

CORPORATE CROSSROADS

Migration Patterns of Businesses

Forward Analytics has written a lot about the migration of individuals and families to and from Wisconsin. Given our growing demographic challenges, the state needs to greatly increase the number of people it attracts from other states to keep its economy growing.

This is easier said than done. People move for a variety of reasons, but perhaps one of the most important is economic opportunity. Jobs created by businesses, large and small, play a significant role in attracting migrants to Wisconsin. But businesses also migrate into and out of states for economic reasons. One major factor is the availability of a skilled workforce.

In some ways, the demographic and workforce challenges Wisconsin is experiencing are intertwined with the migration patterns of businesses. And while

Forward Analytics tracks data on the movement of people, business migration is more challenging to track due largely to a lack of data. However, researchers from the U.S. Bureau of Labor Statistics recently compiled detailed business location data to track movement between regions from 1994 to 2021. State data is only available for 2021.

The federal study shows that business migration has been increasing over the past decade with much of the movement to the South and West regions. Among

12 Midwestern states, Wisconsin was the second most successful state in attracting businesses in 2021.

► More movers

It is no surprise that the number of businesses moving has increased over time. The United States has 60% more businesses today than it had 30 years ago. Yet, in recent years, the pace of regional migration has been much faster than the growth in the number of businesses.

From 1994 to 2007, business migration between regions increased an average of 2.5% per year, tracking closely with the 2.2% average growth in the number of businesses. After

a dip during the Great Recession, the pace of migration ticked up to 3.5% per year from 2010 through 2014 and to 6.6% annually from 2015 to 2021. These growth rates in migration were nearly three times the average annual increase

in the number of businesses. This latter period saw migration increases of 9.9% in 2016, 7.2% in 2019, and 15.6% in 2021.

► Moving South and West

Similar to population, businesses have been moving South and West for at least 30 years. Since 1994, the South region, composed of 15 states and the District of Columbia, was the only region to see net business gains in every year. It added 5,635 firms from other parts of the nation during the period

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studied. The pace of gains picked up recently with 40% of the additions coming after 2015.

The 11-state West region also experienced a net gain in businesses, though, at 1,168, it was much smaller. The region saw net losses in only three years, including 2021. However, that year's loss was greater than any of its yearly gains and was large enough to wipe out its additions from the three prior years.

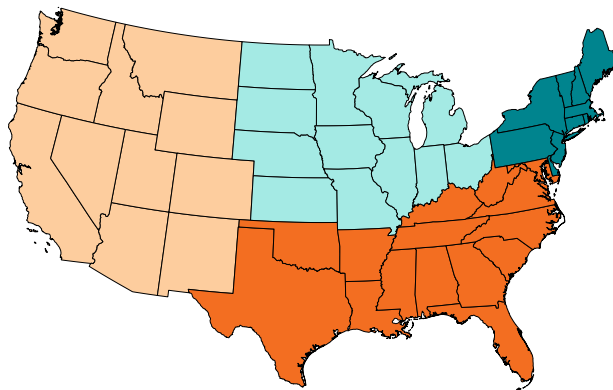
Both the 12-state Midwest (-2,785) and the 10-state Northeast (-4,018) regions experienced a net exodus, and both saw net losses in every year. Like the South's gains, 40% of the Northeast region's losses occurred from 2016 to 2021.

► Movement by state

While the Bureau of Labor Statistics study highlights regional movement over time, state data is only available for 2021. In specific comparison with Wisconsin, the study shows 31 states gained more businesses than they lost in that year. Among those, eight stand out. Florida's net gain of 399 businesses was more than two and a half times greater than second-ranked North Carolina's 148. Two other southern states — Tennessee and Texas — ranked among the five biggest gainers. Out West, Nevada's net gain of 103 businesses ranked third among all states. One common denominator among this group is that they were among the top eight in terms of attracting the most people in 2021.

Along the same lines, the states that fared the worst in terms of population also lost the most (on net) businesses to other states. New York lost a net total of 487 businesses,

U.S. Bureau of Labor Statistics tracks data from four national geographic regions (West, Midwest, Northeast and South]. Users can access economic summaries, data tables and more on a state and local level.



California lost 456, and Illinois lost 208. Just as population loss should raise red flags for elected leaders in those states, so too should the loss of so many businesses.

► Wisconsin gaining slightly

In both population and business movements, Wisconsin benefitted from outflows from Illinois. In 2021, the state saw an overall net gain of 21 firms according to the study. Recent Census Bureau figures show the state added about 10,000 people from other states in that same year. This is good news for Wisconsin and something to build on in the coming years. ■

Forward Analytics is a Wisconsin-based research organization that provides state and local policymakers with nonpartisan analysis of issues affecting the state.



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