

ECONOMIC IMPACT OF NEWSPAPERS IN MAINE

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This study shows the following:

- ⇒ Maine's newspapers generated an estimated \$98 million in revenue in 2017 and they provided 1,226 full- and part-time jobs, with an annual payroll of \$43 million.
- ⇒ Maine's newspaper industry has a total economic impact—including multiplier effects and impacts related to capital expenditures—of an estimated \$184 million in output (i.e., sales revenue), 1,847 full- and part-time jobs, and \$69 million in labor income (i.e., payroll).
- ⇒ The \$184 million in overall economic activity includes \$100 million in revenue directly associated with Maine newspapers, and an additional \$84 million in economic activity across other sectors of the Maine economy.
- ⇒ Along with the sector's large impact on output, employment and labor income, the economic activity associated with Maine's newspapers generates an estimated \$6.6 million in state and local taxes.
- ⇒ In terms of employment, the Maine newspaper industry is similar in size to the state's pharmaceutical manufacturing, data processing, semiconductor manufacturing, and footwear manufacturing sectors; and the Maine newspaper industry ranks 88 out of 484 sectors in terms of total employment.

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1. INTRODUCTION

Newspapers are fundamental to today's society and economy. First and foremost, newspapers report, investigate and disseminate information and commentary about local, state, national and international events. For many of these events, newspapers are the only permanent repository of information and records that are available to the public, including the actions of elected and appointed officials in the creation of laws, regulations and the use of taxpayer money. Newspapers also provide an outlet and venue for open discourse about issues facing the nation, our communities and our lives.

Beyond their key role in reporting and disseminating the news, newspapers are also tightly integrated into the local economies of the areas they serve. For example, the classified advertisements printed in most newspapers are used by Maine businesses to hire workers and sell goods and services to their customers. Newspapers consistently provide current information to local residents and visitors about the dates and locations of artistic and cultural events—important to many tourism-dependent communities in Maine. Furthermore, newspapers often partner with local governments and other organizations to sponsor community celebrations such as fireworks displays and festivals, and many newspapers donate funds and advertising space to local causes and charities.

In addition to these functions provided by Maine's newspapers, they also have a sizable impact on the local and state economies through the revenue they generate, the jobs they provide,

and the purchases they make from other businesses. According to the U.S. Census Bureau (*County Business Patterns* data), Maine's newspaper publishers employed 1,268 people in 2016.² These jobs are spread across the entire state, with, for example, 421, 171, 85 and 67 people employed by newspaper publishers in Cumberland, Penobscot, York and Lincoln Counties, respectively.

The purpose of this study is to estimate the statewide economic impact of newspapers in Maine.³ Economic impact is defined as the output (i.e., sales revenue), employment and labor income (i.e., payroll) associated with Maine's newspapers, as well as the multiplier effects from the spending by these business (indirect impacts) and their employees (induced impacts). The analysis is based on primary data collected from a survey of Maine's newspapers conducted in April of 2018, and industry statistics from the U.S. Census Bureau and the Maine Department of Labor.

2. DATA AND ANALYSIS

Information from the Maine Department of Labor (see footnote 2) shows that Maine's newspapers employed 1,226 workers in 2017, and had an annual payroll of \$42.8 million. In the economic impact analysis that follows, these values are part of the "direct" employment and labor income that are associated with the Maine newspaper industry. The direct output (i.e., sales revenue) of Maine's newspapers and the impacts related to their capital expenditures are estimated using data collected from a survey of newspapers in Maine.

² Figures from the Maine Department of Labor (Center for Workforce Research and Information—*Quarterly and Annual Industry Employment and Wages*) show newspaper industry employment of 1,298 workers in 2016, and 1,226 workers in 2017.

³ This project is an update of a 2011 study, "The Economic & Fiscal Impact on Maine of the State's Newspaper Industry," conducted by Planning Decisions, Inc.

