

Wisconsin Establishment Migration: 2000-2011

State, regional and local economic development organizations spend a considerable amount of time, energy and resources on business recruitment efforts. These efforts can take the form of advertising campaigns to tax subsidies. Just recently Nevada provided \$1.25 billion in tax incentives to attract a battery manufacturing facility for the maker of Tesla automobiles.

But just how effective are these efforts? The academic literature, which seeks to study and better understand the effectiveness of recruitment efforts, has consistently found that these type of policies and strategies are generally costly and ineffective. One of the primary reasons that these policies tend to be ineffective is that very few establishments actually relocate. With so many economic development organizations attempting to draw the attention of the few establishments looking to relocate means that the likelihood of “success” is limited.

To gain some insights into the recruitment as a viable strategy for Wisconsin it is useful to explore the movement or relocation decisions of Wisconsin businesses. To do this we use the National Establishment Time Series (NETS) for the years 2000 to 2011 (the most current year available).

In 2011 Wisconsin was home to nearly 421,000 establishments and only 1.2%, or about 5,200 establishments, moved during the year. Of those movers about 4,000 remained in Wisconsin and less than 1,200 moved between states (Figure 1). Migration of establishments into Wisconsin from other states represented just 11.1% of all movers and out-migration accounted for only 11.6% of movers. The net movement in and out of Wisconsin equals about a net loss of 29 establishment in 2011.

If we look over the past ten year period (2000 to 2011) we can see some fluctuation in the percent of establishments that are electing to relocate or move (Figure 2). But at no time was the share of Wisconsin businesses that elected to move greater than 1.6% of all businesses. The share of those Wisconsin businesses that elected to move and remained in Wisconsin is relatively consistent over the study period. Of those businesses relocating within Wisconsin 60% moved less than or equal to ten miles. An even smaller number of establishments cross state lines.

Figure 1: The Composition of Wisconsin Establishment Migration (2011)

