

Econometer

A Newsletter of Economic Indicators in Southwest Colorado
 from the Fort Lewis College School of Business Administration
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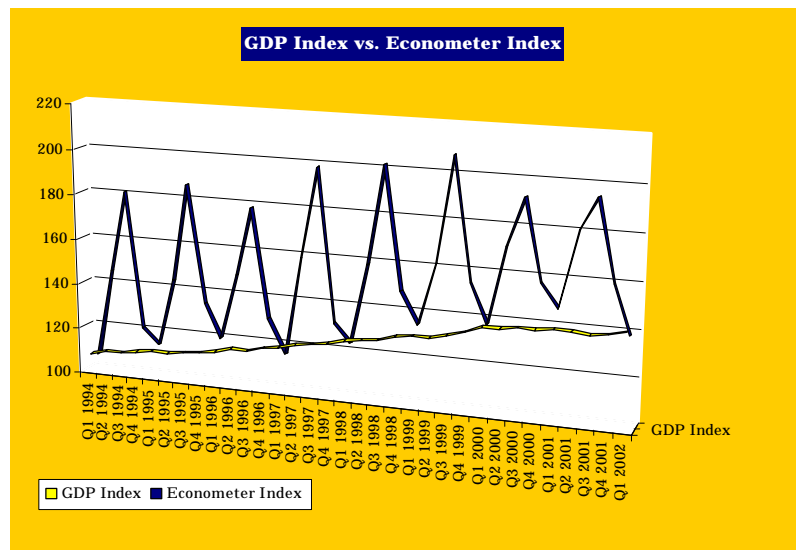
LOCAL ECONOMY SLOW DURING FIRST QUARTER

The La Plata County economy turned in a mixed performance during the first quarter of 2002, with declining sectors out-weighting improving sectors. The Econometer Index, which includes several sectors of the local economy, declined by 6.1 percent as compared to the first quarter of the previous year. Contributing significantly to the decline in the Index were low energy prices and reduced production and transmission of natural gas.

The national economy appeared to be in recovery from recession during the first quarter of 2002. The revised estimate of first quarter real Gross Domestic Product (GDP) showed the national economy growing at an annual rate of 6.1 percent. Although the growth rate was strong, economists were concerned that business spending had not yet begun to increase. The unemployment rate of the labor force was 5.7 percent in March. Consumer prices increased by only 1.5 percent during the year ending in March, 2002. Interest rates in the nation's credit markets remained relatively low, providing favorable conditions for an economic recovery.

The Colorado economy began to show signs of stabilization during the first quarter of 2002. The unemployment rate of the state's labor force was 5.6 percent in March. Non-farm employment in the state was down 1.9 percent during the first quarter of 2002 as compared to the first quarter of 2001. Low snowpack levels had an adverse effect on Colorado ski resorts and also on the many local businesses around the state which provide goods and services to winter visitors. A bright spot in the state economy was residential real estate which is benefitting from low mortgage interest rates. The [Colorado Economic Chronicle](#) of the Colorado Legislative Council gave the state economy an overall rating of "bad" during the first quarter of 2002.

The graph which compares the Econometer Index of the local economy with the GDP of the United States shows the seasonal change of the local economy from the fourth quarter of 2001 to the first quarter of 2002. The annual change in the local economy may be seen by comparing the graph for the first quarter of 2002 to the graph for the first quarter of 2001. The graph of the GDP Index shows the strong upturn in the national economy during the first quarter of 2002. Both the Econometer Index and the GDP Index are based on 1990, with an average value of 100 for that year.



On an annual, or year-to-year basis, the various sectors of the local economy were mixed during the first quarter of 2002. Sectors which were improved on an annual basis included residential real estate, bank deposits, college enrollment, hay prices, and population. Retail sales increased very slightly on an inflation-adjusted basis. Sectors which declined on an annual basis included energy prices, industrial activity, calf prices, tourism, construction, and employment.

