

# **Report to the 101<sup>st</sup> General Assembly on Business Development Relocation Survey 2018**

State of Illinois  
Department of Commerce and Economic Opportunity

## **BACKGROUND**

Pursuant to 20 ILCS 605/605-450, during 2019 the Illinois Department of Commerce and Economic Opportunity (DCEO) conducted a Business Development Relocation Survey for calendar year 2018. 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 list of businesses that downsized or left was developed using WARN (Worker Adjustment and Retraining Notification) notices from 2018. The Illinois WARN Act requires employers with 75 or more full-time employees to give workers and state and local government officials 60 days advance notice of a plant closing or mass layoff. An employer that fails to provide notice as required by law is liable to affected employees for back pay. This law does not apply to federal, state, or local governments.

For 2018, the original sample size for businesses that filed WARN notices was 90 companies. This sample number was reduced to 64 after the exclusion of retail stores. The Department received 7 completed surveys, for a completion rate of 10.9%.

Initially, eligible businesses were contacted via phone by the regional economic development team member that corresponded with the business location. The team member attempted to acquire the email address of someone from the business who had adequate knowledge of the business's operations. The survey was then sent to that email address with a link to the survey questions. A second effort was then made to acquire more email addresses by calling those that did not respond to the survey. The survey was resent followed by a third round of calls to these businesses requesting that the survey be completed.

## **NOTE ON CHANGES FOR FUTURE REPORTS**

The sample size of businesses for this year's report is sufficiently small that the results provide limited information. We plan to make substantial changes in how this survey is conducted.

**For our 2019 report,** to improve sample sizes and improve the usefulness of future reports, DCEO will begin identifying business exits using our Market Insight business intelligence tool. Market Insight is a database tool procured through Dun & Bradstreet, which includes information on more than 500,000 business establishments, including data on business moves both in and out of Illinois. This will increase the overall sample of businesses and allow the survey to include small businesses, in particular. Companies only need to issue WARN notices – the basis for the 2018 Business Exit Report and prior reports – if they have over 75 employees.

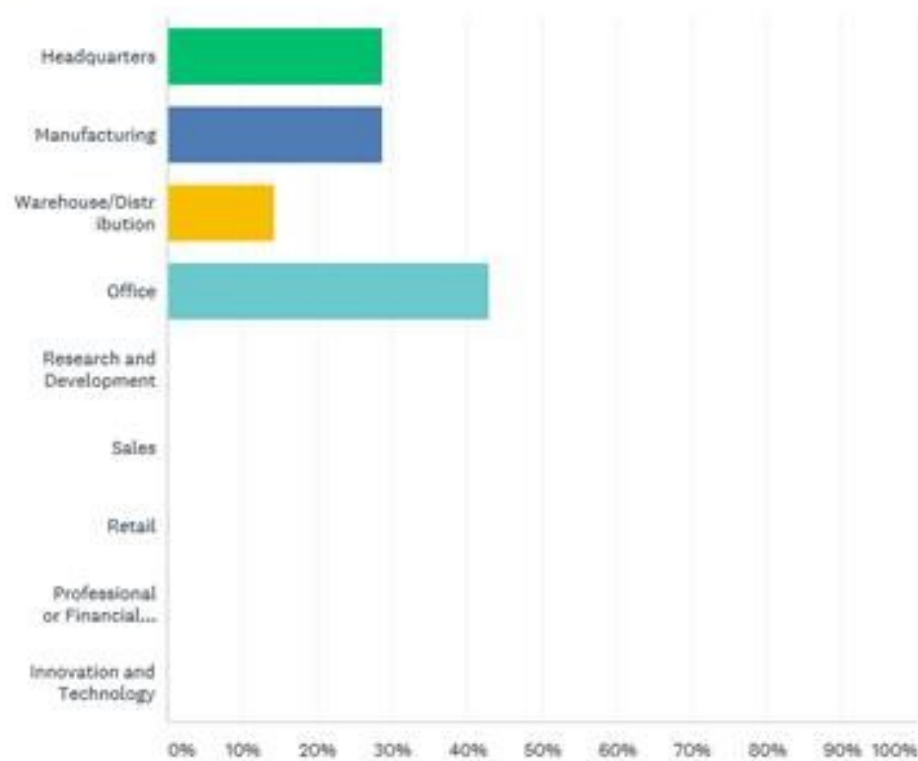
**For our 2020 report,** to improve response rates, DCEO will also evaluate conducting quarterly surveys of businesses moving or closing operations during 2020, rather than waiting until after the year is complete.

