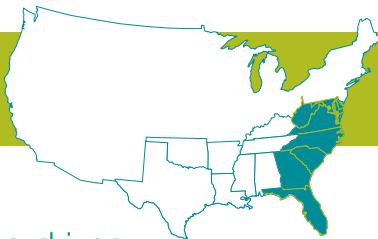


THE SOUTH: ATLANTIC STATES



Delaware ➤ Polarized economy ➤ Finance-driven

The state's unemployment rate peaked at 9.4 percent in February 2010, and has been slowly declining since. Over the next decade, the number of jobs in the state is projected to increase by 66,500, at an average annual growth rate of 16 percent.²⁰

South Atlantic states are well known for their relatively high per capita GDP and comparatively well-educated populations. For example, Delaware's per capita real GDP in 2010 (\$62,600) was 2nd in the region only to the District of Columbia. Strong in finance and in professional and business services, the state favors highly educated workers, and by 2020, 55 percent of all Delaware jobs will require postsecondary education and training.

Industry in Delaware

By employment, Delaware's largest sectors in 2010 were wholesale and retail trade (15% of total state employment), followed by professional and business services (14%), healthcare services (12%), and financial services (12%).

Due to a number of factors, including the state's agreeable tax climate and investment incentives, the financial services industry is by far the largest contributor to the state's real GDP, accounting for almost half of total output in 2010 (49.3%).²¹ In fact, over 60 percent of all Fortune 500 companies are members of the Delaware business community.²² Bank of America, for example, ranks among Delaware's top private employers. In the mid-2000s, the industry grew rapidly due to a wave of mergers and acquisitions.

The financial collapse of 2007 resulted in the buy-outs, restructuring and closure of many banks nationwide. This damage to the state's leading industry rippled through Delaware's economy and limited access to credit for individuals and businesses. Like the rest of the country, the state could not grow fast enough to sustain existing jobs and replace the ones that were lost between 2007 and 2010.

Since 2010, however, the industry has been recovering, and its contributions to GDP growth have picked up. Even so, Delaware's total GDP has yet to regain its pre-recession levels. Financial services jobs are expected to grow by 10 percent through 2020, which is lower than the state's projected average of 12 percent. The industry's consolidation has increased the demand for workers with dual law and finance backgrounds to sift through new legislation and decipher the implications for companies' bottom lines.²³

Delaware's financial services sector includes real estate, rental and leasing, which is by itself a significant contributor to the state's economy. Traditionally this industry has depended on the

20. Center on Education and the Workforce forecasts of education demand through 2020. Note that industry totals may differ from occupation totals due to methodological differences and rounding.

21. <http://www.areadevelopment.com/stateResources/delaware/Delaware-financial-services.shtml>

22. http://dedo.delaware.gov/pdfs/main_root/annual_report/08DEDOannual-vs9.pdf

23. Mergers and acquisitions created a new organism. As they grow more complex, the old rules no longer apply, and we need new types of workers to sort through them.

success of manufacturing and wholesale and retail trade to drive demand for its own services. Real estate features an above-average contribution (16%) from the subsector focused on leasing consumer and business goods, but the bulk of output comes from the sale and rental of business property. This sector actually grew, albeit modestly, during the recession, unlike related ones such as construction, manufacturing, and personal services, which declined by double digits between 2007 and 2010.

Manufacturing, while a relatively small contributor to the state's GDP (7% in 2010), employs a disproportionately high percentage of workers. Manufacturing in Delaware was hit hard by the recession and has been shrinking ever since. Manufacturing of non-durables suffered a 25 percent decline in 2008, while manufacturing of durables dropped by 16 percent in 2009.

Delaware's healthcare industry is projected to be the most significant source of new jobs through 2020. Save for education, it was the only major sector that did not lose jobs during the recession, with real output growing by 10.8 percent between 2007 and 2010.²⁴ Three of the top ten private employers in Delaware provide healthcare services: Nemours/Alfred I. duPont Hospital for Children, Bayhealth Medical Center, and Christiana Care Health System. Employment is projected to grow 24 percent from 2010 to 2020, largely due to the needs of the baby boomers. However, their retirement is a double-edged sword; while an aging population will lead to healthcare industry growth, it will also limit growth in its labor force. The number of 16- to 65-year-olds in the state is expected to grow by only 5.3 percent between 2008 and 2018, which is less than a third of the 16.8 percent rate between 1998 and 2008.²⁵ This may mean that the healthcare industry will have to scramble to train existing residents for healthcare occupations, or poach workers from neighboring states.

