Attracting Retirees as Economic Development

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Traditional economic development focuses on attracting industrial or commercial businesses to (re)locate their operations in a given area. A new business provides jobs and additional tax revenues. The new employees' consumer spending provides additional demand for goods and services. This demand, in turn, produces more new jobs (for those providing the additional goods and services) and more tax revenues. Employees of businesses hired to satisfy this additional demand also spend at least part of their income in the community, and so the spending cycle begins again. (This decreasing cycle of additional spending inducing more jobs and tax revenues is known as the multiplier effect.)

Although traditional economic development increases the number of jobs and amount of tax revenues, this has little direct effect on most residents. They are already employed and see little direct benefit from additional tax revenues. The real benefits to most people living in the community are the additional amenities (*e.g.*, stores, restaurants, recreation opportunities) resulting from the increased spending of new employees.

Attracting retirees to a community has the same effect as attracting businesses. The spending of newly arrived retirees provides a multiplier effect similar to that of added employment. However, the comparative benefits of attracting retirees and businesses may be greater for retirees for a couple of reasons. First, it is usually more expensive, in terms of the necessary inducements, to attract businesses than to attract retirees. Secondly, retirees, especially 'resourceful' ones, generally have higher incomes that do individuals newly employed in commercial or industrial businesses. Thus, they generate more tax revenues and jobs, and induce more amenities.

Consider a community that attracts a new, light manufacturing plant to relocate there. The new plant will provide new jobs and the wages from these jobs will generate tax revenues. To the extent that the business employs workers already living in the community, it will generate no additional property taxes. If new workers are recruited from outside the community, they will need places to live. To the extent this results in new homes being built, the community will benefit from additional property taxes. Finally, chances are that in order to attract a manufacturing plant to locate in the community, the community agreed to reduce property taxes or waive some development fees on the physical facility. Thus, the community will receive only a small net property tax benefits from the new plant itself. For all of these reasons, the direct benefits to the community of attracting the manufacturing plant will be smaller than might be expected.

However, new jobs provided by the plant will result in an increase in consumer spending and thus additional jobs and sales tax revenues for the community. When the multiplier effect is applied to this additional consumer spending, it will result in even more jobs and sales tax revenues for the community. More importantly, this all this new spending will attract new amenities to the community.

It would, however, seem to be more efficient to forego the first step (attracting a business) and go right to attracting consumers whose spending will, in turn, provide additional tax revenues, create new jobs, and attract amenities. Unlike current residents, retirees moving into a community need a place to live. When they build or buy a new home in the community, they increase the property tax base. Their consumer spending, amplified by the multiplier effect, generates new jobs and additional sales tax revenues, and will induce new amenities to move into the community. Granted, some new amenities may be specific to the age of the retiree, but, because retiree spending patterns are close to those of younger residents, retirees will also attract amenities available and relevant to all residents of the community.

Attracting retirees is a particularly appropriate type of economic development for rural communities. Because many of the younger residents of rural communities leave to find jobs in metropolitan areas, most rural communities do not have a workforce available to fill the jobs in the businesses that are the target of traditional economic development. However, the strategy of attracting retirees has two major advantages in rural areas. First, the amenities retirees attract will provide jobs to entice new workers into the community or persuade the younger residents not to seek jobs elsewhere thereby expanding the community's workforce. Secondly, many highly skilled retirees may want to work part time. Including such individuals in the workforce increases the skill set of a rural community's workforce. This ratcheting up of a rural community's workforce will eventually provide it with the workforce necessary to induce economic development.

Economic growth provides the direct economic benefits of increased tax revenues and more jobs. Economic development also has the indirect benefit of increasing the amenities available in a community. It is these additional amenities that enhance the lives of most people, not additional taxes and jobs. Because attracting retirees is generally a more efficient way of attracting amenities to a community than is attracting relocating businesses, attracting retirees is the best type of economic development, especially in rural communities.

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