## INDUSTRY TYPE

In the survey, businesses were asked to identify the type of facility that experienced the labor loss or closure. The most common answer was “Office”, with 3 responses. The 2 next closest were “Headquarters”, and “Manufacturing” with 2 each; “Warehouse and distribution” was the least common response with only 1 responding. (Note: Businesses were allowed to select multiple types.)

## Location Type

Answered: 7 Skipped: 0



## EMPLOYMENT

Businesses were asked to estimate their global employment and number of current employees in Illinois. Results were as follows:

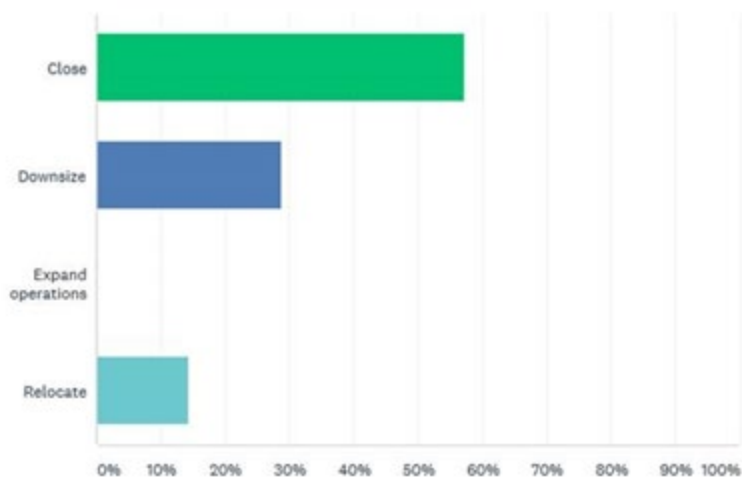
Industry	Global Employment	Illinois Employment
Electronics Manufacturing	38,000	150
Business Support Services	125	125
Transportation & Warehousing	130,000	150
Transportation Services	200	0
Automotive	0	0
Animal Slaughtering	780	0
Plastics Manufacturing	3,054	4

## CLOSED OR RELOCATED

Of the seven responses, four answered that they closed, two said they downsized, and one reported relocating.

### Did your company or company's location?

Answered: 7 Skipped: 0



## BUSINESS LOCATION

Businesses were asked about their current and previous locations.

One moved to China. One business moved to Japan. One other moved to Carrollton, GA. Of those companies, their previous locations were in St. Charles, Belvidere and Bridgeview, respectively. The remaining four respondents reported closing this portion of their operations altogether. Of the companies that moved or downsized, one continues to have operations in Illinois.

## DISCUSSIONS WITH ECONOMIC DEVELOPMENT STAFF

Businesses were asked, "Before you relocated, did you have any discussions with state or local economic development staff from Illinois?" Of the six respondents to this question, two said they had engaged in discussion with state or local economic development staff. Four businesses indicated that they had not had any type of discussion with economic development staff.

## PROGRAM ASSISTANCE RECEIVED

The survey asked about the types of program assistance most commonly received by businesses. Four respondents skipped this question. However, three respondents noted assistance was received in the form of "layoff assistance rapid response" and "training dollars through locals" while another said, "Discussed training." Three respondents indicated they had received assistance through coordination with a local government. Additionally, two businesses

said they had received assistance through coordination with other state agencies and another two through coordination with federal agencies. One indicated they had discussed workforce training.

### **REASONS FOR CLOSURE**

Businesses were asked to rank the top three reasons for not locating in Illinois or for closure. The two most popular responses were “cost of labor,” and “business climate”. The two next most popular responses were “distance from suppliers” and “state/local taxes.” There were single responses for “property taxes,” “distance from customers,” and “workers compensation costs.”