Mail surveys were sent to the publishers of all 42 newspapers in Maine, and 34 questionnaires were returned with responses to all of the questions.⁴ This translates to an 81 percent response rate, which is very high for a business survey. Of the surveys that were completed, 12 percent of the newspapers identified themselves as “daily” papers and the other 88 percent are operations that publish with less frequency. The 34 newspapers that responded to the survey reported a combined employment (full- and part-time jobs) of 1,031 workers as of January 1, 2018. The survey respondents collectively account for 84 percent of total industry employment (i.e., 1,031 divided by 1,226 is equal to 0.84), which is similar to the survey response rate of 81 percent. This means that a factor of 1.19 (i.e., 1.0 divided by 0.84 is equal to 1.19) will be used to adjust totals from the surveys to estimate amounts for the Maine newspaper industry as a whole.

Figure 1 shows the distribution of annual revenue generated by Maine’s newspapers in 2017, based on information collected from the survey.⁵ About 1 out of 10 papers reported annual revenues of less than \$100,000, while about one-quarter of newspapers generated \$1 million or more in total revenue in 2017. The category with the highest percentage frequency in Figure 1, with between \$250,000 and \$1 million in annual revenue, describes about 40 percent of Maine’s newspapers.

Although the surveys used categorical questions to collect information from the newspapers, the option selected (e.g., \$50,000 to \$99,999 in annual revenue) can be converted to

⁴ The Maine Press Association sent the surveys to newspapers in Maine along with a pre-addressed and postage-paid envelope. The surveys were returned directly to Gabe.

⁵ Many of the “bars” shown in Figures 1 to 3 combine multiple categories from the survey. For example, the annual revenue categories of \$1 million to \$2.5 million and \$2.5 million to \$5 million, included on the survey, are combined into a single “bar” (in Figure 1) of \$1 million to \$5 million. All of the bars shown in the figures represent at least three newspapers. This is done to protect the confidentiality of individual respondents. For the purposes of calculating the average and median values, we used the midpoint of the exact category indicated on the survey.

a numerical value by using the midpoint of the range (e.g., the midpoint of \$50,000 to \$99,999 is \$74,999.50). Based on the midpoints of the annual revenue categories indicated by the survey respondents, we estimate that Maine newspapers generated an average of \$2.4 million in total revenue in 2017. A comparison of this average value to the median annual revenue of \$375,000 suggests that the distribution of annual revenue is highly skewed—that is, a few large newspapers “pull up” the average revenue of the entire industry. The combined annual revenue of the survey respondents depicted in Figure 1 is \$82.7 million. After applying the adjustment factor of 1.19 needed to convert the survey totals to an aggregate amount for the industry as a whole, we estimate that Maine’s newspaper industry generated \$98 million in 2017.

Figure 2 shows the distribution of employment in Maine newspapers as of January 1, 2018. These figures are based on a “headcount” of workers and include full- and part-time employees.⁶ Seventy percent of the Maine newspapers in our sample employ fewer than ten people, while the other 30 percent have ten or more employees. A comparison of the sample average of 30 employees to the median of six workers suggests that the distribution of employment in Maine newspapers—similar to what we found for annual revenue—is highly skewed. That is, a few large newspapers “pull up” the average employment for the sector as a whole.

⁶ The survey asked for a “headcount” of employees because the economic impact model used in this study—as well as the industry employment figures from the Maine Department of Labor and the U.S. Census Bureau—is based on counts of full- and part-time workers.

