

TRENDS

Long Term

RETROSPECTIVE

The 40 years of Alaska's
economy since statehood

Territory to State

Double disasters—earthquake and flood

Prudhoe Bay oil strike

\$900 million oil lease sale

ANCSA passed

Pipeline construction boom

Fisheries slowly recover

Crab becomes "king"

80s boom and recession

Bottomfish industry develops

Hard rock mining revival

Exxon Valdez spill and cleanup

Tourism/retail booms

Oil flow slows, cools economy

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Long-Term Retrospective

by Rachel Baker, John Boucher,
Neal Fried, and Brigitta Windisch-Cole
Labor Economists

Alaska's economy since statehood

As Alaska approaches the year 2000, the staff of *Alaska Economic Trends* thought it would be an opportune moment to look back at major economic trends that have helped shape Alaska since statehood. Alaska has moved from the formative days of statehood through oil and gas' rise to dominance in the economy and on to life after Prudhoe Bay. Now Alaska stands on the edge, looking ahead to the economic challenges of a new century. Behind lie forty years of exciting times. Here's a decade by decade look at events that have affected the character of Alaska's economy today.

industry was oil and gas. Production started in Cook Inlet in late 1958, after the discovery of commercial quantities at Swanson River. More strikes in Cook Inlet followed, setting the stage for oil and gas to become the industrial giant of Alaska.

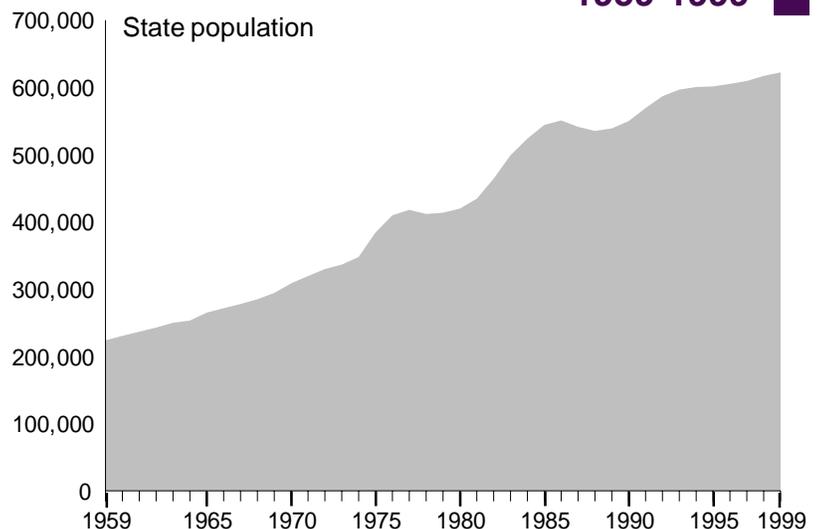
Tourism was in its infancy, yet a cruise ship visit combined with air travel had already become a popular itinerary. However, the lack of infrastructure, such as substandard roads and too few hotels, kept the industry small and it grew slowly.

60s set the stage

When Alaska became a state in 1959, its economy was in decline. The 50s military buildup had passed and overall station strength had dropped to about 32,000 uniformed personnel. Although federal civilian employment was strong and the military gave impetus to economies in Fairbanks, Anchorage and other locations, Alaska's traditional economic staples faced hard times. Fisheries resources, particularly salmon, were threatened due to over-harvesting. Gold mining had fallen to a fraction of pre-war production.

Timber was one bright spot. At statehood, large-scale timber manufacturing was a young industry, barely a decade old. Two large pulp mills and several large sawmills were operating in Southeast Alaska. Japan had become Alaska's largest customer for timber products. Another fledgling

Alaska's Population has been Growing 1959-1999



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

State and local government provided job growth as the state transitioned to self-government. Public funds were sparse in a state needy for infrastructure and government services. The federal government's seed money of \$27 million seemed small, considering the cost of needed improvements.

Despite a bumpy start, employment in the decade grew 35,500 jobs, achieving an average annual growth rate of almost five percent. Until 1963, wage and salary employment grew about three percent annually. Between 1964 and 1970 employment increased more rapidly and averaged six percent growth per year.

After the earthquake, migration to Alaska resumes

During the 50s, Alaska's population was closely tied to the station strength of the military. A mid-50s military troop reduction slowed population

growth. In the first five years of statehood, more people moved out of Alaska than in, slowing overall population growth. This trend reversed after the earthquake in 1964, and for more than a decade more people came to Alaska than left. Reconstruction activities in Southcentral Alaska and the transition to an oil-fueled economy attracted people from other states.

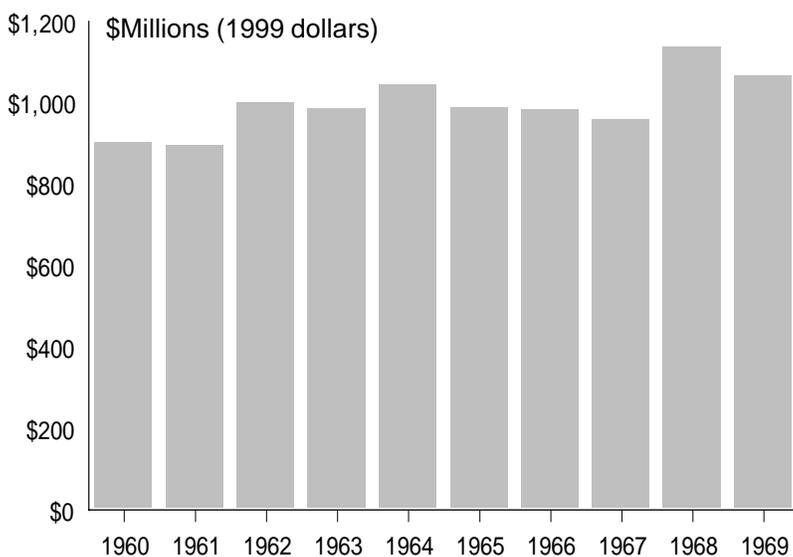
Despite out-migration during the early 1960s, Alaska's overall population continuously increased. Nearly 64,000 babies were born in one decade. In all, between 1960 and 1970 Alaska gained 70,600 new residents. Population growth averaged three percent per year. By 1970, Alaska's population had grown to 308,500. (See Exhibits 1 and 4.)

A one-two punch of natural disasters

On March 27, 1964, the Good Friday earthquake shook Southcentral Alaska with forces measured between 8.4 and 8.7 on the Richter scale. Within minutes the region's infrastructure collapsed. Damage in Anchorage and other coastal communities, such as Valdez, Seward, and Seldovia, was severe. Kodiak's famous crab and salmon canneries were shattered. Property damage was estimated to be at least \$380 million. Disaster relief arrived immediately after the quake. Private airlines and the military organized a massive airlift to provide humanitarian aid and ferry building experts to Alaska. A few months later, President Lyndon B. Johnson signed a \$400 million federal aid package to rebuild infrastructure in the affected region. An upswing in construction employment ensued, adding 2,200 jobs in a two-year period.

Another natural disaster hit Fairbanks in 1967. The Chena River crested its banks and flooded much of Fairbanks. Quickly dispersed disaster funds again helped a speedy recovery. During the following two years, construction gained 900 new jobs.

2 Defense Spending A staple of the 1960s



Source: Adapted from *Federal Revenues and Spending in Alaska*, Institute of Social and Economic Research, 1981

Rebuilding after disaster did not account for all of the employment in construction during the 1960s. Infrastructure expansion and other public sector building, as well as private sector investment such as hotels, retail stores, and industrial complexes gave construction a big boost. Many important projects were built during the first decade of statehood. A few examples are: the Captain Cook Hotel; two refineries in Nikiski (Chevron and Tesoro); the Phillips/Marathon LNG plant; and the Collier Chemical (now Unocal) fertilizer plant. Nevertheless, construction's cyclical performance during the first decade made it one of the slowest growing private industry segments of the 1960s.

Oil lease sales replenish the state's coffers

Alaska held its first oil lease sale in 1959, netting \$4 million for 77,000 acres in the Cook Inlet Basin. Multiple lease sales were to follow, netting as little as \$800,000 in fiscal year 1969, and as much as \$900 million in fiscal 1970. In sum, oil lease sales generated \$1 billion in revenue for the state in one decade. Before the big North Slope

Employment by Industry **3** Alaska 1960-1999

	1960	1970	Annual Avg. Growth Rate 1960-70	1980	Annual Avg. Growth Rate 1970-80	1990	Annual Avg. Growth Rate 1980-90	1999 ¹	Annual Avg. Growth Rate 1990-99	Annual Avg. Growth Rate 1960-99
Alaska	56,900	92,400	4.8%	171,100	6.0%	238,100	3.3%	275,600	1.5%	3.4%
Total Nonag. Wage and Salary	56,900	92,400	4.8%	171,100	6.0%	238,100	3.3%	275,600	1.5%	3.4%
Mining	1,100	3,000	9.3%	6,700	7.6%	11,500	5.3%	9,600	-1.8%	4.1%
Oil & Gas Extraction	400	2,700	14.8%	6,200	7.9%	10,300	5.0%	8,100	-2.4%	4.6%
Construction	5,900	6,900	1.6%	10,600	4.2%	10,500	-0.1%	13,200	2.3%	2.0%
Manufacturing	5,800	7,800	2.9%	14,000	5.7%	17,200	2.1%	14,500	-1.7%	2.2%
Logging, Lumber & Pulp	2,200	2,800	2.4%	3,500	2.2%	4,000	1.3%	1,500	-9.1%	-1.0%
Seafood Processing	2,800	3,700	2.8%	7,800	7.1%	9,500	2.0%	9,200	-0.3%	2.7%
Transportation/Comm/Utilities	6,800	9,100	2.9%	17,200	6.2%	20,600	1.8%	25,700	2.2%	3.0%
Trucking & Warehousing	900	1,700	6.2%	3,000	5.5%	2,400	-2.2%	2,900	1.9%	2.7%
Water Transportation	1,500	800	-6.1%	1,400	5.5%	1,400	0.0%	1,900	3.0%	0.6%
Air Transportation	2,000	3,000	4.0%	5,200	5.4%	6,900	2.8%	9,200	2.9%	3.3%
Communications & Utilities	1,800	2,700	4.0%	7,600	9.5%	5,700	-2.9%	7,100	2.2%	3.1%
Trade	7,700	15,300	6.6%	29,400	6.3%	46,000	4.4%	57,000	2.1%	3.9%
Wholesale Trade	1,400	3,200	7.8%	5,500	5.3%	8,100	3.8%	9,000	1.1%	3.7%
Retail Trade	6,300	12,100	6.3%	23,800	6.5%	37,900	4.6%	48,000	2.4%	3.9%
Gen. Merchandise and Apparel	1,700	3,400	6.7%	4,300	2.3%	5,900	3.1%	9,300	4.5%	3.5%
Food Stores	900	1,700	6.2%	3,700	7.4%	6,600	5.6%	7,100	0.7%	4.0%
Eating and Drinking Places	1,700	2,800	4.9%	8,000	9.6%	13,200	4.9%	16,300	2.1%	4.2%
Finance, Insurance & Real Estate	1,400	3,100	7.6%	8,100	8.9%	10,300	2.4%	12,700	2.1%	4.1%
Services & Misc.	5,400	11,400	7.1%	30,200	9.0%	50,900	5.1%	69,300	3.1%	4.4%
Hotels & Lodging Places	600	1,400	8.0%	3,300	8.1%	5,500	5.0%	6,700	2.0%	4.3%
Business Services	500	2,000	12.0%	5,100	8.7%	6,800	2.9%	8,800	2.6%	4.6%
Health Services	1,000	2,200	7.5%	5,800	9.0%	10,500	5.8%	15,400	3.8%	4.5%
Government	22,700	35,600	4.4%	54,900	4.3%	71,000	2.6%	73,700	0.4%	2.7%
Federal	15,600	17,100	0.9%	17,700	0.3%	18,700	0.5%	17,000	-1.0%	0.2%
State	3,900	10,400	9.1%	15,400	3.9%	21,500	3.3%	21,600	0.0%	3.6%
Local	3,200	8,100	8.7%	21,800	9.2%	30,800	3.4%	35,100	1.3%	4.3%

¹ 1999 is an annual average of October 1998–September 1999 Current Employment Statistics program estimates.

