

Are Company Headquarters Leaving California?

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High-profile companies make headlines for moving their headquarters from California. . .

Elon Musk says he's moving SpaceX and X headquarters from California to Texas



Chevron, after 145 years in California, is relocating to Texas, a milestone in oil's long decline in the state



Businesses (And Workers) Are Thankful For Texas As Charles Schwab Calls It Quits On California

California manufacturer relocates HQ to Las Vegas

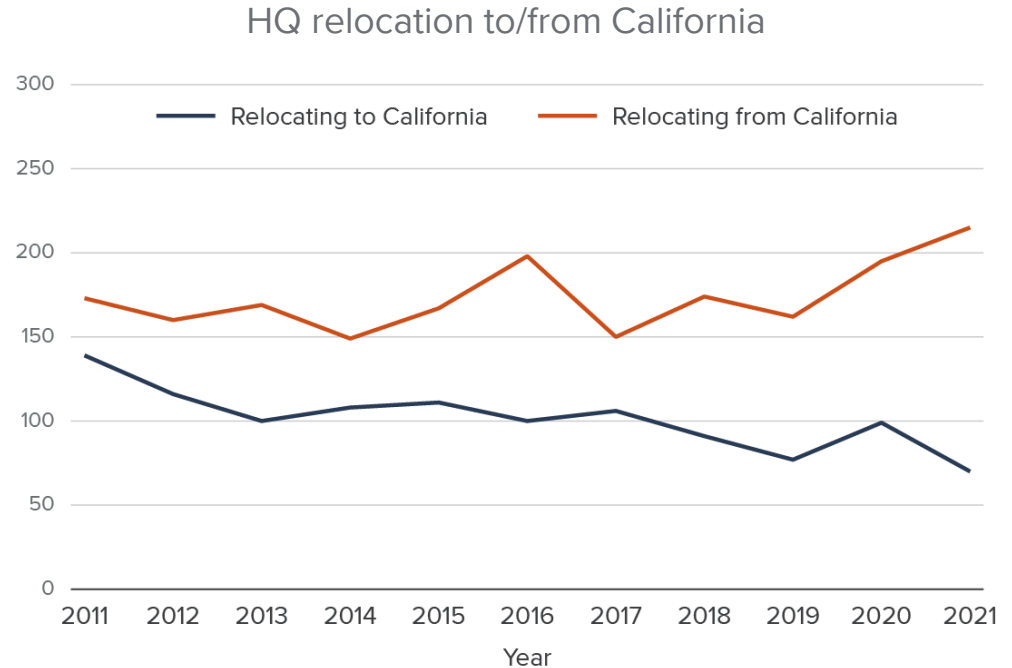


Do these anecdotes reflect broader trends?

- This research asks the following questions:
 - What are the broader trends among companies headquartered in California?
 - What is the impact on jobs when headquarters leave the state?
 - What, if anything, do headquarter relocations reveal about California's business climate?
- We examine headquarter dynamics in California and nationally
 - Data represents the universe of business establishments
 - Covers 2010–2021
 - Includes company HQ relocations (in and out), starts, and closures

Finding #1: The number of firms whose HQs have left California is small but growing

- On net California lost 789 HQs (1.9%)
- Higher rate among:
 - Manufacturing and business service companies
 - Medium and large companies (101–500, 500+ employees)



Headquarter moves out of California have a slightly larger—but still small—effect on jobs

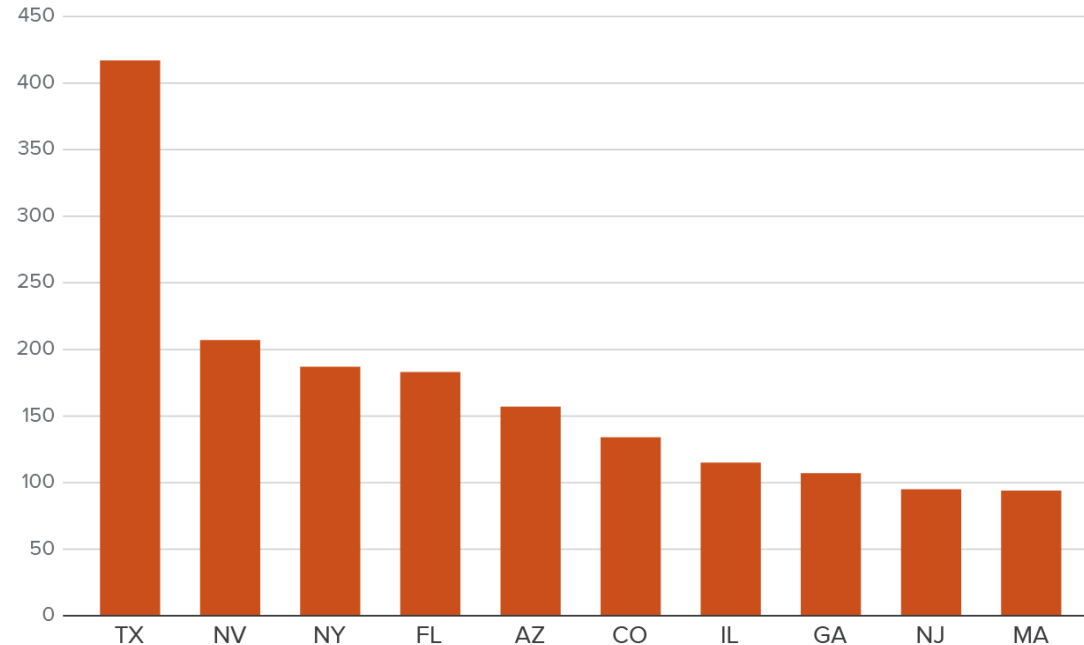
- On net, California lost 77,600 jobs due to HQ moves over this period
 - Equates to 3.7% of HQ employment statewide
 - Or, 2.6% of job growth between 2010–2021
- Headquarter jobs likely have higher wages:
 - Management occupations: \$65/hr
 - Chief executives: \$111/hr
 - Business & financial operations: \$42/hr
 - All jobs: \$26/hr