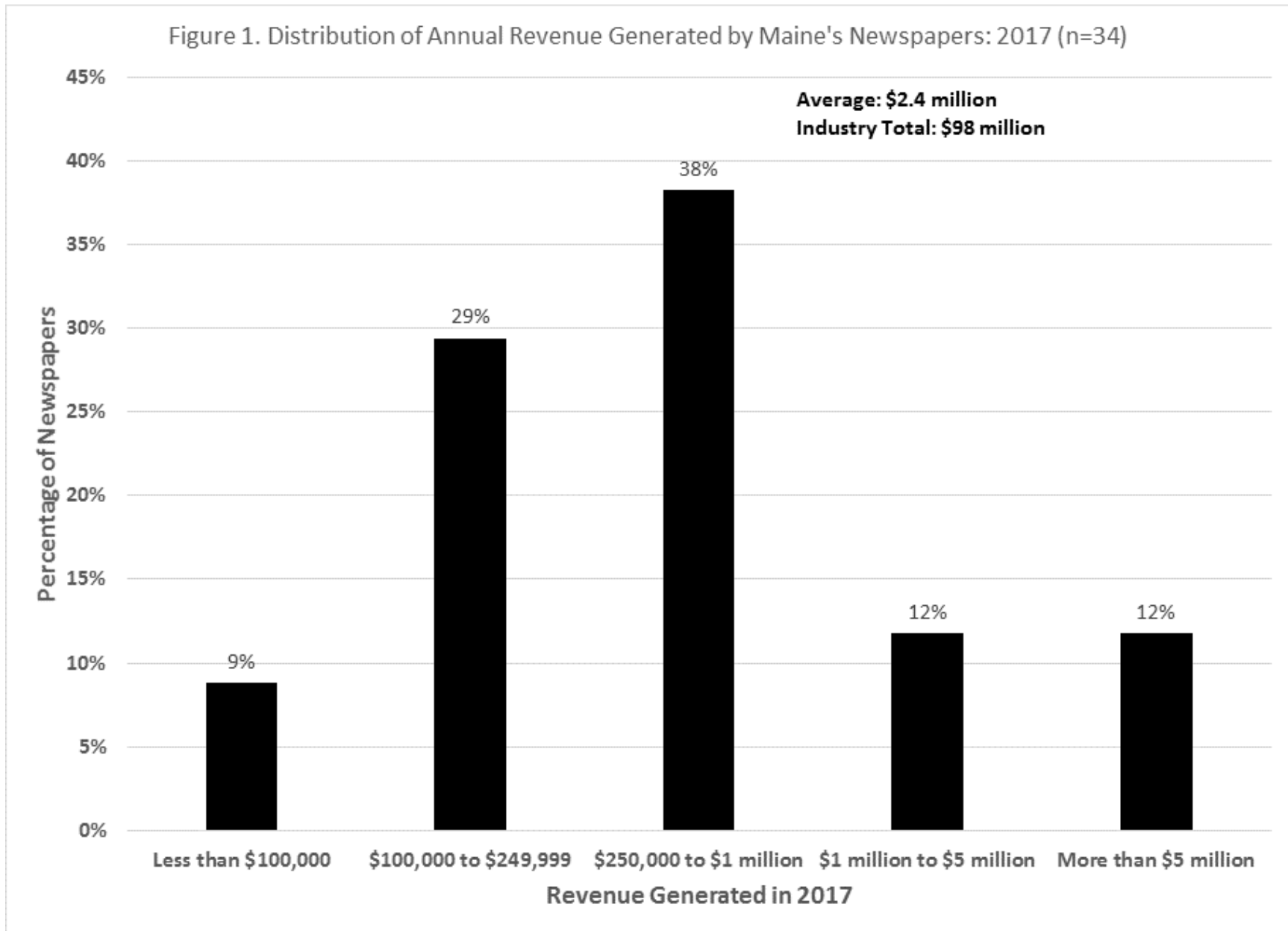


Figure 2. Distribution of Employment in Maine Newspapers: Jan 1, 2018 (n=34)

