

Spencer Levy

When the annals of the pandemic are written, they will have a lot to cover. But when it comes to business, the chapter on labor may be the most profound. Few events in history have changed workplace dynamics in ways we've seen over the past two years.

Alex Colvin

The pandemic, obviously, first and foremost, was a medical crisis. Disease was front center. But the impact on labor, on the world of work was massive. I don't think you can underestimate the degree of disruption. And it was an up and down experience.

Spencer Levy

That's Alex Colvin, dean of Cornell University's College of Industrial and Labor Relations -- a.k.a. the ILR School -- and, full disclosure, my alma mater. Alex joins us from the Cornell campus in Ithaca, New York.

Chris Volney

We've also seen some major, major changes in the way that clients are kind of viewing geography when it comes to talent.

Spencer Levy

And that's Chris Volney, a CBRE senior director of Americas Consulting with insights on the employers side of the equation. Based in San Francisco, Chris is part of CBRE's Labor Analytics Group, offering strategic advice on site selection related to, among other things, talent needs for clients around the world. Coming up, the unique dynamics of talent in the workplace today, a time as complex as any period in the history of labor relations. I'm Spencer Levy and that's right now on The Weekly Take.

Spencer Levy

Welcome to The Weekly Take and this is our Labor Day edition of The Weekly Take show, starting with Alex Colvin. Alex, thank you for joining the show.

Alex Colvin

Thanks, Spencer. Glad to be here.

Spencer Levy

Great to have you, Alex. And then we are joined by Chris Volney. Chris, thanks for joining the show.

Chris Volney

Great to be here. Thanks, Spencer.

Spencer Levy

There is no issue more important in the business world and maybe the world writ large today than labor. So let's start with you, Alex. The pandemic -- we are still in it. Hopefully we are at the tail end of it. Tell us how the pandemic changed your point of view on labor and some of the things that you're teaching.

Alex Colvin

So the pandemic, obviously, first and foremost, was a medical crisis. Disease was front center. But the impact on labor on the world of work was massive. I don't think you can underestimate the degree of disruption. And it was an up and down experience. At first we

thought, you know, the economy was in freefall. And then we had this massive bounce back. And we saw that with workers, with their labor bargaining power, they went from being afraid of layoffs and losing jobs to this roaring back labor market, the tightest labor market we've seen for a long time. So it's big a disruption labor, and also in how we do work. The world of working remotely, working on Zoom is something we've been talking about for a while, but this extent it was really unprecedented and is now reaching to all corners of the world to work.

Spencer Levy

Is there any historic comparison you can give to the pandemic. hey, boy, this was the second worst event of all time or the worst event of all time, or the most game changing of any historic comparison you might want to give.

Alex Colvin

You know, what we always think about in the labor world is the Great Depression – that huge shift from the Roaring Twenties, the stock market crash, and then suddenly this Great Depression where we had mass unemployment and really disruptive things going on. The thing that happened at that time that was a huge shift was everybody started working in these gigantic factories, right. Henry Ford did the first big assembly lines back at the beginning of the century. But it was really by the thirties when suddenly we realized that, heck, everybody's working in these gigantic assembly line factories. And that kind of shift in where we're working and how we're working. That's the kind of precedent for this sudden shift where everybody's working in their bedroom or their basement, we've changed how we're doing, how we're doing work on a really mass scale. So that's one that resonates for me.

Spencer Levy

Chris would love to get your perspective from somebody who represents some of the largest corporations in the world on where to locate. How did the pandemic change your point of view?

Chris Volney

We've also seen some major, major changes in the way that clients are kind of viewing geography when it comes to talent. So I'll tell the story quickly of one client we had. So I'm based here in the Bay Area. I work a lot with tech companies. This is a very, very rapidly scaling tech company they're working with. And it's interesting, I kind of watch their evolution over, I would say, three phases. Kind of before right as the pandemic hit and now before it was sort of the standard model that we saw. It was, you know, we're going to pick, you know, we need to hire 500 people and we want to do that outside of San Francisco. So help us to kind of pick one market. We'll get a big office space. We'll hire a whole bunch of multi-functional talent in that one city, in that one place. So we did a couple of projects for this client just like this. And then the pandemic hit. And we actually didn't hear from that client for a little bit because they sort of went with the model of, you know, we're no longer encumbered by geography. We can hire remotely, we can be remote first. We can go anywhere in the world to find our high quality talent. A few months later, you know, kind of later in 2020, that client came back to us again. And said, you know, that model actually where it was a free for all wasn't necessarily working the way we had anticipated it. We ran into some challenges on the regulatory side. If we hire one person in Hawaii, we have to rewrite our whole organization's labor regulations to meet that. And so they came back to us and we're doing more of what we call targeted remote hiring. So we kind of went through our analysis and said, you know, instead of picking one market, maybe we pick three or four or five that we know are going to be really well qualified. They're going to