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

oil lease sales, the state's revenues were below \$200 million. Federal grants, proceeds from oil lease sales, royalties and rents, and a personal income tax were major sources of income. For example, in fiscal 1968, the state administered a general fund in excess of \$177 million. Federal grants, restricted for specific purposes, made up the lion's share, claiming 39 percent of revenue. A personal income tax generated nearly 13 percent of the state's revenue needs. The oil and gas industry contributed over 24 percent, a share that would steadily rise. At the end of the 1960s, Alaska was well on its way to becoming less dependent on federal government.

A rehearsal for oil and gas

Oil exploration in Cook Inlet began in 1900 and production started in 1959. During the early to mid-60s, new discoveries, such as the Beluga

River and McArthur River fields, increased the region's production. In 1970, maximum production for all fields combined reached 225,700 barrels of oil a day, the peak for Cook Inlet. Richfield Oil Corporation (a predecessor to Atlantic Richfield Company, ARCO) discovered the first field and Union Oil discovered the largest in Cook Inlet, the McArthur River field. Oil and gas related employment increased rapidly after 1965. As the decade drew to a close, its employment base had grown more than six-fold. Gas discoveries further helped to expand the industry. Oil and gas production from Cook Inlet became feedstock for petroleum/gas based manufacturing. The refineries owned by Chevron and Tesoro, the urea/ammonia plant, and Phillips' LNG plant, all located north of Kenai, started operating. But it was ARCO that in 1968 struck the largest oil reservoir ever discovered in North America, at Prudhoe Bay on the North Slope. It was this discovery that set off the massive boom in oil infrastructure construction.

4 Some Economic Indicators An Alaska Snapshot

	1960	1970	1980	1990	1999
Total Population (as of July 1)	230,400	308,500	419,800	553,171	622,000 ¹
Decade avg. annual population growth	3.0%	3.1%	2.8%	1.3%	2.0%
Percent Native American population ³	18.8%	16.7%	16.0%	15.6%	16.8% ⁴
Median Age ³	23.3	22.9	26.0	29.3	32.4 ⁴
Uniformed Military Population	32,680	32,400	22,003	23,132	18,684
Percent of population	14.2%	10.5%	5.2%	4.2%	3.0%
Income:					
Average monthly wage	\$569	\$849	\$1,931	\$2,471	\$2,786 ⁴
Alaska personal per capita income	\$2,815	\$5,070	\$13,875	\$21,073	\$25,771 ⁴
U.S. personal per capita income	\$2,276	\$4,077	\$10,062	\$19,156	\$26,482 ⁴
Percent difference from national avg.	23.7%	24.4%	37.9%	10.0%	-2.7%
National ranking ⁵	4	2	1	9	20

¹ Population estimate 1999

² Average annual rate of growth 1990-1999

³ U.S. Bureau of the Census (April 1)

⁴ Reflects data for 1998; 1999 not available

⁵ Ranking does not include Washington D.C.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographic Unit

State and local governments exert themselves

Although the state took over federal mandates, employment on the federal level changed little. During the 1960s, Indian Health Care services expanded, and education of Alaska Native youth remained a federal mandate until 1984. Civilians in support of the military continued to be a large group among federal workers.

Station strength had fallen off sharply after WW II and continued to drop in the 1950s, yet Alaska was able to retain a large military establishment. Active duty personnel levels varied little between 1960 and 1970. Assigned strength rarely budged from 32,000. During the Vietnam War, the Alaska Command

assumed the role of supporting other commands, particularly the Military Airlift Command, which began using Elmendorf Air Force Base as the stopover point to and from Southeast Asia. Because of more pressing needs elsewhere, military construction suffered during the 1960s. Its largest project was the ballistic missile early warning site at Clear Air Force Station. In spite of little construction activity and a lack of maintenance programs, the Department of Defense retained its strong influence on Alaska's economy. Its direct obligations per year, when translated into 1999 dollars, varied from \$896 million to more than \$1.1 billion per year—a sizable and stable benefit for the state's nascent economy. (See Exhibit 2.)

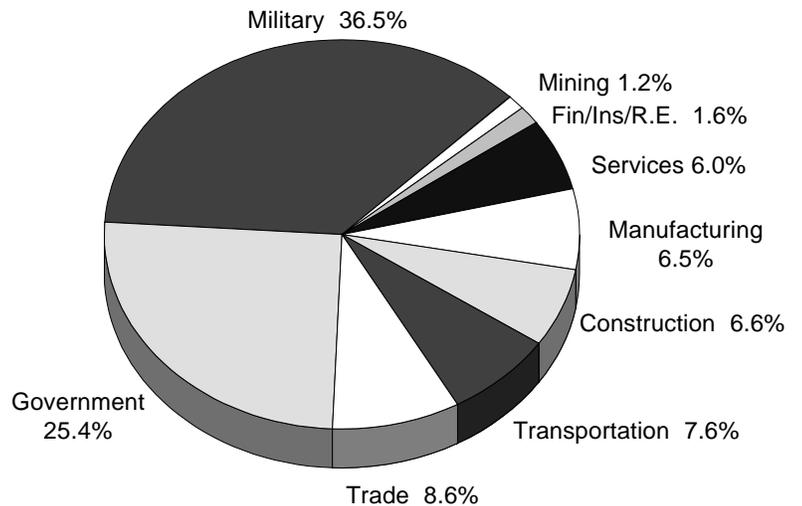
During the first decade, state government continuously added jobs. There were 10,400 state jobs in 1970, up 6,500 from its 1960 level. (See Exhibit 3.) The new jobs represented self-government and gaining state status. The University of Alaska became part of state government as well.

Regions and communities in Alaska followed the state's example of self-government. Within 10 years, seven boroughs had established as regional governments and 50 communities became incorporated with various degrees of taxing power and levels of responsibility. Combined, local government employment rose by 4,900 jobs. Consequently, control over infrastructure reverted to the residents of a community or a region. School districts became part of local governments. The public sector added 12,900 jobs during the 1960s, increasing its share of the employment pie while the military lost a portion of its share. (See Exhibits 5 and 6.)

Ailing fisheries force critical changes

During the 1960s Alaska's harvest values were dominated by salmon catches. Typically, 75 percent was salmon, 13 percent shellfish (mostly crab), and 11 percent halibut. The remainder was herring, which was harvested mostly to extract oil.

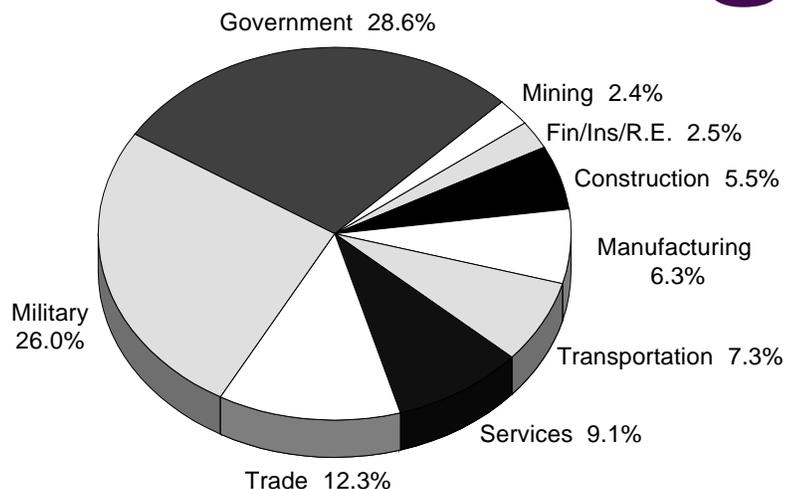
The Employment Pie 1960 **5**



Includes wage and salary employment and military; excludes the self-employed.

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

The Employment Pie 1970 **6**



Includes wage and salary employment and military; excludes the self-employed.

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

When Alaska became a state, its commercial salmon fishery was ailing. The 10-year-average salmon harvest of the 1950s was 41.4 million fish, down 47 percent from the previous decade's average. Nonresidents owned most fishing assets in the state and foreign vessels were fishing close to Alaska's shores. Commercial use of fish traps, placing heavy pressure on the resource, had nearly destroyed the salmon fishery before Alaska became a state.

In order to conserve the resource, Alaskans voted in 1956 to abolish the use of fish traps. The depletion, however, had been so severe that it took two decades for a full recovery. Although the 10-year-average salmon catch (50.9 million fish) of the 1960s showed improvement, at least five harvests failed in this decade. The 1967 fishing disaster, in particular, dashed expectations for a quick recovery. Only 20.9 million salmon were caught that year. More regulation followed. Limiting the number of harvesters appeared to be the best legislative proposal to reduce the pressure on the resource. Management, regulation and enforcement already had reverted to state government in the early 1960s. Together increased resource management and the limited entry legislation helped to bring the salmon fishery under Alaska control.

The crab fisheries slowly developed during the 1950s. The most popular species was red king crab, mostly fished in the Bering Sea and Kodiak. During the 1960s Kodiak fishers learned to appreciate crab as a much valued target species. But their legendary catches did not occur until the 1970s. The Bering Sea crab fishery was dominated by foreign owned vessels, which fished the deep sea closest to Alaska's shorelines. Later legislation would displace foreign vessels permanently from American fishing grounds.

The total number of Alaska harvesters did not change much during the decade. It fluctuated between a high of 4,970 to a low of 4,000 members, depending on the success of the

individual fisheries. Seafood processing employment, however, did grow and added 900 jobs during the decade. Most of its growth occurred in the late 60s.

Employment in support industries doubles

Population growth and budding industrialization brought about significant employment changes in a variety of industries. Within a decade, the job base in trade, service-providing industries and finance doubled. Growth swelled in the second half of the 1960s once it became certain that oil was headed for stellar performance in Alaska's economy. Business services employment, for example, doubled after 1964. Commercial activity flourished in Fairbanks and Anchorage. Most new jobs created in the 1960s were in trade. About a third of all new private sector jobs came from wholesale and retail businesses. After the earthquake, some established retailers built larger stores and newcomers contributed to growth.

Incomes soar

Many of the new jobs paid high wages, particularly those in oil and gas, timber, construction and the transportation industries. The average monthly wage rose by 50 percent between 1960 and 1970, outpacing inflation, which rose 22 percent during the decade. The change in personal per capita income was even more dramatic, an 80 percent change. And it exceeded the national average by nearly 25 percent even before the oil boom years. Alaska garnered a reputation for high wages and it improved its ranking on the national personal per capita income register. At the end of the decade the employment trend pointed at continued and fast growth. In 1969, the Trans-Alaska Pipeline System, an oil industry joint venture, applied to the U.S. Department of the Interior to construct an 800-mile long pipeline. It ignited expectations for a fast-coming oil-energized economic boom.

