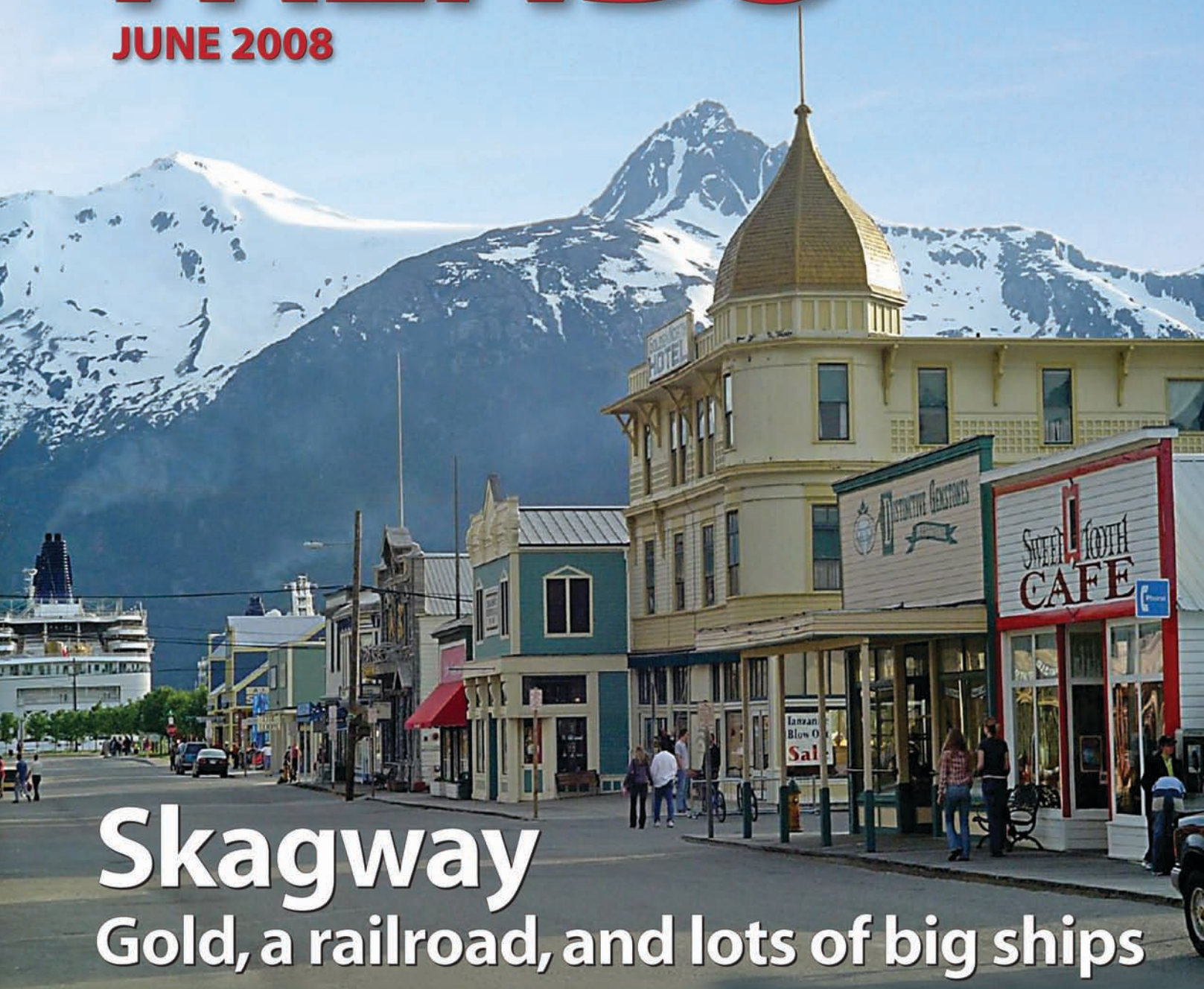


ALASKA ECONOMIC **TRENDS**

JUNE 2008



Skagway

Gold, a railroad, and lots of big ships

WHAT'S INSIDE

Local Employment Dynamics

Alaska joins Census program

Total Wages Grow by 4.1 Percent

Employers pay nearly \$14 billion in wages in 2007



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Sarah Palin, Governor
Commissioner Click Bishop

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Sarah Palin, Governor of Alaska
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June 2008
Volume 28
Number 6
ISSN 0160-3345

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To contact us for more information, a free subscription, mailing list changes or back copies, email trends@alaska.gov or call (907) 465-4500.

Alaska Economic Trends is a monthly publication dealing with a wide variety of economic-related issues in the state. Its purpose is to inform the public about those issues.

Alaska Economic Trends is funded by the Employment Security Division and is published by the Alaska Department of Labor and Workforce Development.

Alaska Economic Trends is printed and distributed by Assets, Inc., a vocational training and employment program, at a cost of \$1.14 per copy.

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Cover: Downtown Skagway is pictured in a photo taken by Mike Colvin of Manchester, England, on May 18, 2005, just after 7 p.m. Photo courtesy of Creative Commons (creativecommons.org)

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Skagway	4
Gold, a railroad, and lots of big ships	
Local Employment Dynamics	9
Alaska joins Census program	
Total Wages Grow by 4.1 Percent	14
State's employers pay nearly \$14 billion in wages in 2007	
Employment Scene	16
Unemployment rate holds at 6.7 percent in April	

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Skagway – A Microcosm of Alaska’s Seasonal Workforce

By Governor Sarah Palin

This month’s *Alaska Economic Trends* features Skagway, a small community in Southeast Alaska with a rich history, natural beauty and a single economic focus – tourism. Skagway’s employment ebbs and flows with the tourism season, requiring numerous outside workers to fill the seasonal gaps. This isn’t fundamentally different from much of the rest of Alaska; it just happens on a much more significant scale in Skagway.

Each year, about 35,000 people move in and 35,000 move out of our state. With a total population of roughly 670,000, this represents a 5 percent turnover rate. Alaska employers hire nearly 250,000 “new-to-the-firm” workers each year. In fact, only about half the state’s workforce is made up of people who work for the same employer for the entire year. Much of the change is attributable to seasonal swings. For example, in 2007, employment in July exceeded employment in January by nearly 46,000, more than a 15 percent difference – a huge seasonal swing unrivaled by any other state.

These data indicate that there is a tremendous amount of churning within our population and workforce, reflecting the transient nature of modern American society in general, and Alaska in particular.

We also know that while Alaskans are available, many don’t have the skills to fill available jobs. More than 20,000 individuals are unemployed in an average month (2007’s average monthly unemployment rate was 6.2 percent), while nearly 20 percent of Alaska’s workers – almost 79,000 – are nonresidents.

Thousands of additional Alaskans want to work but have grown discouraged and stopped making regular efforts to find a job. The unemployment rate reflects the number of people actively seeking work in any month, but doesn’t include these discouraged workers.

With such seasonality and job turnover, along with available unemployed and discouraged workers, it’s critical for the state to assist employers in hiring qualified workers – for both highly skilled and relatively unskilled jobs – and for the state to play a significant role in preparing workers for available jobs.

Alaska Department of Labor and Workforce Development Commissioner Click Bishop’s number one goal is matching Alaska’s labor needs with Alaska workers. The department offers multiple job services, from a Web-based labor exchange to statewide job centers. At the job centers, job seekers can perform job searches and receive job preparation support that includes resume preparation, interview skills training and job training assistance.

Another critical component of preparing Alaskans for Alaska jobs is training. State-sponsored job training programs are offered by the Alaska Vocational Technical Center and the University of Alaska, along with numerous private and public training centers around the state.

For more information about the latest Alaska job opportunities, go to jobs.alaska.gov on the Internet. Click on “ALEXsys” for Alaska’s Job Bank or “Alaska Job Centers” for the nearest job center. Or call (877) 724-ALEX (2539).

Gold, a railroad, and lots of big ships

It's hard to say whether Skagway would even exist had it not been for the Klondike gold rush touched off by the 1896 discovery of gold in Canada's Yukon Territory. The Tlingit people had fished and hunted in the area for centuries, but the town itself took form when hopeful miners poured into the area on their way to the Chilkoot and White Pass trails, and then beyond to the Yukon.