have that deeper pool of quality talent, less competition, and it's going to be cost effective. And the client can continue to hire remotely, but they're going to kind of hire in just this smaller set of markets. So this allows them to kind of focus their regulatory and administrative tasks. It helps them to focus recruiting. And also they're viewing it as kind of a hedge against the long term viability of work from home.

Spencer Levy

And I think in terms of affecting very different workers. And yes, we are in a services economy. There are some people that had to go to work. They were essential workers that we maybe didn't consider essential workers. We thought of health care workers as essential or a police officer or fireman. We didn't think about the person who drove the bus? The person who drove the train. The person who manages the building since we're in the real estate business. How did you address that issue, Alex?

Alex Colvin

So yeah, and the extension of the essential workers idea has been pretty dramatic. Because we used to think about it in the old labor days as the kind of workers who, if they went on strike, we couldn't function. So the firefighters, hospital workers, people we bar from striking because we couldn't let them use their full labor power or else it would cause disruption. The air traffic controllers who Ronald Reagan famously fired. That was sort of the traditional essential workers. You know, I think the health care workers were already partially in that. But I do think it's these other areas like the garbage collectors, right. The garbage collectors really are an essential service. And the cleaners, I think we all look at cleaning of buildings a lot differently now when we have in our mind, okay, what are the germs on those surfaces? The fact the cleaner does a good job killing all of them seems pretty essential nowadays. And I do think those groups, their labor power, so to speak, has gone up because of this.

Spencer Levy

Chris, you represent some of the largest corporations in the world, but they're not all looking for software engineers. Some of them are looking for other skill sets as well. So just walk us through the process you follow when you determine where to put your company based upon the skill set they're looking for?

Chris Volney

Every exercise we're doing with clients is going to be custom, and the main driver is, you know, what are the roles and skill sets that you're going to be hiring for. Any search that we're doing, we develop a scorecard. So there might be, you know, 50 different factors that we're looking at, but they all really roll up into three primary buckets. One is the supply and the quality of the talent. Is it there? Are the skill sets specialized? Are you going to be able to find the people you need to conduct your business to? Two is we don't want to just look at the supply. We want to look at the demand. So what other companies are in that market hiring for the same profiles that you're hiring for. And how are you going to be able to compete to attract and retain that talent? And then third is cost. What kind of cost savings can you get by going to a new market, whether it's within the US or globally? And also how does wage inflation and you know, if it's global kind of currency fluctuations, how is that going to impact your ability to drive cost savings? Depending on the industry that we're working with, those factors can be weighed differently. A lot of times an industrial or manufacturing operation might push really heavily on the cost side. Whereas that software company or the tech company, it's more about just the quality and that to the town we'll pay what we need to pay, we just need to be able to get the people to scale. So every

exercise we're doing with clients is kind of we're optimizing between those three primary categories.

Spencer Levy

So Alex, one of the factors that Chris mentioned, of course, is cost, which is always the first or second item that people talk about. But what we're dealing with today are factors including labor shortages, less immigration. And we are seeing massive increases in salaries. Now, the debate is whether or not those salaries are keeping up with the cost of living, and that's a whole other matter. But I like your point of view on how today may remind you of prior times and how labor should be looking at some of the market conditions today.

