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Home-based businesses
Economic Impact Statement - Blue Mountains LGA 2014

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Introduction

Blue Mountains Economic Enterprise (BMEE) is the peak regional economic development organisation for the Blue Mountains.

Mission

To stimulate economic development in the Blue Mountains through advocacy, investment and job creation, consistent with our competitive advantages.

Vision

BMEE will be the recognised economic development organisation for the Blue Mountains, delivering significant and measureable contributions to the economy through:

- Encouraging and supporting appropriate investment
- Opening the city for business
- Creating a sustainable and diversified business community

The BMEE Board has identified four key strategic pillars which will be the focus of the organisation's activity over the next three years. The pillars are:

- Health and wellbeing (including aged care and disabilities)
- Creative industries
- Education
- World-Heritage Industry Development (including tourism and food)

Home Based Businesses

Blue Mountains Economic Enterprise (BMEE) was requested by Blue Mountains City Council Manager, Libraries and Customer Service, Vicki Edmunds to provide an economic impact statement relating to home-based businesses operation in the Blue Mountains LGA.

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Home Based Workers in the Blue Mountains

Census 2011 data indicates that there is an annual growth rate for Home Based Business operators in the Blue Mountains of 2.1%. These figures have increased by 10.5% since 2006.

Home Based Business operators represent 6.3% of the total resident workforce in the Blue Mountains LGA *(Census data 2011).*

Workforce Data – Method of Travel to Work

This graph shows selected method of travel to work categories for the employed people who reside in Blue Mountains. The total employment estimate for these employed people is 34,954 jobs, of which 2,181 work from home.

Live in Blue Mountains (Apr 2014)		
Method of Travel to Work	**Jobs**	**%**
Worked at home	2,181	6.2 %
Sub-Total	2,181	6.2 %

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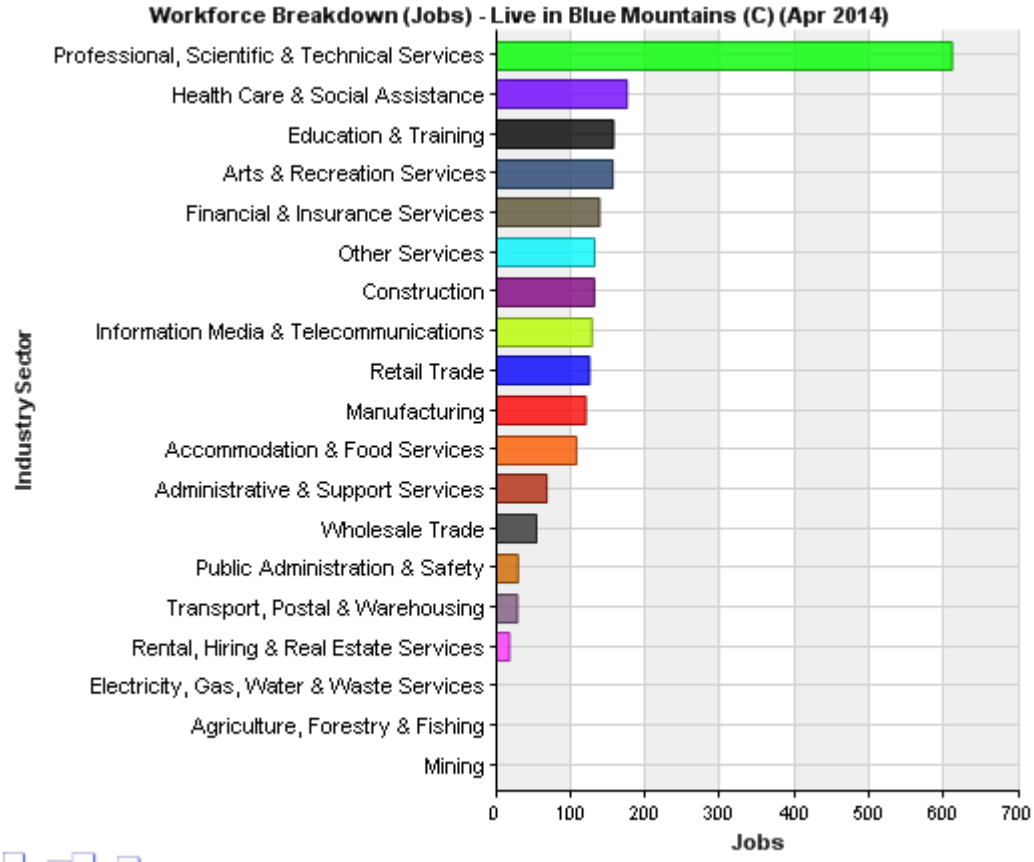
Employment

This graph shows Home Based Workers broken down by industry sector.



