

**Report to the 101<sup>st</sup> General Assembly**  
**Business Development Relocation Survey**  
**2020**

State of Illinois  
Department of Commerce and Economic Opportunity

## **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 2020 regarding business relocations from Illinois during calendar year 2020. 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 2020 using Dun & Bradstreet’s Market Insight business intelligence tool. This tool includes information on more than 500,000 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 208 establishments potentially relevant to the study.

Dun & Bradstreet provided email contacts for 54 of these establishments. Email addresses for the remaining establishments on the list were not available in the database.<sup>1</sup> 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 81 email contacts associated with establishments that potentially relocated from Illinois during 2020. Each address received an email explaining the purpose of the study and a link to the survey instrument. Of these, 14 were undeliverable. One week later, each address received a reminder. Eight of the 67 recipients (12%) receiving the survey provided a response. Of these eight, only four had actually relocated establishments out of Illinois during 2020. The other four had not relocated an establishment from Illinois to another state and were therefore not relevant to this analysis.

Prior to this effort, DCEO’s regional outreach team attempted to survey companies considered likely to have relocated establishments from Illinois as staff became aware of potential moves from communications with the company or other economic development contacts. This was done to increase the level of feedback, despite the risk of introducing bias into our sample. Nine companies responded, but only three of these had conducted relocations relevant to this study.

The Department originally intended to segregate responses from the “Dun & Bradstreet database” list and the “DCEO targeted survey” list. This would have avoided mixing responses from two populations that might have divergent characteristics, behaviors, and motivations. However, the number of relevant responses was low for both lists and no more than than half of the respondents

---

<sup>1</sup> 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.

from either list actually conducted relocations from Illinois to another state. As such, available data was extremely limited and was therefore consolidated.

## **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 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.

### ***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 locations during 2020, while eight did not.
- Of the nine companies that did cease operations, four transferred responsibilities and some staff to another state, three transferred responsibilities but not staff, and two simply discontinued the functions that had previously been carried out by the Illinois-based establishment.

These responses show that only seven companies that responded to our surveys truly "relocated" operations from Illinois and are therefore relevant to this study. This included four companies from the Dun & Bradstreet database list and three from the DCEO targeted survey list. Remaining companies were asked no further questions.

- Of the companies who relocated staff or transferred responsibilities, all shifted to other Midwestern states. This included three that moved to Indiana and Wisconsin, respectively, and one that moved to Michigan.
- The facility types that were relocated (some selected multiple options) were varied. Three each relocated "Office," "Headquarters," and "Warehouse/Distribution Center" location types. One company relocated an "R&D Laboratory".

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

- Of the seven respondents who moved operations, three companies have global employment of fewer than 50 and two have employment over 500. One each fell into the 50-99 and 100-499 categories.
- Four of the seven companies discharged or relocated fewer than 10 employees. Two discharged or relocated more than 100 employees while one company 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.

None of the seven companies relocating to another state still 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.

- Three of the seven companies held discussions with local or state economic development staff and four did not. The distinction between the “Dun & Bradstreet” and “DCEO opportunistic outreach” populations was apparent here, as the three companies who held such discussions were the same ones who DCEO reached out to. None of the companies who held discussions with economic development staff indicated that they had received incentive offers from Illinois.
- Six of the seven companies indicated they did not receive incentives from the state to which they relocated. One respondent was not sure.