Alex Colvin

I do think that that question of less immigration, fewer workers coming into the labor force is something that we are seeing the effects of. And I think we're going to continue to see that. If we look in the education realm, there are fewer students coming out currently from the schools than in recent years. There was the sort of millennial generation, which was a huge bulge that came through. There's smaller and smaller class sizes now coming out. And there are more and more people leaving the labor force and going into retirement, right. So we are seeing those forces having an effect. And at the same time, immigration took a little dip there during the last administration. In particular, cut back some immigration numbers. But they were peers in American history when immigration numbers were pretty low from the twenties through the sixties. That does produce a tightening of the labor market. You know, there's countervailing arguments there what we should do as a society, a growing, dynamic society. Often immigrant society in America, has benefited from immigration greatly. But if it slows down, it does tighten labor markets, and that's going to have an effect. And employers will have to adjust to it.

Spencer Levy

Let's get a little bit more micro here, a little bit more pragmatic. And let's assume, starting with you, Alex, and we'll go to you, Chris. Let's assume you're advising an employer and then in the same day advising an employee what do you do about today's labor market? What's some very basic advice you might give them, Alex?

Alex Colvin

One basic thing is to recognize this is a tight labor market that we have had a shift, that employees have more bargaining power and you have to be responsive to it. Otherwise, you're going to lose out you're going to lose the talent that you want to attract and retain. So that means that you're going to have to be responsive. You're going to have to be flexible on some aspects that maybe you weren't before. You have to think about things like remote work. Can you offer a particular job? Because if you could offer it, you may have to if you want to get the talent that you'll need to succeed. So it's just kind of recognizing that you need to be responsive as an employer in what you do. You can't dictate things if labor has bargaining power.

Chris Volney

On the employer side, the advice I'm giving is not to look just at supply. A lot of times companies, when they're going at their own and thinking about which markets to go in, they'll look up on the Bureau of Labor Statistics and see how many people are in this market that we might want to hire. That's just not enough right now. We also need to consider the demand side of that. So when you're going into one of those markets, who else are you going to run up against that will also be hiring that same talent? And we're

really solving for the markets that have a favorable balance between that supply and demand. So I think that's critical right now.

Spencer Levy

So speaking of supply and demand, Chris, starting with you and then I'll ask Alex's point of view is we don't just have a supply and demand imbalance between labor and management today. We have a supply and demand imbalance on housing, and a lot of other very important but basic human needs. How much does housing play into your equation of where to recommend your employers locate?

Chris Volney

Housing is an important one and it's the availability of it and the affordability of it. So one of the things that we'll be asked to look at when we're looking at comparing these markets is just how far is that employee's paycheck going to go towards housing? What percentage of your take home income is going to be going towards housing? So that's a big piece. A lot of these companies might be headquartered in a big market like New York or San Francisco, and maybe they want to open another office somewhere in the middle of the country. Well, they're also doing that they want some of those employees back at the headquarters to relocate to that market to help to start up the office. So thinking about what that employee can get in terms of housing dollars and variety is also really important. So I think that's something we're seeing and there's a lot of constraints on housing obviously right now in markets really across the country.

Spencer Levy

This issue of shortage of housing has been around for hundreds of years. I actually saw a movie during the crisis called *The Molly Maguires* about a company town and how the townsfolk, the employees revolted. That is probably the image that a lot of people have about the company town and probably well deserved because the company town does not have a proud history. But does it have a prouder future where employers are creating a better company town that actually serves the housing, maybe the schooling needs of the children? Is there a future for that? Or are we opening up a can of worms that maybe to challenge? What do you think, Alex?

Alex Colvin

I think we clearly don't want to go back to the old company town. As you say, there were these abuses over time, things like the company store where you could only use script, which was this fake money that the company created to purchase stuff at the company store at prices set by the company. I mean, that was an old way of doing things that we really don't want to go back to. But I do think there's a lot of opportunity for companies to be creative about the locational housing assistance that they provide. We've certainly seen in the compensation world a lot of use of more creative housing benefits in the compensation package so that there's different ways the company can provide assistance. I do think that it also is incumbent on employers to think about things like local schools, local amenities in the community that are going to be attractive to their employees. There's sort of a more kind of community-focused way of thinking about something that went the wrong way, I think, at the company town but in the future could be a more positive role for companies in their communities.

Spencer Levy

So Chris, when you're advising your clients, how much are you talking internationally rather than just here?

