Analytics

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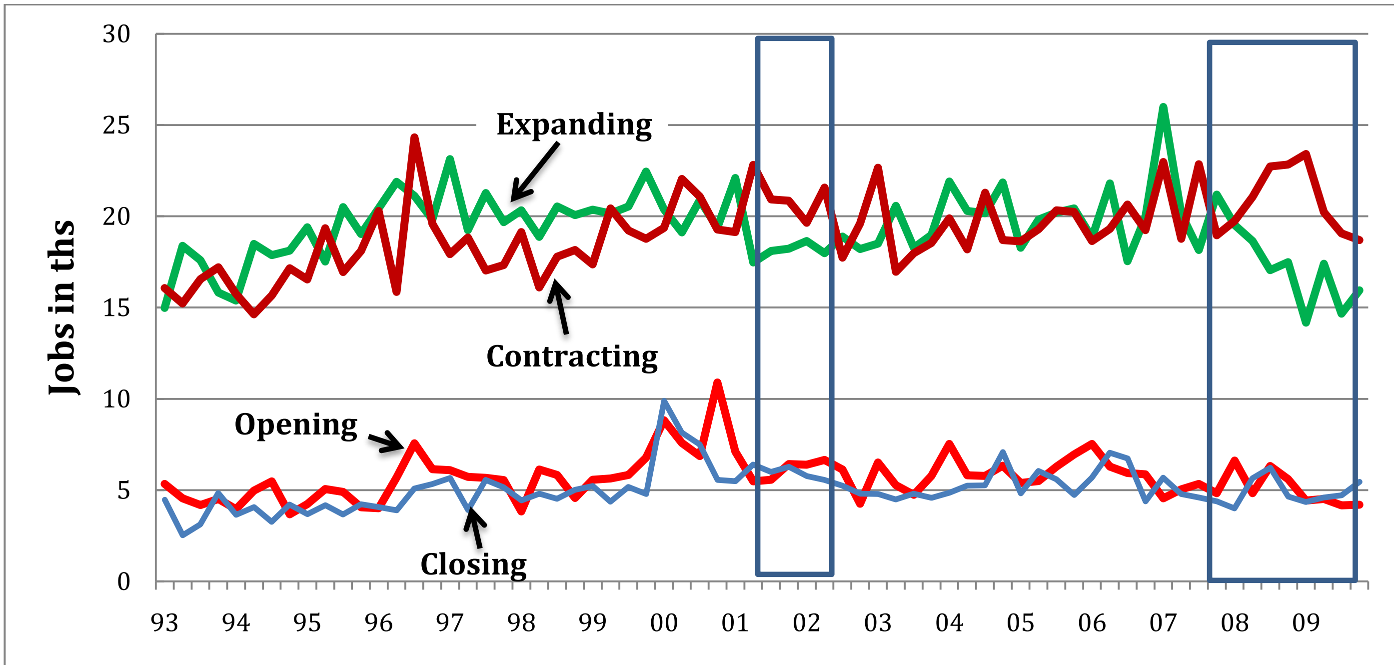
The key to net growth in jobs in Delaware is the expansion of existing Delaware firms of all size classes. The expansion of existing firms dwarfs the jobs gained by start-ups and relocating firms.