Although the gold rush lasted just a few short years – by 1899 the traffic through Skagway had already slowed, some of it diverted to Nome where gold was discovered in 1898 – the port and the White Pass and Yukon Route Railroad it left behind became the backbone of Skagway's post-gold-rush economy for the next 80 years. The wild stories and colorful history from the gold rush days haven't hurt either.

A supply link to the Yukon and Alaska

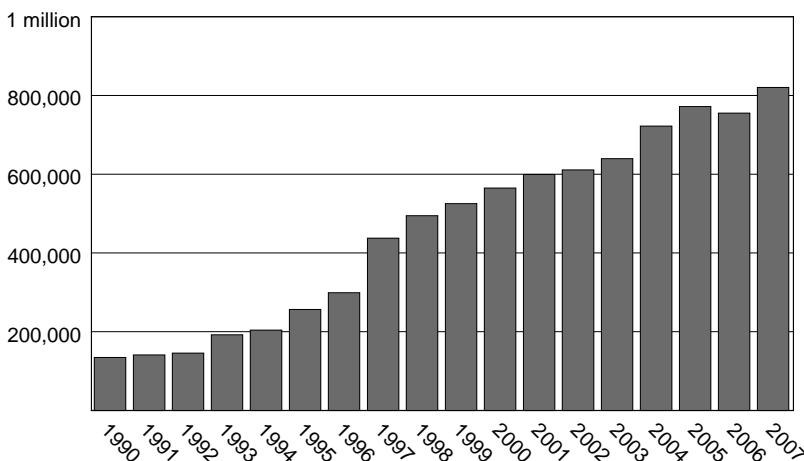
Although the explosive growth and wild lawlessness of the gold rush quickly subsided after the major claims in the Yukon had been staked, Skagway continued to play an important role in supplying the mining camps and transporting gold and other metals to market.

It was a much calmer time and the town's population quickly dropped from an estimated 8,000 to 10,000 people in 1898 to around 3,000 when the Census was taken in 1900.¹ By 1910 the population had fallen below 1,000 and by 1920 it was closer to 500.

Although Skagway was primarily a railroad town during these years, it also was quick to recognize the economic value of historic preservation and tourism. Its convenient location as the northernmost point on an Inside Passage cruise helped attract ships, and as early as the 1930s the town promoted the idea of creating a national historic park to commemorate the gold rush years.²

During World War II, Skagway became an important link in the supply chain to Alaska and played an important role in the rushed construction of the Alaska Highway in 1942 and 1943. Canadian mining activity kept the

1 Cruise Ship Traffic Swells Passengers visiting Skagway, 1990 to 2007



Source: Municipality of Skagway

¹ In 1900, Skagway became the first first-class city in the Territory of Alaska. Over a century later, in June 2007, Skagway voters approved dissolution of the City of Skagway and incorporation as a borough to be called the Municipality of Skagway.

² Congress eventually passed legislation creating the Klondike Gold Rush National Historic Park in 1976. The park is an important employer with about 20 year-round jobs and an additional 30 in the summer.

railroad busy until the 1980s when low commodity prices shut down mines and eventually the railroad.

And then there was tourism

The railroad was quiet for six years before re-opening in 1988 to transport sight-seeing passengers along the historic route. By 1990, tourism had taken firm hold with a visitor count that year of more than 250,000.

And that was just the beginning. Cruise ship growth accelerated in 1997, and by 2007 more than 800,000 passengers spent at least part of a day in Skagway. (See Exhibit 1.) That's nearly 1,000 visitors for every year-round resident.

Skagway is not the only place in Alaska to depend on tourism to support its economy, of course, but with the possible exception of the Denali Borough, nowhere else in the state depends on it so completely.³ Other Southeast communities generally have other economic drivers in addition to tourism – fishing, state government, mining and ship building, to name a few – but none of them have a major presence in Skagway.

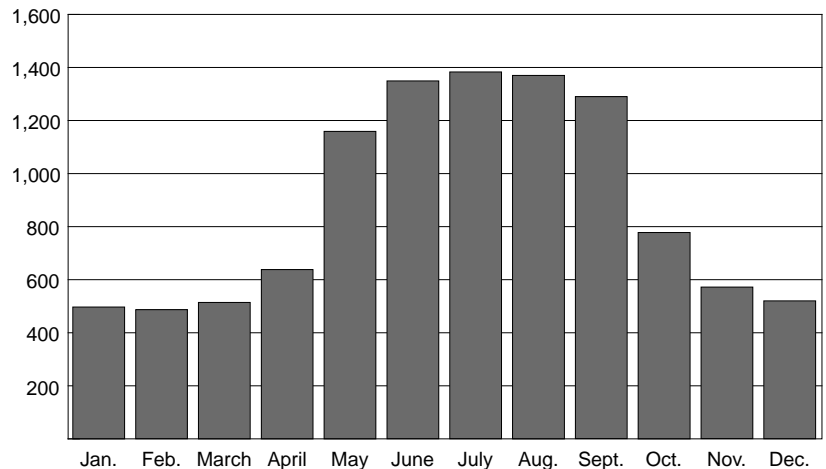
Skagway's job count nearly triples from its winter low point to its summer high point. (See Exhibit 2.) Statewide, there's typically a much smaller summer increase of about 15 percent, and a much bigger share of that increase comes from seafood processing and construction, two of the state's other very seasonal industries.

The nature of a tourism-dominated economy

In a way, Skagway is a petri dish for the study of a tourism-based economy. Despite an increase of more than 200,000 cruise ship pas-

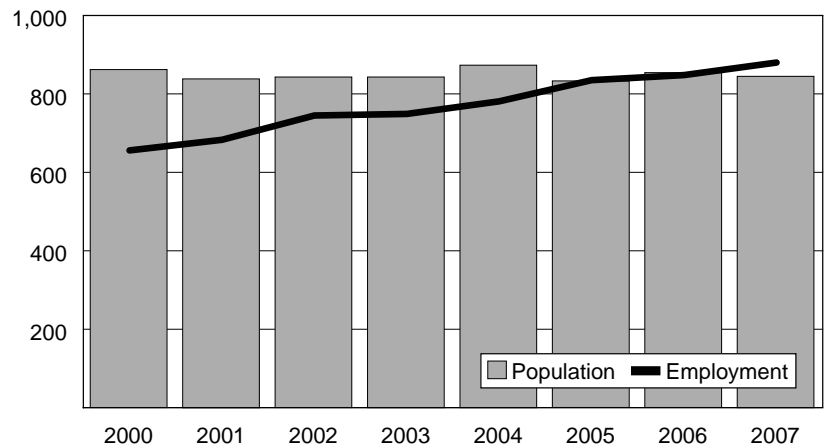
³ Because of Skagway's port facilities and road access, there's always the prospect of Skagway renewing its role as a shipping point for area mines. In 2007 the rehabilitated Skagway Ore Terminal took delivery of its first ore concentrate shipments since 1997. The ore concentrate was from a copper and gold mine in the Yukon Territory and was hauled to Skagway by truck and then loaded onto ships headed for smelters in Asia.