Chris Volney

We're talking internationally a ton, and that's just only spiked since the pandemic began. Last year, 2021 of the projects that I personally worked on, three quarters had some kind of international component, whether that meant anything outside the U.S. or comparing us to other countries. Pre-pandemic, that number was probably 25% of our projects. So it's really gone up substantially. I think, you know, just to tack onto the immigration topic that's coming up with a lot of our clients, especially here in the Bay Area, too. They know there's a lot of challenges with the H-1B visa program. There's a lot of uncertainty. And Canada seeing an opportunity, perhaps has really streamlined their immigration, particularly for high skilled, educated tech workers. And they're delivering on this. They're saying you're able to get a work visa within two weeks through that program. Now, and over the last couple of years, the international community is realizing that. And there's almost been this what's starting to seem like a generational shift where a lot of the best and brightest from overseas is kind of coming to Canada, where they used to come to the U.S. So our clients know that and they see that. They see the challenges here in the U.S. So many of the studies we're doing now are really a U.S. versus Canada. Even for some of the more ubiquitous skill sets, they're hiring for things like manufacturing. Those projects a lot of times it's us versus Mexico. And a lot of times that's driven by the labor costs. You can get 60% lower wage rates on average in a lot of places in Mexico for manufacturing talent than you can in the US. So again, it depends on the type of client and the things they're measuring. Is it cost? Is it quality? But to be sure, we're looking internationally much, much more these days.

Spencer Levy

The rules of the road are so different in the U.S. versus Canada or Mexico versus everywhere. And it certainly brings up the question of where do you put your labor? Where do you manufacture? How do you address that question, Alex?

Alex Colvin

I think when people think about locating internationally, the initial reaction is, well, okay, let's go after the cheaper labor costs, right? And certainly there are industries where you could do that, right? If you're in the garment industry, clothes, shoes, going to Bangladesh or Indonesia where you get really substantially lower labor costs can make sense. But as you go up the value chain, it becomes a more complex calculation of to what degree you trade off those really low labor costs versus the other advantages of talent, right. And you can go to sort of a mid-level country labor cost wise, where you're getting a much more educated workforce. And have a concrete example of that. There was a food industry company I was talking with who were trying to figure out a good international production location. They settled on New Zealand because there's very good local talent in the food industry. It's really one of the major industries for them as well as *Lord of the Rings*-related tourism. That's the other major, you know, mainstay of the economy there. But New Zealand's, you know, much lower salary levels than the United States. It's a developed country, with an educated workforce, but cheaper than us. So that's where they decided the best locational decision was. And even Canada there's some cost advantages to Canada, public health care. The employer doesn't have to pay. Hollywood has known that for a long time. Vancouver is a huge Hollywood production center, partly for that reason. So, you know, that calculation of where you go is a complex one. I think to Chris's point, there's multiple factors that go into the decision, as well as the question of whether the location is legally complex. Is it politically stable? You don't want those kind of other extra costs coming on top of what you're dealing with. You're going internationally.

Spencer Levy

Well, speaking of complex, I guess the world always gets more complex. So I'm going to give you a shout out to something you just wrote or were involved with writing Chris. Don't worry, Dean Colvin, you're coming next. But Chris, you were involved with a paper on diversity in the tech sector and how that's causing some employers to pick markets that are highly diverse. Like Atlanta, like New York, over perhaps others. What's your point of view on the paper and how you choose cities because of that diversity?

Chris Volney

Diversity equity inclusion is another one of these factors that, especially since 2020, has just been more and more important to our clients. As I said, we go through and we do that exercise when we kick off a project of like what kind of weight do you want to put on these different factors? We've seen a couple recently where the diversity of the workforce is actually being measured more highly than the cost of the workforce. And that's sort of a sea change. It used to be we kind of used to look at this factor, as one of many and we'd have a high level diversity metric. And that's not really cutting it anymore. So we're adding a lot of different views of diversity to reflect the way the clients are looking at that to forward their own goals. So yes, of course it's racial and ethnic diversity in your workforce. It's also age and professional experience. It's gender, it's socioeconomic. We had a client who came to us and said, we really want to focus on hiring first generation college grads, things like that. So there's many different ways that the clients are kind of looking at diversity. I think you mentioned Atlanta. So I think that in a way is really representative of this, but it's also in a way kind of a cautionary tale. So Atlanta, you know, we do this. we've looked at the market a ton, really good diversity across the board there in the workforce. What happened in 2020 is a lot of companies were kind of looking at that alone and not seeing the bigger picture. So we saw a ton of companies kind of go into Atlanta, spike demand, but supply wasn't keeping up with that. So now it's one of the most competitive talent markets, especially for tech in the country. So it's hard to access that diverse talent that's there. So we're kind of helping clients to see the forest through the trees. They're looking to find other markets that might have similar levels of diversity to Atlanta, but you're going to be able to get in there and, again, be more competitive in terms of hiring and attracting that talent. So diversity is for sure a driver right now, but we have to put that in the context of all the other factors as well.

