



How To Guide:

How do I quickly determine if I have a competitive advantage in a given industry?

Calculating location quotients is a commonly used method for determining the relative competitiveness of a given industry within a given region. This can allow practitioners to better understand the industries that potentially have a regional competitive advantage. Location quotients are typically calculated using employment data. In order to help practitioners, the U.S. Bureau of Labor Statistics has developed an LQ calculator that uses data from the Quarterly Census of Employment and Wages (the most common source of industry employment data). In this example we will use the BLS LQ Calculator to determine the relative concentration of the transportation equipment manufacturing industry in the Lexington, KY, region.

1. Go directly to the Location Quotient Calculator on the Bureau of Labor Statistics website. (www.bls.gov).
2. Click on the subjects tab at the top of the page.
3. Under the section labelled EMPLOYMENT, click on State & County Employment.
4. This will bring you to the Quarterly Census of Employment and Wages (or, QCEW) website (www.bls.gov/cew). Toward the bottom of the page you will see a section labelled 'Calculators.' Click on the Calculator button for 'Location Quotient'.
5. Follow the steps to filling out the calculator:
 - a. Step 1: Select the most recent year. In this case, use 2014.
 - b. Step 2: On the left side, keep U.S. Total as the Base Area. On the right side choose your area of interest. In this example choose the 'Lexington-Fayette, KY MSA'.
 - i. It's important to note that Metropolitan Statistical Areas are listed at the bottom of the drop down menu, after all the states and counties.
 - c. Step 3: Keep your base area as 'Total, all industries.' For your analysis industry, select a specific industry (on the right). In this example, we are going to look at NAICS 336—Transportation Equipment Manufacturing.
 - d. Step 4: Press 'Get Results.'
6. The next page will show your results. In this instance, you can see that the transportation equipment manufacturing industry in Lexington-Fayette, KY MSA has a location quotient of 3.73. This means that this industry is 3.7 times more concentrated in the region, than it is in the national economy as a whole. As a result, we can assume that the region has a competitive advantage in this industry, relative to many other parts of the country.



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