

**Report to the 101<sup>st</sup> General Assembly  
Business Development Relocation Survey  
2019**

State of Illinois  
Department of Commerce and Economic Opportunity

## **BACKGROUND**

Pursuant to 20 ILCS 605/605-450, the Illinois Department of Commerce and Economic Opportunity (“DCEO” or “Department”) conducted a Business Development Relocation Survey in the summer of 2020 regarding business relocations from Illinois during calendar year 2019. 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**

A preliminary list of businesses that relocated establishments from Illinois to a different state or country in 2019 was developed using Dun & Bradstreet’s Market Insight business intelligence tool.<sup>1</sup> This tool includes information on more than 500,000 Illinois business establishments, including data on business moves both in and out of Illinois. This search identified 134 establishments that relocated from Illinois during calendar year 2019.

The Department then reached out to these establishments by phone to obtain an appropriate email address to receive the on-line survey. Team members attempted to acquire the email address of someone from the business who had adequate knowledge of the business’s operations. An e-mail was then sent to that address with a link to the survey. In the event that calls were unsuccessful, the Department conducted an internet search to identify email addresses. Altogether, the Department identified email addresses for 104 out of 134 of the relevant establishments. Each address received an email explaining the purpose of the study and a link to the survey instrument. Of these, 18 were undeliverable. One week later, each address received a reminder. Ultimately, 12 of the 86 recipients who were successfully contacted responded to the survey, for a response rate of 14%.

## **SURVEY RESULTS**

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 of relocation
- Characteristics of company
- Communications with economic development authorities
- Drivers for relocation decision

Responses for each section are discussed in turn below.

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<sup>1</sup> The previous Business Development Relocation Survey Report covering 2018 identified companies using WARN (Worker Adjustment and Retraining Notification) notices. Unfortunately, WARN notice requirements only apply to companies with at least 75 employees. The shift to using Market Insight was intended to improve the sample size by extending the survey to small businesses not bound by WARN reporting requirements.

### ***Nature and Direction of Relocation***

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

- Nine companies ceased operations at one or more Illinois location during 2019, while three did not.
- Of the nine companies that did cease operations, six transferred responsibilities and some staff to another state, two transferred responsibilities but not staff, and one simply discontinued the functions that had previously been carried out by the Illinois-based establishment.

Together, these responses show that only eight surveyed companies truly “relocated” operations from Illinois. The other four simply shut down, and these decisions and the factors that led to them are outside the scope of this study. The latter companies were asked no further questions.

- Of the companies who relocated staff or transferred responsibilities, 75% shifted to other Midwestern states. This included two that moved to Indiana and Michigan, respectively, and one each moved to Iowa and Wisconsin. The remaining two moved to Florida.
- The most common responses for facility types that were relocated (some selected multiple options) were “Office” (six) and “Headquarters” (five), followed by “Warehouse/Distribution Center” (four) and “Manufacturing” (three). One company relocated a “R&D Laboratory”.

### ***Characteristics of the Company***

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

- Of the eight respondents who moved operations, five companies have global employment of 100-499 and three have fewer than 50. None had between 50-99 or more than 500.
- Only 1 company discharged or relocated more than 100 employees. The other 7 responses were fairly evenly distributed across 25-99 employees (two), 10-24 employees (two), and fewer than 10 employees (three). The survey did not ask companies to distinguish between employees who were discharged and those who were transferred to another state.

Of the eight companies relocating operation to another state, only two continue to maintain operations in Illinois.

### ***Communication with Economic Development Representatives***

The survey also posed several questions regarding communication with economic development representatives in Illinois and/or other states. The questions did not require companies to distinguish between state and local officials.

- Only 1 company discussed the potential move with Illinois economic development officials prior to their relocation. Five companies indicated they did not and two were not sure.
  - The individual responding to the survey for this company was unsure whether there were discussions of incentives with Illinois economic development officials.

- Two companies indicated they had received incentives from the state that they moved to and three had not. The other three respondents were not sure.

