



Analytics

Published by the Caesar Rodney Institute

RELEASE: CRI - Center for Economic Policy and Analysis

RE: Projected employment growth for DE – a tale of two decades

DATE: January 19, 2011

Currently, near term projections from Delaware state agencies have employment growing at an average annual rate of between 0.8% and 2%. The lower rate implies a very slow recovery for Delaware's economy, including historically high unemployment rates and continued troubles for state and local government finances. Which rate is more likely?

Compiling monthly year over year growth rates in Delaware employment over the past 20 years, the average growth rate in total employment was 0.9% and the median rate was 1.3%. Applying a probability density function there was a 36% probability of the growth rate being equal to or above 2% and a 54% probability of the growth rate being greater than zero.

When the data on Delaware employment is viewed separately for the decade of the 1990s and 2000s, a tale of two decades emerges! During the 1990s the average growth rate was 2.0% and the median was 2.5%. There was a 73% probability of the growth rate being equal to or above 2%, and a 84% probability that the rate exceeded zero.

The decade of 2000-10 was a much different story. During the 2000s the average growth rate of employment was 0.8% and the median was 0.4%. There was only a 14% probability of the growth rate being equal to or above 2%, while the probability of a growth rate greater than zero was 60%.

So, which growth rate is more likely? The decade of the 2000s was very unusual. Delaware went through two recessions, with one being extreme. The state's approach to economic development was "hands off", and fiscal policy and state spending practices were lax.

Looking ahead, the current Governor is willing to address the out of control areas of state spending such as government employee benefits and Medicaid. Both the Governor and the Delaware Economic Development Office are proactive with regard to state economic development, and a long term strategic plan is in the works. And the nation's GDP will likely climb more than 4% this year.

All things considered, CEPA believes that an employment growth rate of 2% can be achieved in 2011, and if Delaware returns to fiscally conservative government management and pro-active encouragement of business, a near term growth rate of 1.5% will occur. Certainly, 2011 is the opportunity for Delaware to break out of a decade of economic doldrums.

Dr. John E. Stapleford, Director
Center for Economic Policy and Analysis