Spencer Levy

Okay. Alex and I will call you Dean Coleman for purposes of this portion of the conversation. Once you tell the audience your actual area of professorial expertise, what you work on and why you're thinking about that may have changed or stayed the same during a pandemic.

Alex Colvin

When I'm not doing my administrative Dean responsibilities running the school as a professor I study workplace conflict. So I'm interested in the question of, you know, what's causing workplace conflict. What trends are we seeing? How do organizations deal with workplace conflict? Workplace conflict's been around since the start of work. But during the pandemic, we definitely saw some new sets of workplace conflicts. Early on in the pandemic certainly we saw the conflicts around people worried about health and safety of the workplace. And that drove some of the conflicts. Health and safety in the warehouses. And so there's knock-on effects from that. Certainly the remote work question. Who gets to do it? You know, how much of it do they get to do? That is producing a lot of conflict in the workplace. And it's happening in all kinds of workplaces.

Spencer Levy

Alex, I would say I think we are in the midst of an industrial revolution with e-commerce in that the number of employees that are working in an industrial setting as a percentage of the overall economy is growing dramatically because of that. Are we harkening back to the days when manufacturing was a big part of the U.S. economy, or is this just a smaller shift than that? What's your point of view, Alex?

Alex Colvin

So I do think we are seeing something real with a reshoring trend. And the way in which technology has facilitated it, I think, is interesting because it allows you to reduce down the importance of basic manual labor as a key component of production. One of the great stats, I think, is that the U.S. steel industry from 1980 to today, the employment has gone down to 20% of what it was. Four out of five jobs are just gone. And yet we produce the same amount of steel today. And that's because of technological transformation of that industry to be more productive. I think we're starting to see it in more and more areas where the technology is allowing us to produce things here in America in a way that we lost for a while when it became labor cost dependent. I think the technology's actually shifting things around. And you think of the range of applications now are 3D printing is kind of a great example of a of a really disruptive industry that in many ways allows us to reshore things. And then you don't have to worry about political instability in other locations. The travel costs. The regulatory costs and uncertainty in other locations. In many ways, the U.S. is a very good business environment from a regulatory standpoint. So if you can equalize other stuff, maybe makes sense to make things back in America again

Spencer Levy

Automation, artificial intelligence, friend or foe of labor?

Alex Colvin

I think it's actually more of a friend of labor than we're often thinking. And the reason I think that is because there's a way in which you can use it that facilitates things that labor does. You know, something like building an airplane, something America is still pretty, pretty good at. There's a lot of things you could use the A.I. to enhance how you're doing it. At the same time, you're not going to entirely get over the process to the AI. right. We're still worried about the planes crashing. You want to have the hands on, but you can enhance how you're doing stuff via the use of A.I. in a lot of ways. The other thing that AI can do is I don't think it's going to be everywhere all at once, right. So at times it's sort of a talk as if suddenly we're all going to have Mr. Data from Star Trek doing everything for us. I think we're a long way away from that. And before we get there, we're going to have pieces of AI helping us do things. Essentially, that's what happens on the web now, right? That you have facilitation of things going on, but it's not doing everything for you. So I think it'll enhance labor for a while.

Spencer Levy

I'm pretty convinced that given the state of technology today, we'll have less plane crashes, less car crashes, less people dying because of automation rather than more. But because a computer makes that decision in one of those can't win scenarios, the public isn't comfortable with it. They'd rather it be a human decision. Do you agree with that, Alex?