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	Live in Blue Mountains (Apr 2014)	
Industry Sector	**Jobs**	**%**
Agriculture, Forestry & Fishing	4	0.2 %
Mining	1	0.0 %
Manufacturing	120	5.5 %
Electricity, Gas, Water & Waste Services	5	0.2 %
Construction	131	6.0 %
Wholesale Trade	54	2.5 %
Retail Trade	125	5.7 %
Accommodation & Food Services	107	4.9 %
Transport, Postal & Warehousing	28	1.3 %
Information Media & Telecommunications	128	5.9 %
Financial & Insurance Services	138	6.3 %
Rental, Hiring & Real Estate Services	17	0.8 %
Professional, Scientific & Technical Services	610	28.0 %
Administrative & Support Services	67	3.1 %
Public Administration & Safety	29	1.3 %
Education & Training	157	7.2 %
Health Care & Social Assistance	175	8.0 %
Arts & Recreation Services	156	7.1 %
Other Services	131	6.0 %
Total	2,181	

Data based on: 2011, ABS, Census of Housing and Population

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Report

In consideration of the direct employment across these identified industry sectors, BMEE has used Remplan impact tool to calculate the industrial and consumption flow on effects and multipliers for each industry sector in the Blue Mountains. Output data represents the gross revenue generated by businesses and organisations in each of the industry sectors in a defined region.

Under this scenario, as a result of 2,181 Home Based workers, it is estimated that the Gross Region Product is boosted by **$520.626 million (21.95 %)** to $2,892.126 million. Contributing to this is:

- **A direct increase in output of $629.779 million**
- **2,183 additional jobs**
- **$166.043 million more in wages and salaries**
- **A boost in value-added of $304.564 million**

From this direct expansion in the economy, flow-on industrial effects in terms of local purchases of goods and services are experienced, and it is estimated that these indirect impacts result in a further contribution to output valued at $286.455 million, 975 more jobs, $75.383 million more paid in wages and salaries and a gain of $128.011 million in terms of value-added.

These industrial effects represent the following Type 1 economic multipliers:

Impact	Type 1 Multipliers
Output	1.455
Employment	1.447
Wages and Salaries	1.454
Value-added	1.420

The increase in direct and indirect output and the corresponding creation of jobs in the economy are estimated to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under the scenario are estimated to further boost output by $150.756 million, employment by 637 jobs, wages and salaries by $36.409 million, and value-added by $88.051 million.

Under this scenario, Home Based Business operation contributes **$1,066.990 million** to total output.

Corresponding to this are anticipated increases in employment of -

- **3,795 jobs,**
- **$277.836 million wages and salaries,**
- **$520.626 million in terms of value-added.**

The total changes to economic activity represent the following Type 2 economic multipliers:

Impact	Type 2 Multipliers
Output	1.694
Employment	1.738
Wages and Salaries	1.673
Value-added	1.709

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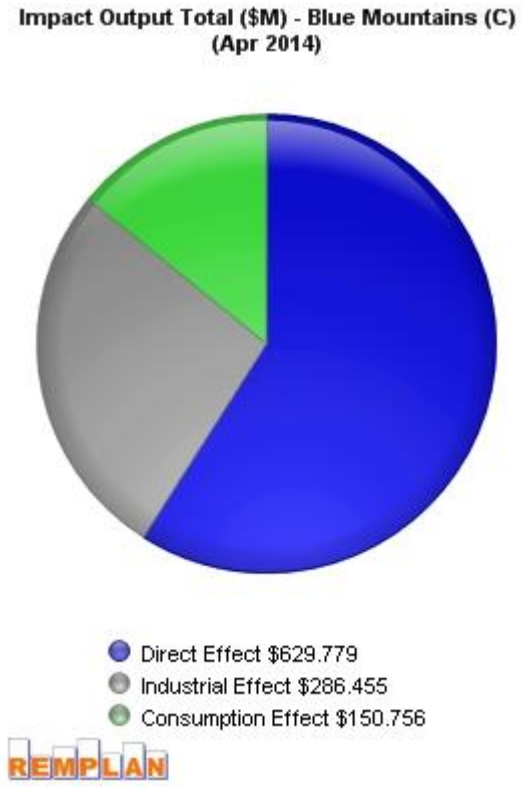
Impact on Output

From a direct increase in output of $629.779 million it is estimated that the demand for intermediate goods and services rises by $286.455 million. This represents a Type 1 Output multiplier of 1.455. These industrial effects include multiple rounds of flow-on effects, as servicing sectors increase their own output and demand for local goods and services in response to the direct change to the economy.

The increases in direct and indirect output would typically correspond to the creation of jobs in the economy. Corresponding to this change in employment would be an increase in the total of wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated at $150.756 million.

