

# The Economic Contribution of Iowa's Credit Unions

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## **Introduction**

This report is an evaluation of the economic contribution of Iowa's 94 credit unions to the state. The initial data for this analysis was provided by the Iowa Credit Union League. An input-output model of the state of Iowa, as modified for this analysis, was used to calculate the multiplied-through economic worth of the state's credit unions.\*

## **Iowa's Credit Unions: The Direct Data**

In 2016, Iowa had 94 credit unions for which data were provided, and those firms employed 3,668 persons. To properly model the economic impact of Iowa's credit unions, a separate industrial sector for that industry was created to differentiate their economic activity from traditional banks. The average pay per credit union workers is different than the banking sector, for example, and the allocation of net income is different in that credit unions are cooperatives in structure. For the state as a whole, and as modeled for this study, Iowa's credit unions initially

- Generated \$732.2 million in total income, and
- Provided \$228.8 million in payroll and benefits to
- 3,668 job holders

These direct amounts, however, do not tell the whole story. Credit unions require inputs (utilities, services, etc.) to operate their facilities. The workers in the credit unions and in the input-supplying sectors, in turn, spend their paychecks. These secondary activities create a multiplier effect that supports even more jobs in the Iowa economy.

## **Understanding Terms and Usage**

I-O models produce an array of information for analysts. For our purposes, however, there are four types of data and four levels of data comprising a typical I-O results table.

The types of economic impact data are

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\* This study has been conducted by Iowa State University on a fee-for-service basis for the Iowa Credit Union League. The analysis was based on the IMPLAN modeling system, which is an input-output modeling system that is used extensively by academics and by government agencies. This model was modified to specifically reflect credit union total income, employment, labor cost, and other cost of operation characteristics.

- **Output.** This is the value an industry's productivity over the course of a year. It represents the worth of what was produced whether it was sold or not. For many industries, total income represents output.
- **Labor income.** These are wage and salary payments to workers, including employer-provided benefits. Management payments to proprietors are also counted as labor income payments.
- **Value added.** Value added includes all labor income (mentioned above) plus payments to investors (dividends, interests, and rents), and indirect tax payments to governments. Value added is the equivalent of Gross Domestic Product (GDP), which is the standard measure of economic activity across the states and for the nation.
- **Jobs.** There are many kinds of jobs. I-O models measure the annualized job value in different industries. Many industries have mostly full-time jobs, but many others have part-time and seasonal jobs. I-O models do not convert jobs into full-time equivalencies, but they do express them as annualized equivalencies. As many people have more than one job, there are always more jobs in an economy than there are employed persons.

The levels of economic impact data are

- **Direct values.** These are the just-mentioned data types for the industry we are evaluating. In this study, the direct data refer solely to credit unions
- **Indirect values.** All direct firms industrial groups require intermediate inputs into production. They may buy supplies, utilities, wholesale goods, transportation, and services, just to name a few.
- **Induced values.** When the workers in direct activity along with those in all of the indirect industries (the supplying sectors) convert their labor incomes into household spending they induce a third round of economic activity. Induced values are also called the household values.
- **Total values.** The sum of direct, indirect, and induced activity constitutes the total economic effect that is being measured. In short it gives us the economic sums of the studied industries, their suppliers, and all affected households within the study region.

The total values for jobs, labor income, value added, and jobs represent the total, multiplied-through economic contribution an industry makes to a regional economy.

## Iowa's Credit Unions: The Total Economic Contribution

The following table describes the total worth of Iowa's credit unions to the Iowa economy. As has been mentioned, they had \$732.2 million in total income (which now represents output) in 2016. In so doing, they paid 3,668 jobholders \$228.8 million in total labor income. Credit unions required another \$286.97 million in goods and service inputs, which in turn supported 2,262 jobs making \$89.96 million in labor income. When the direct workers (credit unions) and the indirect workers (all suppliers) converted their labor income into household spending in Iowa, they induced another \$225.89 million in economic output, which further required 1,773 jobholders earning \$67.74 million in labor income. Combined, Iowa's credit unions contributed to \$1.25 billion in total economic output in the state, of which \$637.85 million was value added (or GDP) and \$386.49 million in labor income to 7,703 job holders.

