



CALIFORNIA BUSINESS ROUNDTABLE

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BUSINESS ROUNDTABLE RESPONDS TO PPIC REPORT *Report Lacks Specifics and Should Not Be Used to Make Decisions*

(SACRAMENTO, CA) -- Bill Hauck, president of the California Business Roundtable, today issued the following response to the Public Policy Institute of California (PPIC) report regarding businesses "fleeing" the state:

"The PPIC report misses the mark by looking at overall jobs figures, thus obscuring the steady weakening of California's competitive advantages in the high-value jobs that are mobile -- the most critical sectors to long-term economic performance.

"The PPIC study masks what is happening in the state and is misleading. On the surface this data appears to be positive, however it lacks a specific analysis related to the 27 percent of jobs that could leave the state.

"The concerns of California's business community and decision makers have been clearly documented in the Bain and Company report, the *California Competitiveness Project*.

"According to the research compiled by Bain, which examined the breakdown of industries in the state, the mobile, at-risk sectors in California's job market tend to be "high-value," meaning that those jobs most likely to depart California are those whose absence would be most damaging to the state's economy. Bain's extensive interviews with company decision-makers confirmed the clear-and-present danger facing the California economy. Of most concern was the fact that of the mobile sector companies interviewed, 55 percent had plans to move jobs out of the state.

"Since 1990, California's job growth has underperformed the national average in many of the higher-value sectors, including machinery and equipment, manufacturing and insurance underwriting. On the other hand, California's job growth "out performance" has been concentrated in the low-value service and state and local government sectors. Bain concluded that this deterioration in the value of California's employment base is likely to continue into the future. This important fact is not addressed by the PPIC study.

"The reason this deterioration is likely to continue is that, according to the research compiled by Bain, the overall cost of doing business in California is 30 percent higher than in neighboring western states, with taxes 19 percent higher than in other western states, the cost of electricity 127 percent higher, property costs 77 percent higher, state regulatory costs 105 percent higher and employee costs 25 percent higher.

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“Bain concluded that by reducing California’s high cost of doing business and reducing the regulatory hassles that are encountered by both companies seeking to do business in the state and those that are native to California, the state will see dramatic positive impacts.

“The Bain study underscored the importance of having policies and practices that promote economic growth and job creation and identifies distinct areas that must be addressed in order to further improve California’s competitiveness and keep high-value jobs in the state.

“The inherent risk of not enacting real change and maintaining a “business as usual” approach to the economy will result in the continued erosion of the California way of life and the standard of excellence for which the Golden State is so well known.”

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The California Business Roundtable is a non-partisan association comprised of chief executive officers of the state’s leading corporations. The Roundtable provides essential executive level leadership on high-priority public policy issues and is a compelling advocate for a strong economy and a healthy business climate in California.