Alaska's economy "rocks" in the 1970s

The seventies was doubtless an extraordinary decade in Alaska's economic history. It was an era of giant paychecks and economic windfalls brought on by events like construction of the Trans-Alaska Pipeline and huge king crab catches. A perusal of the broad economic and demographic data of this period quickly reveals that the 1970s were a special time in Alaska. During this decade employment grew three times faster in Alaska than it did nationally. The gross state product nearly tripled. Personal income more than doubled. Dreams were fulfilled and fortunes were made. It gave many of today's successful entrepreneurs, households and organizations a big start in life. Alaska was the nation's "land of opportunity" during the 1970s.

The discovery of oil in Cook Inlet may have helped convince Congress that Alaska was ready for statehood, but the new-found wealth of the 1970s helped Alaska fulfill its statehood dreams by putting the state on firm economic footing. By the end of the decade, Alaska's near complete dependence on the federal government and outside corporate interests had diminished dramatically. Not only did the state end the decade with a much sounder economic foundation but it also left a legacy of some very prosperous times over the next decade and general prosperity for the next 20 years.

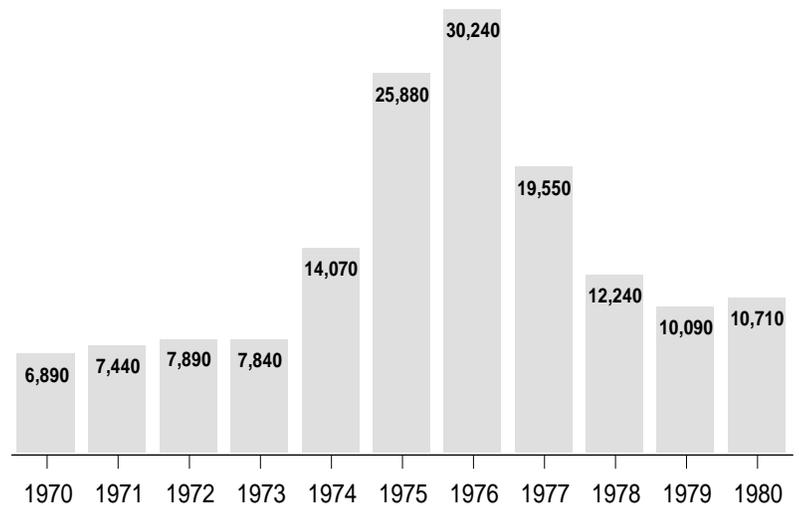
Early 1970s were charged with excitement but little action

The early 1970s were a continuation of the 1960s—slow steady employment, income and population growth. But behind these numbers were events that would have huge impacts later in the decade and in future decades. The most momentous was the 1969 commitment to build the Trans-Alaska Pipeline. The start-up date was originally set for 1971. As a result many businesses,

Pipeline Makes Construction Boom 7

In the mid 70s

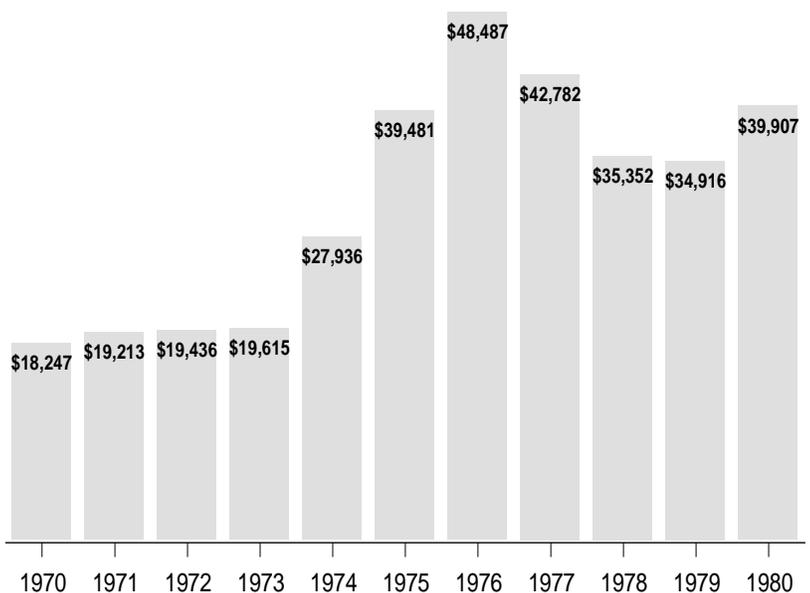
Annual average construction employment



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

And Construction Wages Follow 8

Annual average construction earnings



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

particularly in Fairbanks and to a lesser extent Anchorage, embarked on major investments and plans to meet the expected demand of this giant project, which had been originally penciled at \$900 million. Then environmental suits and the need to resolve Native land claims stopped the project in its tracks. Some of these businesses were caught off guard and slid into bankruptcy. The word 'recession' was used sometimes to describe the economy, even though employment continued to grow, albeit slowly.

Alaska's biggest single economic event—pipeline construction

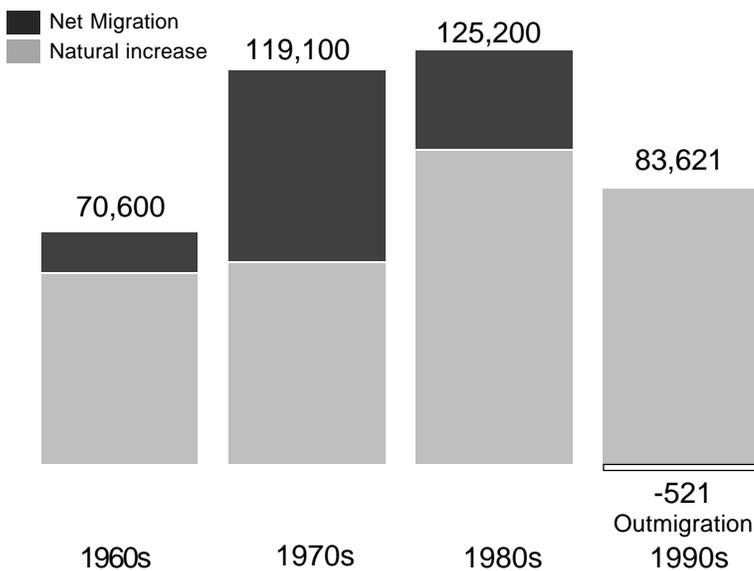
In 1973 the pipeline got the green light. Work began in 1974 on the largest construction project in Alaska's history. When all was said and done, \$9 billion was spent on this single project. In

today's dollars this would represent approximately \$23.5 billion. Just to put this in perspective—the state's entire gross state product was \$2.5 billion in 1973 and the total payroll in the economy was \$1.3 billion. It's not surprising that pipeline construction earns the top spot as the single largest event in Alaska economic history. As Dermot Cole, a writer and journalist wrote, "the pipeline...did more to shape the development of Alaska than all the gold rushes combined." Not all of this money was spent in Alaska. For example, the 800 miles of pipe was bought from Japan, and much of the materials and services was procured outside Alaska's economy. Nevertheless, Alaska's economy soared with the onset of the pipeline's construction.

At its peak in 1976, the pipeline's workforce reached 28,072. That is larger than the state government workforce in 1999 (including the University of Alaska). There was hardly an industry, community, or individual not somehow affected by this mammoth project, but for the construction industry, it was dream come true. During its peak, construction employment reached beyond 30,000, or 18 percent of all wage and salary employment in the state. (See Exhibit 7.) In 1976 construction was the state's largest employer. The wage, payroll and income impacts were even more dramatic. Over a third (37 percent) of the state's entire payroll was earned by the construction workforce. Because of wages and overtime, the average monthly wage in construction reached \$4,041 in 1976 dollars, a figure never to be reached again. (See Exhibit 8.) In today's dollars, this would be equivalent to an average monthly wage of \$10,553. Average weekly paychecks for pipeline workers ranged from \$1,000 to 1,500 per week. Alaska's per capita income was a full 74 percent higher than the nation's in 1976. According to a survey conducted by the University of Alaska, household income of Fairbanks residents grew 59 percent between 1973 and 1975 and new

9 Migrants Spurred Growth Until the 90s

Changes in population during the past four decades



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

arrivals' incomes climbed by 120 percent. Little wonder this project was considered Alaska's modern day gold rush.

The "gold seekers" migrated to Alaska in numbers not seen before or since. During the 1970s, the state's population grew from 308,500 to 419,800. Of this change, 58,000 came from in-migration. (See Exhibit 9.) In 1975, Alaska's population grew by more than 30,000 people due to in-migration, the single largest annual increase in the state's history. The biggest draw were the opportunities brought on by construction of the pipeline, but what compounded this giant movement of people was the fact that the rest of the nation was in the midst of severe recession, partially brought on by high oil prices. Accompanying this population boom were housing shortages, particularly in Fairbanks and Anchorage. In 1975 there were times when there was literally no housing available and the cost of housing skyrocketed. Rent review boards were temporarily established to monitor rent gouging. By 1977, the boom tapered off as construction wound down. Total employment fell in 1977, but resumed growing again in 1978.

So often Alaska's economy is described as one of boom and bust and the 1970s are used as the prime example. However, this is only half true. The economy did not bust. Even though the construction workforce fell from its peak of over 30,000 in 1975 to 10,000 in 1979, total employment continued to grow. By 1980 there were 78,700 more jobs in Alaska's economy than there had been in 1970, despite severe contraction in the construction workforce.

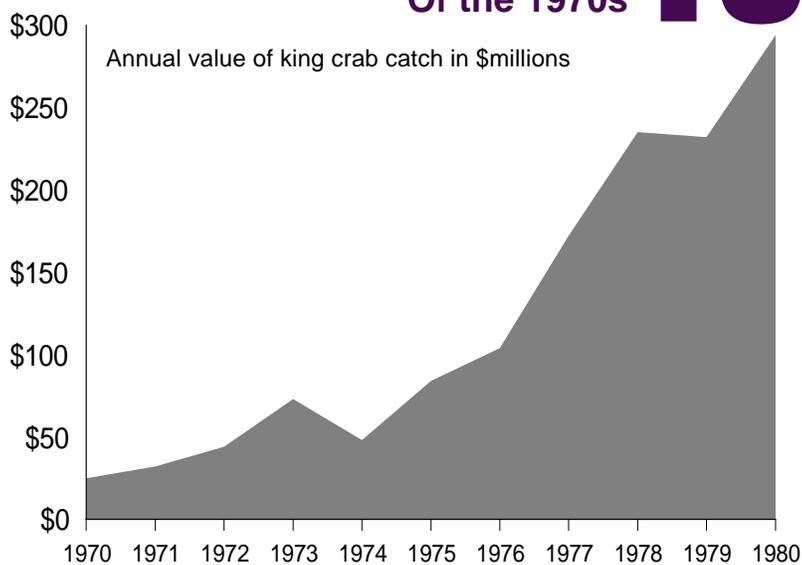
Nearly all basic sector industries grew in the 1970s—not just construction

Although pipeline construction overshadowed much of the other economic activity taking place

in Alaska, the economy was firing on nearly all cylinders by the mid-to-late 1970s. Timber, fishing, the visitor industry, federal civilian employment, state and local governments all grew during this period. With passage of Alaska Native Claims Settlement Act (ANSCA) in 1971 the economic muscle of Alaska's Native population began to be felt. There were now 12 new corporations in the state with nearly a billion dollars and 44 million acres of land. Secondary industries such as retail trade and services boomed—in fact they generated more jobs than the basic sectors. The uniformed military workforce was the only workforce segment that shrank in the 1970s.

