Papers Reg. Sci. 79, 191–219 (2000)

Papers in Regional Science

Firm relocation decisions in The Netherlands: An ordered logit approach*

Jouke van Dijk, Piet H. Pellenbarg

Faculty of Spatial Sciences, University of Groningen, P.O. Box 800, 9700 AV Groningen, The Netherlands (e-mail j.van.dijk@frw.rug.nl, p.h.pellenbarg@frw.rug.nl)

Received 1 July 1999 / Accepted 28 November 1999

Abstract. This article explores the determinants of firm migration in The Netherlands. First, based on the existing literature a theoretical framework is developed. Second, based on aggregate data firm relocation processes in The Netherlands are discussed in terms of numbers, sectoral composition, origins and destinations (regions), distance moved and employments effects. In the third part a formal model will be tested using individual data of firms. The relocation decisions of individual firms will be related to firm and location characteristics by means of an ordered logit model. The results indicate that the decision to relocate is mainly determined by firm internal factors and to a lesser extent by site related factors.

JEL classification: R30, R12, D21

Key words: Firm migration, relocation decisions, ordered logit

1 Introduction

In the past decade, the number of firm moves in The Netherlands has grown steadily and considerably. The mobility of firms is greater than is often assumed. In terms of numbers of firms it is not much less important than the (since Birch 1979 and 1987) much more debated issue of new firm formation. In The Netherlands, the three firm demographic components of firm births, firm relocations and firm deaths amounted to totals of 80,000, 68,000 and 42,000 respectively in 1995. Furthermore, the number of firm migrations has grown substantially over time: in 1987 only 36.000 firms moved whereas in 1995 this number increased to 68.000. Also in terms of employment firm migration is an important

* The authors would like to thank Kieran Donaghy and two reviewers for their helpful comments on an earlier version of this paper. The usual disclaimer applies. We thank Paul van Steen for his help in providing the data.