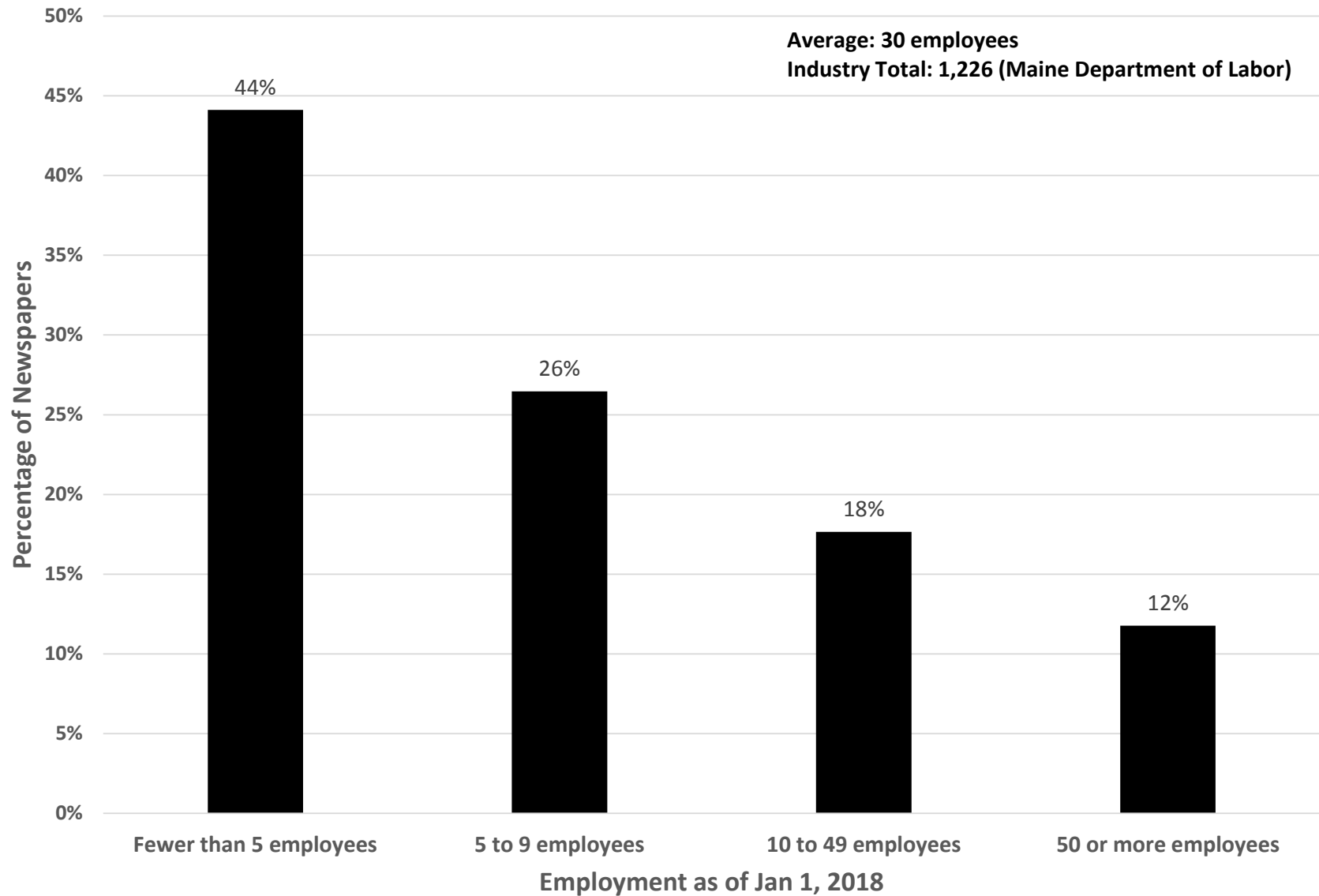
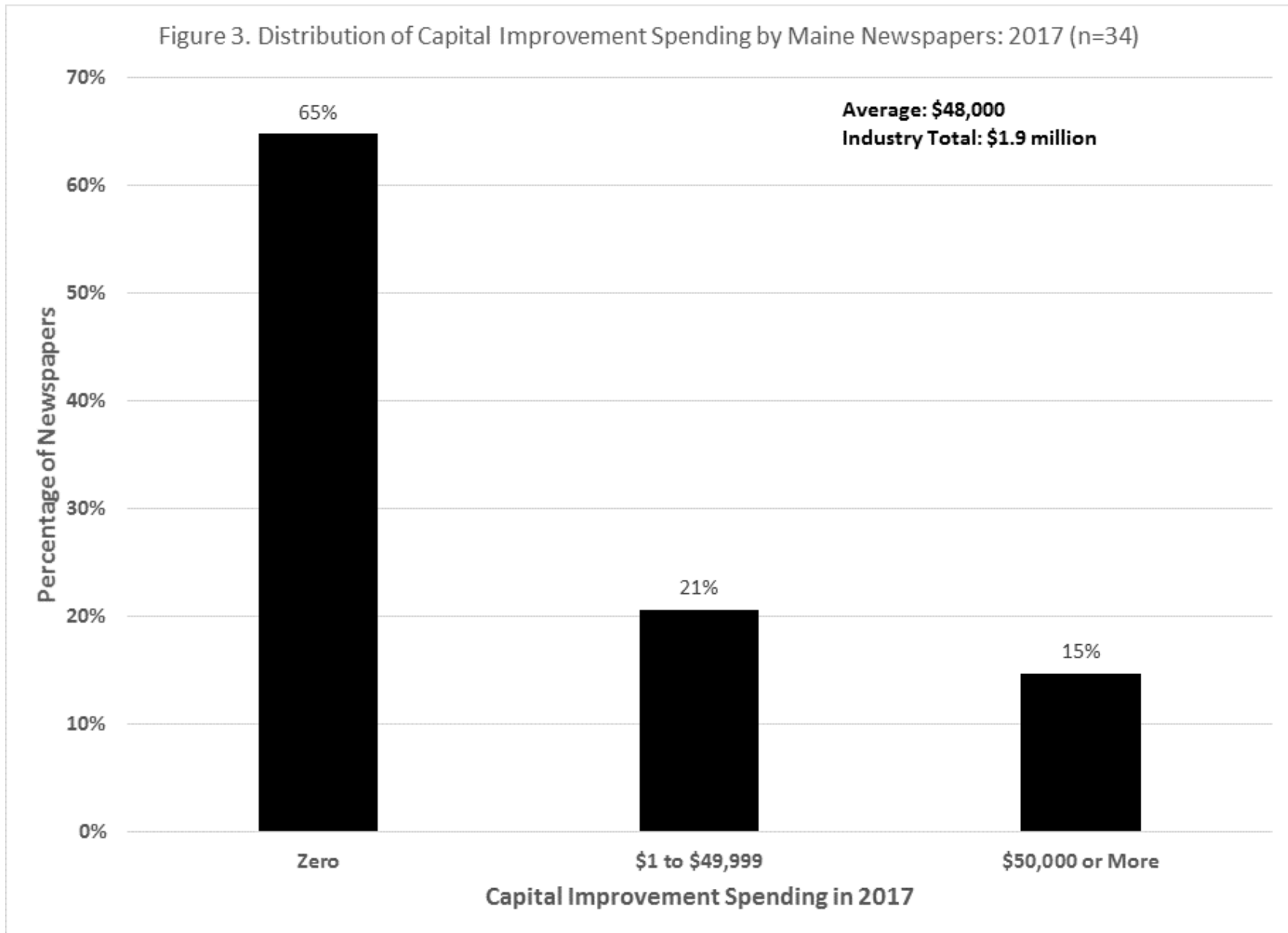


