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# The 1989 Economic Impact of the Upjohn Company on Kalamazoo County

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In 1989, the Upjohn Company employed 6.2 percent of Kalamazoo County's total employment and provided 8.5 percent of its total personal income.<sup>1</sup> As shown in Table 1, the Upjohn Company employed 8,300 individuals and paid \$348.6 million in wages and salaries in the county in 1989. In addition, the total for dividends paid to county residents was \$7.3 million in 1989.

TABLE 1

THE UPJOHN COMPANY IN KALAMAZOO COUNTY  
1989

Employment.....	8,300
Wages and Salaries.....	\$348.6
Benefits (excluding workers' compensation, social security or unemployment payments) .	136.0
Taxes (excluding Michigan's single business tool, \$8.4 million).....	17.8
Dividends.....	7.3
Capital Expenditures.....	168.0
Goods and Services <sup>2</sup> .....	144.7
Contributions and Association Support.....	3.4
Total direct economic impact	\$825.8

Including capital expenditures and the local purchases of goods and services

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1. Total employment includes wage and salary workers, self-employed, and agricultural workers.

2. Includes, for example, auto rentals, hotels, air travel, and airport fuel flowage fees.

in the county, the 1989 total direct economic impact of the Upjohn Company on Kalamazoo County was \$825.8 million.

The total economic impact of the Upjohn Company on the county is much greater than the number of individuals it employs or the size of its payroll, however. In addition to the above direct economic impacts, the company has an even greater indirect economic impact on Kalamazoo County. This indirect economic impact can also be measured in a variety of ways. For example, Upjohn's indirect employment impact includes workers employed by its suppliers located in Kalamazoo County and individuals employed in firms which depend upon the consumption expenditures of Upjohn employees. Indirect income includes the earnings of these indirect workers. Moreover, the company's indirect impact includes the third, fourth, and higher order employment and income effects. For example, Upjohn's indirect employment impact includes individuals employed in firms which are dependent upon the consumer expenditures of individuals employed in producing goods or services for the Upjohn Company or its workforce.

The direct, indirect and total economic impacts of the Upjohn Company on Kalamazoo County, as measured in jobs and personal income, are shown in Table 2.

TABLE 2

DIRECT, INDIRECT AND TOTAL ECONOMIC IMPACTS  
OF THE UPJOHN COMPANY ON KALAMAZOO COUNTY

	DIRECT	INDIRECT	TOTAL
Jobs.....	8,300	12,540	20,840
Income*.....	\$355.9	(millions) \$346.1	\$702.0

\*Includes wages, salaries, and dividends paid to local residents

The total economic impact of Upjohn on Kalamazoo County with respect to jobs is the sum of the direct effect (8,300 Upjohn Company employees) and the indirect effect (12,540 jobs created outside the company) for a total of 20,840 jobs. Similarly, the total economic impact of Upjohn on Kalamazoo County with respect to income is \$702 million, which is the sum of the \$355.9 million of direct income to Upjohn employees and county stockholders, plus the \$346.1 million of income created in the county but outside of the company.

In total, an estimated 15.6 percent of the county's total employment depended upon Upjohn, directly or indirectly in 1989. Furthermore, 16.7 percent of the county's total personal income was directly or indirectly dependent upon the Upjohn Company.

Often these total impacts are stated as ratios with respect to their corresponding direct impacts and called employment or income multipliers. Upjohn's employment multiplier is 2.51 (20,840/8,300), meaning that each Upjohn job creates 1.51 other jobs locally, while the income multiplier is 1.97 (\$702.0 million/\$355.9 million), meaning that every dollar of income earned through Upjohn adds another 97 cents of income locally.

#### Total Economic Impact

In past reports, a measure of the total economic impact of the Upjohn Company has also been estimated. This estimate is determined in two steps. First, the company's direct economic impact as shown on Table 1 is adjusted to exclude company expenditures for goods and services purchased from county suppliers (\$144.7 million). This is done to avoid double counting as our regional model accounts for this amount when it estimates the company's indirect economic impact. Second, this amount is then added to the model's estimate of total county sales outside of Upjohn which are dependent upon it due either to its workers' consumption expenditures or to supplying the company directly.

In 1989, this total economic impact of the Upjohn Company on Kalamazoo County is estimated to be \$1.39 billion, which is 4.5 percent greater than its 1988 estimate of \$1.33 billion.

TABLE 3

#### ESTIMATED TOTAL ECONOMIC IMPACT

	Millions
Direct Economic Impact	\$825.8
-Purchases of Local Goods and Services	-\$144.7
Adjusted direct economic impact	\$681.1
Indirect Economic Impact (Institute's Regional Model)	\$711.9
TOTAL ECONOMIC IMPACT	\$1,393.0

#### Methodological Notes

As discussed in previous reports, the above estimate of Upjohn's total economic impact is fairly difficult to interpret. This is because the direct economic impact is a company cost figure (outlays for wages, benefits, capital expenditures, etc.), while the indirect economic impact is a sales figure (estimated sales of local firms, other than Upjohn, contributed to Upjohn's presence in the county). Even if the direct effect

is considered as an estimate of the value added generated by Upjohn in the county, it is not strictly comparable to the indirect economic impact because it is a total sales figures which includes both value added and the total cost of materials.

This year's employment and income multiplier estimates are slightly higher than last year's multiplier estimates. In 1988, Upjohn's employment multiplier was estimated to be 2.21 and its income multiplier, 1.79. As last year, the economic impact of the Upjohn Company was generated using a 463 industrial-sector input/output model conjoined with a 53 industrial sector simulation and forecasting model. This year's impact estimates are comparable to those of the year before.