

Title: “Regional Variation in the Location Choice of Goods- and Service-Producing Industries”

Authors: Hanas A. Cader, John C. Leatherman and John M. Crespi
Department of Accounting, Agribusiness and Economics
South Carolina State University
300 College Street
Orangeburg, SC 29117
Phone: 803-536-8090
E-mail: acmhanas@scsu.edu

Abstract: In this chapter, we examine variations in the location choices of major goods- and service- producing industries in metro, metro-adjacent, and non-metro non-adjacent regions. Previous studies using location choice models either focused on regions or industries. The combination of multi-industry and multiple regions will improve the understanding of location choice decisions and enhance policy makers’ ability to effectively target industries. Conditional logit models were used to model location choice decisions in the regions using establishment, industry, and community characteristics. Marginal effects of establishment, industry, and community characteristics were estimated and compared across the industries and regions.

This study was done in the state of Kansas. The Office of Management and Budget (OMB) dichotomous taxonomy system was used to classify the 105 counties in Kansas as metro (17 metro counties), metro-adjacent (21 metro-adjacent counties), and non-metro non-adjacent (67 non-metro counties). Service producing industries included in the study were services; retail trade; wholesale trade; finance, insurance, and real estate; and transportation, communications, and public utilities. Manufacturing, construction and agricultural services industries were included among the goods producing industries. The industries included in this research were specified at the four digit-Standard Industry Classification (SIC) level. Three hundred thirty-nine service-producing and 401 goods-producing industries were included. Conditional logit models were specified for each of the major industry sectors, and the aggregate goods- and service-producing sectors.

The community/regional characteristics used in the study were population density, labor quality, county employment growth, and a proxy measure of remoteness (distance to metro county). Average industry establishment size, industry research and development expenditures, industry clustering, vertical integration, national growth rate of industry, and labor intensity were the industry characteristics that are included in the model. Establishment characteristics included age of the establishment, national employment growth at the three-digit SIC, urbanization of economies, and total industry employment in the regional economy at the two-digit SIC. The research shows these variables can have a significant influence in determining location choices of firms, and enhance the attractiveness of regions for particular groups of industries.