Although small, employment in the timber industry grew from 2,800 jobs in 1970 to 3,500 a decade later. Very strong markets in Japan and elsewhere in Asia played a big role in its health. Although ignored by much of the state in the 1970s, the visitor industry also enjoyed some

Alaska's King Crab Boom **10** Of the 1970s



Source: Alaska Department of Fish and Game

remarkable growth. According to University of Alaska estimates, visitor related employment nearly tripled in the 1970s. Oil industry employment more than doubled during the decade. The rush to bring oil to production and expanding exploration efforts pushed these numbers to new heights.

Even the fishing industry contributed to Alaska's growing labor force and income during most of the 1970s. According to data produced by the University of Alaska, fish harvesting employment grew by a third and the fish processing workforce more than doubled. During the first half of the 1970s the salmon catches remained miserably small and their value came in above \$70 million. However by the end of the decade there was a dramatic increase in the salmon catch—the value of the 1979 catch hit \$344 million. The limited entry regulation for the salmon fishery was adopted in 1973. But what really gave the fishing industry a huge kick during the decade of the 70s were the legendary king crab catches. This is the other

"gold rush" story of the 1970s. (See Exhibit 10.) Fortunes were earned in this fishery literally overnight. The center of this fishery was Kodiak, where employment doubled during the decade. In 1970, the value of the king crab fishery was only \$25 million, but by 1979 it had climbed to \$232 million. There were years when the value of the king crab catch rivaled the entire salmon catch, and its harvesting workforce was only one fifth the size. By the early 1980s the king crab fishery went bust and still has not recovered to these heyday harvest levels. The Magnuson Act, enacted in 1976, created a 200-mile coastal fisheries zone. In the late 1980s and early 1990s it led Alaska to its next big fishing boom—the American exploitation of its bottom fishery.

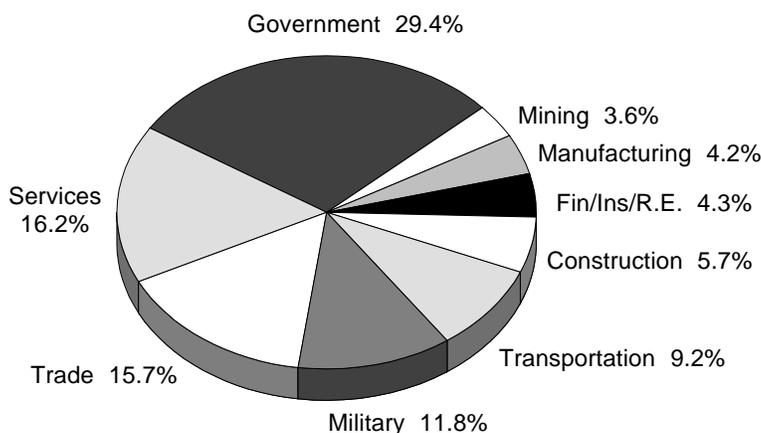
Secondary sector also blooms in the 1970s

To accommodate the huge influx of new residents, Alaska's retail and service industries expanded. In 1970, there were 1,588 retailers in the state and by the close of the decade there were 2,319. In the process of this growth Alaska's retail landscape changed. Many communities got their first shopping centers and others got new ones. Franchise operations, a rare sight in earlier years, became commonplace by the end of the decade. Retail employment almost doubled in the 1970s, and employment in the service industry more than doubled. By the end of the decade trade and services combined to make up almost 32 percent of the state's job base. (See Exhibit 11.) These sectors expanded to the point that many companies, such as Alyeska Pipeline Service Company and others, felt that the amenities offered had become sufficient that they moved their headquarters to Alaska.

State and local government also grow

Government, both state and local, responded to the large influx of new residents and to its newfound wealth. For years Alaska had skimmed by with the bare minimum of services. There was a lot of

11 The Employment Pie 1980



Includes wage and salary employment and the military; excludes self-employed.

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

catching up to do. The \$900 million the state received from the North Slope lease sales in 1969 helped jump-start the process. The state's budget went from \$171 million in 1970 to \$1.1 billion in 1980. The longevity bonus program got its start in 1973 and the Permanent Fund was established in 1976. State government's workforce grew from 10,400 in 1970 to 15,500 in 1975 and then remained near that level until the end of the decade. Local government's growth was more spectacular, more than doubling during the 1970s. The population in many communities soared, with school enrollments close behind. In 1970, the value of state and local government gross state product was only a third the size of the federal sectors. By 1977 their combined gross state product surpassed federal government for the first time in history.

The 1980s—heady and humbling times for the 49th State

Alaska's economy ended the 1970s on a plateau from the pipeline boom. But as the 1980s began, an economic expansion was on the horizon. The flow of Prudhoe Bay oil through the Trans-Alaska Pipeline guaranteed the state an accumulation of wealth heretofore unimaginable to the average Alaskan. In retrospect, there were many successes and some resounding failures in the management of wealth generated from Alaska's oil. However, one thing is certain, the legacy of the 1980s, particularly the scars from the state spending-led recession of the mid-80s, has influenced the political and economic landscape of the state to this day.

Three phases of the 80s

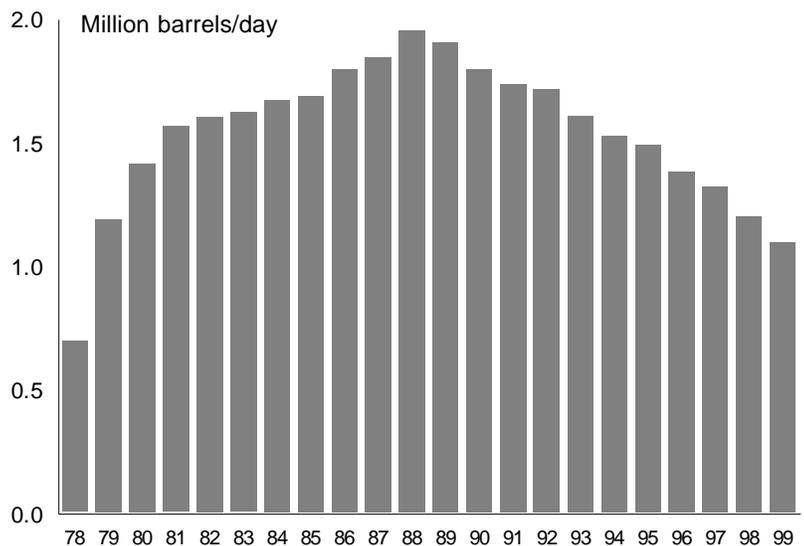
The 1980s can be marked by three distinct periods. The first is roughly from 1980-85. During this time a combination of factors heated the state's economy to red-hot levels. Nearly every aspect of the state's economy grew at a

breakneck pace during these five years, rivaling the expansion that occurred in the 1970s during the pipeline's construction. Population, employment, income and nearly every other indicator swelled rapidly as the state reacted to its accumulation of wealth.

The second period, which began in the latter part of 1985 and continued through early 1988, saw the economic boom of the early 1980s come to a crashing halt. This was one of the steepest recessions in the state's history, as some of the gains realized during the first half of the decade evaporated. A third phase began in 1988. Alaska's economy began climbing out of the recession, and was on its way to recovery when the *Exxon Valdez* hit Bligh Reef in March of 1989. The cleanup of the oil spill hastened the pace of Alaska's recovery as more than a billion dollars was injected into the economy just as the state was coming out of the recession.

North Slope Oil Production FY 1978–1999

12



Source: Alaska Department of Revenue, Oil and Gas Audit Division

State spending fuels a runup

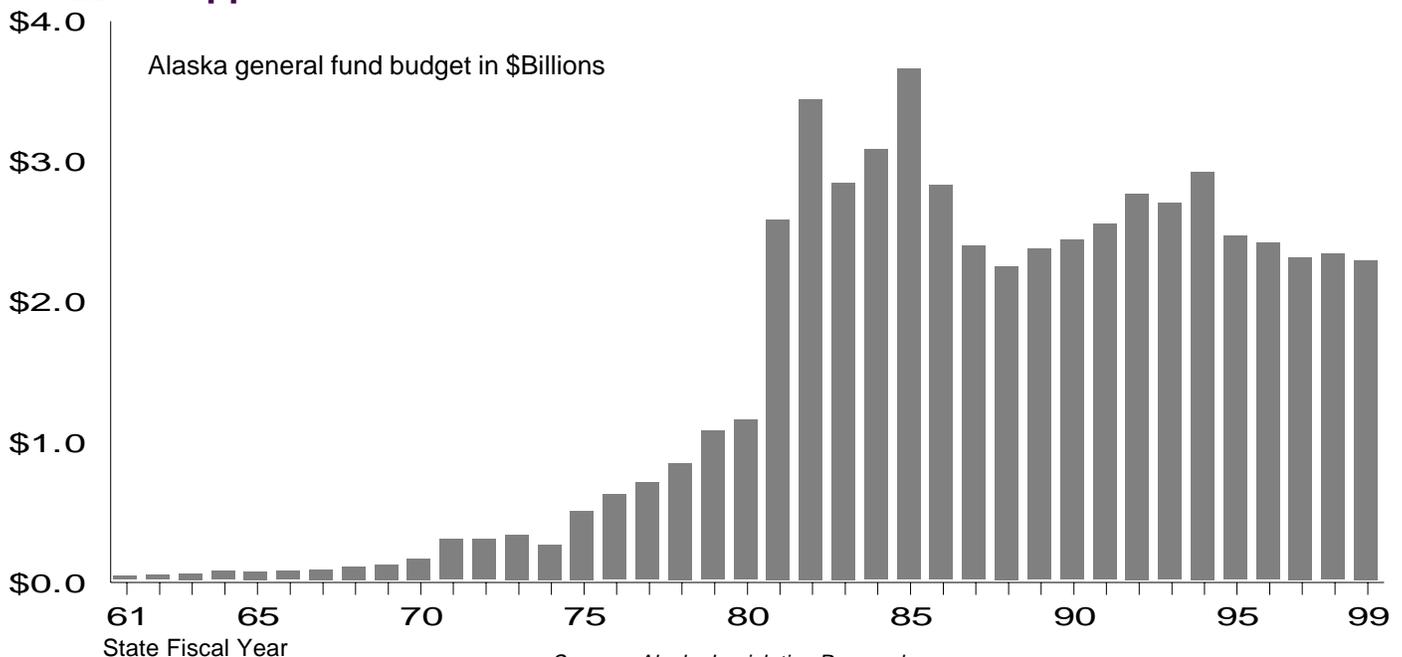
As 1980 approached, a fundamental economic shift was taking shape in Alaska. Production from the massive Prudhoe Bay oil field was ratcheting up, increasing from half a million barrels a day to more than 1.5 million barrels a day. (See Exhibit 12.) As Prudhoe Bay increased its production capacity, it was anticipated that the state would spend some of its new wealth on needed infrastructure, and therefore stimulate the economy. Overspending, and its potential consequences, was a fear of many Alaskans. In fact, the main motivation for the Permanent Fund came from the notion that the state shouldn't spend all of its windfall from Prudhoe Bay, but instead should set aside a portion of the oil earnings for the benefit of future Alaskans.

However, nobody anticipated that just as Prudhoe Bay ramped up production, the price of oil would triple from near \$10 a barrel to more than \$30 a barrel. Income from Prudhoe Bay oil, less than

\$850 million in FY79, quadrupled to over \$3.3 billion by FY82. The result was an unanticipated windfall to the state. What followed was a spending spree that doubled per capita state government spending between 1980 and 1981, and continued spending at all-time highs for the next four years. (See Exhibit 13.) State spending increased in every imaginable area. State government services expanded, capital projects were funded, aid to state and local governments and the University of Alaska increased. Also, state intervention in capital markets through the Alaska Housing Finance Corporation, the Alaska Industrial Development Authority, and other agencies provided discounted loans to individuals and businesses.