Total output, including all direct, industrial and consumption effects, is estimated to increase by up to $1,066.990 million. This represents a Type 2 Output multiplier of 1.694.



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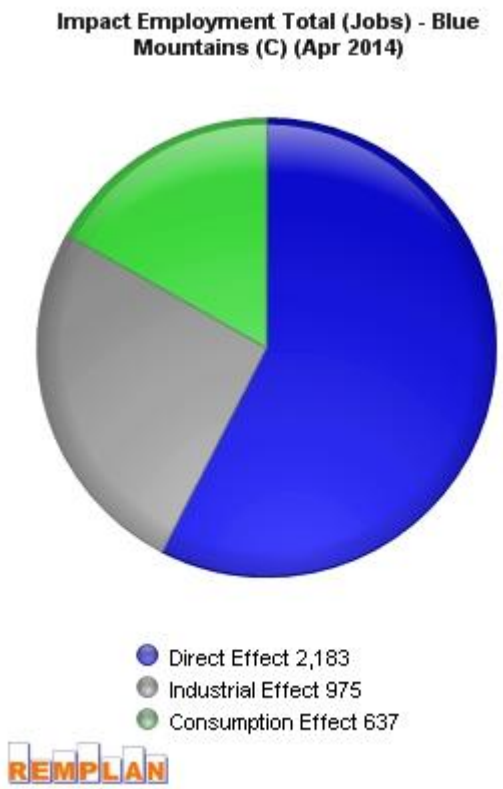
Impact on Employment

From a direct increase in output of $629.779 million the corresponding creation of direct jobs is estimated at 2,183 jobs. From this direct expansion in the economy, flow-on industrial effects in terms of local purchases of goods and services are anticipated, and it is estimated that these indirect impacts support a further 975 jobs. This represents a Type 1 Employment multiplier of 1.447.

The increase in direct and indirect output and the corresponding creation of jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated to further boost employment by 637 jobs.

Total employment, including all direct, industrial and consumption effects is estimated to increase by up to 3,795 jobs. This represents a Type 2 Employment multiplier of 1.738.



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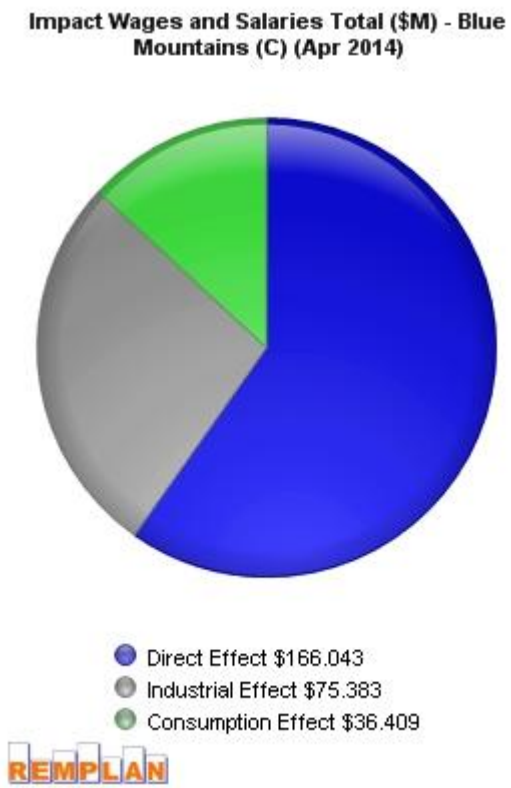
Impact on Wages and Salaries

From a direct increase in output of $629.779 million it is estimated that direct wages and salaries increase by $166.043 million. From this direct expansion in the economy, flow-on industrial effects in terms of local purchases of goods and services are anticipated, and it is estimated that these indirect impacts result in the gain of a further 975 jobs and a further increase in wages and salaries of $75.383 million. This represents a Type 1 Wages and Salaries multiplier of 1.454.

The increase in direct and indirect output and the corresponding creation of jobs in the economy are estimated to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated to further boost employment in sectors such as retail therefore further increasing wages and salaries by $36.409 million.

Total wages and salaries, including all direct, industrial and consumption effects is estimated to increase by up to $277.836 million. This represents a Type 2 Wages and Salaries multiplier of 1.673.



