

Facebook may be economic, jobs driver

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A view of an Apple iPhone displaying the Facebook app's splash screen on May 10.

Out of thin air, Facebook is evolving into a global driver of jobs and economic growth.

But how big is the impact? That's a matter of much debate.

The [social networking](#) giant set to launch a massive public offering this week has spawned dozens of startups and thousands of apps that aim to get access to Facebook's 900 million users.

Some studies suggest [Facebook](#), which makes no tangible products and has only begun to use its potential as a marketing and advertising platform, is driving [economic activity](#).

A University of Maryland study released last year concluded the "Facebook App Economy" added at least 182,000 [new jobs](#) and contributed more than \$12.19 billion in wages and benefits to the US economy last year.

Study authors Il-Horn Hann and Siva Viswanathan told AFP the impact would probably be greater now, since Facebook has added 150 million members since last year.

While Facebook itself employs some 3,500 people, it has integrated with more than 2.5 million websites, and people on Facebook install 20 million apps every day such as games like Farmville and music apps like Spotify, the study showed

It has spawned firms like Zynga, the game maker which employs nearly 3,000 and launched its own IPO last year, and has led to a new industry of consultants who find ways to use the platform.

Facebook thus creates jobs among app developers, and the spending from employees at both app developers and their suppliers leads to more jobs, with the so-called "multiplier" effect.

Other startups riding Facebook's coattails include Wildfire Interactive, which helps advertisers use the platform; RootMusic, which helps recording artists create [fan pages](#); the travel service Gogobot; the e-commerce group Payment; and Rotten Tomatoes, where fans discuss movies.

The Maryland study, which was funded by Facebook but whose conclusions were reached independently, found the Facebook "ecosystem" supports at least 18 times more jobs in the United States than Facebook itself.

A separate Deloitte LLP report prepared for Facebook in January concluded that the company has a broad impact in Europe.

The report said revenues "enabled" by Facebook in Europe amount to 32 billion euros (\$41.5 billion), which "converts to an economic impact of 15.3 billion euros (\$20 billion) and supports 232,000 jobs."



A Foodspotting representative demonstrates the company's app for Facebook in January 2012. Facebook creates jobs among app developers, and the spending from employees at both app developers and their suppliers leads to more jobs, with the so-called "multiplier" effect.

Economist Joel Naroff of Naroff Economic Advisors said Facebook can only add value to the economy if it creates new efficiencies.

"There is only so much money, so if Facebook is getting the money,

someone else is not getting the money," Naroff said.

Though Facebook and other social media groups are making money and hiring people, "a lot of newspapers are going under or they are laying off people."

"Facebook is an advertising company," says Naroff, who argues that social media "are replacing the printed media and to some extent television and radio."

Hann said the Maryland study intended to determine the number of net jobs gained but that it is hard to prove these don't take away jobs from another sector or firm.

"We feel very confident there are a lot of jobs being created and they are new, but this is something that is always being argued about," he told AFP.

Viswanathan said Facebook does lead to economic efficiencies by transmitting information and advertising in a better way. But he said by providing a so-called "platform," companies like Google and Facebook also allow other firms to create value.

"They don't have to do all the innovations themselves, but they provide a platform for millions of apps which create innovations," he said.

Nariman Behravesh, chief economist at IHS, said there is likely a net [jobs](#) gain from Facebook "but the gains aren't huge."

"A lot of the Facebook activity almost by definition is noneconomic -- it's families keeping in touch, people keeping track of their high school buddies. We can't put a market price on it."

Behraves said it is harder to calculate an economic value to Facebook than Apple, for example, which manufactures products, operates retail shops and delivers apps and other programs than can improve productivity.

"I think the reason the IPO is valued so high that you have such a huge audience and you can market to them, and you can slice and dice and market to them," he said.

Carey Leahey, economist at Decision Economics, said Facebook's value comes from what is being perceived as an innovation for marketing.

"You can't call it labor, you can't call it capital, but if it creates a way for firms to interact more directly with their customer base, it's intangible but it's an improvement," Leahey said.

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