



# **ALASKA ECONOMIC TRENDS**

**DECEMBER 2014**

## **THE ANCHORAGE ECONOMY THE FIRST 100 YEARS**

### **ALSO IN THIS ISSUE**

Talkeetna: The gateway to Denali has a number of claims to fame

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**ALASKA DEPARTMENT  
of LABOR  
and WORKFORCE  
DEVELOPMENT**

**Bill Walker,**  
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**Grey Mitchell,**  
Acting Commissioner

**Dan Robinson**  
Chief, Research and Analysis

**Sara Whitney**  
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**Sam Dapcevich**  
Cover Artist

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# Anchorage's rise marked by continuous growth and change



**By Grey Mitchell**  
Acting Commissioner

While the Dena'ina Athabascans hunted and traded in the area known as Dgheyaytnu for thousands of years, this spring we'll celebrate the 100th anniversary of Alaska's largest city. Anchorage has seen its position and leadership as Alaska's largest population and economic center grow virtually without interruption for more than 70 years, since the early days of World War II.

One absolute for Anchorage has been resilience and continued growth as each economic driver peaks and declines, to be replaced by another, from the birth of the Alaska Railroad to the war-time military boom to oil exploration and development. But none of Anchorage's greatest accomplishments would have been possible without its most precious resource: a qualified and dedicated workforce. As an economic hub that draws workers from across Alaska, Anchorage's success has and will continue to hinge on a spirit of unity.

The work and investment to rebuild after the 1964 earthquake and the 1989 Exxon Valdez oil spill cemented Anchorage's position as the state's primary transportation hub for shipping, whether by land, sea, or air.

While natural resources continue to be a huge driver, today Anchorage is a more diverse service, transportation, and technology economy on the doorstep of Alaska wilderness.

## Gateway to Denali

This month's *Trends* also looks at Talkeetna, a small and unique community that embraces the eccentric beauty of small town Alaska, including keeping a stray cat as its honorary mayor for 16 years.

Once a mining hub and railroad stop-over, today's Talkeetna is focused on its proximity to Denali. Most locals work in the tourism industry as the town hosts hundreds of thousands of visitors who come to climb, view or fly over the

mountain, visit the park, and fish and hike the region.

## Winter Safety

This month's Safety Minute provides a reminder to be safe during the winter season with an emphasis on the risks from carbon monoxide. This silent threat has claimed many Alaskans who, while heating their homes, forgot that ventilation and system maintenance are critical.

## Employer Services

The Alaska Job Center Network includes job centers from Barrow to Ketchikan. As we help Alaskans connect with employment and training every day, we also provide services to employers. For example, the Anchorage Midtown Job Center hosts more than 250 individual employer recruitment sessions each year, at no cost to employers, where Business Connection staff pre-screen applicants and provide other services to connect employers with well-qualified workers.

Our job center teams can also provide WorkKeys job profile and testing assessments that can help employers make better hiring decisions. By comparing profile information with WorkKeys assessment scores from applicants, which may include a National Career Readiness Certificate, hiring managers can conduct more efficient recruitments, which reduces employee turnover.

Alaska Job Centers provide a multitude of services, including job search, employment training, and unemployment insurance information. Specialized services are also available, such as the Seafood Recruiting Office located at Anchorage Midtown that holds orientation and work calls twice a day during hiring seasons.

For more information about these or any other employer services, call (877) 724-2539, which will reroute you to the closest job center.



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# THE ANCHORAGE ECONOMY

## THE FIRST 100 YEARS



Continual job and employment transformation in Alaska's largest city

By **NEAL FRIED**

**B**y most measures, Anchorage's economy is young. Unlike most U.S. cities, from its beginning, automobiles traveled its roads, electricity lighted its homes, and phones were commonplace. There's also a number of Anchorage residents alive today who have witnessed most of the city's economic story.

### Not everything began in 1915

The establishment of the tent city in 1915 often symbolizes the city's beginnings, but economic activity began with the Dena'ina Athabascans, who hunted, traded, and utilized the area's natural resources before anyone else showed up on its shores.

The Native village of Eklutna, which is alive and well today, is the last of eight villages that existed in the area before 1915. Russian traders also predated the tent city, and so did a small number of homesteaders, including a few U.S. Forest Service employees.

### A fortuitous start

Unlike many Alaska communities, Anchorage wasn't

born with the discovery of gold, coal, or other minerals; the abundance of timber or fish; or the availability of large swaths of farmland. Not even the establishment of a post office or a religious mission explain its beginnings.

Instead, as one author wrote, the federal government decided to build a railroad somewhere in the Alaska territory to give Alaska's "long imprisoned wealth an outlet to the sea." They decided the Anchorage area was the ideal construction headquarters and eventually operational headquarters because it was "roughly" midway between Seward and Fairbanks. In addition, Cook Inlet — or more specifically, Ship Creek — provided water transportation access and was close to the Matanuska coal fields. Land was also abundant to base a large railroad construction camp. The government gave responsibility to build the railroad to the Alaska Engineering Commission, or AEC, a branch of the U.S. Department of Interior.

### Planting the seed for the city

Anchorage's start as a "railroad town" is not unique, as railroads had snaked their way across the nation for the previous 70 or 80 years. Anchorage was one of the last U.S. towns to owe its existence to the railroad, and possibly the last that would reach its current size.

Though the railroad may have been built to tap the territory's wealth of natural resources, its biggest consequence was arguably planting the seed for the state's largest city, which would eventually help the state develop its resources. So in a roundabout way, the railroad's original objective came to pass, just slower than many hoped and not in a straight line.

## The promise of jobs attracts thousands

Prior to President Woodrow Wilson's April 1915 announcement of the Alaska Railroad route, rumors that Anchorage would be chosen as construction headquarters attracted the first large group of settlers from all over the territory.

The iconic and short-lived tent city of Ship Creek, soon to be renamed Anchorage, was born. By 1915, the population of the tent city had grown to 4,500. (See Exhibit 1.) More permanent buildings such as hotels, restaurants, pool rooms, and retailers began to pop up.

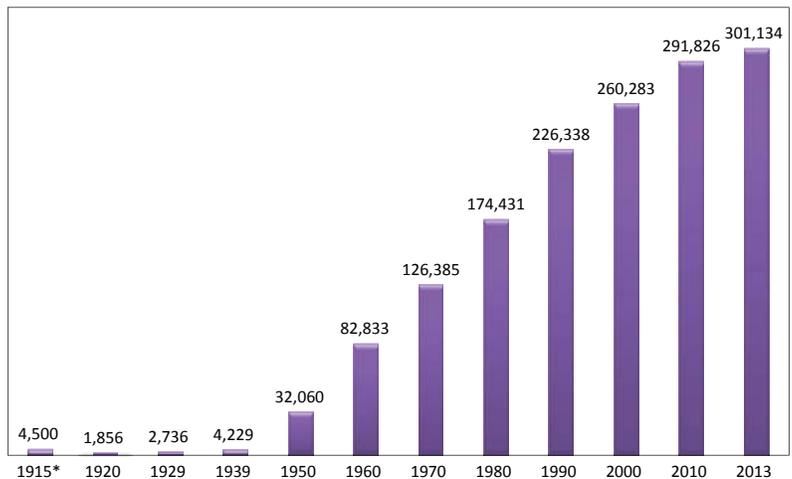
Concerns about sanitation on the mud flats led the AEC to create a new town site on higher ground and by July of that year, a survey was complete for a 350-acre town site and 655 lots were sold in an open-air auction. The total value of the lots was \$150,000, or \$3.5 million in today's dollars, with the first lot sold for \$20,000 in today's money.

The result was a carefully laid out town. For the next five years, the AEC ran a city in addition to building a railroad. It built schools, sidewalks, wide streets, and sewer and water facilities, and brought in electricity and many other amenities — different from most other frontier towns. The result looked permanent. In fact, some planners heralded it as one of the country's model towns.

It didn't stay within those carefully constructed confines for long. The AEC reported that by the fall of 1916, Anchorage's population had reached approximately 4,500 (see Exhibit 1), then about 5,000 by December of 1917.

