

# Local Multipliers and Agglomeration Economies

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## Abstract

This paper examines in which type of industries a new job creates how many additional jobs mainly through increased demand for local goods and services. In particular, I pay attention to agglomeration economies and tradable service sectors. I found that ten percent increase in the number of jobs in high concentrated and less population size-related industries in a given commuting zone is associated with a 2 percent increase in employment in the same commuting zone. This local multiplier increases recent years. The concentration is not a sufficient condition for a large local multiplier. Industries concentrating in the large cities, including tradable service sectors, indicate small multiplier effects from the late 1990's to the early 2000's in Japan. Moreover, innovation sectors such as information technology services, video picture information production and distribution (including animation), drugs and medicines and among others do not have a large local multiplier effect from the late 1980's to the early 2000's in Japan.

Keywords: local multipliers; labor demand; agglomeration economies; tradable service sectors

JEL Codes: J23, R11, R12, R23

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