

CAESAR RODNEY INSTITUTE

“Knowledge • Freedom • Prosperity”



Dear Editor:

Contrary to the rhetoric coming out of Dover, Delaware’s economy is doing poorly. And the political establishment has little stomach for meaningful change.

THE ECONOMY’S PERFORMANCE

EMPLOYMENT: The current annual growth rate of private employment in Delaware is 0.6%, about half the nation’s rate. And 0.6% is the jobs growth rate projected by the Delaware Department of Labor through 2026 and 0.2% is the jobs growth rate projected by the Delaware Population Consortium. The bulk of the jobs being added in Delaware are in industries with lower wages and limited benefits, including restaurants, temporary help, janitorial services and home health care services.

Despite slow growth in jobs, Delaware does have a very low unemployment rate, below the U.S. The Delaware unemployment rate is kept low by slow growth in the State’s labor force, due in part by steady domestic net out-migration from northern Delaware.

OUTPUT: Over the past 10 years inflation-adjusted output of goods and services rose 19% across the nation and 9% in Delaware. In Delaware during the most recent three years the change in output has been -2.9% (2015-16), 0% (2016-17), and 0.3% (2017-18). Delaware’s output growth rate ranked 50th among all the states at the end of 2018.

INCOME: Over the past 12 years Delaware per capita personal income has gone from 10% above the U.S. to 4% below. Inflation-adjusted median household income in Delaware peaked at \$70,220 in 2000 and fell to \$58,046 in 2016, a nearly 20% drop in purchasing power.

The growth component of Delaware personal income has been transfer payments – Social Security, Medicaid, Medicare, SNAP. Since the end of the last recession (2008), total transfer payments across the nation increased 53% and 73% in Delaware. Delaware ranked 3rd among the states in transfer payments growth. Due to the type of jobs being added, the average wage in Delaware has been increasing at just three quarters of the national rate.

NEEDED CHANGES

Delaware’s economy is flagging, but revival is possible.

Attention should be given to public education, energy prices, and regulation.

For more than two decades, Delaware’s public school system has sent disadvantaged youngsters unprepared into the labor market, has driven professionals working in northern Delaware to live outside the state and been an obstacle to companies locating in Delaware.

According to the National Assessment of Educational Progress (NAEP), from 1999 to 2017 Delaware’s public educational progress has been flat, with 2/3 of 8th graders rated as functionally illiterate in reading and math (including 80% of black 8th graders).

The Alliance for Excellent Education reported that only 44% of our high school graduates were college ready. Local colleges and universities reported that 53% of entering Delaware freshmen required remediation.

Last year, professionals who worked in New Castle County but lived in nearby Chester and Delaware counties exported over \$3 billion of wages from Delaware's economy. Even when Delaware can attract well paying technical jobs, the employees tend to live outside of the State in communities with higher quality public schools, and their spending power goes with them.

Public education reform is the cornerstone to Delaware's economic revival.

Delaware electric utilities pay a carbon tax and Delmarva Power ratepayers are giving half a billion dollars to Bloom Energy over 20 years. The resulting high electric prices have prompted a loss of 50% of Delaware jobs in energy intensive manufacturing.

Households, entrepreneurs and business owners vote with their feet. Aside from the Sussex County beach communities, Delaware is competing poorly. When it comes to economic development, Delaware is in a tough buyers' market. Yet Delaware compounds its problems through regulations. New Castle County's Unified Development Code is an anti-growth land use code. The State has no Right To Work Law and a statistically ludicrous Prevailing Wage Law. State departments such as DeIDOT and DNREC have an anti-development reputation.

Economic growth is a tide that raises all ships. Economic growth:

- Raises wages for everyone
- Creates new jobs, allowing our children and grandchildren to stay in Delaware
- Expands the tax base and supports programs and services for those in need

Delaware's elected officials have steadfastly avoided dealing with the hard solutions to the State's economic doldrums. Now is the time to give serious attention to Delaware's economy.

Dr. John E. Stapleford, Chair
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