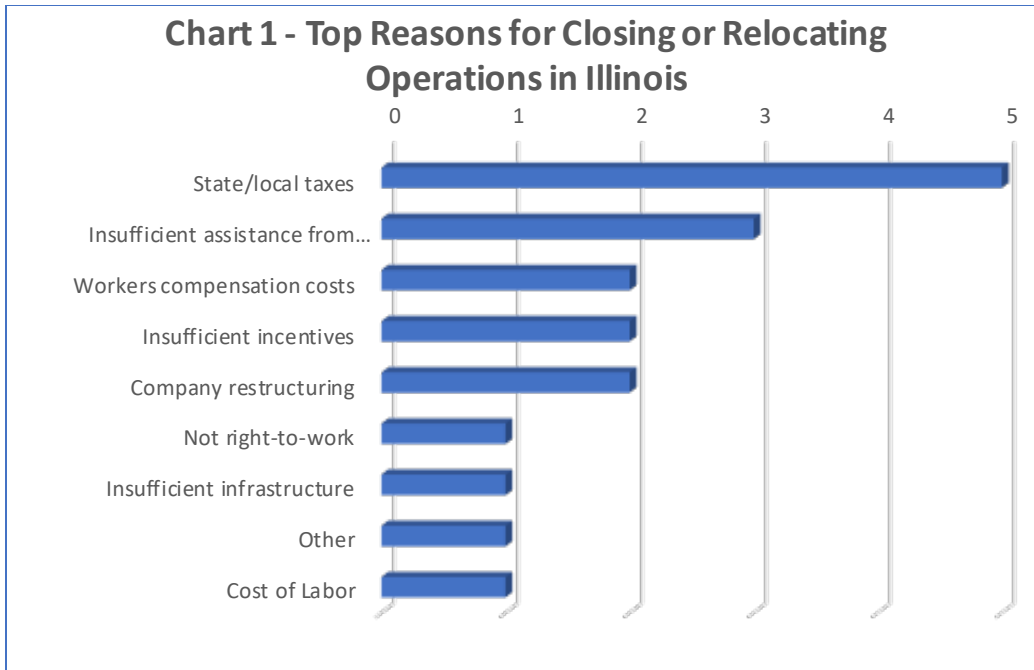
### ***Reasons for Relocation***

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 “State/local taxes”, selected by five of the seven respondents. Three respondents (all from the “DCEO targeted survey” population) selected “Insufficient assistance from the state/community”. Two respondents each indicated Workers Compensation Costs, Insufficient Incentives, and Company Restructuring.
- Chart 1 below indicates the full set of responses by the eight respondents.

---

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



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.

Responses to this question were strongly correlated with which contact list was used.

- All of the companies included on the Dun & Bradstreet list indicated that “No Realistic Incentives Would Have Induced My Company to Stay”.
- All three respondents receiving the targeted survey from DCEO indicated that property tax incentives might have influenced them to stay in Illinois. Two of the three cited income tax incentives, enterprise zone incentives and increased access to capital.

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, five indicated that it was.

Each respondent was asked to share any additional comments pertaining to their decision to relocate business operations from Illinois. Five companies responded. One simply stated that their operation was acquired by a Michigan-based company. The other four registered complaints about the state of Illinois politics and/or the lack of state and local support.

## 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 for the last two years, and to supplement that effort by directly targeting businesses that Department had independent information about, was intended to expand the reach

of the survey and improve the response rate. With only seventeen survey responses from companies -- only seven of which actually relocated -- this was unsuccessful. 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.

The Department nonetheless believes that several patterns in the responses are worth emphasizing. First, it seems likely that relocating is largely a regional phenomenon. Each of the companies who reported relocating from Illinois in 2020 moved to the nearby Midwestern states of Indiana, Michigan, and Wisconsin. In addition, five of seven companies 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, five of the seven respondents did indicate that high state/local taxes were a problem. Insufficient assistance from the state and communities, insufficient incentives, and workers compensation costs were all cited by at least two respondents

Finally, all four respondents surveyed from the Dun & Bradstreet list indicated that incentives would not have convinced them to keep their company in Illinois. Several businesses directly contacted by the Department, however, indicated that more generous incentives might have made a difference. There's reason to believe that the latter responses are driven by the method of contacting respondents, and that the four respondents from the broader sample are more representative of typical relocating companies. 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.<sup>3</sup>

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

As noted above, the Department's shift to using the Market Insight business intelligence tool and proactively targeting businesses that may be conducting relocations has failed to improve the response rate for our 2020 survey as hoped. While we are not certain why the response lagged, we are aware of several potential reasons. First, the survey period was largely dominated by the COVID-19 crisis. Answering yet another survey was not a priority to companies trying to navigate an economic crisis while an unprecedented number of Americans were working from home. Second, it may simply be that many potential respondents are leery of clicking any unsolicited links, for fear of contracting computer viruses or otherwise compromising security. Finally, a number of companies might have disregarded the survey because they had not conducted any relocations. As noted above, at least half of those from both survey populations who did respond indicated that they had not moved an Illinois establishment to another state.

---

<sup>3</sup> 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>

The Department is still evaluating how to improve the survey response rate for our 2021 report. One option is to stay the course, hoping that our strategy will work better in a year (less) dominated by COVID-19. Another would entail procuring 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.