Finding #2: Companies that move their HQs tend to keep jobs at other branches in California

- There is little impact on employment at other branches when company headquarters leave California
- Job loss due to relocation appears mostly limited to headquarter jobs
- Headquarters tend to be larger than branches (50 employees vs. 27 at branches)

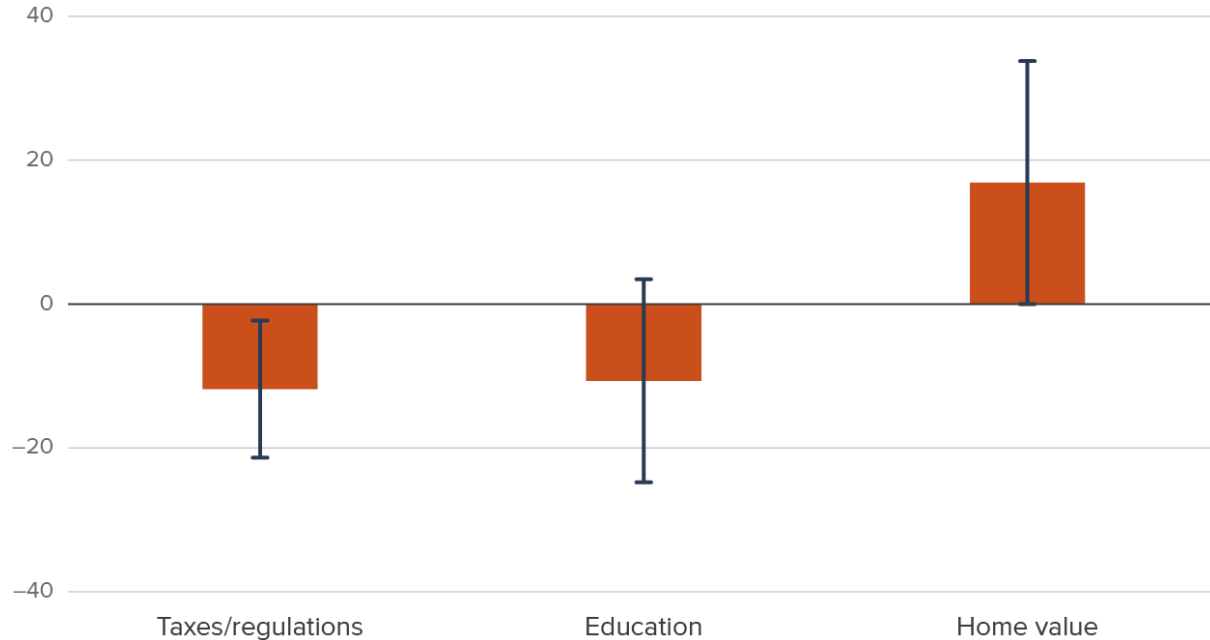
Finding #3: HQs tend to relocate to nearby or large states and those with lower regulation and taxes

Destination of HQs leaving California



California HQs tend to go to states that rank lower on an index of tax and regulation