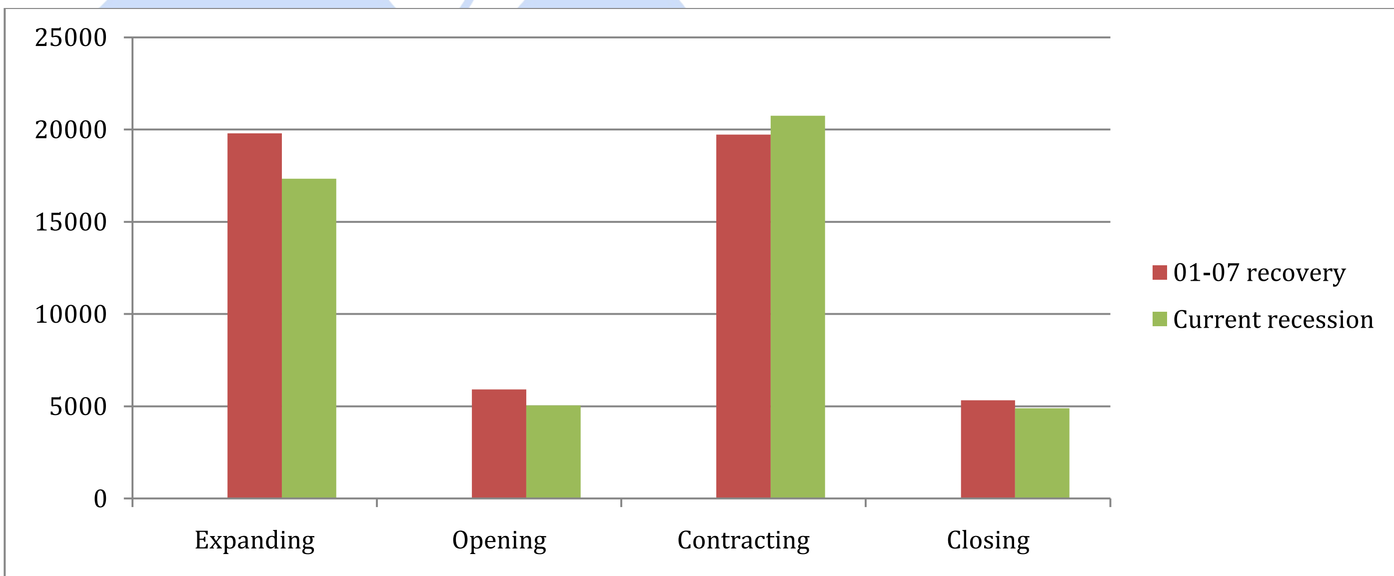
As occurs in market economies, jobs are continually coming and going in Delaware. Every year, across the business cycle, more than one out of every five jobs in Delaware are gained or lost. This churning is Delaware's way of adjusting to dynamic market conditions. It is one clear reason why the economic future is rarely similar to the past. Understanding this churning process is a key to economic development and the recovery in Delaware.

Using quarterly data from the U.S. Department of Labor, charts 1 and 2 evidence the following:

- **Whether during recoveries or recessions, expansion and contraction of employment at existing firms accounts for roughly 80% of the gross change in jobs during any quarter.**
- **During recoveries jobs gained from the expansion of existing firms and the opening of firms exceed jobs lost from the contraction of existing firms and closures.**
- **During recession jobs the reverse is true. More jobs are lost through the contraction than are gained through the expansion of existing firms. And more jobs are lost through firm closures than gained through firm openings.**
- **Also, the net loss of jobs during a recession is due more to a decline in jobs from the expansion of existing firms than it is to the increase in the loss of jobs at contracting firms.**

In other words, the key to cranking up the job machine in Delaware is to increase the expansion of employment among existing firms. And, based upon national research, both small and large firms contribute equally to the net job loss or the net job gain.





It is a relatively easy matter to identify the expanding firms in Delaware. For any firm paying into the Unemployment Insurance system, the state has a record of their monthly employment, quarterly wages, industry classification and central address. There will be some minor omissions due to firms changing names and owners and industries. Nevertheless, the UI data is very current and reliable.

At any one time there are approximately 4,000 expanding firms in Delaware. Approximately 600 of these firms can be considered "high impact." High impact refers to firms where the product of the absolute and percent change in employment over a four year period of time is two or greater. This "employment growth qualifier" recognizes that a small increase in jobs results in a large percentage gain for small

firms while a large increase in jobs may result in only a small percentage increase among large firms.

From national research it is known that only a small percent of high impact firms are new, and the majority on average have been around for 25 years. High impact firms are found across all industries and all employment size classes. The larger high impact firms, of course, make the largest absolute contribution to the gross increase in jobs.

Once identified, the high impact firms can be visited and interviewed by state officials. While officials get headlines from large firms starting up or relocating to Delaware, the robust economy of the future is built in the trenches with existing Delaware businesses.

Dr. John E. Stapleford, Director
Center for Economic Policy and Analysis
Caesar Rodney Institute
johnstapleford@caesarrodney.org