The state's spending spree created a demand for goods and services that was the catalyst for one of the most dynamic expansions of any five-year period in Alaska's history. For example, the state's population grew 30 percent, or more than 124,000 people. The recession in much of the rest of the nation, particularly in Alaska's traditional feeder

13 State Budget Soared in 70s and 80s; Dropped in the 90s



Source: Alaska Legislative Research

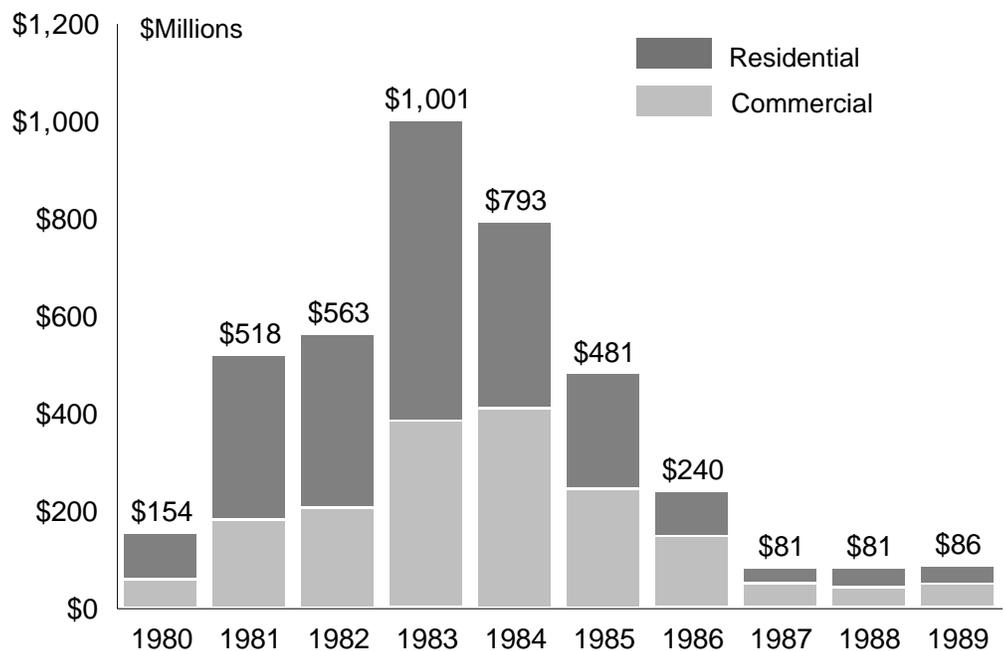
Pacific region states, brought new residents to the state in droves. Of the 124,000 population increase, nearly 76,000 were new migrants to Alaska, all hoping to catch the rising tide of Alaska's economic expansion. Considered even in today's context, the population growth during this period is astounding. To help put it in perspective, during this five-year period, the state's population grew enough to account for a city roughly half the size of present day Anchorage.

Alaska's rapidly increasing population increased the demand for construction services, particularly housing and commercial retail space. For example, Anchorage was on pace to double the number of housing units in seven years. Even more dramatic, the total dollar value of Anchorage building permits increased from \$154 million in 1980 to over \$1 billion in 1983. (See Exhibit 14.) Employment statistics also help picture the demand for construction during this period. In

1980, the construction industry accounted for 10,600 jobs and six percent of Alaska's total wage and salary job count. By 1983, the total number of construction jobs had increased to 20,700 and construction accounted for nearly one in every 10 wage and salary jobs. While this doesn't compare to the pipeline days of the 70s, it's clear that construction was a major beneficiary of the increase in state spending.

Demand for construction services was a main driver of the early 80s expansion, but other sectors were pulled along. Retail and services employment expanded rapidly in response to increasing population and incomes. Entering 1980, these two industries accounted for fewer than 60,000 jobs and about 32 percent of the state's job base. By 1985 they accounted for more than 90,000 jobs and a 36 percent share of the state's wage and salary employment. Another

Building Permit Values Topped \$1 Billion In Anchorage in 1983 **14**



Source: Municipality of Anchorage, Public Works Department, Building Safety Division

booming sector in the early 1980s was financial institutions. Banking expanded rapidly as new institutions formed and entered the market to take advantage of the real estate and construction boom.

The bubble bursts and a shake-up follows

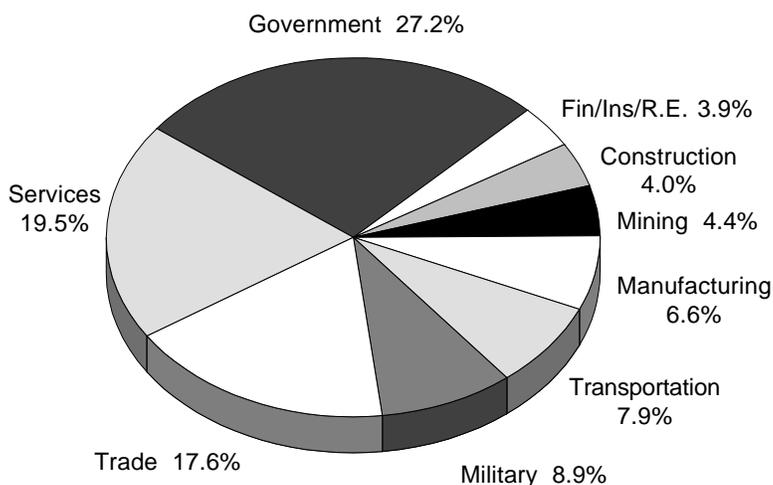
Construction employment started falling in mid-1984, and Alaska's high-riding economy began showing signs of stress late in 1985. A contraction was already underway when the price of oil fell below \$10 a barrel. The money spigot that had flooded the state's coffers for five years in a row slowed to a trickle. State government responded to lower oil prices by cutting spending dramatically. More than a billion dollars, a good portion of that in capital projects spending, was trimmed from the state's budget. The state's dependence upon

oil for most of its spending almost assured that Alaska would suffer with a decline in oil prices. It was more a matter of how long and how deep the recession would be once the spending on construction services, and its associated secondary effects, abated.

A recession that was first restricted to the construction industry rapidly spread to nearly every sector of the economy. In 1986 and 1987 Alaska lost more than 20,000 jobs, and few industries or regions of the state went unscathed. As the job picture deteriorated, the flood of migrants to Alaska turned to a mass exodus. Between July of 1985 and July of 1989, 44,000 more people left Alaska than arrived. When those households left, the demand for housing, retail and all manner of services contracted, which in turn cut the number of jobs and continued the downward spiral.

It is critical to remember that the construction, financial and real estate sectors were the hardest hit during this recession. Construction accounted for more than 10,000 (about 50 percent) of the total jobs lost during these two years. A dramatic consolidation of Alaska's financial industry also occurred. From 1985 to 1990 no fewer than 15 banks, savings and loans, and credit unions folded or consolidated as a result of the implosion of the state's real estate market. Once state spending leveled off and excess construction capacity was removed, the state's economy was positioned to grow again. However, the losses that occurred in the construction and finance sectors were enough to make them the smallest pieces of Alaska's employment pie in 1990. (See Exhibit 15.)

15 The Employment Pie 1990



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

Recession accompanied by a resource industry revival

The recession brought about a restructuring of Alaska's economy that shook its foundation, but

there were some bright spots that emerged and eventually provided the impetus to pull the economy out of the recession. Against a backdrop of falling oil prices and state spending, a revival occurred in Alaska's resource based industries. The Magnuson Act had given the U.S. jurisdiction over one of the most lucrative fisheries in the world, the Bering Sea bottomfish harvest. Investment and the resulting employment associated with the bottomfish industry began to supply winter economic activity to Western Alaska. The resulting growth in Alaska's fisheries due to the groundfish sector is one of the more spectacular economic successes of the 80s.

Meanwhile, investment in the hard rock mining sector began to pay dividends. The Greens Creek mine near Juneau opened in 1988. Also, the state's investment in a road to the Red Dog mine near Kotzebue led to construction of one of the largest lead/zinc mines in the entire world. Southeast Alaska also experienced strong growth in the timber industry as timber harvests climbed in the Tongass National Forest and Native owned timber holders became major players in the export of round logs to the Far East. Logging, pulp mill and sawmill employment all saw significant gains in the latter half of the decade as much of the rest of the economy struggled to get through the recession.

An increasing military presence in Fairbanks was another bright spot during the recession. During the latter half of the 1980s the number of military personnel and dependents grew dramatically in Fairbanks when Fort Wainwright was chosen as the base for the 6th Light Infantry Division. The increase in military personnel was a key to turning around the outlook for the interior city's economy. Another positive influence throughout the decade was the ever-increasing flow of visitors to Alaska. By the end of the decade the number of summer visitors to Alaska had climbed to over 600,000.

Recovery underway when Exxon Valdez runs aground

As the last year of the decade approached, Alaska's economy was just settling down from what had been an economic roller coaster ride. Fishing, mining, timber, the military and tourism had put Alaska back on a growth path. By the first quarter of 1989 employment was growing at a more than three percent clip and unemployment was on pace to set a record low. Clearly, things were better for Alaska's economy. But as has often happened in Alaska's history, an unexpected turn of events changed the economic fortunes of the state. In March of 1989, the *Exxon Valdez* ran aground, spilling millions of gallons of crude oil into Prince William Sound. What followed was a massive effort to clean the areas affected by the spill, and an already growing economy was heated to extreme levels. The cleanup was a massive undertaking. At its peak, July through August of 1989, the primary contractors and their subcontractors accounted for more than 7,000 jobs—the largest single project in the state since the construction of the pipeline. With an economic recovery already underway, the demand for labor again skyrocketed, making labor shortages commonplace. This labor shortage, as well as the relatively high wages being paid to cleanup workers again made Alaska an attractive destination for migrating workers. Four straight years of negative net migration turned positive the year after the oil spill occurred.

Alaska's economy—slow and steady in the 1990s

Economic effects of the oil spill influenced Alaska into 1990. After 1990, the economy settled into a steady pace of relatively small growth that it has maintained to the present. In the 1990s, Alaska's economy appeared to mature out of the

cyclical swings that characterized it in earlier years. Even the construction industry, once notorious for its sharp fluctuations, became somewhat stable during the 1990s.

Although seasonal patterns characteristic of the tourism, construction and seafood industries are still an important element, Alaska's economy appears to have diversified in the 1990s. Some of this diversification occurred as oil production decreased on Alaska's North Slope after the peak levels reached in the late 1980s. (See Exhibit 12.) During the 1990s, decreased production levels resulted in oil company consolidations, and cutbacks by the oil companies and their contractors. Alaska's economy was forced to adjust. These cutbacks started in 1992, when British Petroleum (BP) laid-off 425 workers. Two years later, Atlantic Richfield (ARCO) cut 750 jobs as the industry continued to scale down. It is true, however, that Alaska's economy remains tied to activities in the oil industry. As low oil prices and the pending merger between BP and ARCO have shown, Alaska's state government and many of its businesses depend heavily on revenues from the state's abundant oil fields.

Changes in Alaska's oil industry took place as the services sector began to play a progressively more important role in the state's economy. This shift toward services is a function of a booming tourism industry and increased demand for personal services and retail stores, which grew significantly over the last decade. Job losses in oil and gas extraction and the timber industry, which totaled 4,700 from 1990 to 1999, further tipped the state's economic scale toward services.

