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## 2021 OPERATING BUDGET BRIEFING NOTE

### Potential Impact of Reduced City Capital Budget on Employment

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#### Issue/Background:

- This briefing note addresses the request from the City's Budget Committee to provide information on the potential economic impact of deferring \$856 million in capital spending, including but not limited to, impact on direct and indirect jobs.

#### Potential Economic Impact of an \$856M Reduction in City Capital Investment in 2021

- The Economic Development and Culture Division has not commissioned an independent study into the potential economic impact of a change in the City's capital spending plan on job growth in the Toronto economy.
- A review of several recent studies is illustrative. The range of estimates are relatively large and open to debate. Among other factors, these differences can be attributed to differences in model design, program asset mix, duration, and total spending. As such, they should be interpreted as broad guidelines.
- A 2017 survey by the Centre for Spatial Economics commissioned by the Ontario Government estimated that a \$1 million increase in public infrastructure spending (non-residential building construction, engineering construction, and capital outlays on machinery & equipment) generates between 4.7 and 13.5 person-years of employment in the short-run (primarily construction) phase. That is, between 4.7 and 13.5 jobs created for one year, with a mid-range estimate of roughly 9 jobs per \$1 million expenditure. A reduction in capital expenditures can be assumed to have a similar opposite impact.
- While not strictly comparable, a 2019 analysis by Altus Group estimated that a \$1 million rise in new residential construction across the GTA directly creates 4.5 person-years of employment. Adding in the indirect impact on local goods and services suppliers and the induced impact from increases in incomes and personal consumption generates an overall jobs multiplier of 9.2 person-years of employment. As such, it can be reasonably assumed that a reduction in City capital spending of \$856 million could result in 4,000 to 11,500 person-year job losses, or a mid-range of around 7,500 jobs lost for one year.

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