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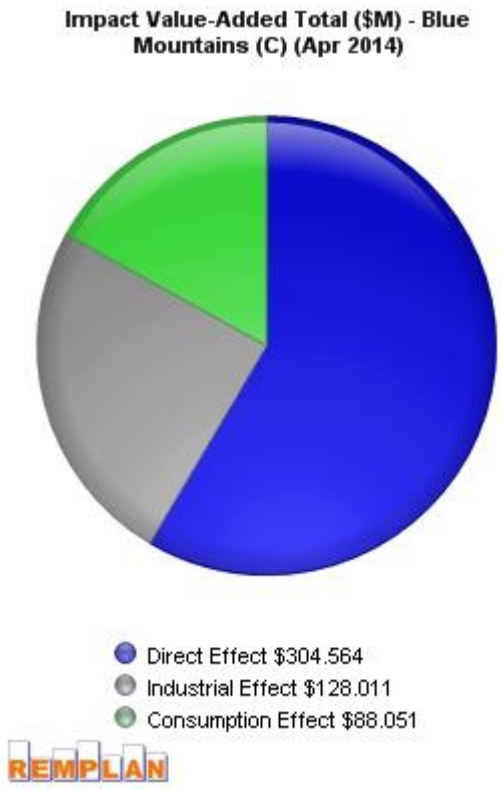
Impact on Value-Added

From a direct increase in output of $629.779 million the corresponding increase in direct value-added is estimated at $304.564 million. From this direct expansion in the economy, flow-on industrial effects in terms of local purchases of goods and services are anticipated, and it is estimated that these indirect impacts would result in a further increase to value-added of $128.011 million. This represents a Type 1 Value-added multiplier of 1.420.

The increase in direct and indirect output and the corresponding boost to jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are expected to further boost value-added by $88.051 million.

Total value-added, including all direct, industrial and consumption effects is estimated to increase by up to $520.626 million. This represents a Type 2 Value-added multiplier of 1.709.



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Impact Summary

Impact Summary	Direct Effect	Industrial Effect	Consumption Effect	Total Effect	Type 1 Multiplier	Type 2 Multiplier
Output ($M)	$629.779	$286.455	$150.756	$1,066.990	1.455	1.694
Employment (Jobs)	2,183	975	637	3,795	1.447	1.738
Wages and Salaries ($M)	$166.043	$75.383	$36.409	$277.836	1.454	1.673
Value-added ($M)	$304.564	$128.011	$88.051	$520.626	1.420	1.709

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The Gross Regional Product for Blue Mountains (C) was calculated using the **Expenditure** method.

Using this impact scenario, Home Based Business operation contributes $520.626 million (21.95 %) to the GRP in the Blue Mountains.

GRP is the total value of **final** goods and services produced in the region over the period of one year. As can be seen from the table, this includes exports but subtracts imports.

GRP can be measured by adding up all forms of **final** expenditure

- consumption by households
- consumption by governments
- additions or increases to assets (minus disposals)
- exports (minus imports)

This calculation does not include intermediate expenditure as this would lead to double counting (the wheat and flour in a loaf of bread).

GRP Expenditure Method	Before $M	Impact $M	Change %
Household Consumption	$3,253.600	$3,515.862	8.06 %
Government Consumption	$782.227	$832.755	6.46 %
Private Gross Fixed Capital Expenditure	$925.780	$996.904	7.68 %
Public Gross Fixed Capital Expenditure	$267.473	$288.184	7.74 %
Gross Regional Expenses	$5,229.080	$5,633.705	7.74 %
plus Regional Exports	$609.276	$793.991	30.32 %
minus Domestic Imports	-$3,269.598	-$3,426.473	4.80 %
minus Overseas Imports	-$197.258	-$265.279	34.48 %
balancing item	$0.000	$156.182	
Gross Regional Product	$2,371.500	$2,892.126	
Population	75,941		
Per Capita GRP ($'000)	$31.228	$38.084	21.95 %

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Disclaimer

All figures, data and commentary presented in this software are based on data sourced from the Australia Bureau of Statistics (ABS), most of which relates to the 2011, 2006 and 2001 Censuses, and data sourced from the National Visitor Survey (NVS) and International Visitor Survey (IVS) published by Tourism Research Australia.
Using ABS datasets and an input / output methodology industrial economic data estimates for defined geographic regions are generated.
The software also incorporates a region-specific economic impact modelling feature that was first developed at La Trobe University, with continued development from December 2006 by Compelling Economics Pty Ltd. This feature generates estimates of indirect or flow-on impacts from a direct change to an economy.
This software is provided in good faith with every effort made to provide accurate data and apply comprehensive knowledge. However, Compelling Economics Pty Ltd, La Trobe University and BMEE do not guarantee the accuracy of data nor the conclusions drawn from this information. A decision to pursue any action in any way related to the figures, data and commentary presented in this software is wholly the responsibility of the party concerned. Compelling Economics Pty Ltd, La Trobe University and BMEE advise any party to conduct detailed feasibility studies and seek professional advice before proceeding with any such action and accept no responsibility for the consequences of pursuing any such action.