

JOB CREATION THROUGH TRANSPORTATION INVESTMENT

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Since the 1960s, the Federal Highway Administration has researched the economic potential of transportation investments on national, regional and local economies. Traditionally this research focused on existing local business expansion, and new economic growth adjacent to expanded transportation corridors. This research was typically conducted on a single distinct project. Since the mid 1990s, however, transportation investment research has broadened to include job creation impacts on regional and local economies.

Typically employment associated with a transportation investment has been categorized as direct, indirect and induced employment impacts. Direct impacts include the on-site highway construction jobs at the construction site. Indirect impacts include companies that process orders, supply and deliver construction materials. The induced impacts are those arising from expenditures of workers wages on various goods and services (FHWA Vol. 59, No. 4).

Generally, job creation associated with transportation investments translates into 42,100 jobs for each \$1 billion invested during a five year period; direct jobs account for 7,900, indirect jobs total 19,700 and induced jobs are 14,500 (FHWA, Highway Investment). The induced jobs are drawn from many segments of the local and regional economy including housing, manufacturing and service sectors.

The number of indirect jobs per \$1 billion of highway construction investment is greater than the number of direct jobs because more of each highway construction dollar goes to purchase materials than goes to labor, meaning more jobs are supported in the supply industry than in the highway construction sector.

Recent studies have identified strong linkages between the highway network and regional economic performance (FHWA, Highway Investment). A strong geographically and demographically diverse workforce representing all skill levels is supported by invest-

ments in highway construction activities in industries that supply materials to the highway construction industry, and to other industries throughout the regional economy (FHWA, Highway Investment).

It has long been recognized that commercial and industrial employment outlook is closely related to the quality of the transportation system serving it. A dependable transportation system allows local business to receive materials and transport finished goods to market. System improvements that decrease transportation cost, increase safety, and improve reliability, will stimulate additional economic development (Trans Link 21).

In *Destination 2030 Regional Transportation Plan*, Kern Council of Governments identified the need for transportation investments totaling \$3.5 billion. Of that, \$3 billion is needed to maintain a dependable roadway network by reducing congestion, improving safety, and maintaining the existing roadway system. While congestion will continue to increase annually, becoming significant by 2030, the funding required to construct the needed facilities will not be available until 2050.

In Kern County, the investment of \$1.73 billion in federal demonstration funds received through the efforts of former Congressman William Thomas and voter approval of a local transportation measure would increase the number of jobs in Kern County by about 11%. Total job creation from these investments is estimated to be 35,900 over the 10 to 20 years required to construct the projects. This lower number of jobs results from the extended delivery schedule of the transportation projects. Both direct and indirect jobs would be lower because workers would be able to work on multiple projects during the delivery time frame, therefore reducing the number of workers required.

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Wisconsin Trans Link 21, (April 1994), *Economic Development*, Vol. 2, No. 2.

Federal Highway Administration, (2004) *Economic Impacts of Federal-Aid Highway Investment*, Office of Transportation Policy. (www.fhwa.dot.gov/policy/empl.htm)

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Econ Brief!

United States – Mexico Tourism in California

In 2002, nearly 9.8 million Mexican residents visited the United States. They spent \$5.5 billion in traveling expenses. Of these visitors, 2.8 million traveled to California and spent \$1.5 billion. Los Angeles was the destination of 1.4 million Mexican travelers and the beneficiary of \$365 million of tourist spending. The remaining 7 million Mexicans who traveled to other states accounted for \$4 billion of the tourist income from Mexico.

On average, a Mexican traveler spent \$571 in the United States. A Mexican visiting Los Angeles paid out \$261 for his/her traveling expenses and one who visited the rest of California used up \$811 of his/her traveling budget.

Likewise, 8.5 million visitors from the United States traveled to Mexico. They spent \$4.6 billion. Nearly 13 percent of American visitors to Mexico came from California. They spent \$596 million in Mexico in traveling expenses. Californians of Mexican origin were responsible for \$173 million of the state’s tourist spending in Mexico.

On average, an American traveler spent \$542 in the United States. A visitor from California paid out \$541 for his/her traveling expenses and a Californian of Mexican origin used up \$540 of his/her traveling budget.

The economic impacts of \$1.4 billion direct expenditures by Mexican visitors on California are estimated at nearly 17,000 new jobs, more than \$650 million in local tax revenues, and over \$370 million in sales tax revenues.

Sources:

United States Department of Commerce, *Market Profile*, Mexico Office of Travel and Tourism Industries, 2003

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