



# Analytics

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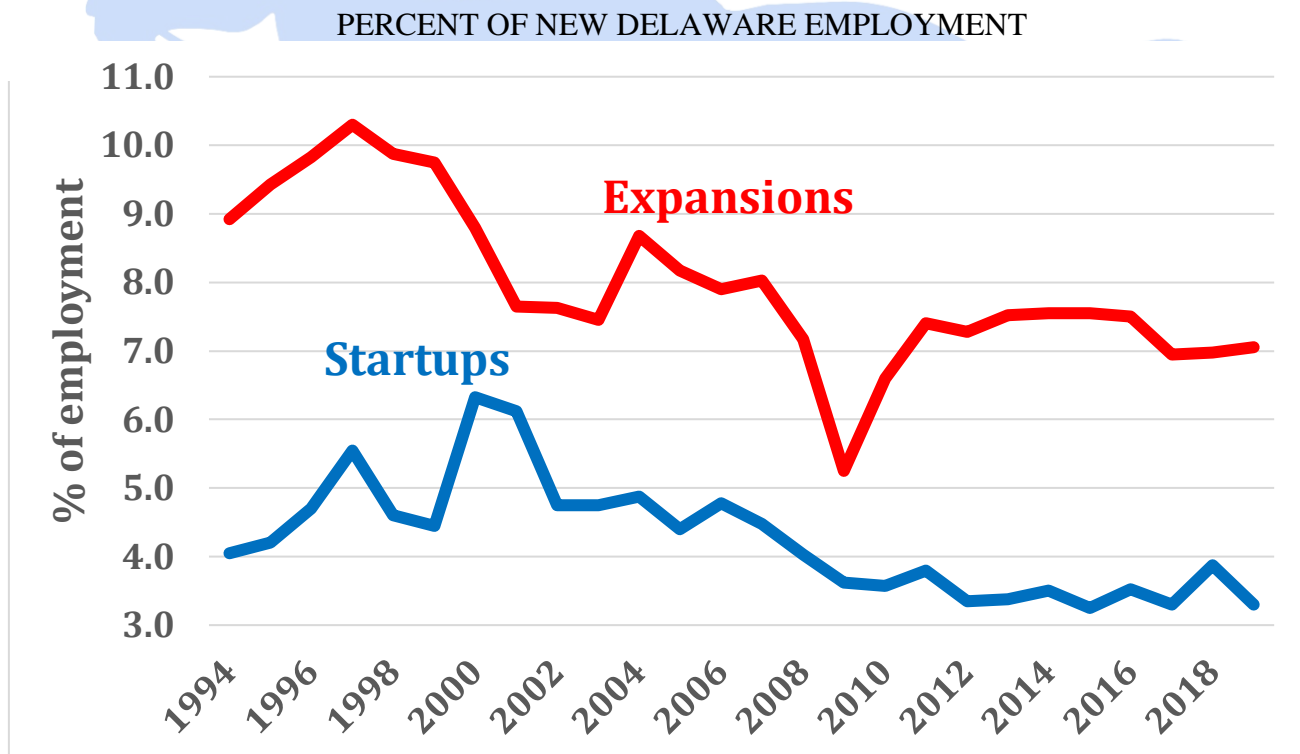
**RE: Voting with their feet**

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Economists believe that the process of “creative destruction” is essential for a healthy and growing economy. One way to gauge the dynamism of an economy is to track the percent of jobs that come from firms opening (startups) and existing firms expanding. Data from the U.S. Bureau of Labor Statistics (Business Employment Dynamics program), which covers about 97% of all civilian wage and salary employment, allows one measure of economic dynamics over time.

The chart below shows the share of annual employment in Delaware coming from the expansion of existing firms and from startups. Two things are immediately obvious.

First, each year more new jobs in Delaware’s economy are provided by the expansion of existing firms than by startups. Second, the annual rate of jobs from expansions and startups has slowly declined from 1994-2019.



Source: U.S. Bureau of Labor Statistics



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The drop-off in the creative destruction process in Delaware's economy was most notable during and following the 2008-09 recession.

The slowdown in job creation not only evidences itself in a lower overall employment growth rate, but it also retards the rate at which new technologies can replace existing technologies.

The decline in startup employment as a share of employment is found across the nation, including high growth states such as Florida and Texas. And occurs across all industries...but with some variation. While it has tapered off, the startup share of employment in leisure and hospitality and construction remains far greater than in manufacturing. The relatively small size of firms in the former two industries is the clear explanation.

The startup share of Delaware employment has dropped from a high of 6.3% to 3.3% today. What remains to be seen is whether continued low interest rates and the significant deregulation at the national level will see this share begin to climb again.

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

