

What Do We Mean by Economic Output? Explanation of Economic Impact Terms

What is Meant by the Term Direct?

Direct Impacts are those jobs, wages, or economic output, solely attributable to the industry defined for the study, in this case the security industry manufacturers, business to business sellers and service providers. We like to say that they are the jobs that one can count. If I go to an office and count the number of people working there, that would be the direct employment (although there may be many more people working than there are jobs since many people work only part time). JDA uses direct employment at the facilities, offices, stores, and sites that are defined to be part of the industry to calculate all of the other effects presented in the study.

What is Meant by the Term Indirect?

Indirect is the term used in economic impact studies to define those effects that result from firms in the defined (or Direct) industry purchasing goods and services from other industries. JDA defines these as Supplier Impacts in its models. For example, when a security company pays rent on its office to their landlord, or when they hire a law firm to review contracts, they are creating indirect effects in the real estate sector or legal sector of the economy.

What is Meant by the Term Induced?

Induced effects are the response by the economy that occurs through re-spending of income received by payments made to employees and business owners measured in the direct and supplier parts of the economy. When people work for a security company or for firms that supply goods and services to the industry, they receive wages and other payments. This money is recirculated through their household spending *inducing* further local economic activity. Economists call these induced impacts the *multiplier effect* of an activity or industry.

Examples of induced effects are the jobs created in a restaurant located outside of an office building where people purchase sandwiches for lunch, or at the gas station where they purchase fuel for their commute, or even in neighborhoods, where workers purchase houses, go to restaurants, or visit the movie theater.

What Specifically Do You Mean When You Say a Job?

Jobs are a measure of the annual average of monthly jobs in each industry as defined by the Quarterly Census of Employment and Wages put out by the Bureau of Labor Statistics (BLS). Jobs in our models are derived independently and do not match jobs reported by government entities in that we often define industries differently, and because we include more firms and facilities than are surveyed by the government. Jobs are measured in full-time equivalent units.

What is Meant by the Term Economic Output or Economic Impact?

JDA uses output in its models as a general measurement of economic impact because we believe that it is the broadest and most comparative measure. In general, output represents the value of industry production for the model year calculated in terms of producer prices. Output differs depending on the industry being measured. In the case of retail and wholesale/business to business industries, output does not represent sales, but rather is similar to the accounting measure of gross margin. For example, the value of a product purchased from a manufacturer flowing through the distribution process is not included as part of retail output, even if it is transformed in some way. One way to look at it is the output is total sales revenue minus its cost of goods sold. This is similar to the wholesale or retail markup on a product.