

## APPENDIX 11 : EMPLOYMENT CAPACITY

1 July, 2010

Bancor Developments Pty Ltd  
Sungki Lee  
Managing Director  
Suite 501, 480 Pacific Highway  
St Leonards, NSW 2065

By email: [sungki@sxa.com.au](mailto:sungki@sxa.com.au)

Dear Sungki,

## Re: Employment Analysis, 6-16 Atchison Street, St Leonards

Hill PDA has been engaged by Bancor Developments to assess the economic benefits of a new mixed use building at 6 - 16 Atchison Street, St Leonards. The proposed 24,962sqm (GFA) development includes a mix of residential (21,464sqm) and serviced apartments (2,586sqm) plus 912sqm for a café, circulation areas, pool and gym. There will be 228 residential apartments and 38 services apartments.

It is understood a preliminary assessment has been lodged with the NSW Department of Planning, who have now returned queries to the proponent regarding the employment benefits of the proposal. As a result, Hill PDA's role was to address the number of construction jobs that will be generated by the development and the number of jobs on site post construction.

### Direct Employment from Construction

The proposed development will generate employment in two ways – through construction and through operations. It is estimated that one full time construction position for 12 months is created for every \$178,900 of construction work undertaken.

Hill PDA has been advised the construction costs associated with the proposed development are in the order of \$111.93m over a 3 year construction period. Based on this assumption, the proposed development will generate 626 job years directly in construction related activities, equivalent to 209 jobs per annum.



**Multiplier Impacts from Construction**

The construction industry is a significant component of the economy. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

*Production induced* made up of:

- First round effect: which is all outputs and employment required to produce the inputs for construction; and
- An industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect.

*Consumption induced*: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment

The source of the multipliers adopted in this report is ABS and Australian National Accounts: Input-Output Tables 1996-97 (ABS Catalogue 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.466, \$0.438 and \$0.962 respectively to every dollar of construction.

**Table 1 - Construction Multiplier Effect**

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.33	0.45	2.33	4.11
Employment No. per \$million	5.59	1.84	2.52	13.02	22.97
<b>Total job years created</b>	<b>626</b>	<b>206</b>	<b>282</b>	<b>1,458</b>	<b>2,572</b>

\* Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0). Shows 9 construction industry jobs directly created for every \$1 million of construction output. This equates to 1 employee for every \$111,111 of construction.

Therefore, based on a construction cost of \$111.93m, during construction the proposed development as a whole will generate 2,572 job years in the economy, equivalent to 858 jobs per annum.

Furthermore, a construction cost of \$111.93m will generate \$101m of activity in production induced effects and \$108m in consumption induced effects. Total economic activity generated by the construction of the proposed development is therefore approximately \$321m.

**Table 2 – Contribution to the Economy**

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.466	0.438	0.962	2.866
Output (\$million)	\$111.93	\$52	\$49	\$108	\$321

Data Sources: Australian National Accounts: Input-Output Tables 1996-97 (5209.0), Price Index of the Output of the Building Industry - Producer Price Indexes (6427.0), CPI All Groups - RBA Bulletin (Table G2)

Note that the multiplier effects are national, and not necessarily local. The ABS notes that “Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts

*in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”*

**Operations Generated Employment**

The operation of the facility upon completion will also generate employment. As a result, the proposed development will employ around 25 full time and part time jobs. The table below indicates the number of jobs per land use type proposed.

**Table 3 – Jobs on Site Post Construction**

Land Use	Area (GFA)	No. Jobs
General Retail (Café)	200sqm	8
Serviced Apartments	38 rooms	17
<b>Total</b>		<b>25 jobs<sup>1</sup></b>

This calculation is based on the following assumptions:

- 1 job per 25sqm (GFA)<sup>2</sup> of specialty/general retail space.
- 300sqm café (200sqm internal plus 100sqm external).
- 0.44 jobs to 1 room in a serviced apartment building<sup>3</sup>.

**In Summary**

- The project will contribute around \$111.93m in construction to the economy.
- This is equivalent to 626 job years (or 209 jobs per annum) directly in construction related activities.
- The construction industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.
- Based on national benchmarks<sup>4</sup>, a construction cost of \$111.93m will generate \$101m of activity in production induced effects and \$108m in consumption induced effects.
- Total economic activity generated by the construction of the proposed development is therefore approximately \$321m.
- During construction the development as a whole will generate 2,572 job years in the economy (direct and multiplier impacts), equivalent to 858 jobs per annum.
- The project will provide at least 25 full time and part time jobs on site post construction.

1 EFT = Effective full time equivalent jobs

2 Source: ABS Retail Industry 1998-99 Cat. 8622.0

3 Source: ABS Cat: 8635155001DO001\_200906 Tourist Accommodation, Small Area Data, NSW, Jun 2009. Note average of 0.44 employees to 1 room in a 4 star facility in Sydney.

4 Data Sources: Australian National Accounts: Input-Output Tables 1996-97 (5209.0), Price Index of the Output of the Building Industry - Producer Price Indexes (6427.0), CPI All Groups - RBA Bulletin (Table G2). Note that the multiplier effects are national, and not necessarily local. The ABS notes that *“Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”*

Should you require any further information or explanation please don't hesitate to contact us.

Regards,



Victoria Tompsett

**Principal, Hill PDA**

## DEFINITIONS

**Multipliers** - Additional activity (measured in dollars) and employment (jobs) in other industries resulting from increased production in a particular type of industry.

**Initial Effects** - The initial requirement for an extra dollar's worth of output of a given industry.

**Production Induced Multiplier** - All the outputs and employment required by other industries to produce the inputs for the subject industry.

**Consumption induced Multiplier** - The demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

**Job Year** - Refers to one full time job over one year.