Editor: Describe the advantages of California as a business location.

Reddick: California is an attractive business location due to a highly skilled labor force, a well-developed infrastructure and access to a wide variety of capital resources. California has a broad and deep post-secondary educational system. California’s post-secondary schools graduate over 250,000 students every year, which helps make the state a leader in innovation, high-tech development and R&D. The state is the nation’s leading high-tech center, boasting over 1 million high-tech workers, with the leading position in terms of labor force in computer systems design, telecommunications, research and development and testing labs, and engineering services. As the leading high-tech state, California attracts significant venture capital as well as direct foreign investment. California’s large consumer market provides numerous opportunities for a business to not only establish itself, but to grow and thrive.

Editor: What types of businesses are drawn to California and why?

Reddick: Technology-oriented industries that can take advantage of the skilled labor force, light manufacturing and service industries are particularly drawn to California. California is a leader in the life sciences (including biotechnology and stem cell research), computer and information industries, and the entertainment, medical and agriculture industries. Napa Valley produces some of the finest wine in the world and attracts businesses that service that industry. Silicon Valley continues to be a hub for high-technology businesses due to its access to a highly skilled work force and
relationships with some of the world’s most innovative companies in that sector. Los Angeles is home to some of the largest entertainment and media companies, and businesses that service that industry are attracted to Los Angeles to take advantage of the synergies and relationships found there. Less well-known is the fact that Southern California is a center for the life sciences and is the largest manufacturing center in the United States, boasting manufacturing companies in the apparel, computer and electronic products, transportation products, toys, medical products and food products industries, among others. One of the principal attractions for manufacturing companies is the proximity to the Long Beach and Los Angeles ports, the two largest ports in the nation. Further, California is well-known for agriculture, aerospace, natural resources and tourism. These industries also present many opportunities for entrepreneurs interested in doing business in California.

Editor: Describe the synergies between business and the universities and, in the case of the life sciences, hospitals.

Reddick: California is home to some of the nation’s most prestigious universities, including Stanford, UCLA, USC, Caltech and Berkeley. Over 2 million students are enrolled in colleges and universities around the state, providing for a highly trained, capable workforce. Numerous public-private partnerships between business and the universities enhance California’s economic environment. One of the most famous is the relationship between Caltech, the Jet Propulsion Laboratory, and the numerous private firms that drive the country’s aerospace industry.

Editor: If a business moves to California, are its employees likely to be pleased with living conditions, costs and taxes? What about personal income taxes and estate taxes?

Reddick: The state has consistently polled first in terms of favorite states in which to live. A recent Harris Poll has listed San Diego, San Francisco and Los Angeles in the top ten favorite cities. The principal attraction in California is its lifestyle, which is highly influenced by year-round sun and proximity to recreational opportunities on the coast and in the mountains. Both beaches and ski locations are readily accessible from most of the state’s population centers.

California, however, is relatively expensive when compared with many parts of the country. In particular, real estate prices are high, especially in Southern California, San Francisco and the Silicon Valley. Many employees will find it difficult making the transition due to this fact alone. State income taxes tap out at 9.3%, with surcharges levied in addition to that on the highest-paid earners. While employees who have lived in their homes for a long time benefit from California Proposition 13 (which protects against increases in property taxes), current rates for property taxes are among the highest in the nation. There is no inheritance tax and the estate tax is being phased out.

Editor: What are those currently doing business in California most pleased with?

Reddick: California has a skilled work force with access to top-quality educational facilities. These employees enable a very competitive and highly technical business environment. The state’s robust and diverse economy is better positioned to cope with economic downturns than areas dependant on single industries. Businesses will continue to be attracted to the numerous profitable opportunities presented, especially in international trade, scientific and technical services, and tourism.

Editor: What are those currently doing business there most likely to complain about?

Reddick: Manufacturers in California face significant costs compared with out-of-state and overseas producers. In 2004, California was ranked last out of 50 states as the “least friendly policy environment for entrepreneurship.” In 2005, worker’s compensation premiums were the highest in the United States. Energy costs are higher than the national average, with electricity rates the highest of any state. Corporate taxation and regulation are considered unfavorable. For example, California is one of only a few states to tax the purchase of manufacturing capital equipment.

Editor: Is the employment-at-will doctrine recognized in California?

Reddick: California’s labor laws can be difficult and expensive to administer. Wage and hour laws vary from the federal standards in a number of significant ways. Although the workers compensation system has been recently reformed, it continues to be one of the most expensive in the nation. However, the employment-at-will doctrine is alive and well in California. The California Supreme Court reaffirmed at-will employment in the 2006 case of *Dore v. Arnold Worldwide, Inc.*

Editor: Does the educational system train young people in the skills needed by employers? Is there an adequate supply of skilled labor?

Reddick: California’s extensive post-secondary education facilities produce highly skilled labor. However, there have been complaints that California companies cannot find enough skilled workers to successfully compete. It is estimated that some positions in biotech can take 12 months to fill. The Bay Area Council has recommended greater emphasis by universities and colleges on both engineering and manufacturing training. However, California also boasts nearly 1 million high-tech workers, which is highest among the states.

Editor: What about sports, entertainment and the arts?

Reddick: California has numerous recreation and entertainment facilities that allow residents to pursue a wide variety of interests, including over 1000 golf courses, 45 ski resorts and 21 professional sports teams. All four major sports leagues base teams in California. The Anaheim Ducks won the 2007 Stanley Cup. Los Angeles is the heart of the country’s entertainment industry, with many venues providing access to the content produced. San Francisco and Los Angeles have a wide variety of music (including opera), art, ballet and other dance and museum venues. Los Angeles boasts the famous Hollywood Bowl.

Editor: What do you see down the road? Does Governor Schwarzenegger have plans to improve the business climate in the state?

Reddick: Governor Schwarzenegger has made the improvement of California’s business climate a high priority for his administration. There are, however, some significant obstacles to attracting new business to the state. The high cost of living in California often translates into high labor costs. The state’s already high tax rates are likely to continue to increase. The state is currently facing an estimated $14 billion shortfall in the state’s general fund, which will put pressure on social programs and continued infrastructure improvement. The cost of energy is typically higher here than in other parts of the country. And local regulation makes it difficult for California businesses to move as quickly or as nimbly as many business leaders would like.