

Econometer

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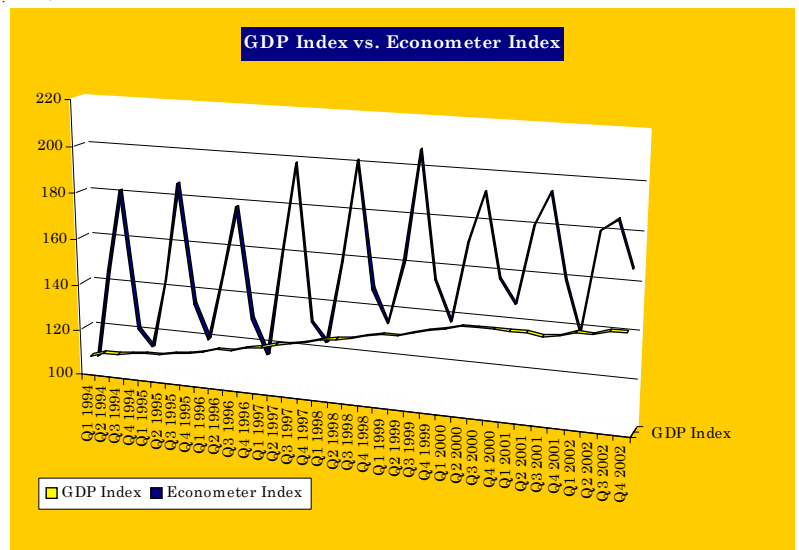
LOCAL ECONOMY REBOUNDS DURING FOURTH QUARTER

The La Plata County economy expanded during the fourth quarter of 2002. The upturn followed nine months of flat or declining economic activity. The economic expansion during the fourth quarter caused the Econometer Index, which includes several sectors of the local economy, to increase by 4.5 percent for the period October through December compared to the same period for the previous year. Comparing the entire year of 2002 to the entire year of 2001 the Econometer Index was 1.6 percent lower in 2002 than in 2001.

The national economy experienced slow growth during the fourth quarter of 2002. Inflation-adjusted Goss Domestic Product (GDP) grew at an annual rate of 1.4 percent during the quarter. Over the entire year GDP increased 2.9 percent. Although the economy was growing, the growth rate was not rapid enough to cause reductions in the unemployment rate of the labor force. The unemployment rate was 6.0 percent during the month of December, 2002. The rate of price inflation remained low. Consumer prices increased only 0.1 percent during December, while inflation for the entire year was only 1.6 percent. Uncertainty about the international situation weighed on business and consumer confidence.

The Colorado economy did not perform well during the fourth quarter of 2002. Employment in the state continued to decline, while the state's unemployment rate rose to 5.5 percent in December. Both residential and non-residential construction activity around the state continued to falter, with significant declines as compared to 2001. Historically low interest rates may allow some recovery of construction activity during 2003. The Colorado Economic Chronicle of the Colorado Legislative Council gave the state economy an overall rating of "bad" during the fourth quarter of 2002.

The graph that 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 third to the fourth quarters of 2002. The upturn of the local economy during the fourth quarter may be seen by comparing the Econometer Index for the fourth quarter of 2002 to the Econometer Index for the fourth quarter of 2001. The graph of the GDP Index shows the growth of the national economy during the fourth quarter of 2002 and the recovery of the national economy from the recession of 2001. Both the Econometer Index and the GDP Index are based on 1990, with an average of 100 for that year.



On an annual or year-to-year basis most sectors of the local economy improved during the fourth quarter of 2002. Improving sectors included construction activity, energy prices, residential real estate, bank deposits, alfalfa hay prices, employment, population, and retail trade. Sectors which fell on an annual basis included industrial activity, tourism, college enrollment, and calf prices.

The La Plata County economy is highly seasonal, so that some sectors vary significantly during the course of the year. Sectors of the local economy which expanded from the third to the fourth quarters of 2002 included college enrollment, energy prices, residential real estate prices, industrial activity, and population. Declining seasonally were tourism, construction, retail trade, agricultural prices, bank deposits, and employment.

Economic Indicators

Tourism

Tourism in La Plata County continued to struggle during the fourth quarter of 2002. The tourism component of the Econometer Index fell almost four percent on a year-to-year basis as the effects of drought and wildfires continued to linger. An exception to the overall trend in tourism was the Durango-La Plata County airport that continued to experience an increase in passenger enplanements. On a seasonal basis tourism fell from the third to the fourth quarter of the year.