Correlation between HQ exits and destination state indices



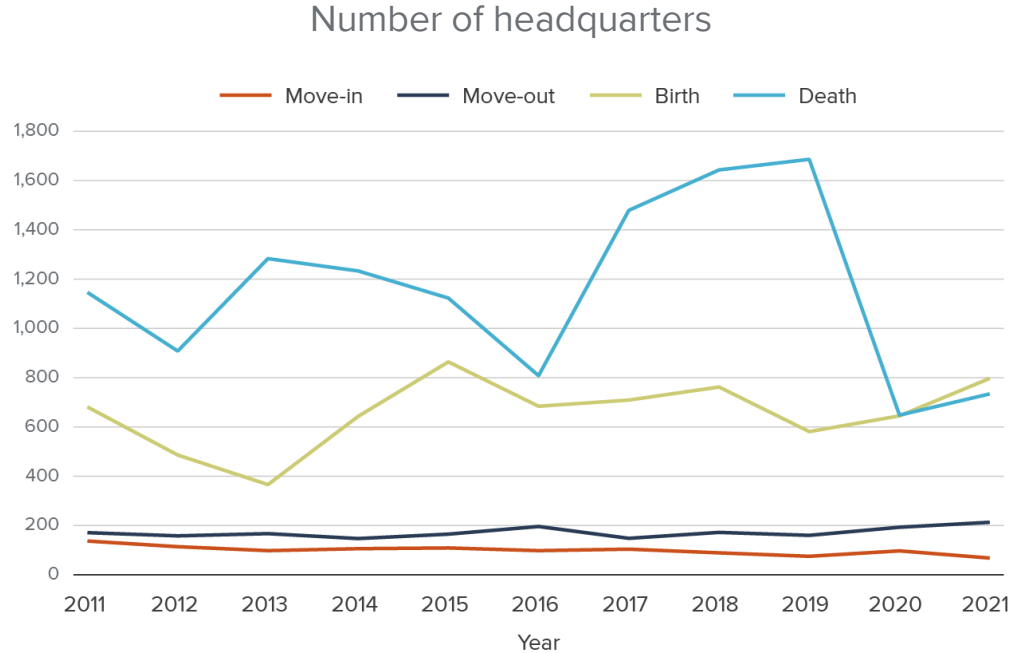
Lower tax and regulation states attract more HQ relocations

- Nationally, HQs also tend to move to states that rank lower on an index of tax and regulation
- Housing prices do not seem to be a major driver of destination choice among HQs leaving the state
 - In contrast, they do matter among HQ moves between other states
- Workforce education is often cited as a draw, but we do not find a statistically significant correlation with HQ relocation

California did not reduce tax and regulatory burden as much as other states—could be a reason behind the uptick in headquarters leaving

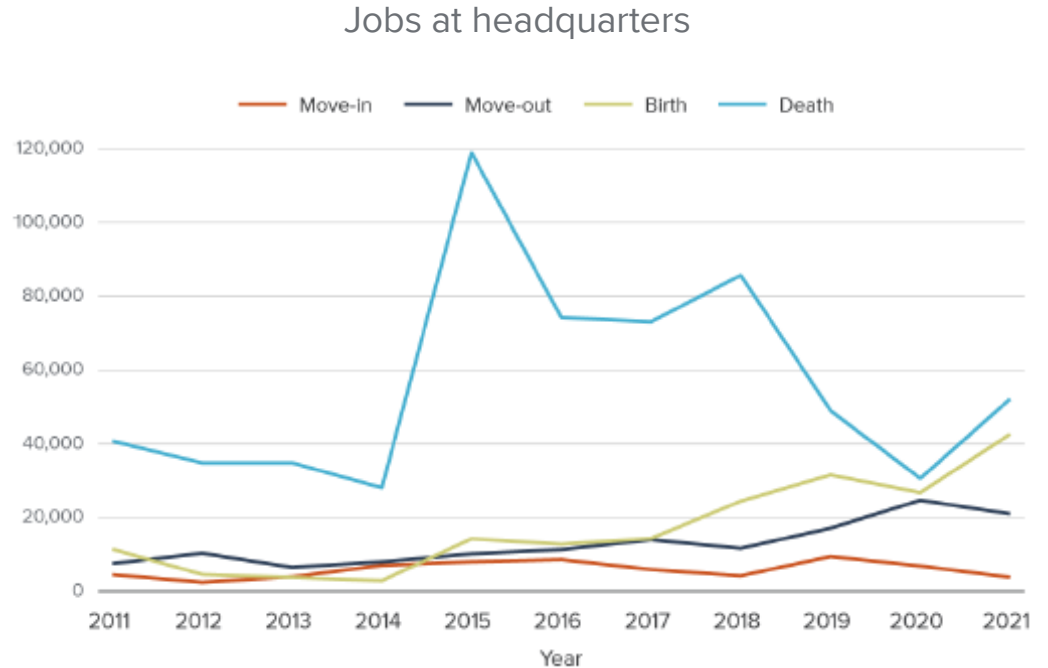
Finding #4: Relocations are a small fraction of overall headquarter activity in California

- Far more HQs launched (17%) or closed (30%) than relocated (1.9%)



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- Far more HQs launched (17%) or closed (30%) than relocated (1.9%)
- . . . and these have a larger impact on jobs



Is the uptick in headquarter relocations a “canary in the coal mine”?

- Though the uptick is not negligible, in our view, it does not reflect a major change in the state’s employment picture
- In fact, California’s high rate of headquarter launches suggests there are advantages to locating here
- To help keep companies and jobs in California, our analysis suggests that the tax and regulatory environment is a key place to look

Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

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Thank you for your interest in this work.