An Extremely Seasonal Job Market **2** Skagway monthly employment, 2007



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

More Jobs than Local Residents **3** Skagway population and employment



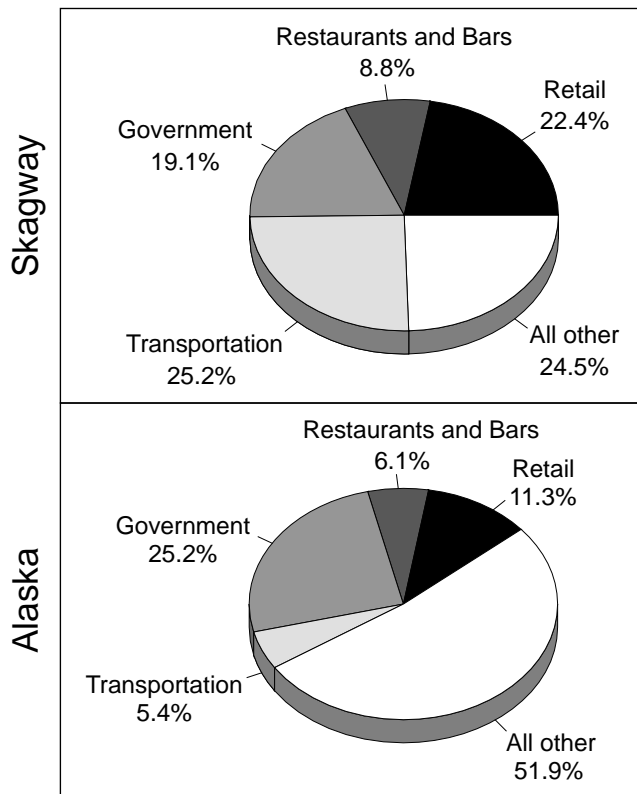
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

sengers from 2000 to 2007, the city's resident population (845 in 2007) hardly budged, an example of how seasonal job growth doesn't always equate to population growth. From 1990 to 2000, on the other hand, when cruise ship visitor numbers more than quadrupled from 136,500 to 565,600, there was a corresponding population increase of 170 people, or 25 percent.

The population changes are relatively small, but one possible explanation of the difference be-

4 A Very Different Employment Mix

Employment, Skagway and Alaska 2007



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

tween population growth in the 1990s and lack of growth in the 2000s is that cruise ship tourism was just emerging as the major economic contributor in the 1990s.

That emergence made all kinds of new business possible and provided a new source of income for both current and new residents. While incremental growth continued throughout the 2000s, it was less likely to impact resident population counts because job growth was less likely to come from new businesses and more likely to come from growth in existing seasonal businesses.

In fact, despite very little population change from 2000 to 2007, Skagway's average monthly job count has consistently climbed and actually exceeded its resident population in 2007. (See Exhibit 3.) For comparison, the 2007 statewide population of 677,000 was more than double the state's average monthly employment of 318,000.

A need to import workers

One of the things those numbers imply is that Skagway has an especially large percentage of imported workers who are not counted in the resident population. That doesn't mean, however, that the nonresident workers are taking job opportunities from the local population.

The choice for a Skagway business is generally not between hiring a local Skagway resident and someone who just wants to work in Skagway for the summer; the choice is instead more likely to be between hiring the nonresident and not hiring anyone at all. Skagway's population is simply not large enough to fill all the jobs created by summer tourism.

A mix of visitor-based businesses

Easily the biggest employer in Skagway is the White Pass and Yukon Route Railroad, which provided 144 jobs in the summer of 2007. Mostly due to the railroad, transportation makes up a quarter of Skagway's total job count compared to just 5 percent for the state as a whole. (See Exhibits 4 and 5.) Overall, Skagway's employment mix is dominated by a few visitor-related industries.

As one might expect, retail trade and restaurants and bars also make up larger slices of the Skagway economy. Another difference is that Skagway depends less on government jobs than the state – only 19 percent of Skagway's employment is in government compared to 25 percent for the state. Skagway is especially thin on state government employment, which makes up less than 2 percent of its total compared to 24 percent for Juneau, and 8 percent for the state as a whole.

Retail trade has a presence twice as large in Skagway as in the state as a whole. The retail businesses are predominantly clothing and jewelry stores and gift shops. Those types of businesses make up 67 percent of retail trade employers in Skagway, a mix unlikely to be seen in an economy less reliant on short-term visitors. Predictably, Skagway's summertime high of

around 350 retail jobs shrinks to a winter low of less than 100.

Fewer independent visitors

Even as cruise ship traffic to Skagway has boomed, the number of independent travelers visiting the area has declined, despite Skagway being one of only three Southeast communities on the road system.⁴

Consequently, the accommodations industry, which often thrives as tourism grows in an area, has seen job losses since 2000. High gas prices and the relatively low expense of visiting the region by cruise ship will probably continue to limit growth in independent travelers in the coming years.

A principal benefit of visitors: sales tax revenue

One of the most tangible benefits to Skagway from the large number of summer cruise ship visits is sales tax revenue. Since 2004, it's been increasing and reached \$5.3 million in 2007. (See Exhibit 6.)

Although Skagway's population is about one-tenth as big as Ketchikan's and one-thirtieth as big as Juneau's, its sales tax revenue is proportionately much larger. Ketchikan's \$9.1 million in 2007 sales tax revenue and Juneau's \$36.5 million both equate to about \$1,200 per capita. Skagway's sales tax revenue is roughly five times higher per capita at \$6,000.

Property taxes on the stores and businesses that offer their goods and services to summer tourists are also a major contributor to the local budget. Property taxes make up 14 percent of Skagway's total revenue and much of that comes from tourist-related businesses.

Who lives there?

As of the 2000 Census, Skagway's population was slightly older than the state's as a whole and

⁴ The Klondike Highway that connects Skagway to the Canadian road system was officially opened in 1979. Haines and Hyder are the two other Southeast communities with road access.

Wage and Salary Employment Skagway, 2007 **5**

	Average Monthly Employment
Total	880
Construction	62
Manufacturing	22
Trade, Transportation and Utilities	419
Retail Trade	197
Transportation	222
Scenic and Sightseeing Tours	164
Information	21
Financial Activities	9
Professional and Business Services	7
Educational ¹ and Health Services	8
Leisure and Hospitality	136
Accommodations	15
Restaurants and Bars	77
Other Services	28
Government	168
Federal ²	50
State ³	14
Local ⁴	104

¹ Private education only

² Excludes the uniformed military

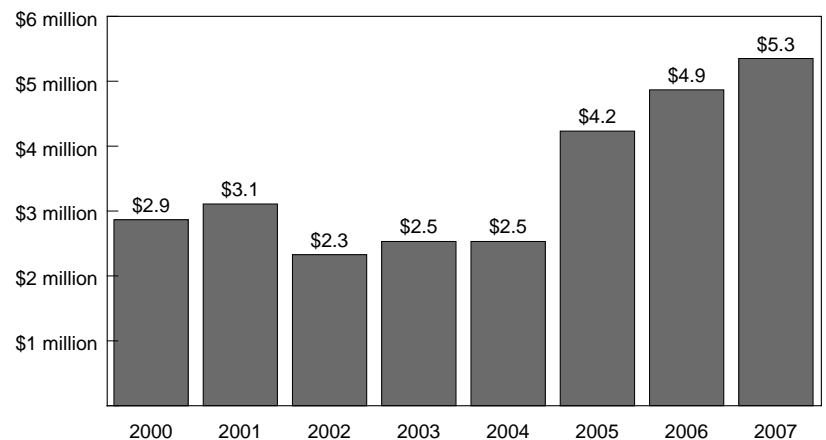
³ Includes the University of Alaska

⁴ Includes public school systems

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

Big Revenue for a Little Town **6**

Skagway sales tax revenue, 2000 to 2007



Source: Alaska Department of Commerce, Community and Economic Development, Division of Community and Regional Affairs

considerably less racially diverse. (See Exhibit 7.) It had a higher per capita income than the state as a whole and a slightly higher percentage of people who had never been married. Only 23 percent of Skagway's population was born in Alaska, compared to 38 percent statewide.

