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As Tech Titans Go to Austin and Miami, Will Tech Workers Follow?

The moves of prominent CEOs and VCs to Florida and Texas may be influenced by a new factor in location decisions: Covid restrictions.

By

[*Richard Florida*](#)

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Elon Musk talks to reporters in front of Tesla headquarters in Palo Alto. Musk announced he's moving the headquarters to Austin.

Photographer: David Paul Morris/Bloomberg

Richard Florida is a professor at the University of Toronto's School of Cities and Rotman School of Management and a distinguished visiting fellow at New York University's Schack Institute of Real Estate. He is the author of "The New Urban Crisis."

[@Richard_Florida](#)

that [he will move](#) Tesla's corporate headquarters to Austin, making good on [his earlier threat](#) to move his HQ out of California's Silicon Valley. The Tesla Inc. chief executive officer is hardly the first tech titan to trade the Bay Area for a red state. Peter Thiel and Keith Rabois are just two of the highest profile California venture capitalists who set up shop in Miami.

Such relocations are typically attributed to the lower taxes and business-friendly political climates in Florida and Texas. Musk [cited](#) limited affordable housing and long commute times as obstacles to the company's growth in announcing the headquarters' departure. And Rabois pointed to the Bay Area's [governance crisis](#), telling *Fortune*: "I think San Francisco is just so massively improperly run and managed that it's impossible to stay here."

But back in May 2020, Musk pointed to another motive that appears to be playing an increasingly significant role in relocations: Covid-19 restrictions. "Frankly, this is the final straw," Musk [tweeted](#) in May 2020 when Alameda County officials temporarily blocked Tesla from resuming production at its Fremont plant during Covid-19 shutdowns. "Tesla will now move its HQ and future programs to Texas/Nevada immediately. If we even retain Fremont manufacturing activity at all, it will be dependen [sic] on how Tesla is treated in the future."

It may seem strange, even paradoxical, that leading high-tech companies would shift their locations from safer places to riskier ones. Texas and Florida have been epicenters of the various waves of the pandemic, particularly hard hit by the recent delta surge, with hospitals overflowing and their medical systems pushed to the breaking point.

Musk's words and his decision are in line with growing corporate class griping over the high taxes, tight regulatory environments, increased violent crime and alleged governance crises of California and New York. Texas and Florida not only offer lower taxes; they also offer a less restrictive environment when it comes to Covid, with schools, offices, factories, airports, restaurants, and arenas remaining wide open, and no mandates for vaccines or masks.

Such preference for less regulated environments fits in with the more libertarian political profile of many tech entrepreneurs and venture capitalists. A [survey](#) of more than 600 founders of elite tech companies found that while tech entrepreneurs tend to be liberal on most social issues — and even taxes and health care — they are far more anti-regulation than the norm, especially when it comes to labor and pricing. When Harvard Business School's William Kerr [surveyed](#) entrepreneurs at the Cambridge Innovation Center, a startup incubator, he found they were 20-40% more likely to report a higher tolerance for risk than their employees, stemming from their high confidence (often to the point of overconfidence) that they can control the outcomes in their lives.

Of course, tech leaders and entrepreneurs are not the only ones moving to Sun Belt states and metros, which have been [increasingly popular migration destinations](#) even before the pandemic,

and partly reflect a Covid-accelerated preference for bigger homes, bigger yards and warmer weather. Indeed, a [recent study](#) found that a subset of Americans were moving to areas that are not only less dense and more affordable but have “fewer pandemic-related restrictions” during the period between April 2020 and May 2021.

Higher-income movers were especially likely to move away from places with “more stringent pandemic-related restrictions” to areas with “less restrictions, lower density, and lower rent.” (At the time, these places also had fewer cases, but that has since changed.) Just 4.3% said government restrictions were a major factor in their moves, but this is more than the 3% who cited local infection rates as a factor. And nearly nine in ten of these movers left Democratically controlled states. Another 5% cited access to in-person schooling for their children as a factor in their decision to move.

High-profile relocations by billionaire entrepreneurs and venture capitalists are of particular significance because they can affect not just their own fates, but those of tens of thousands of employees, not all of whom share their more libertarian values. And this may form the root of a looming contradiction between the founders and funders of tech companies on the one hand, and the talented people who staff them and invent and build their products on the other.

Today’s leading tech hubs — the Bay Area, Boston-Cambridge, Seattle, Los Angeles and New York — are among the most progressive cities in the country and all located in blue states. Austin has long positioned itself as a beacon of progressive values within the state of Texas. While not all techies are on the political left, workers at leading tech companies like Google, Amazon and Microsoft [have raised concerns](#) over issues like the treatment of contract workers, the treatment of minorities and women, sexual harassment and defense funding.

The retrograde social policies of Texas and Florida toward abortion, women’s and LGBTQ rights may pose an increasingly salient problem if today’s more libertarian tech titans want to relocate their employees from current tech hubs, or recruit new talent from leading universities like Stanford, MIT or Harvard in progressive coastal cities and metro areas. Of course, the trend toward remote work, especially among tech firms, means that a substantial share of tech employees might be able to choose to stay in more progressive enclaves even as their bosses move elsewhere. Indeed, such a difference of ideology might even explain some tech CEOs’ affinity for remote work: Faced with employees whose ideals increasingly clash with their own, some tech titans might prefer to put some distance between themselves and what they see as growing social justice orientation of techies in progressive locales.

But even in a world with more remote or hybrid work, tech industries and innovators are still likely to remain concentrated in a few places. And ultimately, the long-run sustainability of tech hubs turns on their ability to attract and retain top talent.

Austin’s ascendance is hardly a new trend — it had been a leading tech hub for decades. And both of Musk’s companies — Tesla and SpaceX — have been growing their presence in Texas long before this year. But Texas’s [backward decisions](#) on issues like abortion are likely undercutting the state’s appeal to tech talent who have a choice about whether to move there. And Governor Greg Abbott’s [recent decision](#) to ban vaccine mandates has provoked the

ire of some Texas' businesses. The city and its high-tech companies have long pointed to Austin's progressive, college-town culture as distinguishing it from the rest of the state. Two decades ago, when I was teaching at Carnegie Mellon, high-tech recruiters from Austin-area companies told me they flew recruits through Chicago or other northern gateway airports instead of Dallas or Houston so they would not encounter more conservative elements of the state's political culture.

While Miami may be a favorite destination for libertarian-leaning tech titans, investment bankers and real estate developers, it has always been thin on tech talent: The metro barely cracks the top 50 on its share of knowledge, professional and creative class workers, far behind leading tech hubs and roughly the same as Grand Rapids, Louisville, Las Vegas and Memphis. Fueled by the recent influx of the super-rich, it has lost much of the advantage it once had in terms of affordability. Miami [ranked second](#) to New York on a recent ranking of America's least affordable housing markets, with the median-priced house eating up a whopping 80%-plus of median incomes.

Bill Bishop long ago [noted](#) how Americans sort geographically based on their income, education, values and political orientations. Affordability, weather, lifestyle and taxes play a role as well. Now, add to that our positions and preferences on Covid policies and restrictions. For the foreseeable future, top tech talent is likely to continue to prefer the social and political climate of coastal tech hubs and superstar cities, even as their bosses flock to Florida and Texas.