Professional and business services accounted for 14 percent of Delaware's employment in 2010 and is expected to reach 15 percent by 2020.²⁶ It comprised 10 percent of the state's 2010 real GDP and remained remarkably steady during the recession, falling by only 0.1 percent since 2007.

The government and public education sector in Delaware remained stable during the recession. Federal, state, and local government, including the military, comprised 8.7 percent of real state output as of 2010. The University of Delaware, for example, is one of the top ten employers in the state. Dover Air Force Base is another major employer. This industry's output grew by 1.3 percent from 2007 to 2010, while many other industries suffered serious declines. Between 2010 and 2020 employment in education is expected to grow by 14 percent.

Occupations in Delaware

Delaware's occupational composition is a mix of postsecondary-intensive and lower-skill occupations, but its growth rates generally favor postsecondary education. A striking 28.6 percent of Delaware's workers were employed in sales and office support occupations in 2010. This cluster is expected to provide the most job openings both in Delaware and in the nation through 2020, and 66 percent of its workers will need postsecondary education.

24. <http://www.delawareworks.com/oolmi/Information/PDFPreview.aspx?FormattedDocumentId=1349>

25. <http://www.delawareworks.com/oolmi/Information/PDFPreview.aspx?FormattedDocumentId=1349>

26. According to Inc.com's 5000 companies report, of the seven fastest-growing companies in Delaware, four provide professional and business services through their Delaware headquarters: The Knowland Group, The Archer Group, Appletree Answering Service, and Integrity Staffing.

The state is home to numerous high-tech production businesses, including bioscience and pharmaceutical companies, many of which rank among the top ten employers of Delaware residents (e.g. AstraZeneca, DuPont, and Mountaire Farms, Inc.) Other major firms include Agilent Technologies, Dade Behring, W.L. Gore and Associates, Schering-Plough, and Syngenta.²⁷ In 2010, Delaware was designated one of the nation's top-ten science- and technology-capable states by the Milken Institute of California's State Technology and Science Index.²⁸ STEM occupations, which are closely tied to these industries, already comprise 6 percent of the state's workforce. As a result of its already substantial role in the state economy, STEM will see relatively modest growth of 7 percent through 2020.

Blue-collar occupations, found primarily in manufacturing, are expected to grow by just 8 percent through 2020, due to Delaware's unique industrial makeup and to the long-term impact of the recession. Food and personal services jobs are projected to grow by 16 percent through 2020, compared to 18 percent for managerial and professional office occupations.

By 2020, 55 percent of all jobs in Delaware will require some postsecondary training beyond high school, placing Delaware 12th in the region.

55% OF JOBS IN DELAWARE WILL REQUIRE POSTSECONDARY EDUCATION AND TRAINING IN 2020 (DOWN SLIGHTLY FROM 58% IN 2010)

Table 5: Snapshot of Education Demand for Total Jobs in Delaware (2010 And 2020)

| | 2010 | 2020 | % in 2020 |
|---------------------|----------------|----------------|-------------|
| High school or less | 177,300 | 219,600 | 45% |
| Some college | 90,000 | 104,000 | 21% |
| Associate's | 34,700 | 35,200 | 7% |
| Bachelor's | 77,100 | 84,100 | 17% |
| Graduate | 47,100 | 49,500 | 10% |
| Total | 426,200 | 492,400 | 100% |

Between 2010 and 2020, the state will have 149,300 job vacancies both from new job opportunities and from vacancies due to retirement. Of these vacancies, 82,700 will favor candidates with postsecondary qualifications, while 66,600 will be for high school graduates and high school dropouts.

Delaware ranks 10th in the South in the proportion of its 2020 jobs requiring a bachelor's degree, 4th in the proportion requiring a graduate degree, and 4th in the proportion suitable for workers who did not finish high school.

27. http://dedo.delaware.gov/pdfs/main_root/annual_report/08DEDOannual-vs9.pdf

28. <http://www.milkeninstitute.org/publications/publications.taf?function=detail&ID=38801259&cat=resep>