

**Report to the 101st General Assembly
Business Development Relocation Survey
2021**

State of Illinois
Department of Commerce and Economic Opportunity (DCEO)

ABOUT DCEO'S ROLE IN PROMOTING A POSITIVE BUSINESS CLIMATE

Illinois is a national leader in key industries such as manufacturing, technology, agriculture, energy, transportation, and life sciences. Bolstered by our highly talented workforce, DCEO works to attract and retain businesses while collaborating with industry leaders, businesses, and organizations to prepare our workforce and state for the jobs and industries of today and tomorrow. Illinois is experiencing a strong economic recovery from the pandemic with unemployment plunging over the last year and payroll numbers continuing to increase. In 2021, Illinois saw industries increasing capacity and an all-time record of nearly 200,000 new businesses created in Illinois in 2021. With over \$2 billion in economic relief deployed by DCEO in the last two years and new tax incentives in industries like electric vehicle production, data centers, and semiconductor chip manufacturing, Illinois is on a positive economic trajectory and continues to add incentives to attract additional job creators to the state.

BACKGROUND

Pursuant to 20 ILCS 605/605-456, the Illinois Department of Commerce and Economic Opportunity (“DCEO” or “Department”) conducted a Business Development Relocation Survey in May and June of 2022 regarding business relocations from Illinois during calendar year 2021. The statute mandates that a report be prepared annually compiling answers from businesses who have been surveyed by the Department as to why the businesses left the state, where the businesses relocated, and what, if anything, could have been done to keep them in Illinois, including offering incentives to stay.

METHODOLOGY

The Department developed a preliminary list of businesses that relocated establishments from Illinois to a different state or country in 2021 using Dun & Bradstreet’s Market Insight business intelligence tool. This tool includes information on more than 1.1 million Illinois business establishments, including data on business moves both in and out of Illinois based on U.S. Postal Service change of address data. This search identified 286 establishments potentially relevant to the study.

Dun & Bradstreet provided email contacts for 81 of these establishments. Email addresses for the remaining establishments on the list were not available in the database.¹ DCEO attempted to identify appropriate email contacts for the remaining establishments through internet searches and phone calls. Through this same due diligence, the Department was able to determine that a significant number of “moves” identified by the database did not represent business relocations relevant to this report. Ultimately, the Department identified 73 additional email contacts (for a total of 154) associated with establishments that potentially relocated from Illinois during 2021.

Each address received an email explaining the purpose of the study and a link to the survey instrument. Of these, approximately 20 were undeliverable. One week later, each address received a reminder. Twenty recipients provided a response, for a response rate of approximately 15 percent. Of these twenty, only fourteen had actually relocated establishments out of Illinois during 2021. The other six had not relocated an establishment from Illinois to another state and were therefore not relevant to this analysis. Given the small number of respondents, it is difficult to draw any statistical or qualitative conclusions or notable trends on business exits based on this data alone.

SURVEY RESULTS

¹ Dun & Bradstreet’s database generally contains email addresses for larger companies. Email contact information is much less available for smaller companies, especially if they do not have their own domain.

DCEO's survey instrument was brief, limited to 12 questions at most. This brevity was intended to encourage as high a response rate as possible. The survey questions can be broken into four sections:

- Nature and direction of relocation
- Characteristics of the company
- Communications with economic development representatives
- Reasons for relocation

Responses for each section are discussed in turn below.

As noted above, the survey responses represent only a small sample of relocating companies. The following results represent only the experiences of those companies and may not reflect the typical company.

Nature and Direction of Relocation

Respondents to this portion of the survey provided the following information:

- Fourteen companies indicated that they ceased operations at one or more Illinois locations during 2021.
- Of the fourteen companies that did cease operations, eleven transferred responsibilities and some staff to another state and the other three transferred responsibilities but not staff.

The six remaining respondents did not truly relocate operations to another state and are not relevant to this study. The respondents were asked no further questions.