# 1 Rapid Growth in Population

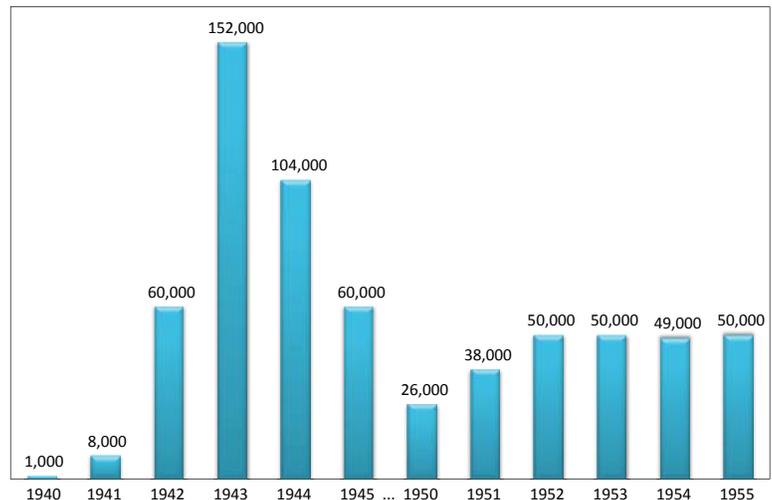
ANCHORAGE, 1915 TO 2013



\*Reported estimate by the Alaska Engineering Commission  
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Census Bureau

# 2 State Military Population, 1940 to 1955

WORLD WAR II, KOREAN WAR, AND START OF COLD WAR



Source: Hummel, L. "The U.S. Military as Geographical Agent: The Case of Cold War Alaska." *The Geographical Review*, 2005

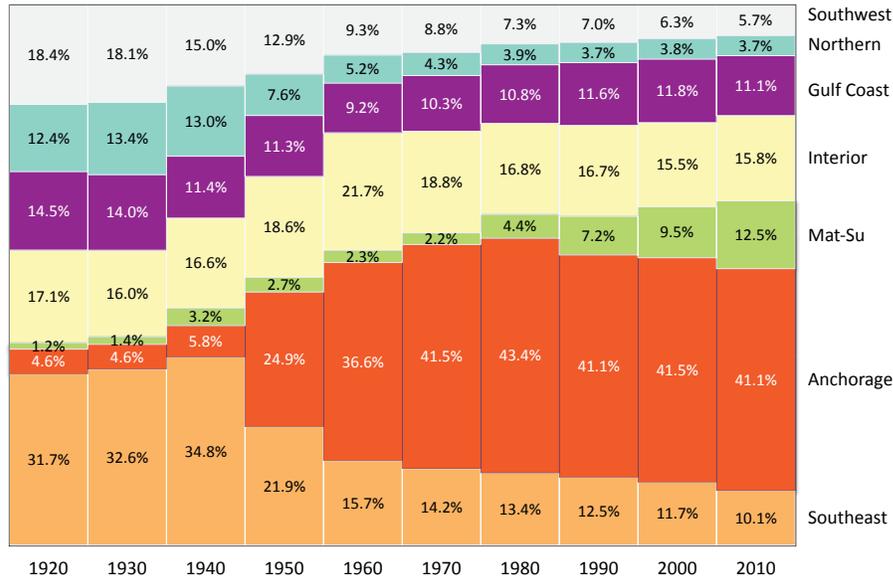
Others say those early numbers were as high as 7,000 by 1916.

## The railroad hires thousands

The federal government initially allocated \$35 million for the railroad's construction, along with shiploads of surplus equipment and supplies left over from the building of the Panama Canal. The ultimate price of the rail-

# 3 Percentages of Total Alaska Population

## BY REGION, 1920 TO 2010



Source: U.S. Census Bureau

road would be closer to \$60 million, or \$1.4 billion today.

In April 1915, the first spike went in. There are no specific construction job numbers for Anchorage, but during the next couple of years, at least 3,000 people worked on the railroad. The starting pay for unskilled labor was 37½ cents per hour, or \$8.80 in today's dollars, which was considered a low wage in the territory at the time.

Construction continued full bore into 1917, reaching a record workforce of 5,675. By December, the AEC reported that Anchorage had 1,349 buildings and 162 businesses, including 17 restaurants, 10 barbershops, three banks, 11 pool halls, two undertakers, and six grocers.

### World War I slows things down

During the latter part of that year, construction began to slow as the nation entered World War I. Unlike future wars, this war crimped Anchorage's economy. Building materials became scarce and many people were drafted, including a third of AEC laborers. Other working-age residents volunteered. Even the superintendent of the project resigned to fight in France. A booming national economy also gave many a reason to leave the territory.

The boomtown feel of Anchorage was gone. The war ended in late 1918, and by 1919, the railroad's workforce had fallen to 2,500 and the town's population and overall workforce also declined. The 1920 Census, the first official count of Anchorage's population, tallied 1,856 resi-

dents: a much smaller number than what was reported between 1915 and 1918, but more reliable.

### Railroad complete by 1923

Work continued on the railroad into the early 1920s, albeit at a slower pace. By 1921, most of the track was laid between Seward and Fairbanks, and sections of the railroad were operational for freight and passengers. Work on this eight-year project reached completion in 1923, when President Warren G. Harding drove the golden spike that signaled the end of the construction phase.

### A different economic era begins

Some have characterized the interlude between the railroad's completion and the beginning of World War II as the "sleepy railroad town period" of Anchorage. One sign of the city's maturity was that by 1920, the AEC turned Anchorage over to a civil government, turning it into an incorporated city. The economy continued to grow and diversify. The population also grew over the two decades that followed, reaching 4,229 by 1939. (See Exhibit 1.) Between 1915 and 1930, school enrollment more than tripled.

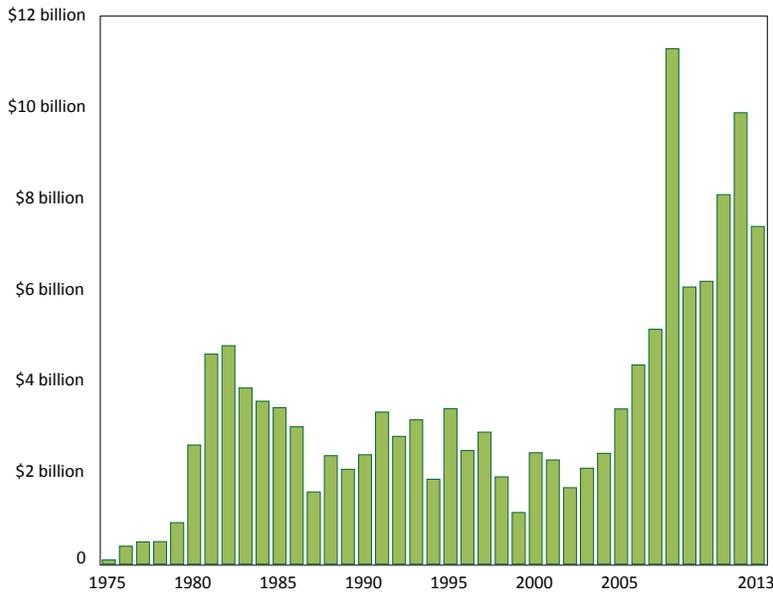
### Anchorage as a service center

Although Anchorage remained a railroad town until World War II, other industries emerged. While not of-

# 4

## Oil Is a Big Slice of the Wealth

ALASKA'S YEARLY OIL REVENUE, 1975 TO 2013



Source: Alaska Department of Revenue

ten associated with the commercial fishing industry, Anchorage was home to major salmon canneries. Fox and mink farming and a few dairies and other farms also operated, and the railroad boosted the city's and state's tourism industry.

More important than fishing or farming was the fact that by 1920, Anchorage was the largest city in South-central and as a result, it became the service and supply center for the communities, trappers, and camps in that part of the state. There were sizeable mines both north and south of Anchorage, fish operations in Cook Inlet, and a growing number of homesteaders in the Matanuska and Susitna valleys. All needed goods and services and in some cases, a place to sell their wares. The rail connection made that easier, and a road system slowly began to develop. This meant that early on, the city's role as Alaska's supply and service center became embedded in its economy.

The 1920s were also the beginning of the aviation era, potential that wasn't lost on Anchorage residents. Many communities were beyond the railroad's reach but could be serviced by plane. By 1923, Anchorage residents cleared ground for an airfield and by 1927, commercial air operations began, representing another link in the supply and service chain.

