongoing increase in the number of business prospects who have contacted them compared to the 30-year average prior to right-to-work's enactment in January 2017.

Warren County enacted its own right-to-work law in December 2014, more than two years ahead of the state, and Bowling Green officials are certain it helped them land a series of significant heavy industry projects, add jobs and raise salaries.

Leads from prospects looking to locate new or expanded operations are up 65 percent for Kentucky since the state passed right-to-work, according to officials with the Cabinet for Economic Development – and more leads bring more wins.

"We knew we were missing out, but didn't know how much and to what degree," said Cabinet Communications Director Jack Mazurak.

-
- **IT'S FREE | Sign up for *The Lane Report* email business newsletter. Receive breaking Kentucky business news and updates daily. [Click here to sign up](#)**
-

Right-to-work laws guarantee that no employee can be compelled, as a condition of employment, to join or pay dues to a union. Consequently, the laws undercut the revenue flow – and hence the strength of – unions.

The 1935 National Labor Relations Act that legalized the right of workers to form unions, negotiate contracts and conduct job actions allowed the “closed shop” requirement of dues-paying union membership – sharing the cost of obtaining collective agreement benefits among all beneficiaries. The 1947 Taft-Hartley Act ended “closed-shop” rules but called for nonunion members to pay agency fees, trimming full dues by the proportion of union spending that goes to noncollective bargaining action such as political advocacy.

Kentucky was the 27th state to enact modern right-to-work laws that block union security agreements that provide for agency fees. Missouri was the 28th, leaving only Ohio among Kentucky’s border states without it.

Right-to-work is a ‘filter’

The Kentucky State AFL-CIO claims the law’s benefits are a myth and mounted a court challenge to right-to-work’s passage. According to William J. Londrigan, president of the union umbrella organization, filings in support of the AFL-CIO suit said reputable peer-reviewed studies never find a correlation between right-to-work and better economic development results.

“Right-to-work is never among the top 10 reasons cited in *Site Selection* magazine surveys,” Londrigan said. “It ranks 15th or 16th among 20 factors” on business consultants list.

Nevertheless, the AFL-CIO court challenge was unsuccessful.

Dan Tobergte, who recently stepped down as president/CEO of Northern Kentucky Tri-ED after 28 years with the economic development agency that serves Boone, Campbell and Kenton counties, said Kentucky’s right-to-work law has given Tri-ED an advantage over its peers across the river in Ohio.

“What we are seeing predominantly is an appreciation of a better business climate in Kentucky, particularly the business site-selection consultants,” said Tobergte. “We are quite pleased to have this as a marketing tool ... and to express (to prospects) that companies will have the option to be either organized or not.”

As a senior managing director with Los Angeles-based global real estate company CBRE for the past 13 years as well as with Ernst & Young before that, Seth Martindale is a site-selection consultant to 20 to 40 business and industry clients a year.

“We are the largest real estate company in the world, and they ask us where we should go and why,” Martindale said, noting that being a right-to-work location is a plus.

“Whether it’s fair or not, it’s definitely a filter,” he said. “In a lot of these analyses we are running, that is one of the first cuts. If you are right-to-work you’re in, and if you’re not right-to-work you’re out.”

This is much more the case with industrial clients than business office clients, he said, because unionization tends more toward industrial operations.

While passage of right-to-work legislation in January 2017 is closely associated with increased interest in Kentucky from employers, a Cabinet for Economic Development spokesperson said it’s important to recognize right-to-work is one in an often unique mix of factors companies may consider when selecting a location for a new facility or which existing facility to expand. Access to highways and interstates, rail, river, raw materials and shipping hubs can often play key roles in a company’s location decision. Workforce size, skill level and availability are regular factors, as are utility rates and site-and-building quality and availability, according to the Cabinet.

Warren County acted first

Bowling Green Chamber of Commerce President and CEO Ron Bunch says the number of prospect projects there began increasing shortly after Warren County passed its local right-to-work law in late 2014. The chamber’s current project pipeline has 170 projects, he said, with 20 to 30 of those being worked actively.

The Wall Street Journal reported Bowling Green is now the fastest-growing city in Kentucky, Bunch said, and *Site Selection* magazine has ranked Bowling Green second in the nation in winning economic development projects among similarly sized cities for the past two years.

“It’s helped increase our quality of life in Warren County,” he said, crediting adoption of right-to-work locally with not only bringing more jobs but also increasing wages.

“Once you are right-to-work, it opens you up to opportunities that you never would have had before,” said Bunch, who has 20 years experience in economic development and has worked in South Carolina, Florida and Virginia. “Companies are looking for an

overall business case that works for them ... operating costs, logistics, talent. For some companies, right-to-work is a litmus test.”

Sharla Wells, interim president and CEO of Greater Owensboro Economic Development Corp. for three months, said right-to-work has not yielded new industrial projects there yet but agrees it has improved perceptions of the state’s business climate.

“It is healthy for the state and business in general,” Wells said. “It’s not anything that so far has directly impacted any projects. A lot of our (Greater Owensboro) industries are union, and some are not. We have good relationships on both sides.”

Bob Quick, president and CEO of Commerce Lexington, said right-to-work has not had as significant an impact in Fayette County, but the county does not have much land available for the larger projects that would give this factor a higher priority. Quick, nonetheless, termed it “a great step forward.

“Jobs all start in the public policy of a local community, a region, the state,” the 30-year economic development veteran said. “Your policies will then dictate what jobs you can attract. Site consultants all talk about who’s right-to-work or who’s not right-to-work.”

Northern Kentucky does have land, and Tobergte said the change, which Tri-ED is actively marketing, has been felt in more leads filtering through from consultants.

In March, the top 45 consultants from across North America were in the Greater Cincinnati area for a meeting of the Site Selectors Guild’s semi-annual conference, which REDI Cincinnati hosted.

Gov. Matt Bevin, a champion of right-to-work, spoke effectively to the Guild gathering, Tobergte said.

“There were nods around the room,” he said, as Bevin advocated Kentucky’s goal of becoming a center for manufacturing and engineering excellence in North America, similar to the position Germany has achieved in Europe. “He is very effective in the corporate board room.”

Mark Green is executive editor of The Lane Report. He can be reached at mark@lanereport.com.

Ronald Bunch, CEcD
President & CEO
Bowling Green Area Chamber of Commerce