Some indicators suggest that Alaska is losing ground

Although Alaska's economy experienced stable employment growth during the decade, the 1990s have been a time of significantly slower growth in

terms of wages and income relative to the rest of the nation. In the 1970s and 1980s, Alaska was far ahead of most other states in terms of income and wages, primarily due to high earnings from oil field, fishing and timber jobs. In 1990, Alaska was ninth in the nation in per capita income. Although per capita income continued to grow, it increased at a smaller rate than the national average, and Alaska's annual per capita income dropped below the national average in 1997. In 1998, Alaska was ranked twentieth on the list and was among the five states with the slowest growth in per capita income. It appears that the income differential between Alaska and other states is becoming smaller as high paying oil and timber jobs are lost.

Population growth also slowed in Alaska during the 1990s. Although growth remained fairly strong for the first few years of the 1990s, the growth rate dropped off after 1993. Since that time, more people left Alaska than moved to the state for all years except 1997. (See Exhibit 9.) Although the total number of outmigrants in the 1990s does not rival the recession of the late 1980s, the extended period of negative net migration has certainly affected the housing, construction and labor markets in the state.

Tourism leaps ahead

The tourism industry continued to expand in Alaska during the 1990s. More people came to Alaska by air, ship and car than ever before, and the number of summer visitors reached one million in 1996. (See Exhibit 16.) Along with the increase in visitors came growth in the number of hotels, restaurants, retail shops, tour companies and other businesses that provide services to tourists. Many Native corporations also became involved in the tourism industry during the 1990s by opening hotels and operating cruise ship excursions around the state. In fact, tourism has

grown so much that some areas are starting to feel the strain from the large number of visitors.

Services, retail and transportation round out growth

The services sector was the fastest growing industry in terms of employment during the decade. (See Exhibit 17.) All categories but legal services grew during the decade, adding a total of 18,400 jobs to Alaska's economy. Health services ruled this group, with almost 47 percent job growth from 1990 to 1999. The health care industry has expanded in response to Alaska's aging population and improved medical technology that allows more services to be provided. Employment growth has also taken place as medical and social services were privatized. The social services sector expanded with an increase in the number of childcare, job training and vocational rehabilitation establishments. Although the services industry has added many jobs to the economy, their wages are generally not as high as in the oil and timber industries.

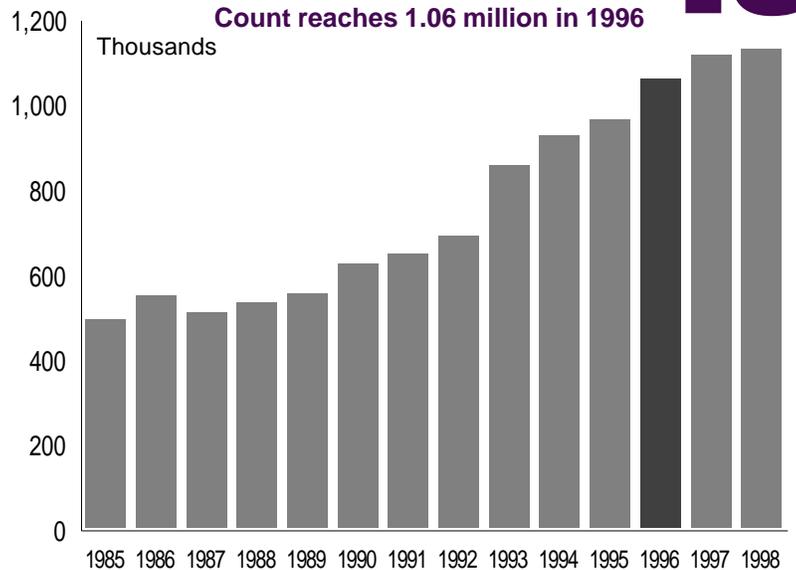
Alaska joined the rest of the country in riding the huge retail wave of the 1990s. Many "big box" stores opened in Alaska for the first time during the 1990s, and those that were already here expanded to more locations with the hope of keeping more retail business inside the state. The big expansion began with the first Kmart in Alaska in 1993 and was followed by a slew of store openings in 1994, including the state's first Wal-Mart. As a result, retail employment grew by more than 10,000 from 1990 to 1999. The extraordinary growth in retail did not trickle down to all Alaska retailers, however, and stiff competition forced a change in the retail mix. Many companies, such as JC Penney, Sears, and Kinney Shoes, were forced to close stores, and some retailers like Rite-Aid left Alaska entirely.

Alaska retailers were also helped by the continued

growth of the Permanent Fund Dividend. The amount of the dividend grew throughout the 1990s and in 1996, each eligible Alaskan received \$1,130. This was the first time since the initial payout in 1982 that the dividend reached the thousand-dollar mark. The October dividend distribution has helped keep retail stores busy during the otherwise slow time between the end of the summer tourist season and the winter holiday season. This year, almost \$1.02 billion was paid out in Permanent Fund Dividends, and a good portion of that payout flows to Alaska retailers. If the Permanent Fund distribution were considered payroll, by 1997 it would have been equivalent to more than a 13th month of wages injected into the economy.

The transportation, communications and utilities industry also grew significantly in the 1990s. Growth in water and air transportation was affected

Summer Visitor Arrivals 1985–1998¹ **16**



¹ Month of May included from 1993-1998; excluded in prior years

Source: Alaska Department of Community and Economic Development, Division of Tourism

by increased tourism activity, but the big story in transportation was the increase in air cargo activity. Federal Express and other carriers expanded rapidly during the 1990s and made air cargo one of the fastest growing sectors during the decade. The communications sector also benefited from the privatization of Fairbanks Municipal Utilities in 1997. The Anchorage Telephone Utility was also privatized in 1999, boosting employment in communications by about 750 jobs. The communications sector experienced further growth in response to increased demand for cellular, pager and Internet services, particularly in the last few years.

Groundfish surpasses salmon

In the 1990s, the fisheries industry harvested more groundfish than ever before in Alaska.

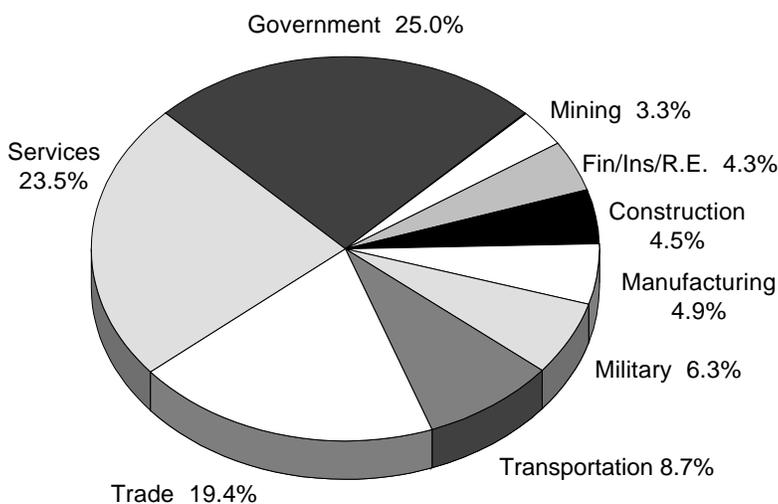
According to the Alaska Department of Fish and Game, groundfish accounted for 42 percent of the total value of all fisheries in Alaska in the 1990s, compared with less than one percent in the 1960s. The shift to groundfish, which are harvested throughout the year, has spread fishing seasons out during the year and reduced seasonality for harvesters and processors to some degree. Salmon harvests remained strong during the decade and fishers harvested a record-breaking number of fish in 1995; but the price of salmon has dropped as farmed salmon from Chile and Norway have given Alaska salmon stiff competition in domestic and international markets.

Timber—an economic casualty of the 1990s

The number of jobs in lumber and wood products, the backbone of Southeast Alaska's economy, was cut in half from 1990 to 1998. The logging, lumber and pulp products sector took the hardest hit in manufacturing, losing 2,500 jobs over the decade. The job losses came primarily from pulp and sawmill closures and reduced logging on public and private lands. In 1991, sawmills in Haines, Seward, and Klawock closed, and more closures took place in Southeast Alaska throughout the rest of the decade.

The pulp mill chapter of the timber saga came to an end in Southeast Alaska during the 1990s. The mill closures marked a turning point in the economies of many Southeast communities, as many workers moved away or had to take lower paying jobs. The Sitka pulp mill was the first to close in 1993, and the Ketchikan pulp mill shut down in 1997 amid a raging debate about the future of logging in the Tongass National Forest.

17 The Employment Pie 1999¹



¹ 1999 is an annual average of Oct. 1998 through Sept. 1999 Current Employment Statistics program estimates.

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

Local government steps up

The federal government presence became smaller in Alaska in the 1990s. Shrinking budgets for the Forest Service and other federal agencies forced cutbacks and job reductions. A portion of the decline can be attributed to privatization and contracting out services to private sector firms. The military population also contracted in Alaska, falling from over 23,000 in 1990 to around 18,700 in 1999, and some military bases were closed and others scaled back.

Reduced oil revenues eventually forced state government to cut staff and services in the mid-1990s, although total employment in state government did increase by 100 over the decade. This increase was primarily in university employment. State government also began contracting out an increasing number of services during the 1990s. Local government had the largest growth in the public sector and added 4,300 jobs during the 1990s. These large gains were realized as some functions previously performed by the state were shifted to municipal governments. Education also contributed significantly to local government gains as more teachers and support staff were hired around the state to deal with a growing school age population.

Metal mining makes a comeback

Despite the key role that gold mining played in the development of Alaska's economy, metal mining took a back seat to oil production in the 1960s. While oil and gas extraction still dominates the mining sector, the 1990s saw a bit of a revival in metal mining as several new mines opened and others expanded production. Large gold mines like Fort Knox and Illinois Creek began producing during the 1990s, but it was the mining of other minerals like silver, lead and zinc that really

stimulated the minerals industry in Alaska. Zinc production took center stage as the Red Dog mine ramped up in the early 1990s and the Greens Creek mine reopened in 1996. In 1998, the value of Alaska's zinc production surged to almost three times the value of its gold production. Since that time, gold production has been fairly steady, but prices have been low, and the value of Alaska's gold production has fallen.

Alaska poises for the year 2000

The first forty years of statehood have been exciting times for Alaska's economy. The progress of Alaska's oil industry, its emergence, boom, and slow recession has been a dominant theme for much of the last forty years, but other resource industries and a growing services sector have also written important chapters in Alaska's economic story. The slow, steady growth that has characterized Alaska most of the last decade is a more probable portent of the immediate future than any repeat of the turbulent times of the first several decades of statehood. Now with the year 2000 drawing near, economic challenges lie ahead. Adjusting to economic life after Prudhoe Bay could be one of the most daunting tasks facing residents and policy makers since statehood. Yet the pioneer spirit of Alaskans should prevail as Alaska's economy moves toward the 21st century.

Labor Markets Remain Tight

But employment growth is cooling off

Alaska Employment Scene

by
Brigitta Windisch-Cole
Labor Economist

In an unexpected movement, Alaska's unemployment rate improved slightly in September, dropping one-tenth of a percentage point. It registered at 4.5%. (See Exhibit 5.) September's jobless rate was the lowest experienced in 1999 and it was the best rate recorded for the month of September since 1978. The comparable national rate (civilian, not seasonally adjusted) was 4.1%. The number of unemployed Alaskans, about 14,300, was lower than in August, and fewer Alaskans were unemployed than in September, 1998.