### The Great Depression

Data are scarce on what the Great Depression of the

1930s meant for Anchorage, but by many descriptions, it hit the city hard — though not as hard as other parts of the country. By some accounts, unemployment rose as high as 30 percent.

In 1934, the president raised the price of gold to \$35 an ounce, which was a boon to Alaska's gold mining industry. Public projects of all kinds began, including construction of a road from Anchorage to Mat-Su.

The federal government's resettlement of 201 farm families to further colonize the Matanuska Valley was a big economic benefit during the depression, as a great deal of money went into the project and Anchorage supplied the new colony with goods and services. Then, as farms went into production, Anchorage became the main market for their products.

### Military's arrival was a defining moment

According to historian Terrance Cole, "From 1945 to 1965 it wasn't gold, and it was not oil, and it wasn't timber; it wasn't any of Alaska's natural resources that fueled its economy. It was Alaska's strategic location at the top of the world."

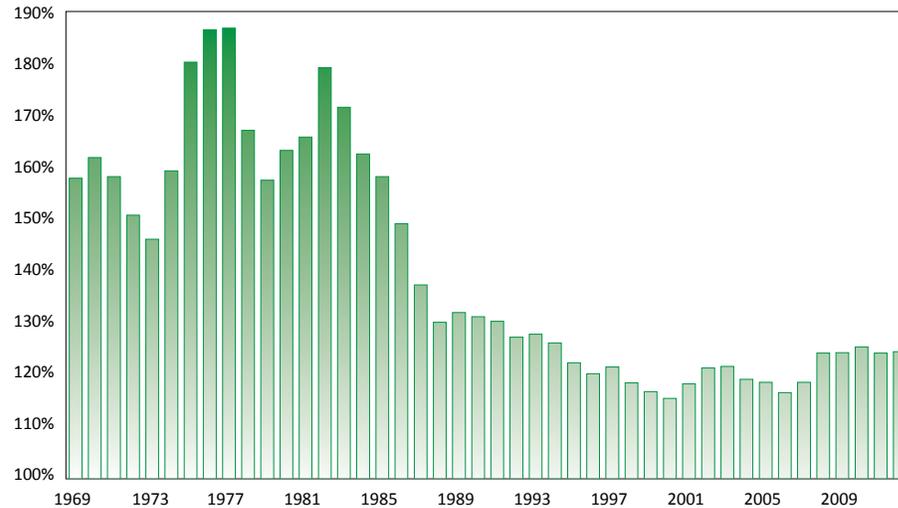
In June of 1940, the first troops arrived in Anchorage, producing an economic boom that continued through the 1950s. Reliable data on troops based in Anchorage during that time are scarce, but the statewide numbers paint a dramatic picture. In 1940, the troop count in Alaska was 1,000, and by 1942 it had skyrocketed to 60,000, peaking at 152,000 in 1943. (See Exhibit 2.)

Two major military installations were built, with Anchorage as headquarters: the Army's Fort Richardson and Elmendorf Air Force Base. The population of "Railroad Anchorage" ballooned from 4,229 in 1939 to 32,060 in 1950 and finally to 82,833 in 1960. Bank deposits rose from \$2.7 million in 1939 to \$18 million in 1944, and postal receipts grew from \$26 million in 1939 to \$154 million in 1945.

Cole went on to say that "Anchorage became the boom town that never stopped booming." This military transformation cemented Anchorage's seat as the state's largest city (see Exhibit 3) and the military would dominate

# 5

## Anchorage Income as Percent of Nation's PER CAPITA, 1969 TO 2011



Source: U.S. Bureau of Economic Analysis

its economy so completely that some refer to this period as “military Alaska.” Anchorage virtually became a company town where the “company” was the military.

After World War II, many feared demobilization would lead to a bust. In 1946, statewide uniformed military fell to a low of 19,000. However, the Cold War and the Korean War followed, reemphasizing Anchorage’s strategic value because of its proximity to Asia and to the nation’s “number one threat,” the Soviet Union. Instead of retrenchments, the military embarked on another long expansion.

By 1952, the Alaska troop count had risen to around 50,000, with about half stationed in Anchorage. In 1951, the combined investment in Fort Richardson and Elmendorf Air Force Base was approximately \$12 billion in current dollars. According to a report produced in 1956 by the City Planning Commission, federal military and government accounted for approximately 92 percent of Anchorage’s economy.

However, the military and government didn’t completely monopolize economic activity. Tourism was growing, with an estimated 21,000 visiting Anchorage in 1954. Far more notable, though, was Anchorage’s expanding role as the state’s commercial and service hub. For example, the Alaska Native Medical Center opened in 1953, and it would eventually employ thousands of workers.

### Roads and air tie Anchorage to the world in the 1940s

The transformation of Alaska’s road’s system, largely to

meet military needs, may have been even more important than the troop numbers and money spent on military infrastructure. Before the war, Anchorage wasn’t connected, but by the end, the Alaska Highway linked the city to the rest of the world. The new Glenn Highway also joined the Richardson Highway, giving Anchorage access to much of the state. By 1951, the Seward Highway would also connect Anchorage to the Kenai Peninsula.

By the 1940s, the Civil Aeronautics Authority, now the FAA, noted how important air transportation had become in Anchorage. The city was no longer just the crossroads for the state; it had global importance, and the government and aviation world quickly recognized the commercial potential of routes to Asia and Europe. Anchorage International Airport opened in 1953, and by 1954, 125,000 people passed through: numbers that nearly doubled by 1959.

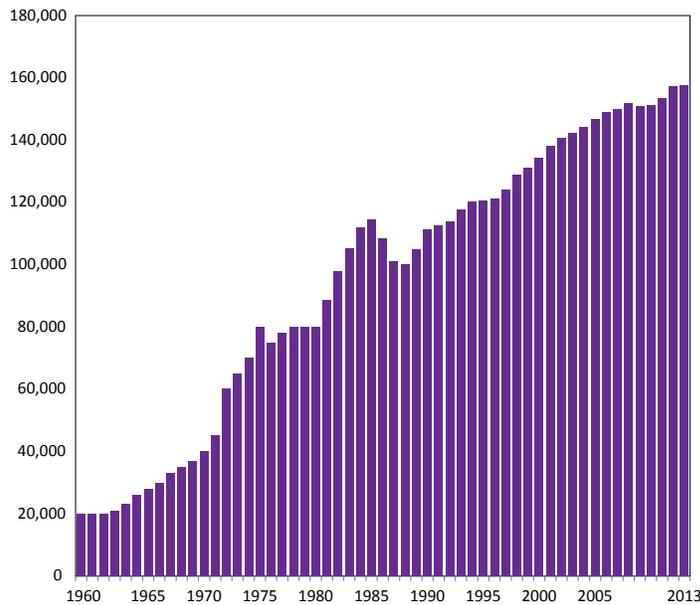
### Oil changes everything

When Alaska achieved statehood in 1959, Anchorage’s economy was small but in satisfactory shape, with the military and federal government at the forefront. However, federal primacy faced a challenge with the discovery of oil on the Kenai Peninsula.

Over the next 25 years, the oil industry reshaped Anchorage’s economy and became its key source of growth — and without a drop of oil ever produced there. When Phillips Petroleum established its headquarters in Anchorage in 1954 and other oil companies followed, the city became the center of industry

# 6 Steady Climb in Anchorage Jobs

PAYROLL EMPLOYMENT, 1955 TO 2013



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

operations.

Oil production in Cook Inlet began in 1959, peaking in 1970 at 226,000 barrels per day. By 1970, oil industry employment had grown sixfold. Revenues shot up from \$3 million in 1959 to \$35 million in 1969.

Another important element of the Cook Inlet oil discovery was natural gas, a byproduct of oil production, which to this day provides Anchorage with an exceptionally inexpensive source of electric power and heat.

The next big oil discovery would quickly dwarf Cook Inlet, but on an annual percent basis, employment in Anchorage grew faster during the first decade after statehood than it would in any future decade.

## Quake spawns Port of Anchorage

The major earthquake of 1964 brought a major change beyond the federal money that poured in to rebuild and the temporary jobs that came with it: it shifted Anchorage-bound water freight.

