DELAWARE’S FUTURE IN THE NEW ECONOMY

A REVIEW OF THE KAUFFMAN FOUNDATION’S 2012 NEW ECONOMY INDEX REPORT

Ken Anderson
Director Entrepreneurial and Small Business Development
Delaware Economic Development Office
Wilmington, DE 19801
It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change.

- Charles Darwin -
SO WHAT IS THE NEW ECONOMY?

• Refers to a set of fundamental changes in the structure and the operation of the economy

• New Economy...Global, entrepreneurial and knowledge based....keys to success...

extent to which knowledge technology and innovation are embedded in products and services.
THE INDEX


• Report focuses narrowly on one question:

To what degree does the structure of the state economies match the ideal structure of the New Economy?
EVIDENCE OF A COMPETITIVE DECLINE

• The manufacturing sector....most dramatically felt

• U.S. manufacturing employment...declined 33 percent between 2000 and 2011

• There is no sector more important to the vitality of the 50 state economies than manufacturing.
"For the United States to be competitive, one key will be to compete more on the basis of innovation and entrepreneurship, and less on cost. With a globalized economy enabling easy access to low cost production systems in nations like Mexico and China, U.S. competitive advantage will continue to be found in making things and providing trading services that other nations are unable to make or provide as easily or as efficiently."

The 2012 New Economy Index Report
NOTEWORTHY HIGHLIGHTS IN THE REPORT

• Obtaining this competitive advantage requires a workforce and jobs based:
  ✓ upon higher skills;
  ✓ robust global connections;
  ✓ dynamic firms, including strong, high-growth start-ups;
  ✓ industries and individuals embracing digital technologies;
  ✓ and strong capabilities in technological innovation.
The report suggests that the keys for the U.S. economy are the same for state economies.
“...manufacturing is still the key enabler of most state’s traded-sector strength... there is no traded sector more important to the vitality of the 50 state economies than manufacturing, in particular, advanced, technology-based manufacturing.”
IMPORTANCE OF MANUFACTURING NATIONALLY AND IN DELAWARE

- Manufacturing establishments are “anchors” for the economy

- Manufacturing jobs tend to pay 21 percent more than the avg. hourly compensation in private sector industries

- Each manufacturing job supports as many as 2.9 other jobs in the rest of the economy
IMPORTANCE OF MEP’S AND DEMEP

• Report suggest states best technology policy.....fully fund state’s MEP’s.....DEMEP in Delaware

• MEP’s help boot competitiveness, productivity and innovation potential of America’s SME’s

• Connect innovation and delivery aspects of MEP’s to state’s broader strategic initiatives
COUNTY UNEMPLOYMENT RATES

- The county unemployment rates are shown below. These are for July 2013 since the rates for August 2013 had not be compiled at the time of this writing:

- Kent 8.1%
- New Castle 7.8%
- Sussex 6.4%

Delaware Unemployment Rate: 7.4%
National Average August 2013: 7.3%
THE INDEX

• Uses 26 indicators, divided into five categories that best capture what is new about the New Economy:
  ✓ Knowledge Jobs
  ✓ Globalization
  ✓ Economic Dynamism
  ✓ The Digital Economy
  ✓ Innovation Capacity
### Five Categories/Indicators

<table>
<thead>
<tr>
<th>Knowledge Jobs</th>
<th>Globalization</th>
<th>Economic Dynamism</th>
<th>Digital Economy</th>
<th>Innovation Capacity</th>
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<td>Info Tech Jobs</td>
<td>Foreign Direct Investment</td>
<td>Job Churning</td>
<td>Online Population</td>
<td>High-Tech Jobs</td>
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<td>Managerial, Professional and Tech Jobs</td>
<td>Ex. Focus of Manufacturing and Services</td>
<td>Fast Growing Firms</td>
<td>E-Government</td>
<td>Scientists and Engineers</td>
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<td>Workforce Education</td>
<td>Initial Public Offerings</td>
<td>Online Agriculture</td>
<td>Patents</td>
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<td>Immigration of Know. Workers</td>
<td>Entrepreneurial Activity</td>
<td>Broadband Telecommunications</td>
<td>Industry Investment in R&amp;D</td>
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<td>Migration of U.S. Know. Workers</td>
<td>Inventor Patents</td>
<td>Health IT</td>
<td>Non-Industry Investment in R&amp;D</td>
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<td>Manufacturing Value Added</td>
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<td>Movement Toward a Green Economy</td>
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<td>High-Wage Traded Svcs</td>
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Kent County Economic Development Summit, 24 September 2013
HOW IMPORTANT IS THE DIGITAL ECONOMY?
“Online retail sales have increased as a share of total retail sales on average by 5 percent each quarter since 1999.

