The Canadian Journal of Regional Science/
La Revue Canadienne des Sciences Régionales IV, 2 (1981). © IPA 1981

COMMENT AND DISCUSSION/COMMENTAIRE ET DISCUSSION

A COMMENT ON "THE LOCATION OF OFFICES"

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In a recent issue of this Journal, George et al. [3] discuss the determinants of office location (relocation) in the context of Canadian regional development policy and quite correctly emphasize the large potential which office location presents for regional policy initiatives. They point out that 40 percent of the labour force in Canada is currently employed in offices while only 20 percent is employed in manufacturing (the traditional focus of regional relocation policy in Canada). When one adds to this the fact that office employment has been the fastest growing sector of employment in Canada since the 1920s and that this trend is predicted to continue in the future, it becomes clearly important that more attention should be focused on office location in formulating regional development strategies.

One of the factors which George et al. point out as being of prime importance in the location of office activity is ease of communication. In a survey carried out as part of the study on which their paper is based, the authors find that of the 62 firms surveyed (who had moved office activities during the period 1968-1978) 82 percent cited the ability to communicate quickly and effectively with others with whom they have business relationships as a prime determinant of their location decision.

In discussing the role of communication, George et al. conclude that face-to-face contacts with clients are more important than telecommunications:

> Apparently, being able to communicate with clients face-to-face, rather than through telephones, telex, or computers, is much more effective, or, what is more important, is perceived to be more effective [3:82].

This conclusion regarding the role of telecommunications requires further comment. Quite clearly, telecommunications, as a mode of information-transfer, is not suited to handling all of a firm's communications needs. In particular, high level contacts or contacts where a higher degree of personal contact is desired cannot be handled as well by telecommunications as by face-to-face meetings.

On the other hand, a large segment of the jobs to be found in offices involves the handling and processing of relatively routine information flows, which, especially with the increasing use of computers, require little personal contact outside the firm or, indeed, inside the firm. Such jobs would include data-processing clerks in banks and other financial institutions, insurance company workers involved in updating policyholder files and processing bills and payments, or pension-fund workers involved in processing members' contributions and payments, to cite just a few examples.

These jobs, carried out by office units within firms, are essentially "footloose" in the sense that, with an adequate telecommunications system to provide transmission of data flows, they could be located anywhere. Moreover, satellite transmission systems for telecommunications (which can be expected to be increasingly adopted in the coming decade) will make the cost of telecommunications independent of distance, eliminating any cost differential which might, with terrestial transmission systems, have posed an obstacle to locating such activities in peripheral regions.

George et al. do not appear to consider this possibility of moving parts of office firms, with telecommunications tying the parts of such firms together. Their conclusion on the importance of face-to-face contact is valid but misses the point that it is only relevant for top management or others in the firm who require day-to-day personal contact outside the firm, overall a relatively small segment of total office employment.

In order for a policy aimed at this kind of decentralization of the workplace to be successful, firms must, of course, be convinced that it is a workable arrangement. Here the negative attitudinal factors which must be overcome may be considerable.[1] They are not, however, insurmountable, especially if government's regional policy offers appropriate incentives for such moves. More significantly, there could be relatively large cost advantages to such changes, even without special incentives, which firms may not have fully considered, primarily because of the traditional attitude that employees should all be housed together or close by one another. Several studies in the United States[2] have shown that it may be highly

[1] See for example [1;2;5].

[2] See for example [4].

profitable for certain companies to decentralize within a metropolitan area from the downtown core to a ring of suburban satellite offices. While regional decentralization implies greater distances, such findings are not likely to change greatly in the regional case, especially as greater use of satellite technology causes the cost of telecommunications to become more independent of distance.

Telecommunications also has another, perhaps more significant, implication for regional development policy which George et al. do not touch upon. Specifically, new telecommunications technology could well lead to a centralization of economic activity (both in the office sector and non-office sectors) and thereby exacerbate regional inequalities in employment and income levels. Telecommunications could permit centre region firms to more effectively service peripheral regions from a central location (thus eliminating, for example, inventory depots or sales offices in peripheral regions); permit centre region firms to more effectively penetrate peripheral region markets (thus eliminating part of the "natural protection" traditionally afforded local firms by distance); permit centralization of management control over satellite operations in peripheral regions (thus eliminating that part of the management cadre previously located in peripheral regions and thereby skewing the income distribution in peripheral regions in a negative direction); and permit a displacement of clerical workers in peripheral regions by computer-communications technology (thus reducing peripheral region employment unless the ensuing centralized clerical staff are located in the peripheral region).

If these "negative" results for regional development are to be avoided or offset, then government policy (a) will need to focus on positive employment relocation of the type suggested in the first part of this note; (b) will need to encourage, and, in some cases, subsidize, the diffusion of computer-communications technology among local firms in peripheral regions by such measures as the provision of software counselling services, encouraging the greater availability of time-sharing data services, ensuring a supply of adequately trained labour to fill the jobs called for by the technology and, perhaps, offering financial assistance to small firms to allow access to hardware; and (c) will need to promote a dispersion of computer/telecommunications facilities, so that some of these, at least, are located in peripheral regions.

A great deal has been written and said in the past decade about the "information economy," an economy in which the basic production function of all industries may be fundamentally altered by the technological marriage of computers and telecommunications. Whether or not this scenario unfolds as dramatically as some have predicted, there is no question that "new" information systems will be introduced and will have major impact on the Canadian economy.

While not typically emphasized, the impact of this technology on the spatial dispersion of economic activity could be profound, and regional policy makers must start to take some note of this. The emphasis on office location recommended by George et al. represents a start in this direction. It also, however, disguises or overlooks a major part of the fundamental change for regional economies which the computer-communications "revolution" could bring about by addressing only the movement of office firms, as distinct from office units in firms, and by considering telecommunications only in terms of the relocation of offices rather than in the broader perspective of the spatial implications of new computer-communications technology.

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