Before the quake, nearly all goods entering that part of the state went through the ports of Seward or Whittier. The earthquake destroyed the Port of Seward, rerouting most consumer goods for Southcentral to the Port of Anchorage, cementing Anchorage's role in the state's supply chain. Alaska's rail, air, road, and now water traffic converged in Anchorage.

## Prudhoe brings extraordinary times

As headquarters for the oil industry, Anchorage reaped many of the economic benefits and losses of the discovery of oil in Prudhoe Bay, an era that lasted roughly 20 years, from 1970 to 1990.

The era began with a check for \$900 million (\$5.8 billion in today's dollars) paid by the oil producers in 1969 for North Slope oil leases auctioned off in Anchorage. Then, between 1973 and 1977, Alaska embarked on the largest construction project in its history, building the Trans-Alaska Oil Pipeline. The pipeline carried that black gold to market, transforming the city's economy. (See Exhibit 4.)

As journalist Dermot Cole once wrote, "The pipeline ... did more to shape the development of Alaska than all the gold rushes combined."

The 1970s were the age of giant paychecks, fortunes earned, and fortunes lost. Not since then have so many people moved to the city, and never before had so many left.

## A job and wage bonanza

During its peak, pipeline construction employment topped 30,000, a number no single project had ever reached. The fat paychecks were the biggest draw, and thousands of jobseekers poured into Anchorage.

Anchorage was the commercial and supply center for the project, with many of the pipeliners dispatched from Anchorage's union halls. The average monthly wage for the construction industry in 1976 was \$4,041, or \$14,000 in today's dollars. That same year, Anchorage's per capita income climbed to a record 88 percent above the national average. (See Exhibit 5.)

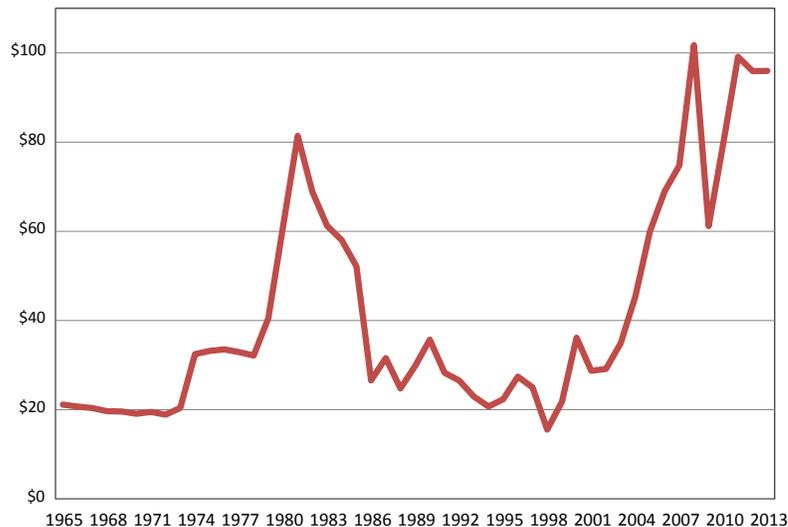
Between 1970 and 1975, total payroll employment in Anchorage doubled, from 40,000 to 80,000 jobs. (See Exhibit 6.) It wasn't just the draw of monster paychecks that brought jobseekers to Anchorage. The nation was in the midst of a severe recession, freeing up legions of young baby boomers who headed "North to Alaska" for economic opportunities.

## During the '80s, it wasn't just oil

Anchorage's economy didn't go bust after pipeline completion, as some had feared. For two years, employment and population fell slightly, then resumed growing. By

# 7 Volatile Historical Oil Prices

IN 2013 DOLLARS, 1965 TO 2013



Source: U.S. Information Energy Administration

the early 1980s, Anchorage’s economy was on another economic tear, rivaling the boom of the 1970s and at times exceeding it. Just as oil production was ramping up from the largest oil field in North America, the price of oil more than tripled. (See Exhibit 7.) Oil income to the state increased from \$907 million in fiscal year 1979 to \$4.8 billion in 1982, and a large share of these new-found riches reached Anchorage.

Between 1980 and 1985, Anchorage’s population increased by 57,000. This record flow of new residents between 1973 and 1984 is sometimes called “the pipeline generation” because of the profound shift it caused in the state’s demographics. Again, like the earlier boom, these new residents came not just for the paychecks but because Alaska was one of the few places where job opportunities flourished while the nation was mired in another deep recession.

To accommodate the burgeoning population, total building permit valuation in Anchorage went from \$154 million in 1980 to \$1 billion in 1983, or \$2.2 billion in today’s dollars. For comparison, in 2013, total building permit valuation was just \$631 million.

Residential building permits hit a one-year high of 9,082 in 1983, more than the entire number of permits issued for the most current 10-year period (2004 to 2013), and in a city that has 84,000 more residents today than it had in 1983. (See Exhibit 8.)

Unlike the pipeline boom, this one wasn’t dominated by construction. Retail trade and service employment grew

dramatically in response to the growth in population and income. In 1980, Anchorage had 39,350 private-sector service jobs (49 percent of all jobs) and by 1985, that grew to 62,200, or 54 percent. Employment in retail trade alone increased from 8,350 to 12,600.

## A bust follows in the mid-1980s

By the mid-1980s, both private and public investment in the economy outpaced demand. Then oil prices collapsed, kicking the chair out from under an already softening economy. Anchorage lost more than 14,000 jobs between 1985 and 1988. Nearly a third were in construction, but most industries lost ground. The population also fell during that time, by about 10,000.

The contraction hit so quickly that many of the new homes and commercial spaces built during the boom remained empty until the 1990s. Rental vacancy rates went from 3 percent in 1982 to 25 percent in 1986. Residential foreclosures rose from 314 in 1984 to 3,858 in 1987, then stayed above 3,600 over the next two years. (See Exhibit 9.)

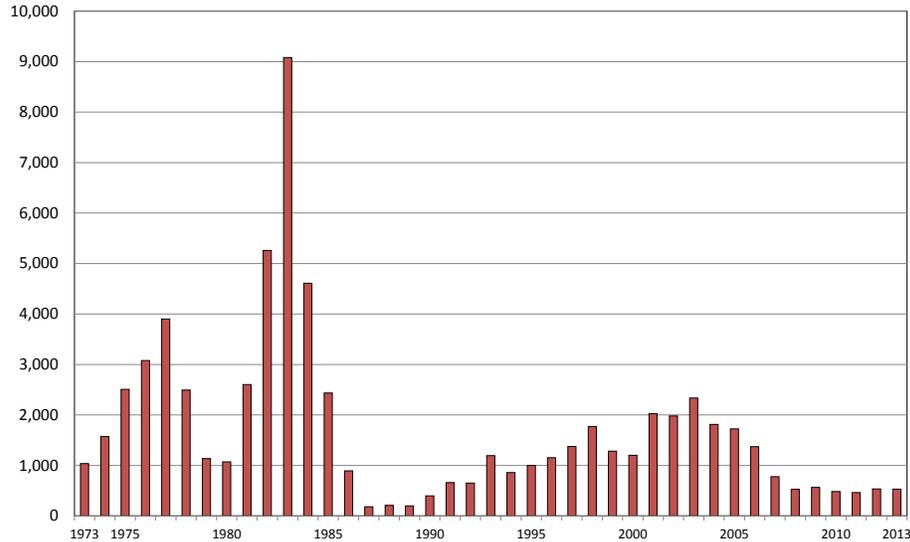
The number of real estate agents fell from 2,122 in 1984 to 732 in 1988. Class A office space went from \$1.75 per square foot to 45 cents during the same time. The first bank since the Great Depression closed its doors in 1986 and by the end of 1988, nine more closed.

In many ways, Anchorage’s 1980s bust was reminiscent of the effects of the recent Great Recession on many of

# 8

## Anchorage Residential Building Permits

1973 TO 2013



Source: Municipality of Anchorage

the nation's worst-hit cities, such as Phoenix. The reason for the distress was different, but the outcome was the same.

### Economy still larger after the bust

Though the bust of the '80s was the city's greatest economic trauma and it lost a record number of jobs, population, and businesses, the economy remained much larger than it had been before the prior boom. (See Exhibits 1 and 6.)