- Of the fourteen companies who relocated staff or transferred responsibilities, five shifted to neighboring Midwestern states. This included three that moved to Wisconsin, and one each to Indiana and Missouri, respectively. Other states receiving these transfers were in the southern USA; with at least two companies moving establishments to Texas, Florida, North Carolina, and Tennessee.² This contrasts with survey results from the last couple of years, where respondents were mostly moving within the region.
- The facility types that were relocated (some respondents selected multiple options) were varied. The leading facility types were "Office" and "Headquarters" locations, with eleven apiece. "Manufacturing" (seven), and "Warehouse/Distribution Center" (five), and "R&D Laboratory" (three) location types were also noted.

Characteristics of the Company

Operations of respondents who relocated were generally small companies with modest operations in Illinois prior to the move.

- Of the fourteen respondents who moved operations, eleven have global employment of fewer than 50 people. Two have employment between 100 and 499, and one has employment between 50 and 99. None have employment of more than 500.
- Eleven of the companies discharged or relocated fewer than 10 employees. The remaining three discharged or relocated between 10 and 24. The survey did not ask companies to distinguish between employees who were discharged and those who were transferred to another state.
- Three of the relocating companies continue to maintain other business establishments in Illinois.

Communication with Economic Development Representatives

The survey also posed two questions regarding the extent of each company's communication with economic development representatives in Illinois. Companies were asked if they had communications with economic development officials prior to their move, and whether they had been offered incentives to stay. The questions did not require companies to distinguish between state and local officials.

- No respondents indicated that they had communicated with economic development officials prior to their move. Thirteen responded that they had not and one was unsure.

² One company moved to three separate states, so total responses add up to sixteen states across fourteen relocations.

- Because no respondents indicated they had such discussions, they were not asked if the company was offered incentives.

Reasons for Relocation

Respondents were provided a list of fourteen potential reasons (including “Other”) for leaving Illinois and were asked to select up to three.³ As noted above, it is not possible to draw valid statistical or qualitative conclusions or capture trends using a small sample such as this one.

- A common response was “State/local taxes”, which was selected by eleven of the fourteen respondents and another common response was Workers Compensation Costs (four).
- The only other options selected by three or more respondents were “Insufficient Assistance from State/Community”, and “Cost of Labor”.

Respondents were asked about how state incentives might have encouraged them to stay in Illinois.

Respondents were provided a list of nine possible answers (including “Other” and “No Realistic Incentives Would Have Induced My Company to Stay”) and could select as many options as appropriate. It bears repeating that none of the respondents indicated that they had communicated with economic development officials prior to their move – thereby making it unlikely that they were aware of the full suite of potential incentives available to them.

- The most cited effective inducements to stay were “Income Tax Incentives” (eight) and “Property Tax Incentives” (seven), followed by “Sales Tax Incentives” (five) and “Other” (five).
- Three respondents indicated that no realistic incentive would have induced their company to maintain these operations in Illinois.

Given the importance of state economic development competitiveness in Illinois’ border areas, the survey also asked respondents if their former Illinois location was near the border of the state they relocated to. Four of the five who moved to a neighboring state indicated that it was.

Respondents were also offered the opportunity to comment on the circumstances surrounding their company’s decision to relocate. Eleven of the fourteen provided feedback. Of these eleven, nine indicated dissatisfaction with the political and/or economic climate in Illinois. Of the remaining, one moved for non-business-climate reasons, and one was unable to renew their lease.

CONCLUSIONS

Unfortunately, the survey’s low response does not permit the Department to draw any firm conclusions regarding the motivations of companies relocating from Illinois or of the potential for incentives to retain their operations – both from a statistical and qualitative perspective. A sample this small does not lend itself to statistical analysis and might disproportionately reflect the views and characteristics of respondents with particularly intense opinions regarding drivers for relocation.