Retailing

Retail sales, after adjustment for inflation, increased by more than one percent on a year-over-year basis. On a quarter-to-quarter, or seasonal basis, retail sales fell by more than six percent from the third quarter to the fourth quarter.

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 fell 0.4 percent from the third quarter of 2002 to the fourth quarter of 2002. However, the state estimates that employment increased by 4.1 percent from the fourth quarter of 2001 to the fourth quarter of 2002.

Agriculture

Calf prices fell by 2.4 percent from the third to the fourth quarters of 2002 and also fell by 2.1 percent on an annual basis. Alfalfa hay prices fell by three percent from quarter to quarter but rose by 8.0 percent year over year. However, due to the drought which occurred in 2002, these prices do not fully present the state of agriculture in La Plata County during the fourth quarter of 2002. Both calf production and hay production were adversely affected by drought conditions.

Tourism Indicators Fourth Quarter 2002

Indicator	Number	Percentage Change from Previous Year
Mesa Verde Nat'l Park	50,622	-11.1%
Durango & Silverton Narrow Gauge Railroad	15,910	-26.0%
Durango-La Plata County Airport	22,389	19.1%

Industrial Activity

Industrial kilowatt-hours used increased by 2.6 percent from the third to the fourth quarters of 2002. However, on an annual basis usage decreased by 15.4 percent. 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 quarter to quarter and also increased by 1.8 percent as compared to the same quarter during the previous year. These numbers suggest that the population of La Plata County was continuing to grow during the fourth quarter of 2002, although perhaps at a slower rate than during previous years.

Finance

After adjustment for inflation, bank deposits in La Plata County fell by 0.4 percent from the third to the fourth quarters of 2002. However, deposits increased sharply, by 6.6 percent, over the same period in 2001. Deposit increases are a good indicator of the ability of local banks to make loans to local customers.

Fort Lewis College

Enrollment at Fort Lewis College showed a normal seasonal increase from the third to the fourth quarters of the year. On an annual basis enrollment fell slightly, probably due to gradual improvement of admissions standards.

Construction

Construction activity decreased by 8.8 percent from quarter to quarter. However, year over year construction increased by more than seventy percent.

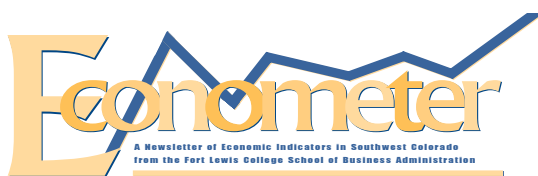
The wages of construction workers are generally higher than the wages of other workers in La Plata County. Strong construction activity has helped to offset the adverse effects of the drought of 2002.

Energy Prices

The federal government's energy price index increased by 20.6 percent from the third to the fourth quarters of 2002. Also, the energy price index increased by 41.5 percent from the fourth quarter of 2001 to the fourth quarter of 2002. Energy prices have long been notable for their volatile behavior. 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. Rising energy prices will bring additional revenue into La Plata County.

Real Estate

The median price of residential real estate in La Plata County, after adjustment for inflation, increased by 7.1 percent from the third to the fourth quarters of 2002. Also, real estate prices in the county increased 18.3 percent year over year.



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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Employee Motivation and Retention

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Motivation is a tool that is that is under-used or improperly used by most managers. This can lead to low productivity and short duration of employee tenure in many businesses. As time progresses it has been shown that motivation doesn't necessarily come from outside sources such as money or threats on promotion or termination. Rather each person has their own set of motivating forces. It is the duty of each manager to recognize and appeal to each of these motivating forces. This will help each manager to better influence and inspire their employees to do their job to the fullest of that person's potential.

Identifying Avenues for Motivation

People do their best work when they feel like they are a valued participant in the business' activities, from the lowest positions to the highest every one wants approval from their superiors or fellow employees. Things as simple as "thank you" or a preverbal pat on the back will make the employees of a business more willing to go the extra mile and put in more effort to do their job the best they can. This is one of the most underrated and underused of the motivating forces. And since there is no cost involved there isn't any reason that this source of motivation can't be used every day.

In a study conducted by Kenneth Kovach of George Mason University employees ranked what they were looking for most from their jobs, and compared it to what their bosses thought that they would say. The results were as follows:

Associates' Ranking	Items	Employers' Ranking
1	Interesting work	5
2	Appreciation of work	8
3	Feeling "in on things"	10
4	Job security	2
5	Good wages	1
6	Promotion/growth	3
7	Good working conditions	4
8	Personal loyalty	6
9	Tactful discipline	7
10	Sympathetic help with problems	9

Source: Kovach, 1999.