The workforce was more than twice as large as it had been in 1970. Even in 1987, at the worst of the bust, the workforce was 20,000 jobs larger than it had been in 1980. Likewise, though large swaths of houses, malls, warehouses, and office buildings were empty in 1988, the city's population was 45,000 higher than at the beginning of the boom in 1980.

One legacy of the extended boom is that 55 percent of Anchorage's current housing stock was built between 1970 and 1990, most between 1970 and 1985. (See Exhibit 10.) Roads, buildings, public facilities, and other infrastructure added during that period still serve the city today. Much of that investment also facilitated the two decades of growth that followed.

### Oil spill boosts recovery

As the last year of the 1980s approached, job and population losses in Anchorage dwindled and signs of

economic recovery appeared. By 1989, most industries in Anchorage were growing again, and first-quarter job numbers were up 6 percent.

In March 1989, the Exxon Valdez oil tanker ran aground, creating a massive spill. That summer, more than 7,000 people worked on the cleanup, many from Anchorage. Anchorage was also the primary supply center for related goods and services.

Unemployment fell, and reports of job shortages were common. There's little doubt the spill boosted the area temporarily, but the city's economic recovery was under way before the disaster. That the economy continued to grow after the cleanup wound down was further evidence that a more sustainable future was in the making.

### A mixture of industries drives nearly 25 years of slow growth

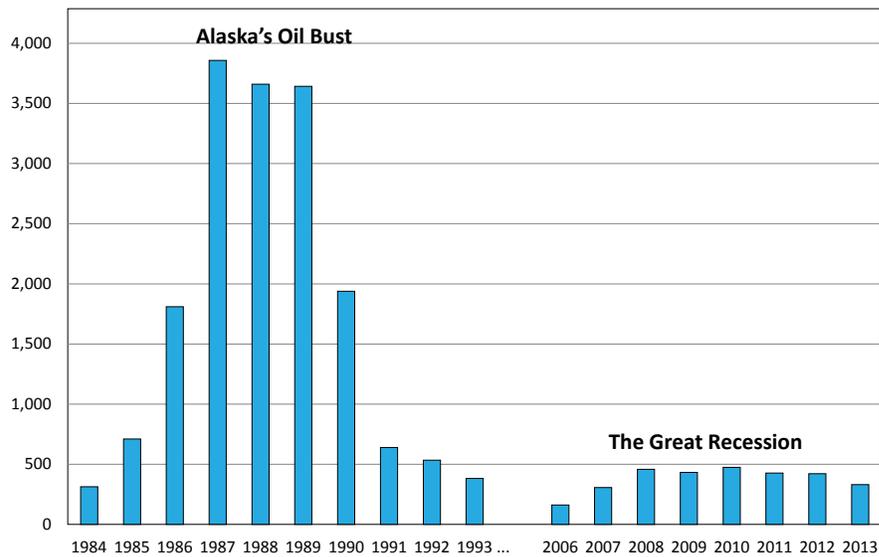
No single event or series of events drove Anchorage's economy over the next 25 years. Instead, various minor economic forces kicked in at different times or overlapped to propel the city's economy forward, including a massive expansion in retail and other service industries such as health care and bars and restaurants.

Big increases and decreases in federal dollars also affected the economy's direction. The oil industry gained and lost, and industries such as mining and fishing found a niche in the local economy. Constant growth

# 9

## Anchorage's Two Foreclosure Stories

ANCHORAGE FORECLOSURES DURING RECESSIONS, 1984 TO 2013



Source: Alaska Department of Natural Resources, Recorder's Office; Alaska Department of Labor and Workforce Development, Research and Analysis Section

in tourism and expansion of international air cargo kept the economy in the black. Native corporations' influence also grew in the state and particularly in Anchorage, where many of their headquarters are located.

This diversification produced nearly 25 years of uninterrupted growth for the Anchorage economy, the city's longest to date. Growth was slow, though — the slowest two-plus decades of economic and population growth since statehood. Wage and income growth were sluggish as well.

### Service jobs lead recovery in the 1990s

By 1992, Anchorage had regained its 1985 employment high and by 1993, it set another record. After that, employment reached a new high every year throughout the '90s, driven by service jobs and mainly in the retail and health care industries. Other important drivers included transportation and tourism.

Although new malls were built in Anchorage in the 1980s, the retail landscape's major transformation was in the '90s with the infusion of standalone "big box" stores such as Kmart, Walmart, and Costco. Retail employment grew by 3,500 jobs between 1990 and 2000, when retail's share of Anchorage employment hit 12 percent, on par with that of the nation. In other words, the Anchorage market was no longer "under-retailed."

Health care also created about 3,500 new jobs during the '90s, and international air cargo expanded. Between 1990 and 2000, air cargo passing through Anchorage's airport grew from 1.2 billion pounds to 4 billion pounds. Tourism also grew continuously, and bed tax revenues doubled from \$5.2 million collected in 1990 to \$10.7 million in 2000.

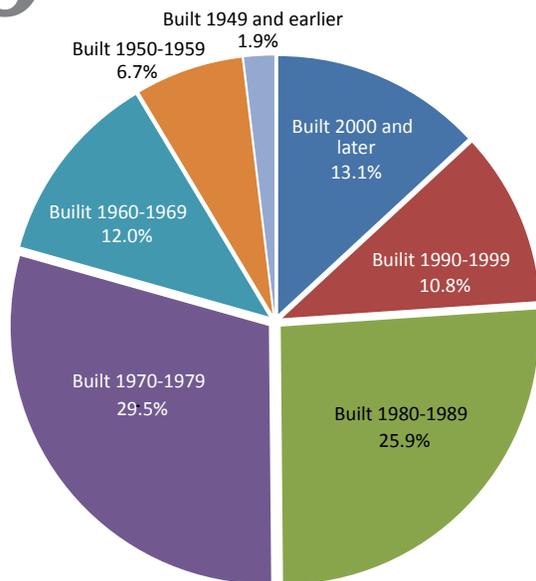
The oil industry put a damper on the Anchorage economy that decade, with oil production peaking in 1988, then falling and remaining low. The average price per barrel in nominal dollars was \$16, from a high of \$20 in 1990 to a low of \$13 in 1998.

These low prices came with big consequences for the industry and Anchorage, its headquarters. Cutbacks and consolidations by the oil producers and service companies became the norm, starting in 1992 when BP laid off more than 400 workers and ARCO (now ConocoPhillips) cut 750 jobs. Between 1990 and 1999, statewide oil industry employment fell from 10,300 to a record low of 7,900.

The combination of job losses in the high-wage oil industry and increases in mostly moderate-to-lower-wage jobs took its toll on Anchorage's wages and income. Per capita income fell from 32 percent above the national average in 1990 to 16 percent above in 2000, the smallest difference ever recorded. The average monthly wage in Anchorage fell from \$3,267 to \$3,038 in 2000 dollars. High wages, one of the attractions that had lured people to Anchorage, were quickly disappearing.

# 10 Young Housing Stock

## ANCHORAGE



Source: U.S. Census Bureau, American Community Survey, 2008 to 2012

## New millennium off to a good start

The 2000s started strong. A big jump in federal spending was followed by a big increase in oil industry activity. Tourism grew almost continuously, and many commodity prices hit records or came close. Prices for gold and other minerals as well as seafood rose during much of the 2000s, which spurred increased exploration and mining as well as higher fisheries income. Health care also began its long and continuing expansion.

## Federal dollars rain down

Total federal spending in Alaska went from \$6 billion in 2000 to \$11.2 billion in 2009, making Alaska one of the top states for per capita federal expenditures.

After large military declines in the 1990s, the terrorist attacks of Sept. 11, 2001 and two subsequent wars brought the military back into play.

Uniformed military in Anchorage went from 8,630 personnel in 2000 to 12,787 in 2010, and the military's share of Alaska's federal gross domestic product went from 47 percent in 2000 to 60 percent in 2009.

## Oil an elixir in the 2000s economy

The millennium began with a brief burst of oil activity, including development of the Alpine and North Star

oilfields and construction of a large number of oil modules in the state, including in Anchorage.

Then, after a brief slowdown, four years of above-average oil prices brought on more sustained levels of growth; by 2005, prices had more than doubled from the 2001 lows. A number of small projects began and a growing list of producers contributed to the new burst of activity. Pioneer Natural Resources made history on the North Slope in 2008 by becoming the first independent producer to operate a producing oilfield there.