Between 2002 and 2011, U.S. retail sales through e-commerce increased by 19.8 percent annually in comparison to just 3.2 percent for total retail sales...”
THE DIGITAL ECONOMY

- In 2010, **80 percent of U.S. households** used the Internet, and 68 percent of households had broadband access.

- The number of rural households with Internet access has **increased by over 50 percent since 2000**.

- In 2011, **62 percent of farms** had access to the Internet, compared to 51 percent in 2005 and 29 percent in 1999.
So Where Did Delaware Rank Nationally In The Index?
DELAWARE’S RANKING IN FIVE MAJOR CATEGORIES

- **Knowledge Jobs** - Rank No. 11
- **Globalization** - Rank No. 1
- **Economic Dynamism** - Rank No. 18 *
- **The Digital Economy** - Rank No. 7 *
- **Innovation Capacity** - Rank No. 4

* Critically important areas as we move forward
DELAWARE’S most favorable indicators

- Patents - **Ranked No. 2**
- Information Technology Jobs - **Ranked No. 3**
- High-Wage Traded Services - **Ranked No. 1**
- Export Focus of Manufacturing and Services - **Ranked No. 2**
- Foreign Direct Investment - **Ranked No. 2**
- Fast Growing Firms - **Ranked No. 7**
- Scientists and Engineers - **Ranked No. 9**
- Broadband Telecommunications - **Ranked No. 1**
- Industry Investment in R&D - **Ranked No. 1**
DELAWARE’S MOST CHALLENGED INDICATORS

- **Entrepreneurial Activity** - Ranked No. 38 (was 50 in 2007)

- **Venture Capital** - Ranked No. 25 (closely linked to Entrepreneurial Activity)

- **Online Agriculture** - Ranked No. 34

- **Online Population** - Ranked No. 33

- **Immigration of Knowledge Workers** - Ranked No. 40
So after an evaluation of all 26 indicators of Delaware’s economic structure what is Delaware’s overall ranking in the index?
## THE INDEX, OVERALL RANKING

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23 Kent County Economic Development Summit, 24 September 2013
GOOD NEWS FOR THE ECONOMIC STRUCTURE OF DELAWARE IN THE NEW ECONOMY

“Delaware is perhaps the most globalized of states, with business-friendly corporation law that attracts both domestic and foreign companies and supports a high-wage traded service sector. The state has moved up four ranks from 2010, driven by big improvements in entrepreneurship levels, R&D investment, and movement toward a green economy.”

Summary of Results, Page 16
2012 State New Economy Index
NEW ECONOMY ENTREPRENEURIAL AND SMALL BUSINESS STRATEGIES

• **Innovate, Innovate, Innovate**

  - Federal Level and other funding resources will be tied to those who think and act innovatively

  - Enhance technical skills of existing workforce to align with New Economy skills in demand by traded sector customers

  - Embrace digital technologies; develop capability in technological innovation

  - Aspire to transition from the non traded sector to the traded sector
NEW ECONOMY ENTREPRENEURIAL
AND SMALL BUSINESS STRATEGIES

- Are You An Entrepreneur or a Small Business Owner?
- Traded or a non-traded business?
- Incorporate Technology Tools in your business that are right for you?
- Position Yourself and Your Business to Survive and thrive... in the New, Global Economy!
CONTACT INFORMATION

Ken Anderson
Director, Entrepreneurial and Small Business Support
Delaware Economic Development Office
302-577-8477
Kenneth.R.Anderson@state.de.us
THANK YOU!

• Questions