7 How Skagway Compares Skagway and Alaska residents, 2000

	2000 Census	
	Skagway	Alaska
Age		
Median age	39	32
Under 5 years	4.6%	7.6%
18 years and over	79.5%	69.6%
65 years and over	8.5%	5.7%
Race and Ethnicity		
White	92.3%	69.3%
Black or African American	0.0%	3.5%
American Indian and Alaska Native	3.0%	15.6%
Asian	0.6%	4.0%
Native Hawaiian and Other Pacific Islander	0.2%	0.5%
Other	0.8%	1.6%
Two or more races	3.0%	5.4%
Hispanic (of any race)	2.1%	4.1%
Income		
Median household income	\$49,375	\$51,571
Per capita income	\$27,700	\$22,660
Gender		
Female	47.8%	48.3%
Male	52.2%	51.7%
Marital Status		
Never married	29.4%	28.4%
Divorced	12.2%	11.7%
Born in Alaska		
Percentage of population born in Alaska	23.3%	38.1%
Educational Attainment		
Less than 9th grade	1.7%	4.1%
9th to 12th grade, no diploma	8.2%	7.5%
High school graduate	26.1%	27.9%
Some college, without degree	35.6%	28.6%
Associate degree	3.4%	7.2%
Bachelor's degree	18.1%	16.1%
Graduate or professional degree	6.9%	8.6%

Source: U.S. Census Bureau

A growing economy with a stable population

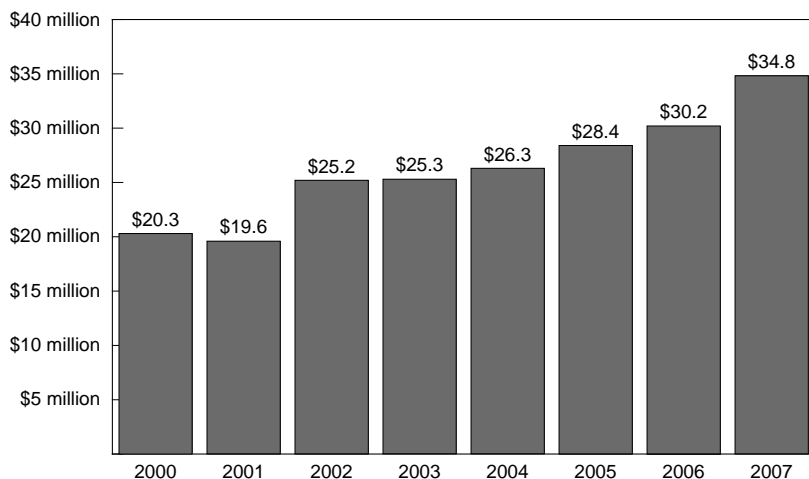
One of the most basic measures of whether a local economy is expanding or contracting is the total wages being paid out by local employers. By that measure, Skagway is growing. From 2000 to 2007, wages grew from \$20.3 million to \$34.8 million in constant 2007 dollars. (See Exhibit 8.)

A significant portion of those wages will be spent outside Skagway since it depends so heavily on visiting summer workers. But again, describing those wages as being lost to the local economy ignores the reality that there simply aren't nearly enough Skagway workers to fill those jobs. The contribution those wages make to the Skagway economy is smaller than those paid to Skagway residents, but the net effect is still decidedly positive.

On the whole, Skagway is a town that has profited from its history and location. New housing units have been built every year over the last decade, and although school enrollment is down slightly, that may have more to do with population dynamics than people leaving Skagway.⁵

Growing talk of Skagway resuming some of its former role as a shipping point for mines in Canada and Alaska would provide welcome economic diversity, but for now at least, tourism is still pretty much the only game in town – and it's been a pretty good game for quite a while.

8 Strong Wage Growth Skagway wages in 2007 dollars, 2000 to 2007



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

⁵ The children of baby boomers have been aging out of their high school years and are being replaced by smaller groups entering elementary school. Many other school districts in the state have also seen declining enrollment over this period, including Juneau. As mentioned earlier, Skagway's total population was largely stable from 2000 to 2007.

Alaska joins Census program, making more local data available

Alaska is now part of the U.S. Census Bureau's federal-state program that integrates employee wage data from state unemployment insurance records with Census Bureau data. The new program allows anyone to access new data to pinpoint everything from where workers live to which industries are hiring the most young workers.

Alaska joined the Local Employment Dynamics program in January 2007. It evolved from just a handful of participating states early in the decade to virtually every state in 2008. The program is just a few states away from becoming a true national program.

By using existing data collected for administrative purposes – such as individual states' unemployment insurance programs – and its

own data, the Census Bureau can produce new statistics at minimal cost without burdening the public with another survey questionnaire. Innovative statistical and computing techniques produce the same high level of confidentiality that's afforded survey and census data, according to the Bureau's mission statement for the program.

Alaska has been a leader in using unemployment insurance wage records to look at job turnover, identify new hires, track workers over time and provide information about special worker groups such as youth, older workers, women and non-residents. The LED program builds on that – it uses the Census Bureau's unique national data resources to provide new quarterly data series that wouldn't be possible otherwise.

As a partner state in the voluntary program, Alaska provides data from its unemployment insurance wage records and Quarterly Census of Employment and Wages business address information, data expertise and state-specific knowledge. The Census Bureau then tabulates and incorporates the information from Alaska and the other partner states with a variety of data sources, including information from internal Census records, the Social Security Administration and other agencies.

In return, the Census Bureau delivers to Alaska and other partner states three key products: (1) Quarterly Workforce Indicators providing information about a state's economy at detailed industry and geography levels, (2) enhanced unemployment insurance data, and (3)

1 Quarterly Workforce Indicators Municipality of Anchorage, First Quarter 2007

Quarterly Workforce Indicators – Quick Facts

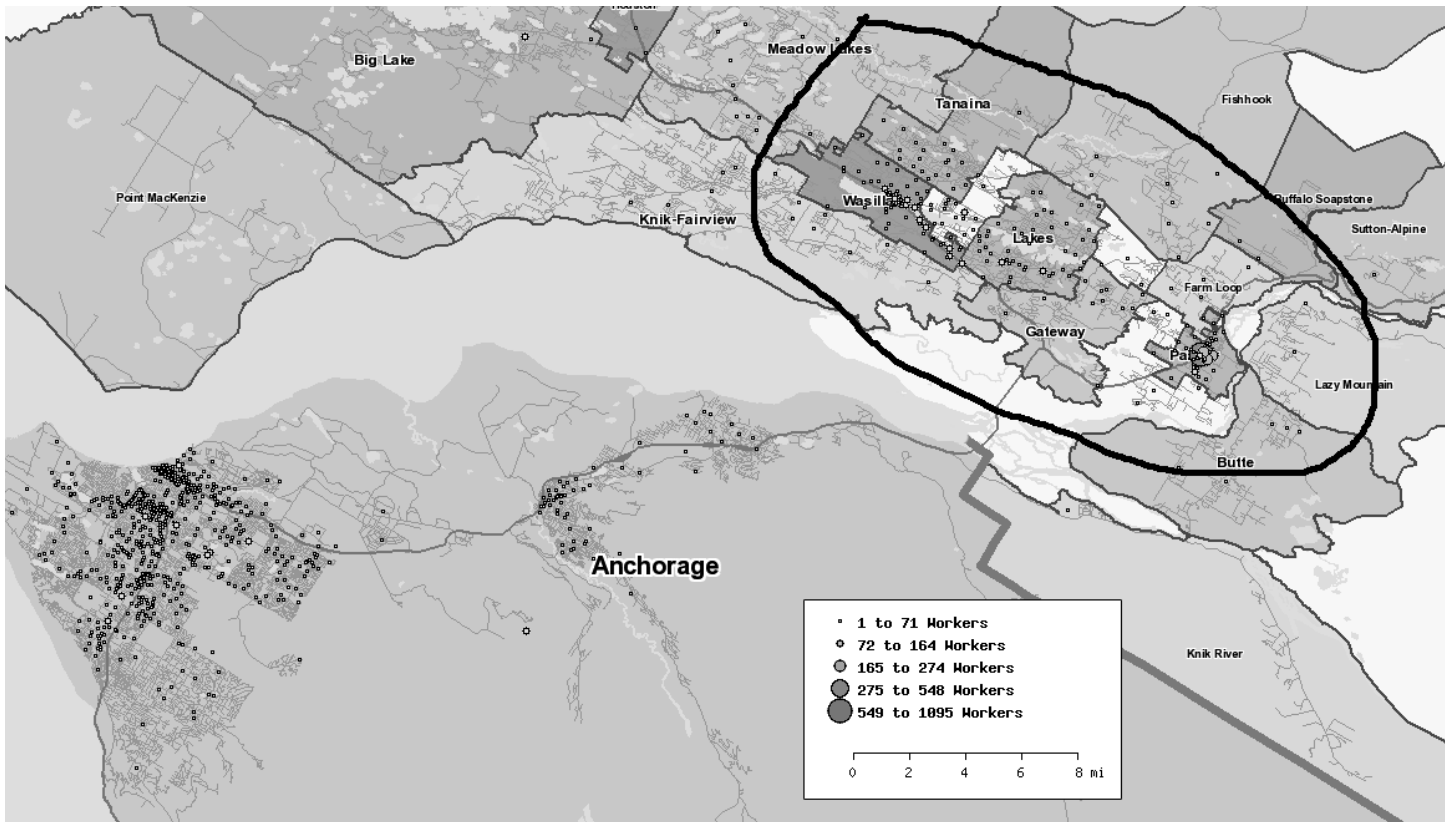
	Anchorage		Alaska	
	First Quarter 2007	Average of First Quarter 2007 and Three Prior Quarters	First Quarter 2007	Average of First Quarter 2007 and Three Prior Quarters
Total employment	130,868	135,930	277,852	293,435
Net job flows	908	1,226	4,392	2,333
Job creation	6,698	9,081	17,043	24,174
New hires	22,244	28,541	46,705	64,831
Separations	24,800	32,379	52,749	78,341
Turnover	11.2%	12.3%	10.8%	12.4%
Average monthly earnings	\$3,856.00	\$3,823.75	\$3,593.00	\$3,584.25
Average new hire earnings	\$2,678.00	\$2,724.75	\$2,598.00	\$2,593.75

