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Economic Snapshot is a weekly feature provided by the



Employment multiplier effect is often misunderstood

The employment multiplier is a commonly used, sometimes misused, and often misunderstood concept.

For example, the 2006 employment multiplier for hospitals in Wisconsin was an estimated 1.773. That simply means that every 1,000 jobs in hospitals supported another 773 jobs outside hospitals.

A recent study on the economic impact of Wisconsin hospitals helps explain the source of these jobs and how they were generated.

Wisconsin hospitals ranked second in the state in total jobs in 2006 with 112,780 direct employees. However, that only tells part of the story.

Hospitals purchased goods and services

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needed to operate their facilities and deliver their services. This spending supported additional employment in the businesses that provided those goods and services. This indirect employment was an estimated 47,219 jobs in 2006.

Similarly, induced employment occurred as direct and indirect employees spent their earnings, thus generating more jobs.

In 2006, spending by direct and indirect employees supported an estimated 39,959 in induced employment in Wisconsin.

Total employment (direct, plus indirect, plus induced) attributable to hospitals in Wisconsin totaled 199,957 in 2006.

The employment multiplier is calculated by

Employment by Wisconsin hospitals

Direct employment	112,780
Indirect employment	7,219
Induced employment	39,959
Total Employment	199,957
Employment multiplier	1.773

SOURCE: Wisconsin Department of Workforce Development, Quarterly Census of Employment and Wages

dividing total employment by direct employment.

The complete report, "Healthy Hospitals. Healthy Communities," is available at: http://www.uwex.edu/ces/cced/economies/documents/HealthyHospitals_web.pdf