The La Plata County economy is highly seasonal, so that some sectors of the local economy vary significantly during the course of the year. Sectors of the local economy which expanded from the fourth quarter of 2001 to the first quarter of 2002 included residential real estate prices, calf prices, and hay prices. Population also increased very slightly. Decreasing from quarter to quarter were industrial activity, tourism, retail sales, construction, college enrollment, employment, energy prices, and bank deposits.

Economic Indicators

Tourism

Tourism indicators declined from the fourth quarter of 2001 to the first quarter of 2002. On a year-to-year basis tourism indicators declined by more than eleven percent. The overall annual decline is probably associated with the weak state economy and problems affecting tourism at the national level, as well as below-average snowfall in southwest Colorado during the early part of 2002. An exception to the annual decline in tourism indicators was ridership on the Durango & Silverton Narrow Gauge Railroad, which saw a year to year increase of 9.6 % during the first quarter of 2002.

Retailing

Retail sales after adjustment for inflation, declined seasonally by thirteen percent but increased by almost one percent from the first quarter of 2001 to the first quarter of 2002.

Employment

Employment in La Plata County is estimated by the Colorado Department of Labor and Employment. These estimates are subject to significant revisions. According to state estimates, employment in La Plata County decreased by 3.0 percent from quarter to quarter and also decreased by 2.7 percent from year to year. The unemployment rate of the La Plata County labor force was estimated to be 4.6 percent in March, 2002.

Agriculture

Calf prices increased seasonally by 6.7 percent from the fourth quarter of 2001 to the first quarter of 2002, but fell by 14.4 percent year over year. In contrast, alfalfa hay

Tourism Indicators First Quarter 2002		
Indicator	Number	Percentage Change from Previous Year
Mesa Verde	26,068	-9.7%
Durango & Silverton Narrow Gauge Railroad	9,851	9.6%
Durango-La Plata County Airport	27,313	-15.7%
Durango Mountain Resort (2001-2002 Ski Season)	250,500	-21.7%

prices increased by 1.1 percent on a seasonal basis and also increased by 1.7 percent on an annual basis.

Industrial Activity

Industrial kilowatt-hours used decreased by 23.5 percent on a seasonal basis and also decreased by 17.4 percent on an annual basis. Most industrial use of electricity in La Plata County is to compress natural gas for transmission through gas pipelines.

Population

The number of residential electric meters increased by 0.5 percent from the fourth quarter of 2001 to the first quarter of 2002, and also increased by 2.9 percent on an annual basis. The annual increase in the number of residential electric meters suggests that the population of La Plata County is continuing to grow.

Finance

After adjustment for inflation, bank deposits in La Plata County declined by 1.2 percent on a seasonal basis but increased by 7.6 percent on an annual basis. Bank deposits are an important indicator of the economic health of a community as well as an indicator of the ability of local banks to make loans.

Fort Lewis College

Enrollment at Fort Lewis College showed a normal seasonal decline from the Fall trimester to the

Winter trimester. On a year-to-year basis, enrollment increased by 4.3 percent. Several studies have shown that the college is responsible for about ten percent of the economic activity in La Plata County.

Construction

Construction activity declined seasonally during the first quarter of 2002, by 12.9 percent. Construction also declined by 9.6 percent on an annual basis.

Energy Prices

The federal government's energy price index declined by 2.9 percent from the fourth quarter of 2001 to the first quarter of 2002. Also, energy prices fell by 50.2 percent from the first quarter of 2001 to the first quarter of 2002.

Energy prices are important to La Plata County because the county is a major producer of natural gas. Rents and royalties, as well as property tax revenues associated with natural gas production, are very important to the local economy.

Real Estate

The median price of residential real estate in La Plata County, after adjustment for inflation, increased by 10.4 percent from quarter to quarter and also increased by 30.7 percent from year to year. The sharp annual increase is probably associated with strong housing demand.



The Econometer is a newsletter on economic indicators of Southwest Colorado published by the Office of Economic Analysis and Business Research in the Fort Lewis College School of Business Administration. For information, contact:

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How Do You Recognize And Reward A "Valuable" Employee?