Figure 3 shows the distribution of capital improvement spending by Maine newspapers in 2017. These expenditures cover investments made by newspapers in facilities and equipment. Almost two-thirds of the survey respondents reported zero capital expenditures in 2017, while 15 percent invested \$50,000 or more in capital improvements. The average capital improvement expenditure of \$48,000 (compared to a median of “zero capital expenditures”) is heavily influenced by a relatively small percentage of newspapers that made capital investments in 2017. The combined capital investments of the survey respondents depicted in Figure 3 is \$1.6 million. After applying the adjustment factor of 1.19 needed to convert the survey totals to an aggregate amount for the industry as a whole, we estimate that Maine’s newspaper industry spent \$1.9 million on capital investments in 2017.

Table 1 presents information on the economic impact of Maine’s newspapers in 2017. The direct output of \$100 million is a combination of the estimated \$98 million in revenue generated by Maine’s newspapers and the estimated \$1.9 million in economic activity from the capital improvements made by newspapers in Maine. The direct employment of 1,243 is a combination of the 1,226 full- and part-time workers in Maine newspapers—based on information from the Maine Department of Labor—and an estimated 17 additional in-state jobs supported by the capital expenditures of Maine’s newspapers.⁷ The direct labor income of about \$44 million is a combination of the \$42.8 million in payroll provided by Maine’s newspapers—based on information from the Maine Department of Labor—and less than \$1 million in payroll associated with the capital improvement spending.

