



Analytics

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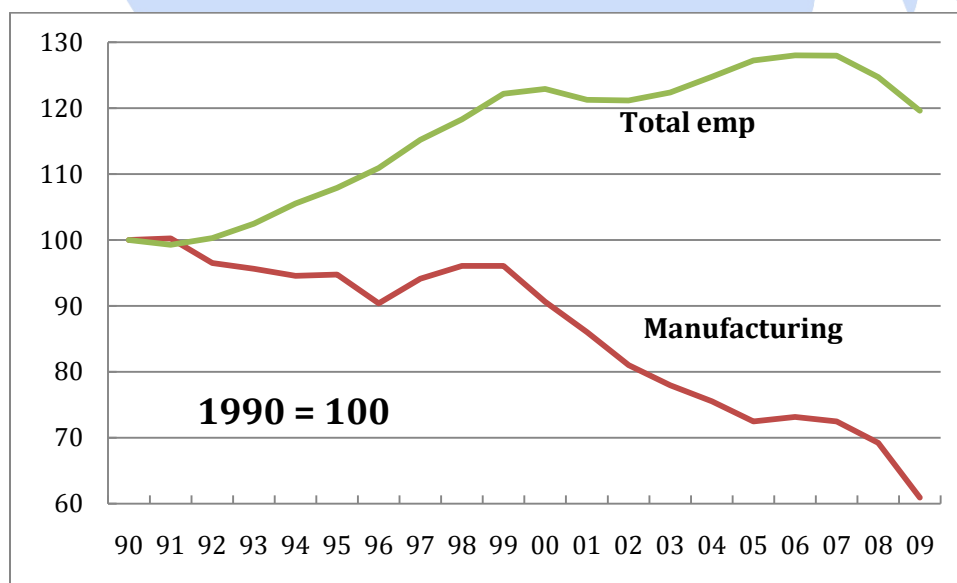
RE: Is Delaware Manufacturing DOA?

DATE: 5/14/2010

Despite absorbing some blows, manufacturing in Delaware has survived and it appears that better days are ahead. Over the past two decades Delaware manufacturing employment has plummeted from 48,000 to 26,000, an astounding decline of over 40%. Scanning the landscape, Delaware no longer has an automobile manufacturing industry, the chemical industry is down to one-fourth its former

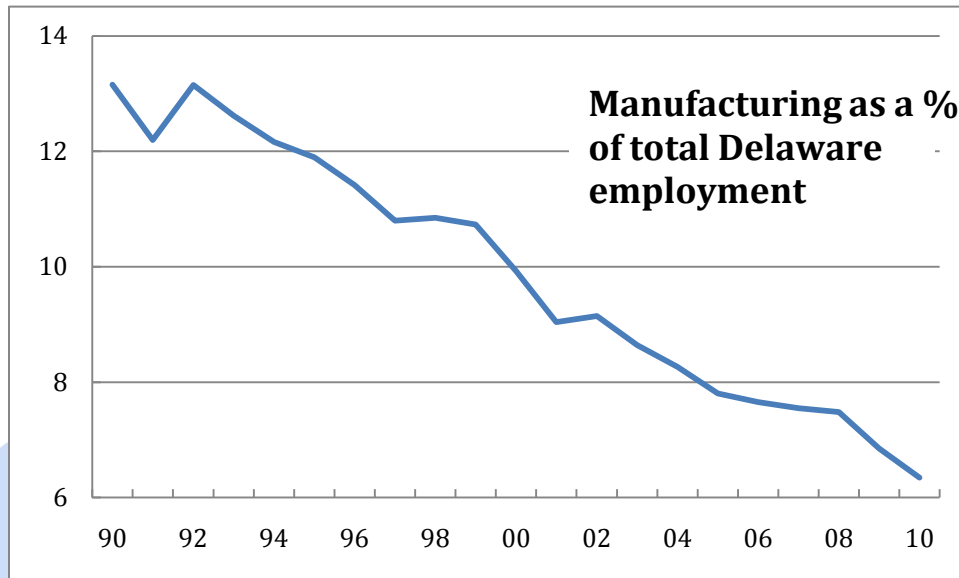
size, pharmaceutical giant Astra Zeneca is eliminating 550 research positions, and the major refinery is currently in mothballs. Over the past decade paper manufacturing in Delaware has shed nearly 9 out of every 10 jobs and almost 5 out of every 10 jobs have disappeared from the manufacture of both plastics and medical equipment.

Chart 1 – Manufacturing jobs vanish



Source: BLS

Chart 2 – Cutting manufacturing’s share of total employment in half



Source: BLS

So, what is the good news? First, the former Valero refinery has a buyer. With the price of oil having nearly doubled over the past 12 months and most environmental issues at the refinery having been addressed, the deal looks sound. Second, receiving conservatively \$240,000 of government subsidies per job, Fisker automotive has a reasonable chance. Third, due to high productivity, manufacturing’s contribution to total earning and output in Delaware has declined at half the rate of manufacturing employment.

The most heartening fact, however, is the restructuring that is going on within the ranks of

Delaware manufacturing. Over the past decade the manufacturing industries in Delaware that have dropped the most jobs are labor intensive industries with older technology where 78 out of every 100 employees are production workers.

Alternatively, the manufacturing industries that are gaining ground have workforces concentrated in nonproduction jobs such as engineering, science, marketing, IT, and finance. Excluding the growing poultry industry, among the gainers in Delaware’s manufacturing over the past decade, only 45 out of every 100 employees are production workers.

Table 1

	% production workers
<u>BIG LOSERS 97-07</u>	
Motor vehicle	85.4
Paper	84.1
Plastics product	73.1
Resin, rubber, and artificial fibers	81.1
Medical equipment and supplies	68.6
Basic chemical	59.2
Rubber product	59.2
Fruit and vegetable preserving	85.8
Wood product	75.5
Textile mills	87.1
Primary metal	77.4
<i>Weighted average</i>	<i>77.7</i>
	% production workers
<u>BIG WINNERS 97-07</u>	
Poultry processing	88.6
Pharmaceutical and medicine	42.1
Electronic instrument	30.0
Computer and electronic product	34.1
Furniture and related product	73.9
Soap, cleaning compound, and toilet	53.2
<i>Weighted average</i>	<i>56.6</i>
<i>Weighted avg w/o poultry</i>	<i>44.7</i>

Source: BOC, Census of Manufacturers, 1997, 2007

Despite the loss of jobs, the number of manufacturing establishments in Delaware was unchanged over the decade. Establishment losses were particularly concentrated among larger firms. This indicates a healthy growth in the start-up of smaller, more cutting edge technology manufacturing firms that are more likely to survive over the next 10 years.

The shift to nonproduction jobs means that the above average wages in Delaware manufacturing

will be sustained. Alternatively, it also means that workers with less formal education are going to be increasingly disadvantaged in the labor market...even within traditionally “blue collar” manufacturing.

Currently, the Delaware Department of Labor forecasts a continued decline in the state’s manufacturing jobs. The shift toward higher technology manufacturing industries with well paying professional jobs will hopefully minimize this decline.

**Dr. John E. Stapleford, Director
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