As shown by this table many managers do not realize what is most important to their employees. And many managers do not realize the

importance of communicating the current objectives to their employees. According to Kenneth Kovach (1999), managers sometimes disregard the most important motivational techniques when dealing with associates. Kovach's study does an excellent job in showing that.

In thinking about how to motivate people managers must not assume that just because a person continues to be productive that they feel valued, nor that what works for motivating and recognizing them will apply to others even people with similar jobs and family situations. The "platinum rule" is that you should do unto other as they would have you do unto them (Kemper and Wysocki, 2002). This will help managers create a better motivational work environment because each employee will feel like their manager is meeting their needs thus making them feel appreciated.

Manager Behavior

Management behavior is often over looked. If a manager, team leader or supervisor approach the job with positive upbeat attitude that will disseminate to their subordinates and will create a more positive work environment for all. If everyone has a positive frame of mind then not only will the over all group productivity increase but the employees will be less likely to leave, because of the work environment. Thus the cost associated with the hiring of a new person is reduced.

Managers who are serious about motivation on an individual basis must meet and get to know each employee on a personal level. They must find out what each person is passionate about outside of the work environment, and make sure that they can continue their hobbies outside work. This makes it so a person can step back from work and possibly gain some new perspective when they come back to the problem. Also the manager must get to know how the person likes to be praised and rewarded. For example does the person in question shy away from public acknowledgment, or do they prefer some amount of ceremony when being rewarded.

(Continued on page 4)



Employee Motivation and Retention

Why Poor Performance Happens

Most people want to do their jobs well and look for some sense of satisfaction from their chosen profession. So some times when a person is performing poorly it can be the result of a mistake made by management.

- **Training:** Has the person been properly trained? In many jobs the training is skimmed over leaving the employee to figure out what is the best way to do the job on their own. And the training that is given is often unnecessarily difficult and commonly inapplicable to the execution of the job.
- **Inadequate Information:** In many businesses the employee is not told how to perform well. In some cases the person is being given misleading information about how they are doing.
- **Job Design:** Has the job been designed so that there is no possibility for advancement. Also is the work environment conducive to the proper execution of the task? Are the tools necessary to accomplish the task in easy to use locations, and just as important are the proper tools available to those who need them?
- **Inappropriate Instruments:** In many cases the instruments that are in place can restrict the productivity of those who use them. Do we have the right tools for the job?
- **Incentives:** Pay systems are set up so that everyone gets paid regardless of performance. Non monetary incentives can only be used so much before they start to lose their affect. And on occasion good performance is punished by assigning those who perform the best to hardest jobs.

Conclusion

Motivation, used in the proper manner, can increase a business' productivity, but if motivation is administered improperly then it can be a great detriment to productivity. Even the most productive worker will start to become less and less productive if nothing is done over time to make them feel valued. Hopefully these ideas can get your business or group moving in the right direction. Motivation has to start at the personal level, make sure you know your employees, and what they want, and their ideas on how they could do their jobs better.

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ABOUT THE AUTHOR

C. Conan Norkus was born in North Carolina, raised in Florida, will soon graduate from Fort Lewis College with a degree in Business Administration. He is hoping to pursue a successful career in today's rapidly changing business environment