Note: On the U.S. Census Bureau Web site, QWI Online, the user selects any quarter.

Source: U.S. Census Bureau, Local Employment Dynamics; Alaska Department of Labor and Workforce Development, Research and Analysis Section

2 What You'll See with OnTheMap

Place of work for people who live in the Mat-Su Borough



A screenprint from the U.S. Census Bureau's OnTheMap Web site (above) shows the Anchorage/Mat-Su region place of work for the people who live in the encircled portion of the Mat-Su Borough – called a “commute shed” on the Web site. OnTheMap allows users to choose small geographic areas, even down to neighborhoods, by using their computer cursor to define the area. (*Trends* is limited to black and white; the Web site has considerably more detail than this screenprint.)

Source: U.S. Census Bureau; Alaska Department of Labor and Workforce Development, Research and Analysis Section

information about changes in employers. Alaska and other partner states also receive periodic reports on customized research done in collaboration with the Census Bureau.

The two primary LED data products that are particularly useful to data users ranging from city planners to politicians are the Quarterly Workforce Indicators, or QWI Online, and a powerful geographic analysis tool called OnTheMap. Both are available on the Census Bureau's Web site, lehd.did.census.gov.¹

It's important to remember, though, that the two products are very new and are still being tested for accuracy – they'll improve over time

¹ The Web site will say “U.S. Census Bureau – Longitudinal Employer-Household Dynamics” across the top. Go to Quick Links on the left and click on “QWI Online” or “OnTheMap.”

as more information is obtained. The data quality depends on the accuracy of worksite location information, correct assignment of workers to those locations, completeness of UI wage record information and very current place of residence information.

Also, in order to maintain each person's confidentiality, the Census Bureau uses special procedures that include switching one Census respondent for another. Although these procedures allow more data to be released, they can negatively affect the quality of data, especially in small areas.

Quarterly Workforce Indicators – QWI Online

The Quarterly Workforce Indicators are a set of economic indicators – including employment,

job creation, wages and worker turnover – that can be queried at the state and borough/census area level in Alaska, as well as by detailed industry, gender and age of workers.

The Census Bureau produces 29 labor force indicators and publishes eight of them in QWI Online. (See Exhibit 1.) The eight include total employment measures of change such as job flow, new hires, separations and average earnings. The Census Bureau provides the additional 21 to the Alaska Department of Labor and Workforce Development, which releases them to the public upon request.

The 29 indicators are produced for every partner state but are only available for the quarters for which data were supplied by each state. Alaska currently has QWI data online for all quarters beginning in 2001. New QWI information is available for a specific quarter about nine months after the end of that quarter.

The Census Bureau provides the following Quarterly Workforce Indicators online that are available by industry, gender and age:

Total Employment – The total number of workers who were employed by the same employer in both the reference quarter and the previous quarter. This indicator answers the questions,

- Who is filling what jobs?
- What industries are the biggest employers?
- What industries employ the largest numbers of particular types of worker?

Job Change – The difference in employment between the reference quarter and the previous quarter at each business. This indicator answers the questions,

- Which industries are expanding employment?
- Which industries are contracting employment?

Job Gains – The number of new jobs that are created by either new area businesses or the expansion of employment by existing firms. This indicator answers the question,

- What industries are creating the most jobs?

New Hires – The total number of hires that weren't employed by that employer during the previous four quarters. This indicator answers the questions,

- What industries are hiring the most workers?
- Which industries are hiring older workers?
- Which industries are hiring young workers?
- What geographic areas are doing the most hiring?

Separations – The total number of workers who were employed by a business in the reference quarter, but not in the subsequent quarter. This indicator answers the questions,

- What workers are leaving jobs?
- What industries are workers leaving?

Turnover Rate – The turnover rate = $(1/2) \times (\text{full-quarter hires} + \text{full-quarter separations})$ divided by employment. This indicator answers the questions,

- What's the turnover rate in the workforce?
- What proportion of workers is new?

Average Monthly Earnings – The total quarterly earnings of all full-quarter employees divided by the number of full-quarter employees, divided by 3. This indicator answers the question,

- What are the average earnings of core employees?

Average Monthly Earnings for Full-Quarter New Hires – The total quarterly earnings of all full-quarter new hires divided by the number of full-quarter new hires, divided by 3. This indicator answers the question,

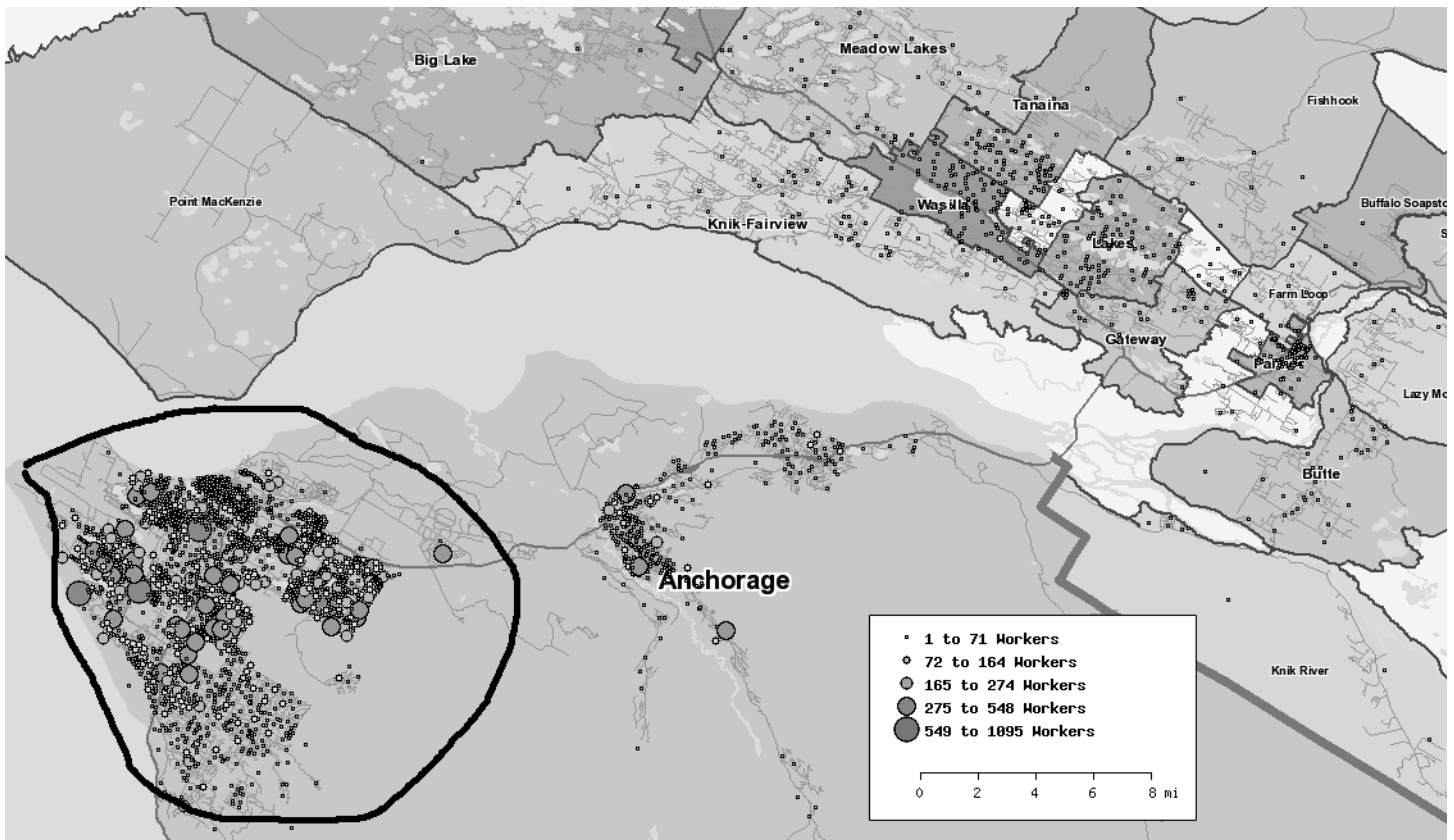
- What are new hires earning?

