A RECENTLY RELEASED REPORT FINDS THAT BUSINESSES CONTINUE TO RELOCATE TO MORE BUSINESS-FRIENDLY STATES BUT OFFERS RECOMMENDATIONS TO HELP CALIFORNIA RETAIN AND ATTRACT BUSINESS.
RECOMMENDATIONS TO HELP CALIFORNIA STEM THE TIDE

The report "California’s Competitiveness: A Regional Approach" was undertaken by leading researchers from some of the state's finest colleges and leading economists and examined the issue from a Southern California perspective.

June 5, 2023 10:00 am

by L.A. Area Chamber

LOS ANGELES, CA – JUNE 5, 2023 -- A recently released report has found that businesses continue to choose to leave California, especially in Southern California, for more business- friendly states, because of the state’s lack of affordable housing, cost of living, high taxes, and stringent regulatory environment. However, the report also sees an opportunity to mitigate this trend as it identifies the problem with the state's homogeneous approach to stem the exodus of businesses from one of the largest economies in the world.

The report - "California’s Competitiveness: A Regional Approach" - was released as California's state budget deficit has reached an estimated $31.5 billion at a time tax collection is expected to fall short of the money allocated for programs essential to millions of Californians. The state is facing a deeper deficit than projected at the beginning of the year as the fortunes of its wealthiest residents wane, exacerbating the fiscal situation of a state already struggling with businesses leaving, tech layoffs, and banking upheaval adding to the revenue shortfall.

Commissioned by the Los Angeles Area Chamber of Commerce and produced in collaboration with the Inland Empire Economic Center (IEEC) and funded by a grant from Bank of America, the report looks at California as a whole but with a focus on Southern California, citing the experiences elsewhere in the state where applicable.

The report outlines steps California must take to maintain its advantage over other states in the coming years. Some of the report’s recommendations to create innovation and improve competitiveness for the state’s regions and, in turn, stem the outbound migration of businesses include:

- Develop an economic strategy which considers and supports regional differences.
- Develop partnerships between higher education and industry that promote occupational upskilling to satisfy the demand for talent and skills from the local industry clusters interconnected with the rest of the world.
- Define business attraction and retention strategies at the regional level that drive innovation in leading regional clusters and are supported by a statewide plan.
• Leverage the state’s regional assets to compete for workers and firms. California can do so more effectively by addressing the state’s high cost of living and ensuring community amenities are on par with those in other states.
• Build entrepreneurial infrastructure and support, which will attract new firms while lowering the barriers to entrepreneurship for its homegrown talent.

“We wanted to look at why California-based businesses continue to leave and whether the state was doing enough to stem the flow of business outbound migration,” said Maria S. Salinas, President and CEO of the Los Angeles Area Chamber of Commerce. “This report is unique because it examines the issue from a Southern California perspective and finds that to stay competitive, California’s economy and its evolution over time are best analyzed and understood by looking at its regions. The report offers several recommendations to strengthen California’s competitiveness among other states and suggestions to develop regional strategies to help businesses prosper.”

“The state’s diverse regions are distinctively successful and impactful when we learn from each other and work in collaboration,” said Raul A. Anaya, Bank of America President of Business Banking. “We know this study will shed more light on the reasons why California should be optimistic about the future - while also calling us to be more alert and prepared for the changes in population and business dynamics which will challenge our economic competitiveness.”
The report also includes interviews with 23 Southern California CEOs who assess California’s competitiveness relative to other states. There was an explicit acknowledgment of the benefits of their firm’s presence in the Southern California market. It included recognition of a talented regional labor force, an excellent higher education system, a diverse and dynamic economy, and extensive resources to support their businesses.

However, a recurring theme in the report centered on the concern for the state’s ability to remain competitive, given the high cost of doing business and the chronic lack of housing affordability. Executives also mentioned concerns about taxation and regulation and a sense that elected officials either ignore the needs of businesses or do not understand how business works. Indeed, these concerns prompted some firms to explore investment and job creation opportunities outside of Southern California and the state.

“As previously reported in earlier reports, California has seen an exodus over the past years
A RECENTLY RELEASED REPORT FINDS THAT BUSINESSES CONTINUE TO RELOCATE TO MORE BUSINESS-FRIENDLY STATES BUT OFFERS RECOMMENDATIONS TO...
A RECENTLY RELEASED REPORT FINDS THAT BUSINESSES CONTINUE TO RELOCATE TO MORE BUSINESS-FRIENDLY STATES BUT OFFERS RECOMMENDATIONS TO...