In 2006, the largest oil spill in the history of the North Slope required hundreds of millions of dollars to fix the leaks. Oil prices also climbed, hitting record highs, and so did jobs, reaching 14,100 in 2013. That was an amazing feat, given that the state was producing just a quarter of the oil it had produced at its peak. Oil industry employment has continued to grow through 2014, and as the highest-paying industry in the state, oil's influence on earnings has been substantial.

Higher prices were a boon not just to the oil industry but to revenues flowing into the state. Petroleum revenues rose from \$2.1 billion in 2003 to a record \$11.3 billion in 2008, then remained high through fiscal year 2013. This produced notable increases in the state's operating and capital budgets, with Anchorage getting a significant portion of the increase as the state's largest city and the headquarters for many of the state's construction and engineering firms.

## Health care and tourism strong

Health care's relentless march upward continued into the 2000s. It was already a large industry, and this fast growth racked up huge numbers. Between 2000 and 2013, health care jobs nearly doubled in Anchorage, from 9,700 to 18,100, and its share of total employment increased from 7 to 12 percent.

During that period, health care generated just over a third of all new jobs in Anchorage, prompted by technological changes, new medical procedures, more local consumption of health care, and the growing senior population. In fact, total employment in Anchorage would have declined in 2010 if health care hadn't been so robust.

The estimated number of visitors to Anchorage broke the million mark during the 2013-14 season, nearly twice the visitors in 1989-90, and a number of new hotels altered the landscape in parts of the city.

## Earnings fare better in the 2000s

After the losses in average earnings in the 1990s, earn-

Continued on page 17

# Talkeetna



The gateway to Denali has a number of claims to fame

By SARA WHITNEY

**T**alkeetna, nestled at the confluence of three major rivers 115 miles north of Anchorage, embodies many outsiders' idea of small-town Alaska, and with good reason. The 1990s hit sitcom Northern Exposure's fictional "Cicely, Alaska" was said to be modeled after Talkeetna.

In recent years, the picturesque community of 861 has regained its place on the national radar. A local roadhouse's giant breakfasts and another local café were featured on the reality show *Man Versus Food*, and then in its quirkiest claim to fame, its honorary mayor made national news for being a cat and, most recently, for narrowly surviving an assassination attempt by a local dog.

Mayor Stubbs has presided over the town for the past 16 years, with some locals noting he hasn't voted for any policies they wouldn't support. Stubbs is just a figurehead, of course, as Talkeetna is unincorporated and has no official mayor or municipal government. The community is a census-designated place, governed by the larger Matanuska-Susitna Borough, but it maintains a strong and cohesive local identity.

## Like many towns, it began with gold

The town's modern existence is based mainly on its proximity to Denali National Park and Preserve, but like many places in Alaska, it has roots in the gold rush.

Den'aina Athabascans originally inhabited the area



Stubbs, Talkeetna's honorary feline mayor, pulls rank on a guest during a pool game. The mayor did not specify whether the appearance was official business. Photo by Flickr user t-dawg

around the spot where the Chulitna, Susitna, and Talkeetna rivers converge. This group of Alaska Natives initially resisted outsiders, barring Russian traders from traveling up the Susitna River, but the discovery of gold in the lower Susitna later brought an influx of prospectors who established nearby mines, some of which are still active.

In 1915, President Woodrow Wilson cemented the location for the town site of Talkeetna by making it the first headquarters for the Alaska Railroad Engineering Commission, which oversaw construction of the railroad going north toward Fairbanks. Talkeetna, whose name means "river of plenty," was officially established in 1919.

Today, many of the town's original structures remain. Talkeetna's downtown core is a designated National Historic Site, and it features several businesses that have operated since the early 1900s including a gener-

al store, an inn, and the roadhouse featured on reality TV. The railroad still has a depot there, with daily service in the summer. The trip from Anchorage by train takes about three hours and takes visitors straight into downtown Talkeetna. From there, it's another four-and-a-half hours to Denali National Park.

## A key Mat-Su tourist destination

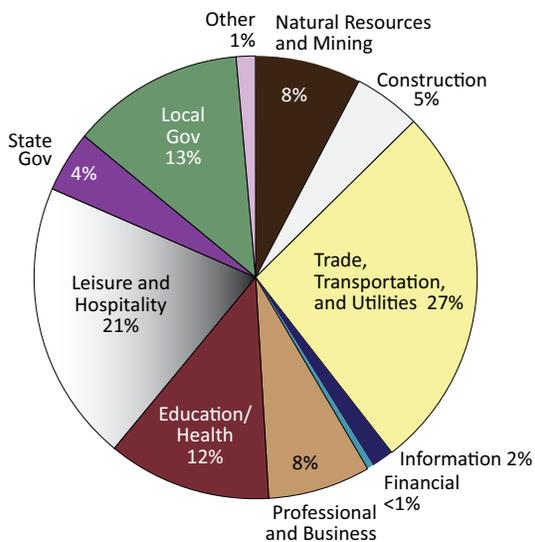
Talkeetna has maintained much of its laid-back, historical flavor, but it's a bustling tourist destination. Its economy is mainly driven by the park and Mount McKinley, which is known as Denali to Alaskans and is the tallest peak in North America at 20,322 feet. The town, which is about 150 miles by road from the park, is one of the Mat-Su Borough's biggest draws.

In the summer, visitors can double Talkeetna's population, and these numbers are on the rise. Cruise ships have ramped up their operations over the past 20 years, and Princess Cruises alone brings an average of 1,000 visitors a day to the town during the summer peak.

Talkeetna serves as a base for Denali expeditions as

## 1 Jobs Largely Support Tourism

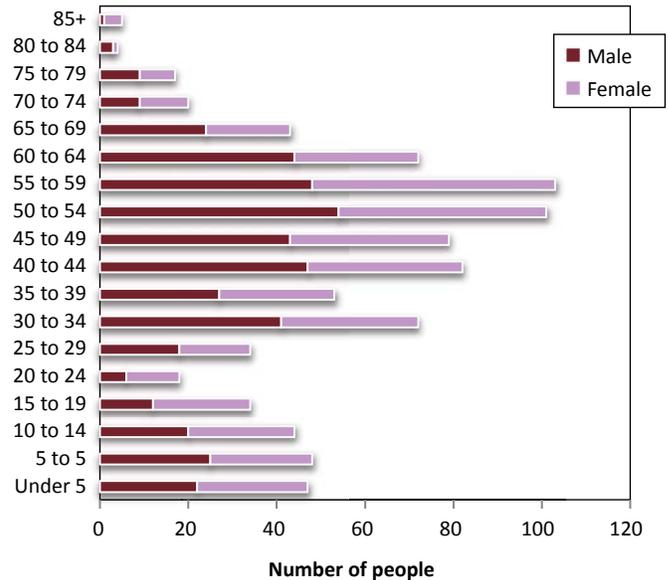
### TALKEETNA INDUSTRY BREAKDOWN, 2013



Note: Federal employment isn't included in this chart, but the National Park Service has an office in Talkeetna.  
 Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## 2 Year-Round Population is Older

### TALKEETNA, 2010 CENSUS



Source: U.S. Census Bureau, 2010 Census

well as providing fishing, rafting, and flightseeing trips for thousands of visitors each year. Locally, its businesses support these adventures and provide a plethora of local entertainment. For example, the town has a moose droppings festival and an annual wilderness woman and bachelor ball plus a variety of artisanal products, such as locally brewed beer. As of October, Talkeetna had 298 current business licenses, more than one for every three residents.

Jobs that support tourism are spread throughout industries but heavily concentrated in the leisure and hospitality and trade, transportation, and utilities sectors (shown in Exhibit 1). These two sectors encompass nearly half the payroll jobs in Talkeetna. As Exhibit 3 shows, Talkeetna's most common occupations are mostly service jobs — waiters are No. 1 — serving locals as well as the town's numerous visitors.

Though most businesses support tourism in one way or another, the town has a stable, year-round job base. Among working residents, 64 percent worked all four quarters in 2013.

Nearly half the residents aren't employed, though, in the sense that they don't show up on any local payroll, but this number doesn't tell the whole story. Many residents are past traditional working ages and some small business owners are self-employed. Others live in Talkeetna and work elsewhere.

