



THE PUBLIC POLICY INSTITUTE OF CALIFORNIA (PPIC) AND THE
CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH
invite you to attend a

***PPIC LUNCHEON BRIEFING: Are Businesses Really
Fleeing California? New Study Says “No”***

**Thursday, November 3, 2005
12:00 noon – 1:30 p.m.
Room 2257, Rayburn House Office Building**

New research is illuminating one of the state’s most fiercely-debated public policy questions: Are businesses fleeing high-cost California and taking employment opportunities with them? Contrary to widely touted opinion, businesses are not leaving en masse, and business relocation is not a major driver of job loss, according to a study by PPIC.

You are invited to hear the study’s findings, to be presented by PPIC research fellow Junfu Zhang at a luncheon on Thursday, November 3, 2005, at 12:00 noon, in Room 2257 of the Rayburn House Office Building in Washington, DC. The report is at <http://www.ppic.org>.

To attend this lunch briefing, please reply (acceptances only, thank you) to 202-546-3700, or send email to randsell@calinst.org. We look forward to seeing you on Thursday.

Background: In the state’s recent economy, the loss of businesses to other states is relatively insignificant. During two years of the highest departures - 1993 and 1994 - California experienced a net loss of 750 businesses or 0.05 percent of the state’s total establishments. At that rate, it would take 20 years for California to lose just 1 percent of its business establishments due to relocation out of state. As for job loss, the portion caused by out-of-state relocation was never more than one-tenth of 1 percent of total jobs. Instead, nearly all the job loss resulted from establishments going out of business (71%) or downsizing (27%). In “*Are Businesses Fleeing the State? Interstate Business Relocation and Employment Change in California*,” the authors note that policy implications and solutions may be very different for these dynamics than for businesses moving out to set up shop elsewhere.

Policies that focus on preventing business relocation will have little effect on job growth, while those that promote new business formation and help existing businesses survive could be critical. For example, between 1996 and 1999, the cycle of business expansion and contraction created 900,000 new jobs, which were offset somewhat by a net job loss of 300,000 from the cycle of businesses being created and businesses dying. Now compare these 600,000 net jobs gained with just 19,000 jobs lost due to out-of-state relocation. Similarly, of 250,000 business relocations from 1993 to 2002, fully 96 percent were simply moves from one part of California to another.