Alex Colvin

I do think it's the case that people are uncomfortable with entirely giving it over. I mean, I think about self-driving cars. We hear these kind of awful occasional situations of the self-

driving car – somebody, you know, reading a book or watching TV and their car plows over a pedestrian, right. I mean that's front page news. But the reality is there's hundreds of people being killed by cars driven by regular people all the time. We're just not comfortable yet with the idea that we'll just turn to the machine, which will then end up killing people. That's why I think we're going to go to the kind of more intermediate step initially of combined technology-human systems that will operate better. I think airplanes are actually a great example of that because airplane travel is incredibly safe today. We still have those two highly trained pilots at the front of the plane. But they have engineered the systems so the pilots and the technology works together to make things incredibly safe. And if it ever goes wrong – like happened, God forbid, like with the two Boeing crashes, the 737 Max ones – we work that problem to death to figure out, okay, how do the technology and people interaction go wrong and come up with a way in which you can get that combination of the human intervention and also the technology working together to produce the safety? You know, I don't think we're ready to entirely give it over yet.

Spencer Levy

Chris, looking out for the next five years, how do you see your practice evolving? How are you going to help companies make the right site selection decisions based upon labor?

Chris Volney

I think across the board, we're going to continue to see at a macro level kind of an environment where we have a shortage of labor in a lot of different categories. A lot of different occupations. So I don't think our mission changes too much. But it's thinking about what we're doing now. It's how can we help our clients to kind of break away from the herd, for lack of a better term? You know, and think about there are plenty of markets out there both in the US and globally that are still pretty greenfield in terms of, you know, they're producing high quality talent. They're pretty cost effective. They're not as competitive. Back to the tech context, we don't need everyone running to go to Austin, to go to Atlanta, to go to Nashville. There's plenty of other markets out there that are producing talent. It's just going to be how can we position the companies we're working with to be employers of choice to make sure that they can attract and retain the best talent in a constrained environment and continue to achieve their business goals? And those business goals, again, include the D, E and I piece that the sustainability piece, integrating all of that into the Labor strategy is just going to be more and more important I think.

Alex Colvin

I think we've opened up some opportunities that aren't going to go away. The Zoom meeting will not go away. The reality is some jobs can be moved remotely. I don't think that goes away. We can't unsee what we've seen now and we know that we can operate certain things remotely and they do work. Other things don't. We now have extra knowledge that's going to sustain. And I do think we've had a secular move towards some more labor bargaining power. I don't think that's going to go away. Yes, the economy may go up and down, but I think labor is going to have some more bargaining power. And that's going to manifest itself in lots of ways. New demands from employees. Desires to work differently. If you don't respond to me as an employer, I'm going to go somewhere else. I have other options and I think a tight labor market makes that happen and enhances labor bargaining power.

Spencer Levy

So, Alex, we're about to celebrate Labor Day and why should we care? What does it mean to you?

Alex Colvin

So Labor Day is special. It's not just the last barbecues of the summer, the last long weekend, but it is a holiday that celebrates labor. The people who built this country through their hard work. It celebrates the work that we all do. And so I think that makes it special. I think it makes it a little different. And I like the fact that it's a holiday we celebrate by not working. We get a little balance – that balance between work and family and personal life celebrated this way. So when you have your Labor Day barbecue, you know, appreciate it. It's a reward for all the hard work you do all year long.

Spencer Levy

A reward for you doing a lot of the work that came before you. And so we're now going to wrap up today's Labor Day special edition of The Weekly Take with two great experts on the labor space. First, starting with Dean Alex Colvin the Dean of the Industrial and Labor Relations School, Cornell University. Alex, thank you.

Alex Colvin

Thank you. Spencer, proud to have you as one of our alums.

Spencer Levy

Thank you very much, Alex. And Chris Volney, Senior Director of CBRE's Labor Analytics Group, representing some of the largest clients in the world. Chris, great job. Thanks for joining the show.

Chris Volney

Thanks, Spencer. It was fun.

Spencer Levy

For more information and analysis of labor in today's business world, along with more about our guests, please visit our website: [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake). We'll also post a link to the CBRE reporting Chris mentioned on the show. A new article on diversity in the tech sector, which you can share along with this episode. And don't forget to subscribe, rate and review us wherever you listen. In observance of the coming Labor Day holiday we're taking next week off. But we'll be back the following week to kick off our fall programming slate with more economic analysis and colorful conversations. Thanks for joining us. I'm Spencer Levy. Be smart. Be safe. Be well. And happy Labor Day.