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Productivity is typically measured as the amount of output (the market value) of the goods or services each worker in an industry produces over a year.

Based upon output per worker or productivity, one can identify which industries will pay high wages and maintain competitive prices. Obviously, an industry that adds more value per worker can pay its workers more and can cut price to better compete in the market.

Economists label productive industries as “progressive”, relative to less productive “stagnant” industries. By identifying progressive and stagnant industries in Delaware one can anticipate which industries will drive the Delaware economy and which industries will be driving up prices.

In progressive industries capital (e.g., machines, technology) can readily be substituted for labor. The rising productivity per workers that results allows average wages to rise and prices to be competitive. Stagnant industries, however, have limited ability to substitute capital for labor but must compete for workers against the higher wage progressive industries. As a result, prices and costs rise faster than average in such stagnant industries.

Based upon U.S. Bureau of Economic Analysis data for 2018, financial services are far and away Delaware’s most productive industry with output per worker 158% higher than the industry average. This is due mainly to the credit card banks which generate huge operating surplus revenues that are passed on to stockholders outside of Delaware. Over the past 20 years productivity in Delaware financial services has remained flat, but strong productivity makes financial services the state’s highest wage industry.

Nationally, consumer credit card debt has only recently passed the high water mark of 2007 and more than half of credit card spending is by debit card. Consumers are cautious. To make ends meet, credit card interest rates have passed 16%.

Manufacturing is Delaware’s second most productive industry with output per worker 48% higher than average and an increase in productivity of 44% over the past 20 years. Obviously, manufacturing is substituting capital for labor and the result is high wages.

Food services (eating and drinking places) have the lowest productivity per worker, 75% below the state average. And over the last 20 years food services productivity has fallen, making labor costs a key issue.

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In Delaware's important healthcare industry, below average productivity guarantees rising labor costs and rising prices. Hospitals are 16% less productive than the average Delaware industry and labor-intensive nursing homes are 60% below average. Over the past two decades output per worker has risen 21% in hospitals but fallen moderately in nursing homes.

Healthcare has so far managed to dodge the consequences of prices rising faster than inflation because of third party payments, including Medicare and Medicaid, but a cost show down with consumers and insurance carriers is on the horizon.

Retail, education, and state and local government complete the list of low productivity Delaware industries. Productivity in all three industries has fallen over the past 20 years. Retail has adjusted by saving labor through Internet sales. Rising tuitions and taxes are guaranteed by the productivity record of education and government.

In the future, Delaware industries where it is difficult to substitute capital for labor will have to offset rising labor costs with higher prices. Among the high productivity industries, credit card banks are not a source of job growth, but provide a stable source of high wages. And while manufacturing's share of Delaware employment has dropped to single digits, its high and growing productivity, and high wages, make it a key industry for Delaware.

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