



Analytics

Published by the Caesar Rodney Institute

RELEASE: CRI - Center for Economic Policy and Analysis

RE: Development by the Numbers

DATE: 2/5/2020

If the objective of Delaware's economic development efforts is jobs, the available data may provide a logic for allocating development resources.

Over any particular year, the net change in employment comes from business start-up and expansion minus business closures and contractions. For 2015-16 the Census records a net change in employment for Delaware of 3,621. This comes from 17,758 jobs from start-ups and 34,893 from expansions minus a loss of 14,092 from closures and 34,938 from contractions.

The 52,651 jobs in and the 49,840 jobs out is called "churning." The turnover of more than 102 thousand jobs to produce a net gain of 3,621. This goes on continually.

Since 2 out of every 3 of the jobs gained in Delaware are from the expansion of existing business establishments, it would make sense for two-thirds of the state's economic development efforts to focus on expansion of existing establishments. However, there are 7.2 jobs gained per start-up establishment compared to 5.6 jobs per expanding establishment. And start-ups can introduce new technology and services to an economy.

The source of jobs varies by size of establishment and industry.

Not surprisingly, 61% of the start-ups have four employees or less compared to just 26% of expanding establishments. And over half the start-ups and expanding establishment jobs added are in firms with 500 or more employees. Focusing economic development resources on larger establishments makes sense, although there is the occasional start-up or existing firm that is ready to take-off.

By industry the largest proportion of jobs gained from start-ups is in food services (52% new jobs from start-ups), followed by real estate (52%) and manufacturing (49%). The returns from manufacturing are greatest with 43 jobs per start-up, compared to 17 jobs in food services and only 5 jobs per start-up in real estate.

The industry where the fewest jobs come from start-ups (15%) is financial services. Expansion of financial service establishments in 2015-16 provided over 5,000 high paying jobs to Delaware's economy. Similarly, only 19% of healthcare industry jobs came from start-ups, with 4,700 solid jobs coming from industry expansion.

Certainly, there are other factors to consider beyond net new jobs when considering where to focus economic development resources. The evidence from churning does, however, emphasize the



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importance of paying attention to existing Delaware business relative to start-ups and recruiting firms from outside of the state.

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