Answered: 5 - Skipped: 2

- Cost of labor 4 responses
- Business climate 4 responses
- Distance from suppliers 2 responses
- State/Local taxes 2 responses
- Property taxes 1 response
- Distance from customers 1 response
- Workers compensation cost 1 response

### **OTHER REASONS FOR NOT LOCATING IN ILLINOIS OR FOR CLOSURE**

Businesses were asked if there were any other reasons for not locating in Illinois or for closure. Only two responded, as follows:

- Business Unit decision due to Mature Product Business transitioning from high volume manufacturing to low volume (service parts) manufacturing, with the limited service parts being relocated to low-cost Asian countries.
- Site was too small, and it made more sense to expand in a state where it is cheaper to operate.

### **INCENTIVES TO STAY IN ILLINOIS**

Businesses were asked to identify incentives that could have kept them from leaving. Four businesses answered. One business responded that “no” incentives could have kept them from leaving and three businesses responded that incentives were “not applicable” to their situation.

### **INCENTIVES TO RELOCATE TO CURRENT LOCATION**

Businesses were asked if they were offered any kind of incentives to relocate to their current location and, if yes, to specify which incentives. Four businesses answered the question. Three responded N/A and one answered “Yes, economic and tax incentives”.

### **INCENTIVES TO STAY**

Businesses were asked which, if any, of the following kinds of incentives could have influenced them to stay in Illinois and check all that apply. Four businesses answered, all responding that there were no incentives that could have convinced them to stay.

## **OTHER COMMENTS**

The last question of the survey allowed respondents the opportunity to offer any other comments or feedback they may have. Six businesses responded. The following comments were offered:

- Overall decision was due to transition to low volume service parts, and consolidation of 5 manufacturing facilities (1 U.S. 4 Asian to 2 facilities in China).
- We lost a contract which required us to lay off some workforce last year. We did not move out of Illinois. With that said, due to the new minimum wage law to increase to \$15.00 per hour, our business support services company will be moving the majority of its operations to a neighboring state over the next 24 months. There is no incentive you can provide that will offset the cost impact on our business.
- Company is still operating in Illinois, but size of operation has decreased due availability of contracts.
- Our transportation services company lost a contract we worked under in Illinois, so the office was closed. If it were to return, we'll be back!
- We had a single location located in Belvidere, Illinois with a single customer. Our contract was not renewed. Many of our employees were offered employment by the company which succeeded us.
- n/a

## **CONCLUSION**

The department recognizes that the sample size for this survey is smaller than in past years and the response rate has drastically decreased since the last annual report in 2017, so it is difficult to draw any broad conclusions from these results. Factors contributing to the low response rate include:

- The data used to identify the businesses to survey are WARN notices. Over 2018, 26 businesses, or 29%, included in the WARN reports were retail stores and were not included in the survey count, since they are to be excluded by statute.
- The 2018 survey was not conducted until the 3<sup>rd</sup> quarter of 2019, putting significant time between the business closing/relocating and the onset of the survey process. Many original contacts were no longer with the company, reducing the likelihood that someone familiar with the layoff was available.

The survey information is intended to provide DCEO information regarding those business establishments that ceased operations or relocated to other states. Most importantly, the Department wishes to gain insights into how best to prevent closures and relocations, which programs are or could be effective, and how to mitigate the effects when they are unavoidable. However, without substantial changes in how this survey is conducted, results will have little significance and DCEO will not gain useful information.

To improve sample sizes and improve the usefulness of future reports, DCEO will begin identifying business exits for our 2019 report (currently due in July 2020) using our Market

Insight business intelligence tool. Market Insight is a database tool procured through Dun & Bradstreet, which includes information on more than 500,000 business establishments. This information does include data on business moves both in and out of Illinois.

A key advantage of using Market Insight data rather than WARN reports to identify company closure and relocations is that Market Insight data is not limited to businesses with at least 75 employees. This should increase the overall sample size and allow assessment of small businesses, in particular.

DCEO will also evaluate conducting quarterly surveys of businesses moving or closing operations during 2020 for the 2020 Business Exit Report rather than waiting until after the year is complete. This could serve two purposes: 1) response rates could improve if the lag time between the underlying event and the survey is reduced, and 2) DCEO could develop useful quarterly trend data in the meantime.