By Barbara Martin
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Do you consider yourself a valuable employee? If your answer is yes, how do you know this? What about your colleagues? Are they valuable, as well? Do you measure value in the same way your office partner, manager, or competitor does? Are you rewarded for the value you add to your organization? If so, do the rewards satisfy your needs and motivate you to continue or even increase your work effort?

The following three characteristics might describe the valuable employee:

1. aptitude for the job;
2. motivation to perform in the job; and
3. optimism about succeeding at the job.

All three of these attributes are interwoven and should be present in order to achieve a truly successful employment experience. An employee may be exceptionally talented and highly motivated when he comes to the job; however, if he is not wholly optimistic about succeeding in the position, he may not retain the perseverance he needs to work through challenges and failures that may arise.

Aptitude

Every job, no matter what the level, demands some combination of the following skill types:

- ~Technical Skills
- ~Interpersonal Skills
- ~Conceptual Skills

At each level in an organization, the nature of these types of skills and emphasis placed on them can change dramatically. The degree to which this combination is present comprises the expertise necessary to perform in a quality capacity. The technical skills for which a person is initially hired (the ability to perform particular duties) can become secondary if that same person moves into a supervisory

position later on. On the supervisory level, *managerial* technical skills such as advanced math functions and recordkeeping may be given more merit. A non-supervisor generally uses interpersonal skills that are based on one-to-one relationships. In a managerial position, however, communication and interaction on one-to-group and group-to-group bases are of greater worth. In addition, a non-supervisory employee is responsible for his individual performance, while the supervisor is accountable for a group. Conceptual skills differ between employee and supervisory functions, as well. The employee thinks about his job in terms of those immediately related to it. The supervisor must think about the entire organizational process and how his group's functions relate to the whole.

Motivation

The drive to satisfy needs constitutes the motivation behind all purposeful human behavior, helping to explain why we work, why we have certain personal goals and what we want in our relationships with others. Experts describe five motivational levels.

Physical Needs - concerned more with individual economic and physical needs than with the job per se. The nature of the work itself is relatively unimportant.

Security Needs - feels the need for security and predictability in life. The individual wants assurance that the job responsibilities will remain constant and secure.

Affiliation Needs – interested in being an accepted member of the work group or organization. A sense of belonging and the giving and receiving of support are important incentives.

Social Esteem Needs – needs recognition. Respect of others for special traits or competencies is the basis for a sense of self-worth.

Self-Fulfillment Needs –

concerned with the opportunity to express personal values and experience growth. More creative and constructive energy is channeled into the work activity than would be if motivated solely by any of the other four motivational levels.

Optimism

It could be argued that there are essentially two ways of looking at life, as a pessimist or as an optimist. The pessimist tends to believe bad events will last a long time, will undermine everything he does, and are his fault. An optimist thinks about misfortune in another way. He tends to believe defeat is just a temporary setback and that its causes are confined to the situation at hand. The optimist believes defeat is not his fault – circumstances, bad luck, or other people brought it about. Optimists are unfazed by upset and, when confronted with a bad situation, will perceive it as a challenge and try harder.

These two habits of thinking have consequences. Studies show that a pessimist gives up more easily and gets depressed more often. If an employee is often reacted to in a negative manner in his interactions with others, he is most likely exhibiting pessimistic traits. On the other hand, experiments show an optimist will exceed predictions on aptitude tests and do better at work. He often enjoys better health and lives longer than a pessimist.

An organization needs both optimists and pessimists. Optimists have the capacity to act on the hope that reality will turn out better than it usually does. This attitude within the workplace can result in courageous and creative behavior that may contribute to a prosperous work environment.

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ECONOMIC
News
YOU CAN USE

How Do You Recognize And Reward A “Valuable” Employee?

Yet organizations also need pessimists, employees who have an accurate knowledge of present realities. Pessimists make sure that grim reality continually intrudes upon the optimists and prevents foolhardy behaviors that can detract from organizational success.

