



**American  
Iron and Steel  
Institute**

# **The Economic Impact of the American Iron and Steel Industry**

## **Frequently Asked Questions**

**Prepared for:  
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### **What is Meant By the Term Direct Impact?**

Direct impacts are those jobs, wages or economic output, solely attributable to the industry defined for the study, in this case the U.S. iron and steel industry. We like to say that they are the jobs that one can count. If I go to an iron ore mine or steel mill or ferrous metal foundry and count the number of people working there, that would be the direct employment (although there may be many more people working than there are jobs since many people work only part time). JDA uses direct employment at the facilities that are defined to be part of the industry to calculate all of the other effects presented in the study.

### **What is Meant By the Term Indirect Impact?**

Indirect impacts are those that result from purchases of goods and services from other industries by the subject (or direct) industry. JDA defines these as supplier impacts in its models. For example, when a steel mill purchases electricity for its plant, or when they hire a trucking company to deliver products they are creating indirect effects in the utility sector or trucking sector of the economy.

In the case of retailers, wholesalers, truckers and others that handle products through a supply chain, the value of the goods moving through a warehouse or a store are not counted as indirect impacts; only those goods and services used to provide the wholesaling, transportation or retail services are included. So, if a wholesaler buys a steel mill product to in turn sell to a construction company or consumer, that purchase is not included as a supplier effect.

### **What is Meant By the Term Induced (or ripple) Effect?**

Induced or ripple effects are the response by the economy that occur through re-spending of income received by payments made to employees and business owners in the direct and supplier parts of the economy. When people work in a steel mill or for firms that supply goods and services to the iron and steel industry, they receive wages and other payments. This money is recirculated through their household spending *inducing* further local economic activity. Examples of induced effects are the jobs created in a diner located outside of a plant gate where people purchase sandwiches for lunch, or at the gas station where they purchase fuel for their commute, or even in neighborhoods, where workers purchase houses, go to restaurants or visit the movie theater.

### **What Specifically Do You Mean When You Say a Job?**

Jobs in our models are derived independently from government sources such as the Bureau of Labor Statistics. They do not necessarily match government figures because we often define industries differently, and because we often capture more firms and facilities than are surveyed by the government. Jobs are measured in full-time equivalent units.

### **What Do You Mean When You Say “Wages?”**

In this study, wages include all compensation paid to employees, including wages, salaries and benefits.

### **What is Meant by The Term Economic Output or Economic Impact?**

JDA uses output in its models as a general measurement of economic impact because we believe that it is the broadest and most comparative measure. In general, output represents the value of industry production for a given year calculated in terms of

producer prices. Output differs depending on the industry being measured. In the case of wholesale industries, output does not represent sales, but rather is similar to the accounting measure of gross margin. The value of a steel product purchased from a mill that then flows through the wholesaling process is not included as part of output.



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