OnTheMap

OnTheMap is an easy-to-use interface for creating, viewing, printing and downloading

Another OnTheMap Image **3**

Place of residence for people who work in Anchorage



Another screenprint from the U.S. Census Bureau's OnTheMap Web site (above) shows the Anchorage/Mat-Su region place of residence for the people who work in the encircled portion of the Municipality of Anchorage. It's called a "labor shed" on the Web site. (*Trends* is limited to black and white; the Web site has considerably more detail than this screenprint.)

Source: U.S. Census Bureau; Alaska Department of Labor and Workforce Development, Research and Analysis Section

work force-related maps, profiles and underlying data. Because the tool can be used to look at user-specified geographic areas, including small neighborhoods or geographic areas that cross state boundaries, or an entire borough, the output can better meet unique user needs. However, the current data file for all the participating states only includes 2002, 2003 and 2004 data for worker origin and destination data, and the Quarterly Workforce Indicators profile data files.

Many states have used OnTheMap for disaster planning – examining economic and transportation scenarios by identifying place of work and place of residence information for geographic areas affected by a specific event such as a tornado. OnTheMap is highly effective in identifying alternate transportation routes for roads that

would be most impacted by a road closure in a particular area.

OnTheMap is useful to get answers to those and other work force, transportation and economic development questions such as,

- Where do workers employed in a particular geographic area live?
- What are the workplace destinations for workers living in a particular community or neighborhood?
- How do specific employment areas compare in terms of worker origin patterns, worker ages, annual earnings and industry-sector employment? How are these areas changing over time?
- How many jobs are located within five, 10, and 20 miles of a planned employment

training center or transit stop?

- How many workers live along a transit corridor and work downtown or in some other area along the same corridor?

Two powerful examples of products generated by OnTheMap are the “commute shed” and “labor shed” reports.

The commute shed report allows the user to select a geographic area as the worker’s place of residence using the Web site’s freehand draw capability. (Geographic areas can be selected with good precision down to neighborhoods.) The map that’s generated shows the worksite locations of workers who live in that residence area. (See Exhibit 2.)

In that Alaska example, the worksite locations of residents of a portion of the Matanuska-Susitna Borough were identified. Many residents of the Mat-Su Borough work in the borough, but many commute to Anchorage. The size of the circle indicating the worksite locations is indicative of the number of workers employed at that loca-

tion. Detailed tabular commute and labor shed reports may be generated in addition to the map.

Labor shed reports show similar data, but in the reverse. In the second Alaska example (see Exhibit 3), the geographic location of work locations is selected in Anchorage and the place of residence of those workers is indicated by circles of varying size on the map. A table of the residence locations is available, including areas outside the map area.

The Census Bureau plans to release a new and improved OnTheMap product later this year which should be easier to use and have more functionality. The Bureau and states also are working to improve the accuracy and completeness of the underlying data.

Right now, federal government, military and self-employed worker information isn’t included in the data files, but quarterly information for these groups may be added in the future.

State's employers pay nearly \$14 billion in wages in 2007

Alaska employers paid \$13.8 billion in wages during 2007, an increase of more than \$800 million from 2006 (See Exhibit 1.) When adjusted for inflation, wages grew by more than \$500 million, an increase of 4.1 percent.

The payroll numbers are compiled under the Quarterly Census of Employment and Wages program, and are derived from reports submitted by every employer subject to state unemployment insurance laws. They don't include self-employed workers, fishermen, uniformed military, or elected or appointed officials.

Modest job growth combined with higher wages

Growth in total wages results when either existing employees are paid more or new jobs are

added. The growth in 2007 came from both sources.

The state added about 3,000 jobs in 2007 and wages for the average job increased from \$41,314 to \$43,533. The job growth was smaller than in recent years, but the 5.4 percent increase in average wages was stronger.

Another strong year for natural resources and mining

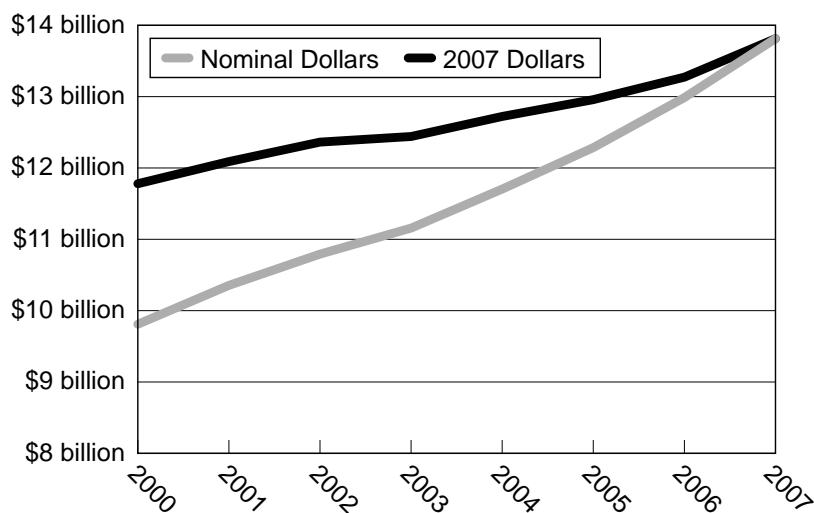
Natural resources and mining saw the strongest growth in 2007 with an increase of 17.7 percent in total wages. (See Exhibit 2.) The category's \$1.5 billion in wages paid was an increase of more than \$200 million from 2006.

About 85 percent of the category is made up by the oil and gas industry, which has rebounded significantly since 2003 and seen especially strong growth in 2006 and 2007. Employment levels, which had fallen below 8,000 for the industry in 2003, were nearing 12,000 by the end of 2007. Growth in oil and gas jobs gave an especially big lift to the state's total wage numbers because the jobs pay so well.

The state's roughly 3,200 oil and gas extraction jobs are particularly high paying, with an average annual wage of \$153,000 in 2007. The additional 8,500 jobs in drilling and oil and gas support jobs paid an average of more than \$91,000 annually.

A smaller piece of the natural resources and mining category that has also been growing strongly is metal ore mining. More than 200

1 Employers Paid \$13.8 Billion in Wages Total wages, 2000 to 2007



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

jobs were added in 2007 and average wages increased from \$81,648 to \$84,844. Altogether, the industry paid more than \$146 million in wages in 2007, an increase of about \$23 million from 2006.