### **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.<sup>2</sup>

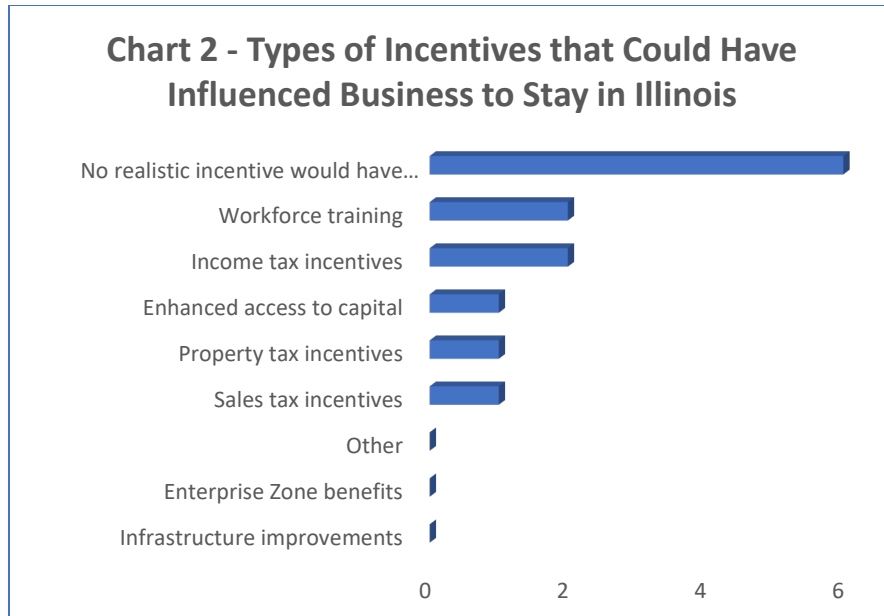
- The most common response was “Cost of Labor”, selected by four of the eight respondents. Three respondents selected “Company Restructuring”, “State and Local Taxes”, “Workforce Availability/Quality”, and “Other”.
- Chart 1 below indicates the full set of responses by the eight respondents.



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.

- The most notable finding is that six of the eight indicated that “No Realistic Incentives Would Have Induced My Company to Stay”.
- The full set of responses is shown in Chart 2 below.

<sup>2</sup> Two respondents selected more than three reasons. These responses were tallied nonetheless.



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. Of the seven who responded to the question, four indicated that it was.

Each respondent was asked to share any additional comments pertaining to their decision to relocated business operation from Illinois. Two companies responded, as follows:

1. “I did not want to live in or have my business in such a badly managed state with so much debt.”
2. “We had one warehouse location in Indiana and one location in Illinois. We restructured merging these 2 locations into one with a much closer proximity to our primary location in [community in Illinois]. The former locations were [community in in Indiana] and [community in Illinois]. The combined location is in [community in Wisconsin].<sup>3</sup> Significant improvement in communication and travel resulted.”

## 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. DCEO’s decision to use the Market Insight business intelligence tool was expressly intended to expand the reach of the survey and improve the response rate. With only twelve responses -- and only eight germane to relocation – this was unsuccessful.

The Department nonetheless believes that a couple patterns in the responses are worth emphasizing. First, it seems likely that relocating is largely a regional phenomenon. Six of the eight companies who reported relocating from Illinois in 2019 moved to the nearby Midwestern states of

<sup>3</sup> Specific communities are redacted to preserve the anonymity of the company.

Indiana, Michigan, Wisconsin, and Iowa. In addition, four of the seven companies responding to this question indicated that their prior Illinois location was near the border of the destination state. While large companies may evaluate locations across the US or even internationally, most small to medium sized companies evaluate options closer to their existing workforce, supplier base, and customers.

Secondly, there is little indication from the survey that incentives can have an impact on most relocations. Six of the eight respondents indicated that incentives would not have convinced them to keep their company in Illinois. This does not imply that there is no place for state and/or local incentives for business retention, which may be valuable and effective on the margin. But they may not be germane to most business moves.<sup>4</sup>

#### **NOTES ON FUTURE REPORTS**

As noted above, the Department's shift to using the Market Insight business intelligence tool failed to improve our survey response rate for 2019 business relocations as hoped. The Department is still evaluating how to improve the survey response rate for our 2020 report.

In our 2018 report, the Department raised the possibility of surveying relocating companies on a quarterly, rather than annual, basis beginning with the 2020 report. We speculated that companies would be more responsive to surveys received shortly after the relocation event. However, the Department has refrained from issuing quarterly surveys due to the ongoing COVID-19 crisis.

One option the Department is considering is to complement database searches for companies that have relocated with inquiries to local economic development organizations and business advocacy groups. This may expand the reach of the study and thereby increase the number of responses. The Department would need to address the possibility, however, that such informal searches would yield a biased sample.

Another option would entail assistance from a survey firm. This may improve access to appropriate company-specific contacts and induce higher response rates. Relocating companies may also be more responsive if the survey is not issued by the state government.

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<sup>4</sup> A review of the economic literature suggests that firms consider a wide variety of economic and non-economic factors when evaluating business location decisions. Taxes and incentives may be a significant factor for some business moves, but not for all. For an example, 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>