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Methodology

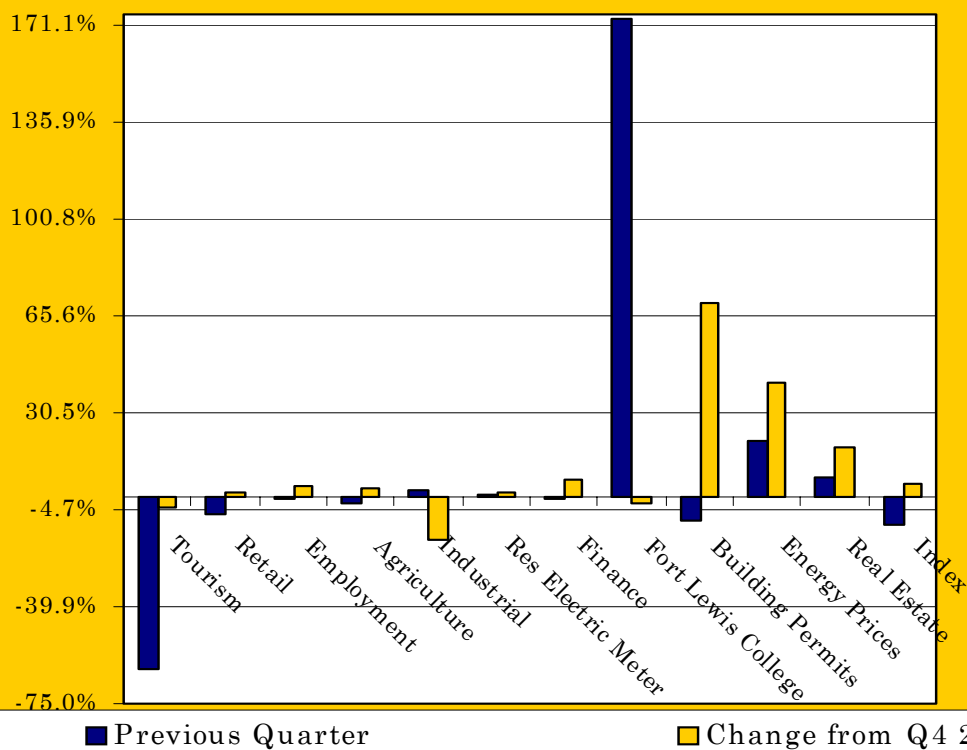
The base period for the Econometer Index is 1990. Data is developed on a quarterly basis, usually from monthly sources. Monetary data are adjusted to the 1990 price level so that analysis may be done in real terms. Weights used in the Index are: Tourism(.325), Retail Sales(.25), Employment(.05), Agriculture(.05), 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.

Indicator	Previous Quarter	Change from Q4 2001
Tourism	-62.8%	-3.9%
Retail	-6.2%	1.5%
Employment	-0.4%	4.1%
Agriculture	-2.7%	3.0%
Industrial	2.6%	-15.4%
Res Electric Meter	0.5%	1.8%
Finance	-0.4%	6.6%
Fort Lewis College	173.3%	-2.1%
Building Permits	-8.8%	70.5%
Energy Prices	20.6%	41.5%
Real Estate	7.1%	18.3%
Index	-10.1%	4.5%

Growth in Economic Indicators



As you read through this Econometer, I am sure you will continue to appreciate the diversity of our local economy. The substantial swings in performance among the various sectors are quite apparent. We are blessed to have countervailing sectors that allow us to maintain a reasonably robust economy even in times of challenge such as we are currently experiencing. As we approach our coming summer tourism season, which is an especially vital component of our economy, we should be thankful for the substantial precipitation we have gotten and certainly pray for more. A repeat of the summer drought and fires would certainly strike a substantial blow to summer tourism. Barring the catastrophes that we had last summer, I would predict an increase in summer tourism due to pent up demand from last year especially in the drive in market.

You all continue to read about our challenges on campus including budget difficulties and our failure to hire a new permanent president. We have taken \$4,000,000 out of our funding base primarily due to state budget cuts. At the moment of this writing we are uncertain whether or not the state will request further cuts in our budget. As sad as it is that individuals have lost their jobs on campus, the College administration led by President Dolphin and Vice Presidents working in concert with their many budget heads have been able to cut this very substantial amount from our budget without doing any significant functional damage to Fort Lewis College's ability to deliver quality services to our students. In many areas we have been compelled to find new efficiencies which have allowed us to deliver our services more efficiently and with less cost. In that sense the budget challenge has been good for us. If you happen to see President Bob Dolphin, I

think you should congratulate him for having provided critical leadership in these trying times.

Overall the campus mood appears to be good. Employees and students have accepted our challenges and understand that the College is not immune from the business cycle. The presidential search will continue into next year. We will hire a strong leader. The national, state, and local economies will improve and begin to mitigate our budget challenges and we will evolve as a stronger organization than we were when we entered the current cycle.

For all of you readers out there who have continued to support us financially and otherwise, thank you for both your support and your encouragement. I want to especially thank Steve Short and all of the officers and advisers of the Durango Industrial Development Foundation, Bobby Lieb of the La Plata Economic Development Action Partnership (LEAD), and Ed Morlan of Region 9 Economic Development District for their very substantial financial support for the Small Business Development Center and the Office of Economic Analysis and Business Research. This financial support has enabled these two critical community outreach functions to continue to operate, including this publication, in important ways to serve our community. We very much enjoy the strong partnership we have with both our private and public community partners that make Durango and the Region the won place it is in which to live and work.



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