

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 107 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 2014, Iowa had 107 credit unions, and those firms employed 3,247 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 in 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

- Generated \$620.05 million in total income, and
- Provided \$185.37 million in payroll and benefits to
- 3,247 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, 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

* 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.

- **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, other agricultural or manufactured inputs, 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 \$620.05 million in total income (which now represents output) in 2014. In so doing, they paid 3,247 job holders \$185.3 million in total labor income. Credit unions required another \$283.3 million in goods and service inputs, which in turn supported 2,499 jobs making \$104.2 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 \$192.02 million in economic output, which further required 1,656 jobholders earning \$59.7 million in labor income. Combined, Iowa's credit unions contributed to \$1.1 billion in total economic output in the state, of which \$559.99 million was value added (or GDP) and \$349.17 million in labor income to 7,402 job holders.

The Total Economic Contribution of Iowa's Credit Unions in 2014

| | Jobs | Labor Income | Value Added | Output |
|-------------------|-------|---------------|---------------|-----------------|
| Direct | 3,247 | \$185,268,593 | \$316,765,394 | \$620,052,096 |
| Indirect | 2,499 | \$104,187,358 | \$134,050,599 | \$283,333,137 |
| Induced | 1,656 | \$59,713,672 | \$109,173,080 | \$192,020,146 |
| Total | 7,402 | \$349,169,623 | \$559,989,074 | \$1,095,405,379 |
| <i>Multiplier</i> | 2.28 | 1.88 | 1.77 | 1.77 |

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 1.77 means that for every \$1 of direct output in the state’s credit unions, there is \$.77 of output supported in the rest of the economy. The value added multiplier means that for every \$1 of value added earned at credit unions, there is \$.77 in value added supported elsewhere in Iowa. The labor income multiplier of 1.88 means that for every \$1 of labor income paid to credit union workers, there is \$.88 in labor income supported in the rest of the economy. And a jobs multiplier of 2.28 means that for every job at an Iowa credit union, there are 1.28 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 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.