The pattern of population migration continued to play a role. In recent years, more people have left Alaska than have come to the state. Labor shortages had already surfaced, mainly in seasonal industries during the summer months. While school-aged Alaskans, school support staff, and college students had filled some of the seasonal need for labor, their return to classrooms in September tightened the labor market. In spite of a seasonal slowdown, the demand for labor remained strong. Consequently, job seekers benefited from the sudden shrinkage of Alaska's available labor pool. As a result, many regions experienced a lower unemployment rate this September than in September 1998.

Seasonal decline sets in

Alaska's wage and salary employment began a broad-based seasonal decline in September, with over-the-month job losses totaling 6,800. (See Exhibit 2.) Seafood processing and tourism-related industries shed the most jobs. Seafood processing alone accounted for sixty percent of the decline. A slow down in construction activities led to industry layoffs. Not all of these job losses can be attributed to the change in seasons. Oil industry sponsored construction suffered when work was delayed on the Alpine project because of materiel and other supply problems. Only the public sector, as is usual in September, added jobs at the start of the new school year.

Employment growth shrinks

Comparing wage and salary employment with last year's performance showed that total employment has not grown much. Compared to last September, there were only 700 more wage and salary jobs in Alaska's economy. The corresponding growth rate flattened to 0.2%, just barely pointing to growth. Since January, when employment growth was about 1.5%, the rate of

growth has steadily slowed. The small change in total wage and salary employment might lead to the notion that Alaska's economy is following a stable course and performing as well as it did a year ago. However, important events have occurred in Alaska's economy affecting the composition of industry employment. The share of oil and gas employment has been waning, while services employment has gained importance. (See Exhibit 1.)

Uncertainties remain in the oil industry

Job losses in the oil industry continued to act as a drag on the state's economy. Although oil industry employment declines temporarily rested during September, there were 1,900 fewer jobs in the industry than a year ago. This is a large and rapid drop of 20 percent, brought about by industry downsizing combined with drastically scaled back investment programs. More cuts are planned. BP Amoco announced that 375 additional jobs would be lost if the merger with ARCO takes effect. There is little doubt that the industry will shrink even more during its current transition phase. But even with a smaller footprint, it will remain the most powerful player in Alaska's economy.

A temporary construction halt at the Alpine field further chilled employment prospects for oilfield workers. There is a momentary lull in project development. Work also slowed on the Northstar project, however, work is expected to resume in January. On the bright side, BP Amoco has announced it will launch a major investment program. So far the company has not identified specific prospects nor committed to develop the ones that currently exist on the drawing boards.

Rebounding oil prices, however, have been a fortuitous event for Alaska's economy. Oil prices climbed to over \$20 per barrel this summer,

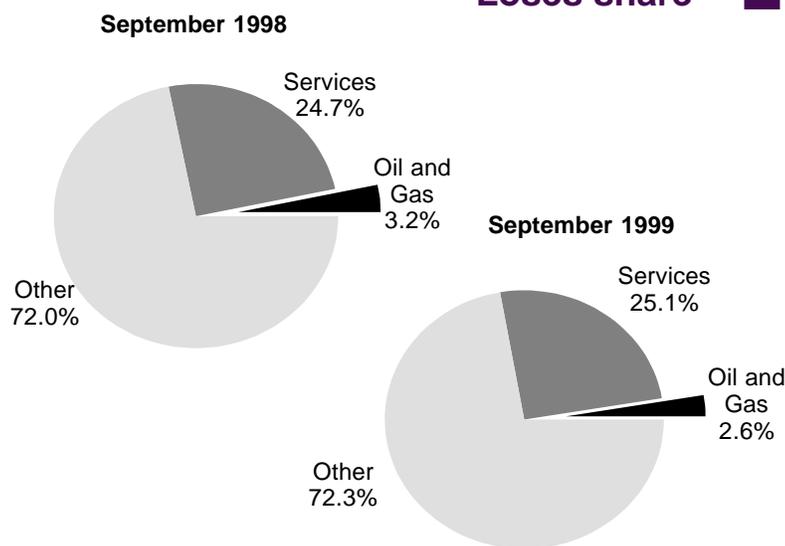
brightening state government's revenue picture and improving the balance sheets of Alaska's oil producers. In the spring of 1999, general fund revenues for the current fiscal year were projected to be \$1.3 billion below current year expenditures. By fall, this projection was revised to about \$500 million, and high oil prices are still holding. While higher oil prices are good news, in the long run they cannot compensate for diminishing oil production.

Downturn affects services employment

Other industries have also felt the strong influence of events in the oil industry. Business services providers have been affected. Many of the long-term partners of the oil industry saw their contracts reduced or even cancelled. Employment statistics have not fully revealed the magnitude of these cutbacks, because government contracts and a

(continued on page 26)

Oil Industry Employment Loses share **1**



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

2 Nonagricultural Wage and Salary Employment by Place of Work

Alaska	preliminary	revised	Changes from:			Municipality of Anchorage	preliminary	revised	Changes from:		
	9/99	8/99	9/98	8/99	9/98		9/99	8/99	9/98	8/99	9/98
Total Nonag. Wage & Salary	289,200	296,000	288,500	-6,800	700	Total Nonag. Wage & Salary	134,200	135,000	132,000	-800	2,200
Goods-producing	41,800	46,800	43,600	-5,000	-1,800	Goods-producing	13,200	13,600	13,200	-400	0
Service-producing	247,400	249,200	244,900	-1,800	2,500	Service-producing	121,000	121,400	118,800	-400	2,200
Mining	9,000	9,100	11,000	-100	-2,000	Mining	2,400	2,400	2,800	0	-400
Oil & Gas Extraction	7,400	7,400	9,300	0	-1,900	Oil & Gas Extraction	2,200	2,100	2,500	100	-300
Construction	16,400	17,100	16,200	-700	200	Construction	8,600	9,000	8,300	-400	300
Manufacturing	16,400	20,600	16,400	-4,200	0	Manufacturing	2,200	2,200	2,100	0	100
Durable Goods	3,000	3,200	3,100	-200	-100	Transportation/Comm/Utilities	14,800	15,100	13,600	-300	1,200
Lumber & Wood Products	1,800	1,900	1,900	-100	-100	Air Transportation	6,200	6,300	6,000	-100	200
Nondurable Goods	13,400	17,400	13,300	-4,000	100	Communications	3,400	3,400	2,600	0	800
Seafood Processing	10,700	14,600	10,600	-3,900	100	Trade	32,300	32,600	31,900	-300	400
Transportation/Comm/Utilities	28,300	29,200	27,200	-900	1,100	Wholesale Trade	6,500	6,600	6,500	-100	0
Trucking & Warehousing	3,100	3,100	3,000	0	100	Retail Trade	25,800	26,000	25,400	-200	400
Water Transportation	2,300	2,500	2,300	-200	0	Gen. Merchandise & Apparel	4,800	4,800	4,600	0	200
Air Transportation	9,700	10,000	9,600	-300	100	Food Stores	2,800	2,900	3,000	-100	-200
Communications	5,300	5,300	4,500	0	800	Eating & Drinking Places	9,600	9,700	9,400	-100	200
Electric, Gas & Sanitary Svcs.	2,600	2,700	2,600	-100	0	Finance/Insurance/Real Estate	7,500	7,700	7,500	-200	0
Trade	60,300	62,000	59,600	-1,700	700	Services & Misc.	38,400	38,900	37,100	-500	1,300
Wholesale Trade	9,300	9,700	9,300	-400	0	Hotels & Lodging Places	2,900	3,100	2,800	-200	100
Retail Trade	51,000	52,300	50,300	-1,300	700	Business Services	6,500	6,700	6,600	-200	-100
Gen. Merchandise & Apparel	9,800	9,700	9,300	100	500	Health Services	8,300	8,300	7,900	0	400
Food Stores	7,300	7,400	7,400	-100	-100	Legal Services	1,200	1,200	1,200	0	0
Eating & Drinking Places	18,000	18,700	17,700	-700	300	Social Services	3,600	3,600	3,500	0	100
Finance/Insurance/Real Estate	12,900	13,400	12,800	-500	100	Engineering & Mgmt. Svcs.	5,700	5,700	5,500	0	200
Services & Misc.	72,700	75,000	71,400	-2,300	1,300	Government	28,000	27,100	28,700	900	-700
Hotels & Lodging Places	8,400	9,200	8,100	-800	300	Federal	10,100	10,200	10,100	-100	0
Business Services	9,000	9,400	9,200	-400	-200	State	8,500	7,800	8,500	700	0
Health Services	15,400	15,500	15,100	-100	300	Local	9,400	9,100	10,100	300	-700
Legal Services	1,600	1,600	1,600	0	0						
Social Services	7,800	7,700	7,300	100	500						
Engineering & Mgmt. Svcs.	8,100	8,300	8,200	-200	-100						
Government	73,200	69,600	73,900	3,600	-700						
Federal	17,300	17,600	17,500	-300	-200						
State	21,700	20,100	21,700	1,600	0						
Local	34,200	31,900	34,700	2,300	-500						

Notes to Exhibits 2, 3, & 4—Nonagricultural excludes self-employed workers, fishers, domestics, and unpaid family workers as well as agricultural workers. Government category includes employees of public school systems and the University of Alaska.

Exhibits 2 & 3—Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Exhibit 4—Prepared in part with funding from the Employment Security Division.

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

3 Hours and Earnings for Selected Industries

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	preliminary 9/99	revised 8/99	9/98	preliminary 9/99	revised 8/99	9/98	preliminary 9/99	revised 8/99	9/98
Mining	\$1,539.53	\$1,439.55	\$1,387.04	55.2	54.2	48.6	\$27.89	\$26.56	\$28.54
Construction	1,191.52	1,313.21	1,103.65	42.6	46.8	41.6	27.97	28.06	26.53
Manufacturing	452.14	678.00	621.00	34.7	58.6	57.5	13.03	11.57	10.80
Seafood Processing	329.21	643.63	557.15	31.9	63.6	61.7	10.32	10.12	9.03
Transportation/Comm/Utilities	681.03	692.41	690.82	34.5	34.5	35.3	19.74	20.07	19.57
Trade	429.02	449.88	429.94	32.8	34.5	33.8	13.08	13.04	12.72
Wholesale Trade	617.25	655.10	630.37	37.5	38.4	37.3	16.46	17.06	16.90
Retail Trade	398.04	413.37	394.08	32.1	33.8	33.2	12.40	12.23	11.87
Finance/Insurance/Real Estate	598.75	637.14	530.11	36.2	37.0	35.2	16.54	17.22	15.06

Average hours and earnings estimates are based on data for full-time and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing). Averages are for gross earnings and hours paid, including overtime pay and hours.