**The Total Economic Contribution of Iowa's Credit Unions in 2016**

	Jobs	Labor Income	Value Added	Output
Direct	3,668	228,803,608	386,123,090	732,200,384
Indirect	2,262	89,955,255	124,757,744	286,967,175
Induced	1,773	67,736,108	126,967,567	225,893,510
Total	7,703	\$386,494,971	\$637,848,401	\$1,245,061,069
<i>Multiplier</i>	2.10	1.69	1.65	1.70

There is also a multiplier line in the table. It is the ratio of the total value to the direct value. An output multiplier of 1.70 means that for every \$1 of direct output in the state’s credit unions, there is \$.70 of output supported in the rest of the economy. The value added multiplier of 1.65 means that for every \$1 of value added earned at credit unions, there is \$.65 in value added supported elsewhere in Iowa. The labor income multiplier of 1.69 means that for every \$1 of labor income paid to credit union workers, there is \$.69 in labor income supported in the rest of the economy. And a jobs multiplier of 2.10 means that for every job at an Iowa credit union, there are 1.1 other jobs supported in the rest of the Iowa economy.

These values are rightly termed the “economic contribution” rather than the economic impact of Iowa’s credit unions. Analysts prudently reserve the economic impact term for instances where there is an increase or decrease in economic activity due to openings, expansions, contractions, or closings to describe expected net shifts in regional or statewide economic activity and thus, the incremental “impact.” In this study we are measuring the multiplied-through worth of existing credit unions as they link to supplying sectors and to household consumption. It tells us the amounts of the Iowa economy explained by their operations.

**Addendum: Illustrating the Economic Value of Credit Union Member Savings**

Iowa credit unions calculate that their members saved more than \$103.8 million than would have been the case had those members used conventional banking services. This represents, therefore, gains to households that otherwise would have gone to owners or to shareholders of banks. This is a hypothetical comparison that does not imply measurable gains to the state’s economy. The overall economy does not have more money; it simply has allocated the distribution of costs and returns differently in this situation.

The following analysis only calculates the economic value of the household savings. This is done for illustrative purposes only. It does not “net-out” the re-allocation of what would be the consequences to the Iowa economy from \$103.8 million in reduced returns to ownership or investment in conventional banks. Accordingly, the following tables tell us the worth of these credit union member savings to the state’s economy without presenting a counterfactual situation where there were no credit unions in Iowa and everyone used banks.

The following table describes the amount of economic activity \$103.8 million in member savings would support. Those savings become increased household spending, and when spent in the normal manner in which Iowa households spend, they would support \$95.13 million in multiplied-through economic output, of which \$53.38 million is value added (or GDP) and \$28.40 million is labor income to 734 job holders. There is less output than total savings because some money leaks out of the economy to other areas of the U.S. and the world, and because some households save instead of spend their returns.

**The Multiplied-Through Iowa Economic Value of Credit Union Member Savings of \$103.8 Million**

	Jobs	Labor Income	Value Added	Output
Total	733.7	\$28,398,195	\$53,384,567	\$95,132,522

Finally, this last table lists the top 25 categories of spending stimulated as a result of the \$103.8 million in savings. As is evident and would be expected, the bulk of spending aligns with conventional major household budgetary obligations.

**Top 25 Industries Supported by \$103.8 Million in Member Savings  
After All Multiplier Effects Have Been Accounted**

Total	\$95,132,522
Owner-occupied dwellings	\$12,273,017
Real estate	\$6,542,068
Hospitals	\$5,853,013
Wholesale trade	\$3,942,918
Insurance carriers	\$3,407,288
Offices of physicians	\$3,273,223
Limited-service restaurants	\$2,794,624
Retail - General merchandise stores	\$1,900,283
Electric power transmission and distribution	\$1,873,502
Retail - Food and beverage stores	\$1,819,658
Other financial investment activities	\$1,726,357
Full-service restaurants	\$1,592,600
Retail – Non-store retailers	\$1,553,949
Wired telecommunications carriers	\$1,513,525
Wireless telecommunications carriers (except satellite)	\$1,503,093
Automotive repair and maintenance, except car washes	\$1,496,136
Retail - Motor vehicle and parts dealers	\$1,298,112
Funds, trusts, and other financial vehicles	\$1,280,315
Offices of dentists	\$1,227,294
Truck transportation	\$1,152,724
Insurance agencies, brokerages, and related activities	\$1,134,766
Non-depository credit intermediation and related activities	\$1,114,599
Religious organizations	\$1,084,816
Retail - Building material and garden equipment and supplies stores	\$991,535
Offices of other health practitioners	\$951,406