Kentucky UNBRIDLED SPIRIT
Cabinet for Economic Development

FactSheet} Economic Impact of Gaining or Losing 100 Jobs

The value of a job to Kentucky's economy varies meaningfully by industry within the state. Jobs, which are based on significant capital investment, have a tendency to create the greatest values for the state's economy. These capital-intensive jobs (*i.e.*, utilities, coal mining, steel production, and motor vehicle production) also command above average salaries and significant benefits for those employed in these industries. Jobs requiring less human capital and physical capital have a tendency to create less economic value for the state's economy. These jobs have a propensity to occur in employment areas located in retail sales, agriculture, and some of the lower skilled manufacturing and construction areas. Lower salary levels generally correspond with these categories of employment.

Estimated Value Added: 2009
Economic Impact of Adding 100 New Jobs in Kentucky

Industrial Sector	Direct	Indirect	Induced	Total
Accommodation and Food Services	$2,947,000	$1,068,000	$1,005,000	$5,020,000
Agriculture, Forestry, Fishing, and Hunting	$1,796,000	$920,000	$714,000	$3,431,000
Arts, Entertainment, and Recreation	$2,277,000	$792,000	$881,000	$3,950,000
Construction	$4,826,000	$1,852,000	$2,056,000	$8,734,000
Finance and Insurance	$11,668,000	$5,008,000	$3,244,000	$19,920,000
Health Care and Social Assistance Information	$5,547,000	$1,815,000	$2,335,000	$9,697,000
Information	$11,771,000	$4,506,000	$2,924,000	$19,200,000
Manufacturing	$12,689,000	$8,395,000	$4,436,000	$25,521,000
Mining	$14,649,000	$4,548,000	$3,708,000	$22,905,000
Professional, Scientific, and Technical Services	$7,017,000	$1,460,000	$2,440,000	$10,917,000
Retail Trade	$4,444,000	$376,000	$1,164,000	$5,985,000
Transportation and Warehousing	$8,519,000	$2,511,000	$2,777,000	$13,807,000
Utilities	$33,778,000	$5,930,000	$5,160,000	$44,868,000
Wholesale Trade	$11,788,000	$2,720,000	$3,293,000	$17,801,000

Note: Not comparable with previous years.

Economic impacts are mathematical methods of specifying economic relationships.

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Estimated Jobs Created: 2009 *Economic Impact of Adding 100 New Jobs in Kentucky*				
Industrial Sector	**Direct**	**Indirect**	**Induced**	**Total**
Accommodation and Food Services	100	13	15	129
Agriculture, Forestry, Fishing, and Hunting	100	15	11	126
Arts, Entertainment, and Recreation	100	13	14	126
Construction	100	26	32	157
Finance and Insurance	100	60	50	210
Health Care and Social Assistance Information	100	23	36	158
Information	100	60	45	205
Manufacturing	100	102	68	270
Mining	100	47	57	203
Professional, Scientific, and Technical Services	100	21	37	158
Retail Trade	100	5	18	122
Transportation and Warehousing	100	33	43	176
Utilities	100	75	79	253
Wholesale Trade	100	35	50	185

Note: Not comparable with previous years.

Estimated State and Local Taxes: 2009 *Created Economic Impact of Adding 100 New Jobs in Kentucky*				
Industrial Sector	**Direct**	**Indirect**	**Induced**	**Total**
Accommodation and Food Services	$456,000	$106,000	$107,000	$669,098
Agriculture, Forestry, Fishing, and Hunting	$259,000	$76,000	$58,000	$393,259
Arts, Entertainment, and Recreation	$327,000	$72,000	$79,000	$477,887
Construction	$468,000	$148,000	$172,000	$787,728
Finance and Insurance	$1,048,000	$531,000	$394,000	$1,973,366
Health Care and Social Assistance Information	$490,000	$135,000	$190,000	$814,405
Information	$1,274,000	$611,000	$429,000	$2,313,224
Manufacturing	$2,762,000	$2,252,000	$1,353,000	$6,366,610
Mining	$6,935,000	$2,619,000	$2,702,000	$12,255,333
Professional, Scientific, and Technical Services	$607,000	$126,000	$219,000	$951,637
Retail Trade	$897,000	$58,000	$196,000	$1,150,162
Transportation and Warehousing	$841,000	$264,000	$314,000	$1,419,197
Utilities	$4,475,000	$1,664,000	$1,663,000	$7,801,599
Wholesale Trade	$2,022,000	$572,000	$769,000	$3,361,731

Notes: Estimates are statewide. Estimates exclude education taxes.

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Economic Impacts

Economic impacts are a mathematical method of specifying the economic relationships among all businesses/industries and between businesses/industries and consumers. Input-output (I/O) modeling is one of the most commonly utilized methods to assess the economic outcomes of job creation or reduction. Economic impact modeling captures the direct impact of an employment expenditure (jobs with wages, salaries, and benefits) on the economy. Additionally, the secondary (indirect) effect on the economy is captured and the consumer based (induced) effects are calculated by the model.

Economic impact analysis typically utilizes an economic model input-output (I/O) which traces the flow of goods and services, income, and employment among related sectors of the economy. The I/O model generates a mathematical depiction of the flow of economic activity. In other words, final demand changes on the industrial sector producing the good/service (output) purchases inputs from other industrial sectors, which in turn purchase inputs from other sectors. These industrial sectors purchase additional labor inputs. Employees of these industries use their compensation to purchase goods and services from the economy. Linkages between industries in a region create an economic ripple effect as a result of changes in demand for products. Strong linkages can lead to a healthier economy, as capital flows through the economy rather than out of it.

Direct Effects: Direct effects are the changes in economic activity during the first round of spending. These represent the impacts (*e.g.* change in employment) for the expenditures and /or production values specified as direct final demand changes.

Indirect Effects: Indirect effects are the changes in sales, income, or employment within the region in backward-linked industries supplying goods and services. These represent the impacts (*e.g.* change in employment) caused by the iteration of industries purchasing from industries resulting from direct final demand changes. New jobs will be created outside of the primary industry/direct impact industry. Example: Motor vehicle assembly plants purchase goods from automotive parts manufacturers.

Fact: **The maximum value of gaining or losing 100 jobs in Kentucky can be estimated by the direct, indirect, and induced economic impacts of that gain or loss on the state's economy.**

Induced Effects: These represent impacts (*e.g.* change in employment) on all local industries caused by the expenditures of new household income generated by the direct and indirect effects resulting from direct final demand changes. Induced effects may also reflect government or investment gains. New jobs created in the areas of food services, plumbing, medical/dental care, barbershops, clothing sales, police & fire protection, lawn care, legal services, financial services, real estate, merchandize stores, automobile dealers, and service stations, etc., are due to the direct and indirect effects of the initial creation of jobs.

Value Added: Indicates the total economic value (impact) attributable to Kentucky's workers and industries. (Data consistent with Kentucky's Gross State Product [GSP], is not identical.)

Source: *MIG, Inc. 2009* databases and *IMPLAN 3.0* matrices are utilized in the computation of economic impact estimates. All values and estimates are based on 2009 data and dollars. All estimates are NAICS based.

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