⁷ To estimate the economic impacts, the capital expenditures are split evenly into spending on new construction and renovations of existing facilities.



The multiplier effects shown in Table 1 are the additional output, employment and labor income (i.e., wages and salaries) in the state that are supported by the purchases by businesses (indirect impacts) and workers (induced impacts) that are connected to Maine’s newspaper sector. The IMPLAN model, which is used to estimate the multiplier effects, is an input-output framework that traces the flows of expenditures and income through the economy with a complex system of accounts that are uniquely tailored to the region. Underlying these accounts is information regarding transactions occurring among Maine businesses, the spending patterns of households, and transactions occurring between Maine business and households and the rest of the world. Some of the data sources used to calibrate the IMPLAN model include County Business Patterns of the U.S. Census Bureau, Regional Economic Information System (REIS) data and input-output accounts from the U.S. Bureau of Economic Analysis, and ES-202 statistics from the U.S. Bureau of Labor Statistics.

Table 1. Economic Impact of Maine’s Newspaper Industry: 2017

	Direct Impact	Multiplier Effects	Total Impact
Output	\$100,333,397	\$83,659,862	\$183,993,259
Employment	1,243	604	1,847
Labor Income	\$43,587,265	\$25,561,672	\$69,148,937
	<u>Total Impact</u>		
State and Local Tax Impact	\$6,569,742		

Notes: Direct employment and labor income figures are from the Maine Department of Labor. The direct output, multiplier effects, and state and local tax impact are estimated using data from a survey of Maine newspapers and the Maine IMPLAN model.

Overall, the Maine newspaper industry generates an annual economic impact—including multiplier effects—of an estimated \$184 million in output (i.e., sales revenue), 1,847 full- and part-time jobs, and \$69 million in labor income (i.e., payroll). Industry multipliers are found by dividing the total economic activity by the direct impact. For example, the newspaper industry has an output multiplier of about 1.84 (i.e., \$184 million divided by \$100 million), which suggests that \$1.00 in revenue directly associated with Maine’s newspapers generates a total of \$1.84 in overall statewide economic activity. This \$1.84 in overall economic activity includes the \$1.00 in revenue directly associated with Maine newspapers and an additional \$0.84 in economic activity across other sectors of the Maine economy. The employment and labor income multipliers are 1.49 and 1.59, respectively.

In addition to calculating the multiplier effects associated with the Maine newspaper industry, the IMPLAN economic impact model also provides an estimate of the sector’s annual state and local tax impact. The state and local taxes that are generated by the newspaper industry’s total impact—that is, \$184 million in output and \$69 million in labor income—are an estimated \$6.6 million.

3. SUMMARY AND COMPARISONS

To put the impact of Maine’s newspapers into perspective, we can compare the direct employment in the sector to similar figures for other Maine industries. Figure 4 shows the total number of workers employed by newspapers in Maine—using the U.S. Census Bureau 2016 figure of 1,268 full- and part-time workers in the “newspaper publishers” sector—as compared to employment in 13 other industries. The Census dataset used for these comparisons has

employment information on 484 industrial sectors, and the newspaper publishers sector ranks 88 out of 484 in terms of total employment. As seen in the figure, the newspaper publishers sector in Maine has a total employment that is similar to the numbers of people employed in the pharmaceutical manufacturing, data processing, semiconductor manufacturing, and footwear manufacturing sectors.

The purpose of this study was to estimate the economic impact of the Maine newspaper sector. The analysis is based on information collected from a mail survey of newspapers in Maine, as well as secondary industry data from the Maine Department of Labor and the U.S. Census Bureau. The total annual statewide economic impact of Maine newspapers—including multiplier effects—is an estimated \$184 million in output, 1,847 full- and part-time jobs, and \$69 million in labor income. This total economic impact also generates an estimated \$6.6 million in state and local taxes.

Figure 4. Newspaper Employment Compared to Other Maine Industries: 2016