Related growth in professional and business services

The oil and gas and mining industries also had a lot to do with the 9.6 percent growth in professional and business services. More than 200 jobs were added in engineering firms and total wages increased from \$230 million to \$264 million. Most of that growth was likely connected to the increased exploration and development activity for both oil and gas and precious metals.

Tourism also contributed

The state's growing tourism industry was most likely responsible for the stronger than average growth in the leisure and hospitality sector and trade, transportation and utilities.

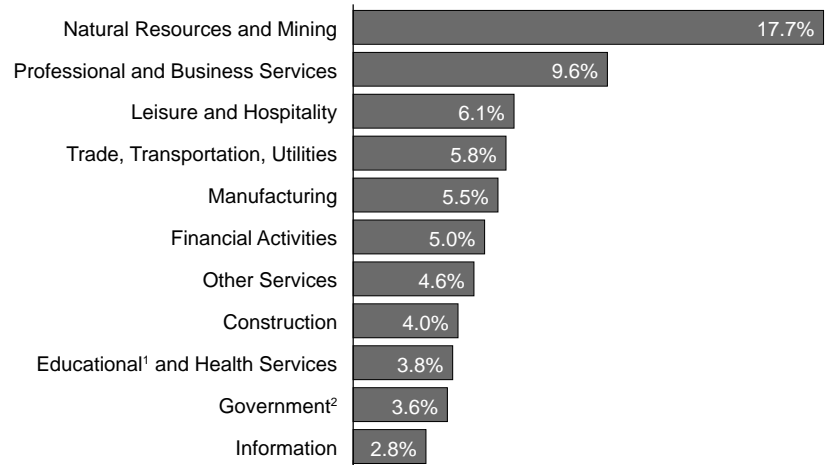
As an industry, tourism can't be isolated with any precision in these numbers because most hotels, restaurants and retail stores serve both visitors and locals, but all three showed healthy wage growth in 2007.

Three-fourths of state wages come from private sector

About \$10.2 billion of the wages paid by Alaska employers – or 74 percent – came from the private sector. The federal and state government each pays about 8 percent of total wages and local governments pay a little more than 10 percent.

As a group, government wages grew less than the broader economy and less than all but one of the state's major industry sectors. The lion's share of the growth came in federal government wages, which climbed \$79 million in 2007 to nearly \$1.1 billion. The federal government's 7.7 percent increase in 2007 was more than twice state government wages' 3.8 percent increase and five times local government's increase of 1.5 percent.

A Good Year for Natural Resources Wage growth, percent change 2006 to 2007 **2**



¹ Private education only

² Includes public school systems and the University of Alaska; excludes the uniformed military.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

Federal government pays highest average government wages

Federal government's increase in wages came mostly in the form of higher pay to existing employees rather than in added jobs. The federal government's average monthly job count increased by just a little over 100, but average wages rose 6.9 percent from \$60,998 in 2006 to \$65,225 in 2007.

State government's total wage increase also came primarily from increases to existing employees' wages rather than to an increase in the number of jobs. State government jobs paid an average of \$45,230 in 2007, up 3.2 percent from \$43,833 in 2006.

For their part, the number of local government jobs in the state actually fell slightly, but average wages increased from \$36,873 in 2006 to \$37,501 in 2007, a modest 1.7 percent bump. Overall, the government wage numbers reveal a shrinking role in the economy for state and local government wages and a slightly expanded role for the federal government.

Unemployment rate holds at 6.7 percent in April

Alaska's seasonally adjusted unemployment rate was unchanged at 6.7 percent in April (see Exhibits 1 and 3) and payroll employment continued to show modest growth with an over-the-year increase of 2,200 jobs (See Exhibit 2).

Slower growth so far in 2008

Taken together, the two core economic statistics reveal an economy that has slowed a little over the last year. April's unemployment rate was seven-tenths of a percentage point higher than in April 2007, although by itself the unemployment rate can be an unreliable indicator of economic health.

But the corresponding slowdown in payroll job growth sends a clearer signal of a cooling economy. Through the first four months of the year the state averaged job growth of just 0.6 percent, which was less than half the 1.3 percent growth the state saw over the same period in 2007.

The clear bright spot in the state's economy continues to be the oil and gas industry with growth of 1,000 jobs from April 2007 to April 2008. On the other side of the ledger is construction, whose job count fell 800 over that same period. The state's other industries lie somewhere between these two extremes, most of them growing a little slower than in recent years.

Comparisons with national numbers

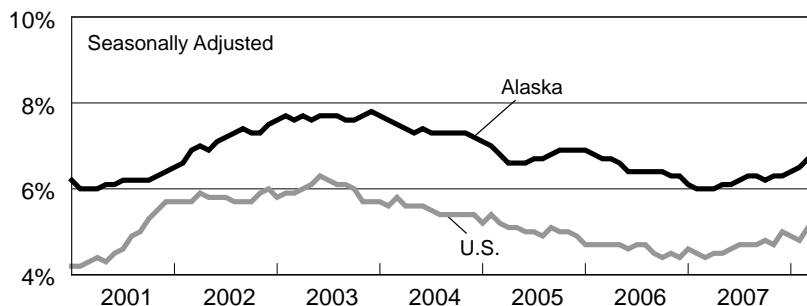
The U.S. economy has lost 314,000 private-sector jobs so far in 2008, raising concerns that the national economy is facing a recession. Over that same period, Alaska managed to add a modest 2,000 private-sector jobs.

Alaska is sometimes described as being countercyclical to the U.S. economy, meaning when the national economy suffers, Alaska thrives, and vice versa. The most important example of that being true is oil prices, which at high levels tend to slow the U.S. economy at the same time they increase state tax revenue for Alaska and stimulate the state's oil and gas industry and related support sectors.

But overall, it's more accurate to say that Alaska's economy tends to move somewhat independently of the national economy, rather than countercyclical to it. During the last two national recessions – 1990-91 and 2001 – Alaska continued to generate job growth, but it was not particularly strong growth and there was no noticeable change to the rate of growth when the national economy emerged from the downturns.

It's too early to tell whether the nation's slowdown in 2008 has any connection to the factors that are slowing Alaska job growth. One thing that the two economies have in common is job losses in the construction industry. Another is the negative effect higher transportation and heating costs are having on general business and consumer costs.

Unemployment Rates, Alaska and U.S. January 2001 to April 2008



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

2 Nonfarm Wage and Salary Employment

	Preliminary 4/08	Revised 3/08	Revised 4/07	Changes from:	
Alaska				3/08	4/07
Total Nonfarm Wage and Salary¹	312,100	307,100	309,900	5,000	2,200
Goods-Producing ²	40,700	40,100	40,500	600	200
Service-Providing ³	271,400	267,000	269,400	4,400	2,000
Natural Resources and Mining	14,700	14,400	13,500	300	1,200
Logging	300	300	300	0	0
Mining	14,400	14,100	13,300	300	1,100
Oil and Gas	12,300	12,000	11,300	300	1,000
Construction	15,200	14,100	16,000	1,100	-800
Manufacturing	10,800	11,600	11,000	-800	-200
Wood Product Manufacturing	400	400	400	0	0
Seafood Processing	6,900	7,900	7,100	-1,000	-200
Trade, Transportation, Utilities	62,800	61,300	61,700	1,500	1,100
Wholesale Trade	6,500	6,400	6,500	100	0
Retail Trade	35,600	34,700	34,800	900	800
Food and Beverage Stores	6,300	6,200	6,300	100	0
General Merchandise Stores	9,100	9,100	8,800	0	300
Transportation, Warehousing, Utilities	20,700	20,200	20,400	500	300
Air Transportation	6,200	6,200	6,000	0	200
Truck Transportation	3,300	3,200	3,100	100	200
Information	6,800	6,800	6,800	0	0
Telecommunications	4,200	4,200	4,200	0	0
Financial Activities	14,800	14,500	14,900	300	-100
Professional and Business Services	24,500	24,200	24,300	300	200
Educational⁴ and Health Services	37,300	37,400	37,300	-100	0
Health Care	27,000	26,900	26,900	100	100
Leisure and Hospitality	29,400	28,200	29,200	1,200	200
Accommodations	6,700	6,300	6,700	400	0
Food Services and Drinking Places	18,700	18,300	18,500	400	200
Other Services	11,500	11,500	11,400	0	100
Government	84,300	83,100	83,800	1,200	500
Federal Government ⁵	16,400	16,200	16,500	200	-100
State Government	25,800	25,400	25,600	400	200
State Government Education ⁶	8,100	8,000	8,100	100	0
Local Government	42,100	41,500	41,700	600	400
Local Government Education ⁷	24,000	23,900	23,900	100	100
Tribal Government	3,400	3,400	3,300	0	100

Notes for all exhibits on this page:

¹ Excludes the self-employed, fishermen and other agricultural workers, and private household workers; for estimates of fish harvesting employment, and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm

² Goods-producing sectors include natural resources and mining, construction and manufacturing.

