

Determination of Basic Employment

$$L_i = \frac{\% \text{ local employment in industry } i}{\% \text{ national employment in industry } i}$$
$$= \frac{\text{total local employment industry } i}{\text{total local employment}} \bigg/ \frac{\text{total national employment industry } i}{\text{total national employment}}$$

- $L_i > 1$ -disproportionate local employment in industry
 -some of the employment produces goods that are exported
 -part of employment is basic
- $L_i < 1$ -percentage of local employment in industry less than national average
 -not enough local production to satisfy local demand
 -some of industry's output is imported
 -no basic (export) employment
- $L_i = 1$ -no export or import employment
 -local output just satisfies local demand

The number of jobs within an industry counted as basic (export) employment using the formula:

$$B_i = \frac{L_i - 1}{L_i} \cdot T_i$$

where T_i is total local employment in industry i

if $L_i = 1$ or $L_i < 1$ then $B_i = 0$

Total amount of basic employment in metropolitan area (B) is the sum of the basic employment for each industry

$$B = \sum B_i$$

Economic Multiplier:

$$\frac{T}{B} = \frac{\text{total city employment}}{\text{basic employment}}$$