Rewards

Some reward activities are easy to identify, while others go unrecognized and may not even be used at all. An organizational reward is anything that an organization can offer to an employee that the employee values and that assists in directing that employee's behavior toward the attainment of organizational objectives and goals. Rewards can range from a heartfelt “thank you” to a \$5,000 bonus for a contribution that went beyond the call of duty. An organization has a multitude of ways to offer rewards to an employee. Recognizing what these reward opportunities are and how they are acquired becomes part of a well-designed and skillfully operated reward system.

Since rewards come in many kinds and shapes, and since their worth or value is determined by the individual employee, it is valuable to recognize how different kinds of rewards can be used to satisfy individual demands. Rewards can be grouped within two major classifications – *compensation* and *non-compensation*.

Examples of *compensation* rewards are:

- ~current spendable income
- ~pay for time not worked
- ~disability income continuation
- ~unemployment insurance
- ~health, accident and liability protection
- ~income equivalent payments (“perks”)

Regardless of which of the above *compensation* rewards are available, they must serve to influence employee behavior in a positive manner.

The *non-compensation* reward system includes the following dimensions:

enhanced physiological and emotional well-being
 constructive social relationships with co-workers
 jobs that require attention and effort
 sufficient resources to perform assignments
 adequate control over the job to meet personal demands
 supportive leadership and management

Non-compensation rewards include an almost unlimited number of components that relate to the work situation and to the well-being of the worker.

A reward system that stimulates employee performance is an important goal of job design. Enhancement of employee self-satisfaction, self-respect and self-esteem

through relevant recognition are central to operating a well-managed organization.

The discussion above provides insight into what the definition of a valuable employee is, as well as what rewards the valuable employee would consider to be important and gratifying. A valuable employee is one who 1) brings to the job the particular skills required to complete it; 2) holds a job that provides motivation tied to his individual needs; 3) operates within a workplace culture that supports an uplifting outlook; and 4) appreciates the type of reward system that is in place. Regardless of occupation, success and satisfaction can come from matching personal interests and needs with job demands and rewards.

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Articles published in the Econometer present only the opinions of the authors and do not represent the views of the School of Business Administration of Fort Lewis College.

ABOUT THE AUTHOR

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Methodology

The base period for the Econometer Index is 1990. Data is developed on a quarterly basis, usually from monthly sources. Monetary data are adjusted to the 1990 price level so that analysis may be done in real terms. Weights used in the Index are: Tourism(.325), Retail Sales(.25), Employment(.05), Agriculture(.05), Industrial Kilowatt Hours(.025), FLC Enrollment(.10), Building Permits(.075), Energy Prices(.025), Residential Real Estate Prices(.025), Residential Electric meters(.025), Bank Deposits(.05).

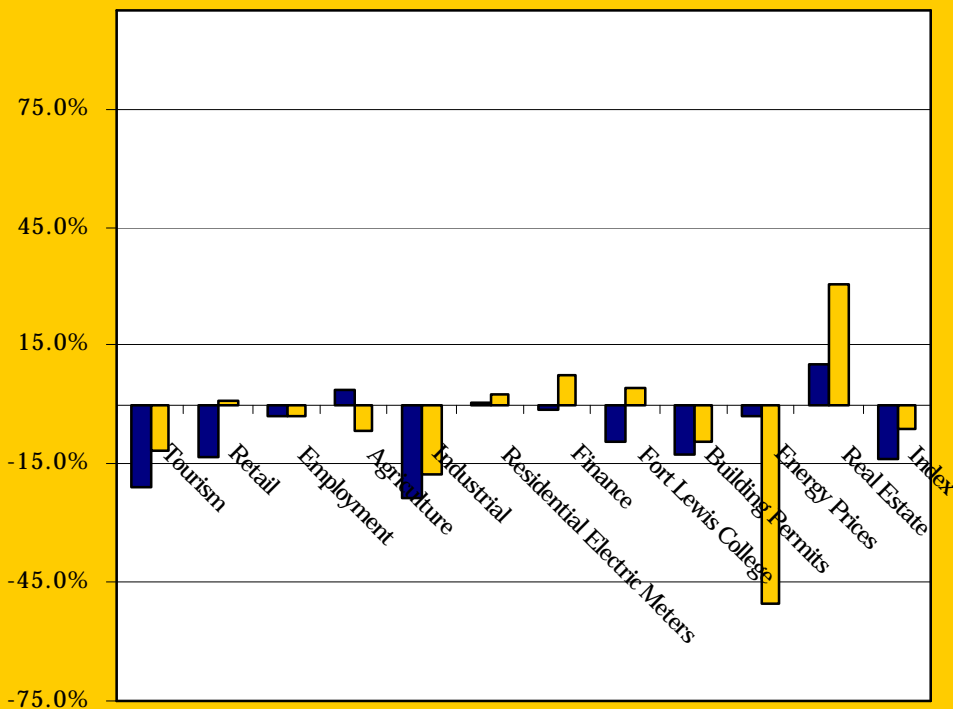
Tourism includes train ridership, Mesa Verde visitors, and airport passenger activity. Agriculture includes calf and alfalfa hay prices.