³ Service-providing sectors include all others not listed as goods-producing sectors.

⁴ Private education only

⁵ Excludes uniformed military

⁶ Includes the University of Alaska

⁷ Includes public school systems

⁸ Fairbanks North Star Borough

Sources for Exhibits 2 and 3: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and the U.S. Department of Labor, Bureau of Labor Statistics
Sources for Exhibit 4: Alaska Department of Labor and Workforce Development, Research and Analysis Section; also the U.S. Department of Labor, Bureau of Labor Statistics, for Anchorage/Mat-Su and Fairbanks

4 Nonfarm Wage and Salary Employment By region

	Preliminary 4/08	Revised 3/08	Revised 4/07	Changes from:		Percent Change:	
				3/08	4/07	3/08	4/07
Anch/Mat-Su	167,800	165,400	166,500	2,400	1,300	1.5%	0.8%
Anchorage	149,200	147,400	148,700	1,800	500	1.2%	0.3%
Gulf Coast	27,600	26,750	27,500	850	100	3.2%	0.4%
Interior	44,400	43,100	44,000	1,300	400	3.0%	0.9%
Fairbanks ⁸	38,100	37,300	37,800	800	300	2.1%	0.8%
Northern	19,200	19,000	18,650	200	550	1.1%	2.9%
Southeast	35,200	33,700	35,150	1,500	50	4.5%	0.1%
Southwest	18,350	19,650	18,400	-1,300	-50	-6.6%	-0.3%

3 Unemployment Rates By borough and census area

	Prelim. 4/08	Revised 3/08	Revised 4/07
SEASONALLY ADJUSTED			
United States	5.0	5.1	4.5
Alaska Statewide	6.7	6.7	6.0
NOT SEASONALLY ADJUSTED			
United States	4.8	5.2	4.3
Alaska Statewide	7.1	7.4	6.3
Anchorage/Mat-Su Region	6.2	6.3	5.5
Municipality of Anchorage	5.6	5.6	5.0
Mat-Su Borough	8.3	9.0	7.5
Gulf Coast Region	8.7	9.5	8.2
Kenai Peninsula Borough	9.2	9.9	8.5
Kodiak Island Borough	5.5	6.0	5.7
Valdez-Cordova Census Area	10.3	11.6	9.9
Interior Region	6.8	7.2	6.1
Denali Borough	12.1	14.2	11.0
Fairbanks North Star Borough	5.9	6.2	5.3
Southeast Fairbanks Census Area	9.7	11.6	8.8
Yukon-Koyukuk Census Area	15.2	15.5	13.7
Northern Region	9.0	8.8	8.6
Nome Census Area	11.7	10.7	11.1
North Slope Borough	4.4	4.6	4.9
Northwest Arctic Borough	13.0	13.4	11.0
Southeast Region	7.2	8.1	6.4
Haines Borough	11.3	14.3	8.9
Juneau Borough	4.9	5.1	4.4
Ketchikan Gateway Borough	6.8	7.4	6.3
Prince of Wales-Outer Ketchikan CA	15.8	17.9	14.4
Sitka Borough	6.1	6.4	4.4
Skagway-Hoonah-Angoon CA	16.3	21.7	15.2
Wrangell-Petersburg Census Area	12.2	14.3	10.9
Yakutat Borough	7.6	11.5	6.0
Southwest Region	13.2	11.9	11.5
Aleutians East Borough	6.4	7.5	5.3
Aleutians West Census Area	8.4	3.2	6.8
Bethel Census Area	14.6	14.4	12.4
Bristol Bay Borough	10.7	13.4	11.4
Dillingham Census Area	10.7	10.5	9.8
Lake and Peninsula Borough	8.4	9.5	6.4
Wade Hampton Census Area	22.2	22.2	20.2

For more current state and regional employment and unemployment data, visit our Web site.

almis.labor.state.ak.us

A Safety Minute

Driving Distracted is Driving to Disaster

Just over 22 percent of all workplace fatalities in the nation involve motor vehicles and driving distracted is the largest single cause of those fatalities. Many more workers are injured every day for the same reasons.

Of all accidents caused by distracted drivers nationally, cell phone use causes the most, followed by fatigue and other multitasking activities, including eating, conversations, adjusting controls and grooming.

Are you or your employees at risk?

Whether you're an employer, employee, at work or not, it's critical to take the steps to avoid driving distractions.

Identify: Make a list of personal behaviors that you do while driving. If you're an employer, identify company tasks that require or allow multitasking while driving. Identify activities that have led to near misses in the past, regardless if you were distracted or not. Ask the drivers who work for you about their near misses.

Assess: How many activities that were identified are required while driving? Why are they required? What are the costs or savings? Are there other risk factors, such as high traffic areas, hazardous cargo or driving a tractor and trailer rig?

Control: Begin removing, reducing and changing those activities to less risky ones. Have zero tolerance for high hazard actions like texting, talking on a phone without an ear piece or speaker phone, and grooming. Schedule enough time to complete the drive without having to multitask. If you or your employees work near moving vehicles, wear high visibility clothing.

Reduce the costs: Drivers need to wear a seat belt, obey speed limits and other laws, change driving schedules to nonpeak hours when possible, and be aware of when a vehicle needs to be repaired or maintained and ensure the work gets done.

Expect the unexpected: Not all factors are under the drivers' control. Drivers need to pay attention and stay focused on external influences such as other drivers, pedestrians, construction activities, and road and weather conditions.

Reinforce: Since driving distracted is the largest cause of workplace motor vehicle injuries and fatalities, assess and retrain often.

Employer Resources

Fidelity Bonding – A Type of Business Insurance

The free Fidelity Bonding Program allows employers to insure an employee for six months against job-related theft and other crimes as an incentive to hire hard-to-place or “at-risk” job applicants.

Virtually any full-time or part-time employee can be bonded through the program. It’s designed to help those who might otherwise have trouble finding a job due to their background – ex-offenders, recovering drug or alcohol abusers, people with poor financial credit, those with military dishonorable discharges, welfare recipients, economically disadvantaged youth and adults without a work history and others.

The program is administered by the Employment Security Division within the Alaska Department of Labor and Workforce Development. It began as a federal program in 1966; the states began administering their own programs in 1998.

The bond insurance reimburses employers for any loss due to employee theft, forgery, larceny or embezzlement at the worksite or away from it. There’s no deductible. The bonds are typically issued for \$5,000; higher amounts must be approved by the program’s bonding coordinator, J. Allan MacKinnon.

To be bonded, people must be of legal working age and have federal taxes automatically deducted from their paychecks. The self-employed aren’t eligible.

Bonds can also be issued to cover a current employee who needs bonding in order to avoid being laid off or to get a transfer or promotion within his or her company.

For more information, check with your nearest Alaska Job Center (job center staff can put the bond into effect within minutes), go to the Fidelity Bonding Program Web site at labor.alaska.gov/bonding, or contact MacKinnon by calling him at (907) 465-5955 or emailing him at Allan.MacKinnon@alaska.gov.

To find the nearest job center, go to jobs.alaska.gov and click on “Alaska Job Centers” on the left or call (877) 724-ALEX (2539).