The U.S. Census Bureau's American Community Survey



The Talkeetna Moose Dropping Festival. Photo by Flickr user ddanforth

## 3 Most Common Jobs TALKEETNA, 2013

- Waiters and Waitresses
- Cashiers
- Operating Engineers and Other  
Construction Equip Operators
- Commercial Pilots
- Cooks in Restaurants
- Bartenders
- Secondary School Teachers
- Office Clerks
- Retail Salespeople
- General and Operations Managers
- Registered Nurses
- Firefighters
- Maids and Housekeepers

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

estimated that between 2008 and 2012, 54.3 percent of Talkeetna residents were employed and 58.3 percent were “in the labor force,” which means they were either working or available and looking for work. That means retirees, for example, are not considered part of the labor force. For comparison, the larger Mat-Su Borough had a labor force participation rate of 65 percent for those age 16 or older, with 57.9 percent employed. It’s important to note that the Talkeetna ACS numbers have large margins of error, however, because of the small sample size.

### An affordable place to live

Some residents can earn their entire year’s living during the tourist season and take the winter off, as Talkeetna can be a relatively inexpensive place to live. Although Talkeetna’s utility costs are nearly double those of Anchorage, its average home would cost only about half what it would in Anchorage and would likely sit on considerably more land.

In 2008, McDowell Group conducted the Alaska Geographic Differential Study, which remains the most comprehensive cost-of-living analysis in Alaska to date. The study covered even the smallest places, comparing their costs to Anchorage as a base. For this study, Talkeetna was grouped with similar towns along the Parks Highway, including Healy, Cantwell, Central, Nenana, and Manley Hot Springs.

While housing in Talkeetna is much cheaper than Anchorage, most of its other living costs are a bit higher. However, Talkeetna residents can travel about 70 miles south to Wasilla, where food, medical care, and

other essentials cost less.

### Local government presence

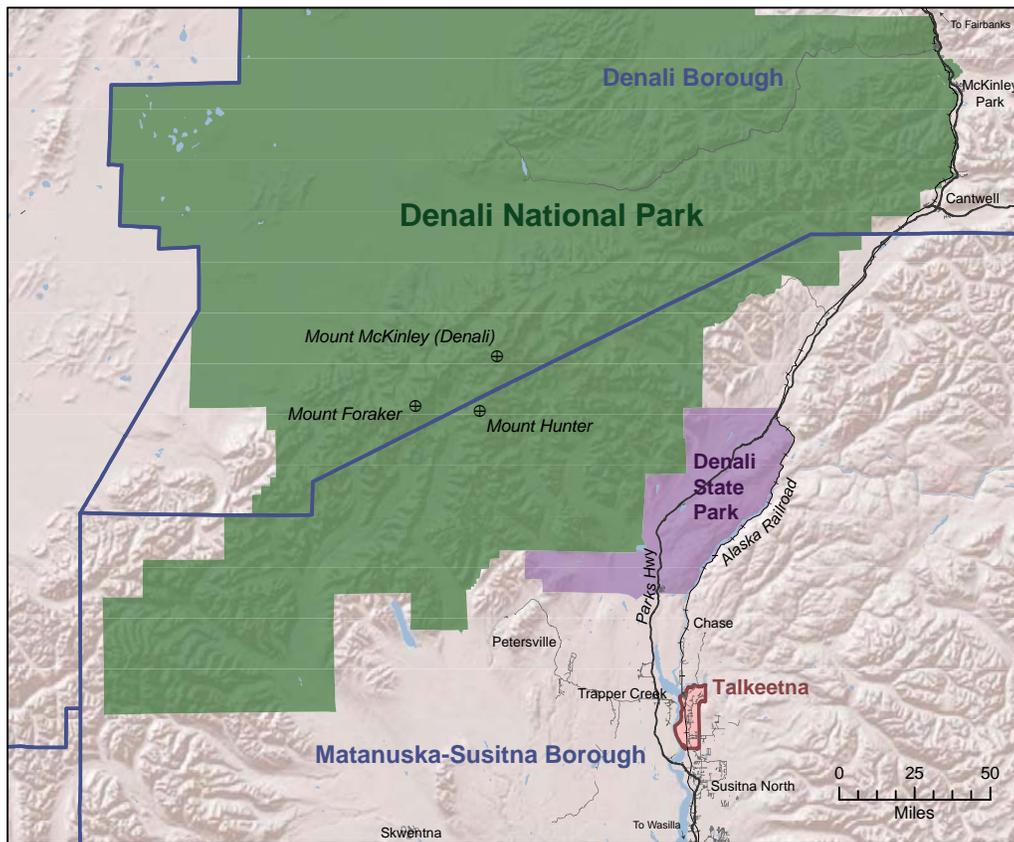
Though tourism is the town’s lifeblood and 83 percent of working residents are in the private sector, local government has a relatively large share of jobs at 13 percent. This is typical for small towns in Alaska, as local government provides a range of basic services for residents, including public school.

Talkeetna Elementary School serves more than 100 kids from the town and surrounding area through grade six, and employs six teachers as of 2014. For middle and high school, students are bused about 14 miles south to Susitna North, another CDP that used to be called Y, at milepost 98 in the Susitna Valley.

### The population is older

The town has gained about 100 residents between the 2000 and 2010 censuses. Though Talkeetna and the surrounding area are home to enough kids for an elementary school, the town’s population is considerably older than the state as a whole. Talkeetna residents had a median age of 45.4 in 2013; for comparison, Alaska’s median age was about 34 and for the U.S. as a whole, it was 37.

Because Talkeetna’s population is older and especially concentrated in the 40-to-65 age range (see Exhibit 2), relatively few of its households have children, putting the average household size at just 1.95 people during the most recent census.



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

Talkeetna’s racial makeup also stands out from the state as a whole. As of the 2010 Census, the vast majority were white, at 91.4 percent, in contrast to about 67 percent for the state. Residents were 3.7 percent Alaska Native and 3.4 percent multiracial.

Sara Whitney is the editor of Alaska Economic Trends. To reach her at the Department of Labor in Juneau, call her at (907) 465-6561 or e-mail [sara.whitney@alaska.gov](mailto:sara.whitney@alaska.gov).

### About these numbers

Data for a place this small are scarce, not updated as frequently as for larger areas, and tend to have large margins of error. Numbers at this level are intended more to give an overall picture of the town and shouldn’t be considered an exact count.

## ANCHORAGE

Continued from page 13

ings grew in the 2000s. During the most recent decade, inflation-adjusted earnings rose from \$51,760 in 2000 to \$53,436 to 2013. Anchorage’s per capita income increased from 16 percent above the national average in 2000 to 25 percent higher in 2012. One explanation is the type of employment that grew over the past decade, when both top-earning industries, mining and oil, gained major ground. In contrast, during the 1990s, higher-wage industries fell or remained flat while some of the lower-wage industries grew significantly.

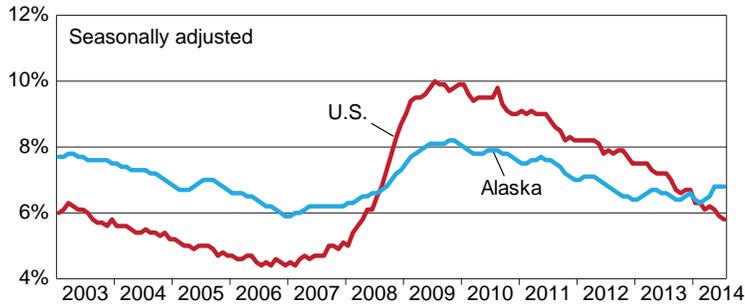
## The national recession

The biggest national economic story of the past decade is the Great Recession, the worst trough since the Great Depression of the 1930s. If Alaska operated in a vacuum, this event could be largely ignored or considered a minor blip in the city’s economic history. It wasn’t unscathed, but unlike the trauma the recession caused in most of the U.S., it was what one Alaskan economist called a “glancing blow” for the state. The hardest-hit industries in Anchorage were international air cargo, which still hasn’t recovered, and the real estate market.