The index is revised periodically to ensure that it accurately reflects the developing economy of Southwest Colorado.

Growth in Economic Indicators

<u>Indicator</u>	<u>Change from Previous Quarter</u>	<u>Change from Q1 2001</u>
Tourism	-21.1%	-11.8%
Retail	-13.0%	0.8%
Employment	-3.0%	-2.7%
Agriculture	-3.9%	-6.4%
Industrial	-23.5%	-17.4%
Residential Electric Meters	0.5%	2.9%
Finance	-1.2%	7.6%
Fort Lewis College	-9.4%	4.3%
Building Permits	-12.9%	-9.6%
Energy Prices	-2.9%	-50.2%
Real Estate	10.4%	30.7%
Index	-13.5%	-6.1%

Growth in Economic Indicators



■ Change from Previous Quarter

■ Change from Q1 2001

This is a bit more difficult column to write than those in the past since it is hard to find good economic news. As the Econometer indexes indicate our economy is in a downtrend. The drought and the fire events of course are continuing shocks and clearly will have an impact for some time to come. I believe that it is too early to make predictions about what will happen to the various segments of our local economy. For example, will housing and real estate prices in our area be adversely affected with all the national publicity about the fires in the southwest and ours in particular? Or will people who live in fire danger zones take substantial precautions to develop defensible space and preserve current values? Will the fires result in improved forest management processes that will ultimately make the forests even more attractive than they were in the past? How soon will Mother Nature rebuilt the natural environment that has been damaged? We all know that nature is very good at rebuilding. I would expect there is also no way to predict what the impact will be on tourism. Certainly the short-term effects will not be positive, that's obvious. On the other hand if it begins to rain soon and people have simply postponed vacations, pent up demand could give us a strong summer finish. Again, no way to predict.

Almost everyone in business knows that business comes in cycles and this is a cycle. It will bottom and turn up. The only question is when. This is a time to make sure that all those business and public policy decision makers are doing everything they can to make their processes and systems as efficient as possible to survive the downtrend and be able to participate even more strongly when the reversal occurs.

On a more positive note, the situation on campus

looks very good. If you have been up here you well know that we continue to make Fort Lewis College one of the most scenic and attractive campuses anywhere. All indications are that our enrollments will again be strong this fall. We have over 800 parents and students scheduled to be on campus this weekend which is a strong indicator for Fall enrollments. We have hired five terrific new business faculty members to replace those who have resigned or retired. Solid fiscal management at the College level has allowed us to weather our fiscal issues. We are optimistic that we will prosper under our new independent board. Some things do look very good and we will continue to work hard to make sure that your taxpayer dollars are well spent and that Fort Lewis College will continue to be both an educational and an economic asset to the communities of Southwest Colorado.



By Skip Cave, Dean
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Administration



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