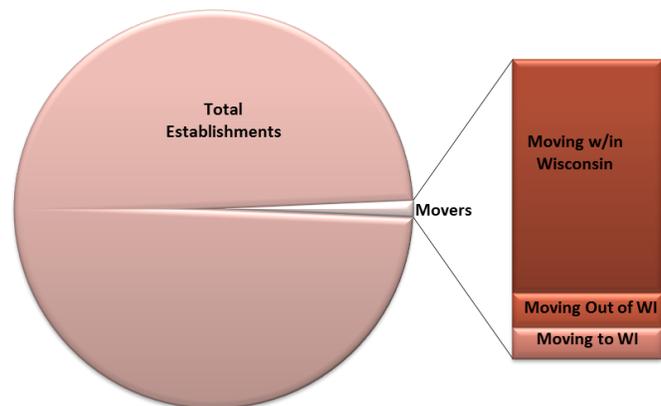


Figure 2: Establishments that Relocated as a Share of Total

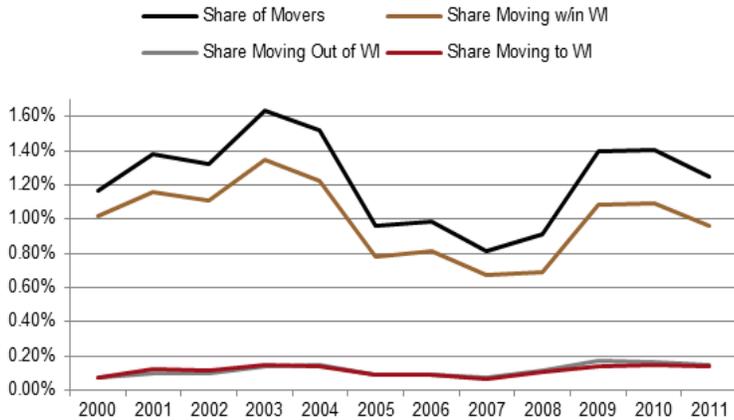


Figure 3: Job/Loss Gain from Migration As a Share of Total Employment

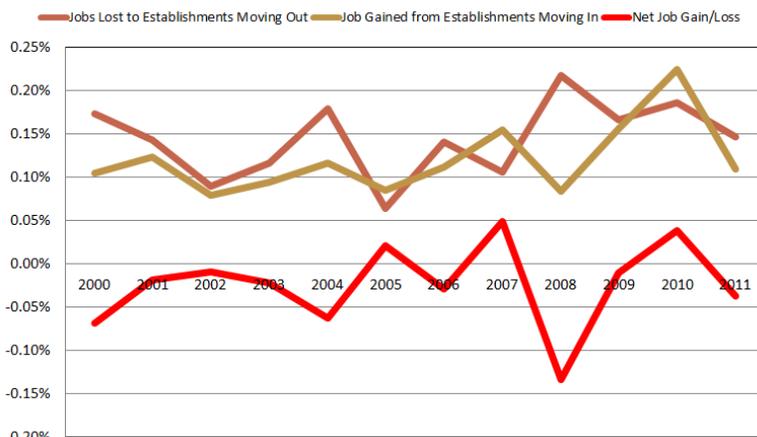
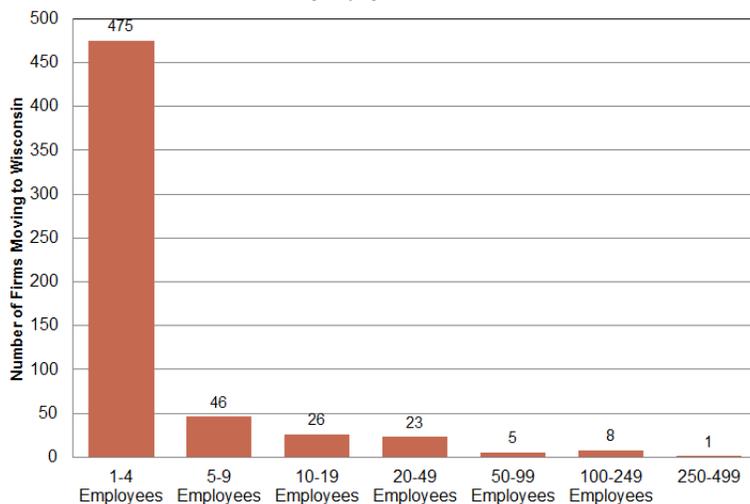


Figure 4: Establishments Moving to WI by Employment, 2011



Targeting limited economic development resources on recruiting from a very small pool of mobile businesses seems an inefficient use of resources.

If we look at the size of establishments that are elected to relocate into or out of Wisconsin we find that the number of jobs associated with this model movement to be very small (Figures 3 & 4). If we look at jobs gained from establishments moving into Wisconsin over the 2000 to 2011 period it ranges from about 0.09% to 0.22% of total employment. The number of jobs Wisconsin gains from the in-migration of businesses from other states, given the overall size of the Wisconsin economy, is almost trivial.

A major reason for this conclusion can be seen by looking at the size of establishments (by employment) that moved into Wisconsin in 2011 (Figure 4). Of the 584 establishments that moved into Wisconsin, 81.3% had four or fewer employees, 17.1% had between 5 and 99 employees and only 1.5% had more than 100 employees.

Very few establishments move in or out of Wisconsin and the vast majority that do relocate to Wisconsin tend to be very small (as measured by employment) businesses.

Based on this simple description of firm relocation decisions in Wisconsin it appears that efforts to recruit businesses may be ineffective.

Data Description: The National Establishment Time Series (NETS) is a database of U.S. establishments continually updated by Dun & Bradstreet (D&B) in partnership with Walls & Associates. The University of Wisconsin Center for Cooperatives has access to data on U.S. business establishments and their parent establishments from 1990 through 2011, the most recent year available.