In contrast to our tentative findings from the 2020 report, relocation was not primarily a regional phenomenon. As noted above, only five of the fourteen companies that relocated did so to a neighboring state, and only four were formerly located near the border of the state they moved to. Others departed for southern or southwestern states.

Several businesses indicated that more generous incentives might have induced them to stay in Illinois. However, none of the businesses consulted with economic development officials prior to their departure. Illinois does offer an array of both highly targeted economic development incentives, such as for data centers, and others that are more broadly available to expanding or relocating companies, such as Economic Development for a Growing

³ Two respondents selected more than three reasons. These responses were tallied, nonetheless.

Economy (EDGE). The state has recently implemented new targeted incentives for manufacturers in the electric vehicle sector and for microchip manufacturers in the past year, and has made the EDGE tax credit more accessible to startups, though none of those changes were in effect for the period of relocations in this survey. That said, there is no indication that the companies responding to this survey reached out to state or local officials for any forms of assistance or to inquire about incentives.

A review of the economic literature suggests that firms consider a wide variety of economic and non-economic factors when evaluating business location decisions. State and local taxes and incentives are relevant, to be certain, but are generally less important than workforce availability and access to suppliers and customers,⁴ factors that were not emphasized by this set of respondents. The state of Illinois has made significant investments in workforce development, in particular during 2021 there has been an increase in funding for apprenticeship programs, job training opportunities, and capital investments at community colleges to ensure Illinois remains a key place for top talent.

⁴ See “Strategic Business Location Decisions: Importance of Economic Factors and Place Image” by Dixit, Clause and Turken at : <https://rbr.business.rutgers.edu/sites/default/files/documents/rbr-040106.pdf>

2021 Illinois Business Exit Survey

* Required

1. Did your company cease operations at one or more locations in Illinois during calendar year 2021? *

- Yes
- No

2. Which option below best describes your company's cessation of operations in Illinois? *

- The Illinois establishment was closed and its functions were not continued.
- The establishment was closed and its functions were absorbed by existing and/or new staff at a location in another state.
- The Illinois establishment was closed and at least some of the staff were transferred to a location in another state.

3. To what state(s) did your company relocate Illinois operations?

4. Please select the location type(s) that best describes the operation(s) that exited Illinois. (Select all that apply.)

- Headquarters
- Manufacturing
- Warehouse/Distribution Center
- Office
- R&D Laboratory
- Store
- Other

5. What is your company's current global employment?

- 49 or fewer
- 50-99
- 100-499
- 500 or more

6. How many employees were discharged or transferred from Illinois when Illinois operations were closed?

- 9 or fewer
- 10-24
- 25-99
- 100 or more

7.

7. Does your company still have business locations in Illinois?

- Yes
- No

8. Before your company discontinued operations in Illinois, did you have any discussions regarding the anticipated move with state or local economic development staff from Illinois? *

- Yes
- No
- Not sure

9. Was your company offered incentives to maintain operations in Illinois?

- Yes
- No
- Not sure

10. Was your company offered incentives to relocate to your current location?

- Yes
- No
- Not Sure

11. Please select the top reasons closing or relocating operations in Illinois. (Select up to 3.)

- Cost of Labor
- Distance from customers
- Distance from suppliers
- Lost contract/declining sales
- Company restructuring
- State/local taxes
- Energy costs
- Not right-to-work
- Workers compensation costs
- Workforce availability/quality
- Insufficient incentives
- Insufficient infrastructure
- Insufficient assistance from state/community
- Other

12. Which, if any, of the following types of incentives could have influenced you to stay in Illinois?

- Income tax incentives
- Sales tax incentives
- Property tax incentives
- Infrastructure improvements
- Enterprise Zone benefits
- Workforce training
- Enhanced access to capital
- Other
- No realistic incentive would have induced my company to maintain operations in Illinois

13. Was your company's former Illinois operation located near a border with the state you relocated to?

- Yes
- No

14. Please share any additional comments to explain your company's decision to close or relocate Illinois operations.