



Illinois
Department of Commerce
& Economic Opportunity
JB Pritzker, Governor

Report to the 103rd General Assembly

Business Development Relocation

Survey 2022

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 April and May 2023 regarding business relocations from Illinois during calendar year 2022. The statute mandates that a report be prepared annually compiling responses 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.

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 the unemployment rate down to 4.1% and total employment above 6 million. With over \$3 billion in economic relief deployed by DCEO in the last several years and new tax incentives for 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.

METHODOLOGY

The Department developed a preliminary list of businesses that relocated establishments from Illinois to a different state or country in 2022 using Dun & Bradstreet’s Market Insight business intelligence tool. This tool includes information on more than 1.4 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 302 establishments potentially relevant to the study.

Dun & Bradstreet provided email contacts for 97 of these establishments. Email addresses for the remaining establishments on the list were not available in the database. 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 additional email contacts (for a total of 178) associated with establishments that potentially relocated from Illinois during 2022.

Each business with an identified email address received an email explaining the purpose of the study and a link to the survey instrument. Of these, 37 were “bounced back” as undeliverable. One week later, each address received a reminder. Fifteen recipients provided a response, for a response rate of approximately 11 percent. Of these 15, only 12 had relocated establishments out of Illinois during 2022. The other three had not relocated an establishment from Illinois to another state and were therefore not relevant to this



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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

DCEO's survey instrument was brief, limited to 14 questions. This brevity was intended to encourage as high a response rate as possible. The survey questions can be broken into four sections:

- Nature and destination 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 Destination of Relocation

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

- Twelve companies indicated that they ceased operations at one or more Illinois locations during 2022.
- Of the 12 companies that did cease operations, six transferred responsibilities and some staff to another state, two transferred responsibilities but not staff and the other four were closed with their functions discontinued.

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

- Of the 12 companies who relocated staff or transferred responsibilities, two shifted to a neighboring Midwestern state (Indiana). Other destination states were in the southeastern U.S., with five companies moving establishments to Florida and one to North Carolina.
- The facility types that were relocated (some respondents selected multiple options) were varied. The leading facility types were "Headquarters" (six) and "Office" (four) locations. "Manufacturing" (three), "R&D Laboratory" (one), and "Warehouse/Distribution Center" (one) location types were also noted.

Characteristics of the Companies

Respondents who relocated were mostly small companies, and all discharged or relocated fewer than 100 Illinois employees.

- Of the eight respondents who moved operations, half have global employment of fewer than 50 people. Among the remainder, one has employment between 50 and 99, two have employment between 100 and 499, and one has employment of more than 500.
- Three of the companies discharged or relocated fewer than 10 employees, two discharged or relocated between 10 and 24 while three discharged or relocated between 25 and 99. The survey did not ask companies to distinguish between employees who were discharged and those who were transferred to another state.
- Two of the relocating companies continue to maintain other business establishments in Illinois.

Communication with Economic Development Representatives

The survey 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. Seven responded that they had not and one was unsure.
- Because no respondents indicated they had such discussions, they were not asked if the company was offered incentives to remain in Illinois.
- One respondent indicated that they received incentives to relocate. Five did not receive incentives to relocate and two were unsure.

Reasons for Relocation

Respondents were provided a list of 14 potential reasons (including "Other") for leaving Illinois and were asked to select up to three. 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.

- The most common response was "State/local taxes," which was selected by seven of the 12 respondents.
- The only other options selected by multiple respondents were "Other" (three) and "Company Restructuring" (two).

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



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development officials prior to their move – thereby making it unlikely that they were aware of the full suite of potential incentives available to them.

- Six respondents indicated that no realistic incentive would have induced their company to maintain these operations in Illinois.
- Two respondents indicated that property tax incentives might have induced them to remain in Illinois. No other option was noted by more than one respondent.

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. One of two 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. Four of the 12 provided feedback. Respondents indicated dissatisfaction with overall business and social climate.

CONCLUSIONS

The survey's low response does not permit the Department to draw any conclusions regarding the motivations of companies relocating from Illinois or of the potential for incentives to retain their operations due to the small sample size.

Illinois offers an array of economic development incentives, such as the long-standing Economic Development for a Growing Economy (EDGE) program. The state has recently expanded incentives for manufacturers in the electric vehicle/clean energy sector and implemented changes to EDGE to ease administrative processes for companies. Illinois has also made significant investments in workforce development and apprenticeship programming in recent years and there has been an increase in funding for capital investments and job training opportunities at community colleges to ensure Illinois remains a key place for top talent.

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 this economic literature suggests that they are less important than workforce availability and access to suppliers and customers.