Home prices in Anchorage softened in 2007 and 2008,  
Continued on page 18

# Employment Scene

## 1 Unemployment Rates JANUARY 2003 TO OCTOBER 2014



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

## ANCHORAGE

Continued from page 17

then began to recover as well. The national foreclosure nightmare wasn't even a headline in Anchorage, and neither was unemployment. Anchorage's jobless rate hit a high of 6.8 percent in 2010 versus 9.6 percent nationwide.

Anchorage jobs fell by a mere 0.6 percent in 2009, ending the city's record streak of 20 years of growth. But that was short-lived, as employment resumed growing in 2010 and hit a new record in 2011. In contrast, national employment in 2010 fell back to levels last seen in 1999 and wouldn't fully recover until 2014. The Anchorage and state economies simply differed enough from the rest of the U.S. to avoid being caught in the storm.

## A century later

At the end of the first 100 years, Anchorage's economy has undergone a wealth of changes but in some ways, it's still the same. Visually, Anchorage's economy resembles many other U.S. cities, but looks can be deceiving because what makes Anchorage tick differs from these other metropolitan areas.

Like a century ago, Anchorage remains on the edge of the wilderness and is more remote than any city in the Lower 48. That means Anchorage will continue to face different challenges than most other U.S. cities. In other cases, however, it will benefit from this uniqueness.

## 2 Unemployment Rates BOROUGHES AND CENSUS AREAS

	Prelim. 10/14	Revised 9/14	10/13
<b>SEASONALLY ADJUSTED</b>			
<b>United States</b>	<b>5.8</b>	<b>5.9</b>	<b>7.2</b>
<b>Alaska Statewide</b>	<b>6.8</b>	<b>6.8</b>	<b>6.6</b>
<b>NOT SEASONALLY ADJUSTED</b>			
<b>United States</b>	<b>5.5</b>	<b>5.7</b>	<b>7.0</b>
<b>Alaska Statewide</b>	<b>6.0</b>	<b>5.8</b>	<b>6.2</b>
<b>Anchorage/Mat-Su Region</b>			
Municipality of Anchorage	4.7	4.9	4.8
Matanuska-Susitna Borough	6.3	5.9	6.6
<b>Gulf Coast Region</b>			
Kenai Peninsula Borough	6.8	6.6	7.0
Kodiak Island Borough	4.1	4.0	4.7
Valdez-Cordova Census Area	8.6	6.1	9.4
<b>Interior Region</b>			
Denali Borough	7.2	3.2	9.8
Fairbanks North Star Borough	5.3	5.0	5.2
Southeast Fairbanks Census Area	9.9	9.5	10.4
Yukon-Koyukuk Census Area	13.6	13.6	13.3
<b>Northern Region</b>			
Nome Census Area	10.4	11.3	10.1
North Slope Borough	4.0	4.1	5.0
Northwest Arctic Borough	13.2	14.4	14.7
<b>Southeast Region</b>			
Haines Borough	8.3	4.8	8.1
Hoonah-Angoon Census Area	11.3	9.4	11.7
Juneau, City and Borough	4.5	4.1	4.4
Ketchikan Gateway Borough	6.2	5.1	5.9
Petersburg Census Area	7.8	8.4	8.9
Prince of Wales-Hyder CA	13.2	10.8	11.4
Sitka, City and Borough	4.5	3.9	5.0
Skagway, Municipality	14.3	1.6	16.8
Wrangell, City and Borough	9.2	6.1	9.1
Yakutat, City and Borough	7.4	5.7	7.0
<b>Southwest Region</b>			
Aleutians East Borough	8.0	7.6	12.2
Aleutians West Census Area	8.1	5.8	11.5
Bethel Census Area	13.6	15.6	14.2
Bristol Bay Borough	5.9	2.7	6.6
Dillingham Census Area	10.0	9.4	10.1
Lake and Peninsula Borough	7.0	6.1	6.8
Wade Hampton Census Area	19.4	20.5	19.9

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

Anchorage's current economy is far more diverse than it has ever been, and although big economic challenges are on the city's horizon, nearly every new layer laid onto its economy over the past century is still paying returns and providing a platform for new development.

Neal Fried is an economist at the Department of Labor in Anchorage. To reach him, call (907) 269-4861 or e-mail him at Neal.Fried@alaska.gov.

# Safety Minute

## How to avoid carbon monoxide exposure at home

With winter already in full swing in much of the state, we're entering a time when external heat sources and combustion devices are in high demand. These warm our homes, propel our vehicles, and generate power while off the grid or during emergencies. While they help us survive and bring us comfort, they can also pose a significant risk to our health. According to the Centers for Disease Control, nearly 500 people in the United States die each year from accidental overexposure to carbon monoxide.

### What is CO and what are its symptoms?

Carbon monoxide is a poisonous gas that is odorless and colorless. CO is known as an asphyxiant, which causes suffocation by displacing oxygen. It's less dense than air, meaning it will rise and accumulate at the highest point in a space. In amounts above 1,200 parts per million, it can cause sudden illness and death. The first signs of low level CO poisoning are dizziness, headache, nausea, weakness, vomiting, and confusion. At high levels, it can cause loss of consciousness and death. CO poisoning often mimics other illness, which can make it hard to diagnose.

### How is CO produced and where can it be found?

CO is most commonly produced by the incomplete burning of fossil fuels such as gasoline, diesel, coal, and natural gas. It can also come from stoves, burning charcoal and wood, lanterns, gas ranges, and natural gas heating systems. CO can build up when furnaces and water heaters are improperly vented or unmaintained, usually in an enclosed or confined space such as a garage, mechanical

room, or crawlspace. Another significant risk comes from vehicles running inside a garage, even for a short period with the door open.

### How to prevent CO exposure

- Install CO detectors on every level of your home, with either battery power or battery back-up. If the detector sounds, leave your home immediately and call 911.
- Have your heating system, water heater, and all combustion appliances inspected annually by a qualified contractor.
- Don't run a vehicle inside of a garage or any type of enclosed space, even with the door open.
- Don't use a generator, barbecue grill, or any combustion device inside your home or garage, or near a window or door.
- Don't heat your home with a gas oven or range stove.
- Don't burn anything in a fireplace or stove that isn't properly vented.

For additional information on carbon monoxide, its risks and ways to limit your exposure, visit [www.cdc.gov/co/](http://www.cdc.gov/co/). For standards pertaining to occupational exposure, visit the federal OSHA website at [www.osha.gov](http://www.osha.gov) or contact the Alaska Occupational Safety and Health Consultation and Training Program at (800) 656-4972.

Safety Minute is written by the Labor Standards and Safety Division, Alaska Occupational Health and Safety Consultation and Training Program of the Alaska Department of Labor and Workforce Development.

# Employer Resources

## Job Center Network provides range of employer services

The Alaska Job Center Network acts as a recruiting agency for Alaska businesses at no cost to employers. Employers can call or visit a local job center and the Business Connection staff will answer questions and explain the recruiting process. AJCN staff help match the right employee with the right job when working with a business and learning about its needs and requirements. Staff will prescreen applicants at the employer's request.

The Business Connection connects the employer with services and information from the Employment Security Division of the Department of Labor and Workforce Development. Services include job recruiting and advertising, employer information and assistance, referral of qualified job-ready applicants, training services, and participation in job fairs and on-site recruitments.

Staff can also provide information and assistance on programs and topics such as employment security tax, unemployment insurance, foreign labor certifications, work

opportunity tax credits, fidelity bonding, workers compensation, wage and hour, and occupational safety and health. Training programs available through the job center network include apprenticeships, on-the-job training, the Alaska Career Ready Program, skills upgrade training, and incumbent worker training. The Rapid Response program is also available to businesses facing possible layoffs.

Alaska's Labor Exchange System, ALEXsys, can also match businesses with Alaskans looking for jobs, 24 hours a day online. Employers can post job announcements, view resumes, and obtain area labor market information at [alexsys.labor.state.ak.us](http://alexsys.labor.state.ak.us).

For more information, contact your closest job center toll-free in Alaska at (877) 724-2539 or at [jobs.alaska.gov/offices/index.html](http://jobs.alaska.gov/offices/index.html). Employer services are available at [labor.alaska.gov/employer/employer.htm](http://labor.alaska.gov/employer/employer.htm).

Employer Resources is written by the Employment Security Division of the Alaska Department of Labor and Workforce Development.