

COUNTY OF SUSSEX
TARGET BUSINESS AND INDUSTRY ANALYSIS

APPENDIX K

ECONOMIC IMPACT OVERVIEW

COUNTY OF SUSSEX
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**AN OVERVIEW OF ECONOMIC IMPACTS OF JOB CREATION IN
SUSSEX COUNTY**

The economic impact of a development project, the expansion of a firm or the closure of an military base can be measured using one of several economic models. The basic model is the input-output model that, based upon the tracking and analysis of accumulated economic data, enables researchers to estimate the flow of dollars and the numbers of jobs in a specific area. The input-output model is relatively inexpensive and data tables can be obtained from the US Bureau of Economic analysis. More sophisticated and costly models are available from private sector firms and university research organizations. These models use the same basic data, but manipulate it more extensively and are able to project not only jobs and income flows, but tax revenues at all levels and other variables such as housing starts and population growth. These results of any of these studies are specific to the defined study area, as each region has its own economic structure which will affect how dollars are spent and the types of new jobs created or made necessary by a change in the economy or economic structure of the area.

The impact will vary depending upon the size of the growth and the type of growth – that is, the addition of 100 office jobs will be different than adding 100 manufacturing jobs, and obviously, adding 100 jobs has a greater impact than adding twenty-five, though the impact of 100 might not be four times the impact of twenty-five.

There are no recent economic impact studies focusing on Sussex County, so this over view will extrapolate from a recent study in the Savannah, Georgia region to show the impact of job expansion in Sussex County. This analysis will project the multipliers for the Savannah area on Sussex County data. The Savannah region economy is larger and more diverse than that of Sussex County, so there

COUNTY OF SUSSEX
TARGET BUSINESS AND INDUSTRY ANALYSIS

will be differences in the impact between the two locations. The Savannah study concentrated upon the manufacturing sector, and this analysis will do the same. However, this exercise will provide some idea of the effect that the addition of a new firm or the expansion of a company will have on the County.

Economic activity produces primary and secondary impacts on a given study area. Primary impacts are those associated with the activity within the industry itself, that is, jobs and wages. Secondary impacts are called indirect and induced impacts. Indirect impacts are those that result from the manufacturing entity in this case, purchasing goods and services from local suppliers. Examples of such purchases would be parts, tools, office supplies or raw materials. Induced impacts are those that result from the local expenditures of employees of the manufacturing company or its suppliers. These expenditures would include groceries, clothing, appliances, hair cuts and dry cleaning. The impact is the sum of these expenditures and the numbers of jobs created by or supported by these activities.

In the Savannah case manufacturing firms had an economic impact multiplier of 1.8. This means that for every dollar of income a manufacturing worker earns, an additional eighty cents is earned by other workers in the region. Thus, since the average manufacturing position in Sussex County pays \$40,400 per year, using the same multiplier means that position will generate another \$32,320 in earnings across the County.

In addition, manufacturing firms in Savannah purchased goods and services from local businesses and created a multiplier of 1.4. This means that a new firm that purchased \$1 million in supplies locally would cause another \$400,000 in business spending within the County. Dun and Bradstreet reports that manufacturing firms in Sussex County had sales of \$161.9 million dollars in 2006 (6.9% of total sales in the County). This multiplier would indicate that

COUNTY OF SUSSEX
TARGET BUSINESS AND INDUSTRY ANALYSIS

manufacturing firms generated \$64.8 million in local sales and that the total impact was \$266.9 million or 11.5 percent of the County's sales.

In the Savannah example the employment impact of manufacturing was 2.5, meaning that ten manufacturing job created or were supported by fifteen jobs with suppliers, distribution firms, machine shops and the like. If this multiplier held for Sussex County, then the County's 2,031 manufacturing jobs support 5,077 other jobs. Thus, though manufacturing currently accounts for only six percent of County employment, it supports 15.1 percent of total employment. Adding one manufacturing job means creating 1.5 additional jobs.

Though these multipliers may be high relative to Sussex County, they do provide an idea of the effect that job creation has upon the County. The more jobs created, or the higher the salaries of those jobs, the greater the impact.