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WHY FOCUS ON HIGH-PAYING BASE JOBS

The way communities create economic opportunity and wealth generation⁶ is by focusing on the creation of **base jobs (sometimes called ‘primary jobs’)**.

On average, base jobs pay wages that are significantly higher than non-base jobs. In Larimer County, average earnings of workers at base employers are \$55,628 compared to \$31,608 for the average non-base job.⁷

Base employers are defined as companies which produce goods and services in excess of what can be consumed by the local market. Those goods not consumed by the local market are exported to other markets in exchange for money, or ‘export’ income. Put another way, when a base employer sells a product outside the Fort Collins area, money is returned to Fort Collins for those products, and that in turn creates a flow of new income into the community in the form of payroll and secondary benefits. The secondary benefits include the creation of ‘indirect’ or ‘spin-off’ jobs and tax revenue to local governments. Generally, the secondary jobs include retail services, suppliers, lawyers, doctors and non-profit employment. These occupations provide services to base employers and their employees.

A term used to measure the benefits of any given economic activity is ‘multiplier.’ There are various types of multipliers such as output, employment, income and value-added. They summarize the total impact that can be expected from an economic activity. Employment multipliers for base employers are significantly higher than those for non-base employers.

An employment multiplier is derived from a series of economic calculations that estimates the number of jobs required to meet the needs of one high-paying base job. The larger the multiplier, the greater the economic impact of the high-paying base job. Two things determine the size of the multiplier: the average wage paid to the employee and the amount and cost of “inputs” required for the base employee to accomplish his or her work.⁸

A ‘typical’ employment multiplier might be in the 1.2 to 3 range. That means a high-paying base job supports an additional 0.2 to 2.0 jobs in the community. These jobs may either be through the employer’s supply chain, or the purchases of employees themselves.⁹

⁶ The term ‘wealth generation’ means undertaking activities that create something of value for which the provider earns a financial return. Manufacturers do so by taking raw materials and through design and production processes converting them into products of value to end users. Local examples would be beer manufacturers like New Belgium and Odell. In a community context, when such private sector wealth creation is undertaken, it enriches those in the community directly involved in the process of producing the product (company owners, management and employees), investors and those servicing these wealth-creating companies like school districts, local government and secondary service businesses. In an economic sense, wealth generation through this value-added process is very positive.

⁷ “Primary Employment Trends in Larimer County,” Dr. Martin Shields, Regional Economist, Colorado State University, May 2010

⁸ “Economic Multipliers: How Communities Can Use Them for Planning,” Wayne P. Miller, University of Arkansas

⁹ Ibid

Retail employment, with generally lower wages, has low multipliers (0.3 to 0.6).¹⁰ Therefore, while important to finance local government through sales tax collections, the retail sector typically is not an economic driver. Higher paying base jobs are important to a community because they put disposable income into the pockets of residents, which in turn creates a healthy retail sector and revenue to local government.

In Fort Collins, this sets up a potential conflict in the city government's economic program. Since city government gets most of its revenue from sales tax, there is short-term pressure to focus on retail development rather than focusing long-term on growing base employment.

**In summary, Base jobs = community wealth = better quality of life/standard of living.
Conversely, loss of high paying base jobs = declining disposable income = diminished aggregate
community wealth = diminished quality of life/standard of living.**

¹⁰ Ibid