Benchmark: March 1998

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

4 Nonagricultural Wage and Salary Employment by Place of Work

	Fairbanks		Changes from:			Interior Region		Anchorage/Mat-Su Region		Southwest Region		Gulf Coast Region		Northern Region																					
	preliminary 9/99	revised 8/99	9/98	8/99	9/98	preliminary 9/99	revised 8/99	9/98	8/99	9/98	8/99	9/98	8/99	9/98																					
Total Nonag. Wage & Salary	34,200	34,250	33,950	-50	250	40,800	41,200	40,650	-400	150	147,900	148,700	144,750	-800	3,150	39,250	40,300	39,100	-1,050	150	17,600	18,000	17,300	-400	300	29,900	32,650	30,250	-2,750	-350	14,800	14,800	16,300	0	-1,500
Goods-producing	3,950	3,950	3,900	0	50	4,250	4,300	4,250	-50	0	14,600	15,100	14,550	-500	50	6,550	7,450	6,450	-900	100	4,350	5,250	4,200	-900	150	7,600	9,800	8,050	-2,200	-450	4,650	4,800	5,950	-150	-1,300
Service-producing	30,250	30,300	30,050	-50	200	36,550	36,900	36,400	-350	150	133,300	133,600	130,200	-300	3,100	32,700	32,850	32,650	-150	50	13,250	12,750	13,100	500	150	22,300	22,850	22,200	-550	100	10,150	10,000	10,350	150	-200
Mining	950	900	1,000	50	-50	1,100	1,100	1,200	0	-100	2,450	2,400	2,800	50	-350	350	350	350	0	0	1,000	1,050	1,400	-50	-400	1,000	1,050	1,400	-50	-400	4,150	4,200	5,250	-50	-1,100
Construction	2,350	2,400	2,250	-50	100	2,450	2,500	2,350	-50	100	9,850	10,300	9,500	-450	350	1,850	1,900	1,850	-50	0	1,600	1,650	1,600	-50	0	1,000	1,050	1,400	-50	-400	3,700	3,750	4,800	-50	-1,100
Manufacturing	650	650	650	0	0	700	700	700	0	0	2,300	2,400	2,250	-100	50	2,500	3,300	2,350	-800	150	5,000	7,100	5,050	-2,100	-50	1,600	1,650	1,600	-50	0	4,450	4,250	4,600	200	-150
Transportation/Comm/Utilities	3,200	3,250	3,150	-50	50	4,150	4,200	4,100	-50	50	15,900	16,100	14,800	-200	1,100	3,500	3,650	3,400	-150	100	2,650	2,800	2,650	-150	0	4,000	6,050	4,100	-2,050	-100	4,450	4,250	4,600	200	-150
Trade	7,100	7,200	7,100	-100	0	36,000	35,950	35,000	50	1,000	15,900	16,100	14,800	-200	1,100	7,000	7,400	7,050	-400	-50	2,650	2,800	2,650	-150	0	4,000	6,050	4,100	-2,050	-100	4,450	4,250	4,600	200	-150
Wholesale Trade	950	950	900	0	50	36,000	35,950	35,000	50	1,000	15,900	16,100	14,800	-200	1,100	650	700	600	-50	50	2,650	2,800	2,650	-150	0	4,000	6,050	4,100	-2,050	-100	4,450	4,250	4,600	200	-150
Retail Trade	6,150	6,250	6,200	-100	-50	36,000	35,950	35,000	50	1,000	15,900	16,100	14,800	-200	1,100	6,350	6,700	6,450	-350	-100	2,650	2,800	2,650	-150	0	4,000	6,050	4,100	-2,050	-100	4,450	4,250	4,600	200	-150
Gen. Merchandise & Apparel	1,150	1,200	1,200	-50	-50	36,000	35,950	35,000	50	1,000	15,900	16,100	14,800	-200	1,100	1,300	1,350	1,350	-50	-50	2,650	2,800	2,650	-150	0	4,000	6,050	4,100	-2,050	-100	4,450	4,250	4,600	200	-150
Food Stores	750	750	750	0	0	36,000	35,950	35,000	50	1,000	15,900	16,100	14,800	-200	1,100	1,300	1,350	1,400	-50	-100	2,650	2,800	2,650	-150	0	4,000	6,050	4,100	-2,050	-100	4,450	4,250	4,600	200	-150
Eating & Drinking Places	2,150	2,200	2,150	-50	0	36,000	35,950	35,000	50	1,000	15,900	16,100	14,800	-200	1,100	1,300	1,350	1,400	-50	-100	2,650	2,800	2,650	-150	0	4,000	6,050	4,100	-2,050	-100	4,450	4,250	4,600	200	-150
Finance/Insurance/Real Estate	1,100	1,150	1,100	-50	0	8,100	8,250	8,000	-150	100	8,100	8,250	8,000	-150	100	1,600	1,600	1,650	0	-50	750	800	750	-50	0	1,000	1,050	1,400	-50	-400	3,700	3,750	4,800	-50	-1,100
Services & Misc.	8,550	8,900	8,350	-350	200	42,400	43,050	40,750	-650	1,650	42,400	43,050	40,750	-650	1,650	8,200	8,400	8,100	-200	100	6,000	6,450	6,000	-450	0	1,100	1,100	1,100	0	0	4,450	4,250	4,600	200	-150
Hotels & Lodging Places	950	1,150	950	-200	0	42,400	43,050	40,750	-650	1,650	42,400	43,050	40,750	-650	1,650	1,650	1,650	1,650	0	0	6,000	6,450	6,000	-450	0	1,100	1,100	1,100	0	0	4,450	4,250	4,600	200	-150
Health Services	2,000	2,000	1,850	0	150	30,900	30,250	31,650	650	-750	30,900	30,250	31,650	650	-750	1,650	1,650	1,650	0	0	1,100	1,100	1,100	0	0	6,850	6,350	6,850	500	0	4,450	4,250	4,600	200	-150
Government	10,300	9,800	10,350	500	-50	12,650	11,850	12,750	800	-100	10,250	10,350	10,250	-100	0	12,400	11,800	12,450	600	-50	6,850	6,350	6,850	500	0	6,850	6,350	6,850	500	0	4,450	4,250	4,600	200	-150
Federal	3,300	3,350	3,350	-50	-50	12,650	11,850	12,750	800	-100	10,250	10,350	10,250	-100	0	1,850	1,950	1,900	-100	-50	750	800	750	-50	0	6,850	6,350	6,850	500	0	4,450	4,250	4,600	200	-150
State	4,250	3,900	4,250	350	0	12,650	11,850	12,750	800	-100	10,250	10,350	10,250	-100	0	5,300	5,000	5,350	300	-50	750	800	750	-50	0	6,850	6,350	6,850	500	0	4,450	4,250	4,600	200	-150
Local	2,750	2,550	2,750	200	0	12,650	11,850	12,750	800	-100	10,250	10,350	10,250	-100	0	5,250	4,850	5,200	400	50	6,850	6,350	6,850	500	0	6,850	6,350	6,850	500	0	4,450	4,250	4,600	200	-150
Federal	3,900	4,000	4,000	-100	-100	12,650	11,850	12,750	800	-100	10,250	10,350	10,250	-100	0	1,850	1,950	1,900	-100	-50	750	800	750	-50	0	6,850	6,350	6,850	500	0	4,450	4,250	4,600	200	-150
State	4,500	4,150	4,550	350	-50	12,650	11,850	12,750	800	-100	10,250	10,350	10,250	-100	0	5,300	5,000	5,350	300	-50	750	800	750	-50	0	6,850	6,350	6,850	500	0	4,450	4,250	4,600	200	-150
Local	4,250	3,700	4,200	550	50	12,650	11,850	12,750	800	-100	10,250	10,350	10,250	-100	0	5,250	4,850	5,200	400	50	6,850	6,350	6,850	500	0	6,850	6,350	6,850	500	0	4,450	4,250	4,600	200	-150

5 Unemployment Rates by Region and Census Area

Not Seasonally Adjusted	Percent Unemployed		
	preliminary	revised	
	9/99	8/99	9/98
United States	4.1	4.2	4.4
Alaska Statewide	4.5	4.6	4.6
Anch/Mat-Su Region	3.9	4.0	3.8
Municipality of Anchorage	3.5	3.6	3.5
Mat-Su Borough	5.5	6.0	5.2
Gulf Coast Region	6.5	5.9	6.2
Kenai Peninsula Borough	7.9	7.1	7.2
Kodiak Island Borough	3.6	3.3	3.8
Valdez-Cordova	5.0	4.1	5.1
Interior Region	4.3	4.6	4.7
Denali Borough	4.3	2.5	2.2
Fairbanks North Star Borough	4.0	4.2	4.5
Southeast Fairbanks	6.7	6.5	7.1
Yukon-Koyukuk	10.0	10.7	9.6
Northern Region	9.0	9.8	7.8
Nome	8.1	10.0	8.2
North Slope Borough	7.7	7.6	5.9
Northwest Arctic Borough	12.5	12.8	10.4
Southeast Region	4.0	4.1	4.5
Haines Borough	3.0	4.2	5.4
Juneau Borough	3.9	3.9	4.3
Ketchikan Gateway Borough	4.5	4.0	4.4
Prince of Wales-Outer Ketchikan	5.8	7.1	6.8
Sitka Borough	3.3	3.6	3.9
Skagway-Hoonah-Angoon	2.6	3.7	3.7
Wrangell-Petersburg	4.3	3.7	4.6
Yakutat Borough	6.2	5.0	6.5
Southwest Region	6.4	7.4	6.8
Aleutians East Borough	1.5	1.3	1.6
Aleutians West	3.4	4.0	4.8
Bethel	7.9	8.8	8.0
Bristol Bay Borough	3.4	2.8	4.3
Dillingham	5.5	6.4	5.7
Lake & Peninsula Borough	3.1	6.7	3.1
Wade Hampton	11.6	14.4	12.2
Seasonally Adjusted			
United States	4.2	4.2	4.5
Alaska Statewide	5.6	6.1	5.6

March 1998 Benchmark

Comparisons between different time periods are not as meaningful as other time series produced by Research and Analysis. The official definition of unemployment currently in place excludes anyone who has not made an active attempt to find work in the four-week period up to and including the week that includes the 12th of the reference month. Due to the scarcity of employment opportunities in rural Alaska, many individuals do not meet the official definition of unemployed because they have not conducted an active job search. They are considered not in the labor force.

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

(continued from page 23)

good construction year have helped offset some of these job losses. Services employment still posted an annual growth rate of 1.8% in September. Its strongest sectors were the health care, social services and hotel industries.

New players are changing Alaska's retail scene

Alaska's retail markets have been churning at a fast pace. Retail employment grew the most in Anchorage and the Mat-Su Borough. Combined trade employment for the region was up 2.9% in September from last year's level and is set to continue its growth. The latest boost came from the opening of two Office Depot stores in Anchorage and a Fred Meyer store in Wasilla. Specialty retail stores, such as The GAP and Pier 1, have augmented employment as well. Restaurant employment is up from last year's levels. New places have opened and the variety of restaurants, particularly in Anchorage, is growing. After a year-long wait, Alaska's food store picture came into focus. Alaska Marketplace purchased six of the spun-off Safeway-Carrs stores, which had to be sold as a merger condition. The newcomer will be the fourth-largest competitor in Alaska's grocery market.

Summary

At the brink of the seasonal slowdown in Alaska's economy, a gloomy outlook in oil-related employment prevailed. Higher oil prices, however, were a reprieve for state government revenues and oil company balance sheets. The services and retail sectors continued to lead the state in job growth although combined industry performance netted marginal growth. Yet it was enough to keep Alaska's labor market tight, as September's unemployment rate established a new record low for that month.

Employer Resources

Alaska Department of Labor
& Workforce Development

Employer

- Alaska Employer Handbook
- Alaska Job Center Network (www.jobs.state.ak.us)
- Alaska Job Bank
- Alien Labor Certifications
- America's Job Bank (Place job orders on

The Alaska Job Center Network (AJCN) offers services to employers through the AJCN Employer Connection web page—www.jobs.state.ak.us/employer.htm

Bookmarks Location: <http://www.jobs.state.ak.us/>

www.jobs.state.ak.us

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Alaska's Job Bank

all regions

all job types

To search for job openings select a region, a job type, or both then click...

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Please send comments and suggestions about this site to the [AJCN web coordinator](#).

Bookmarks Location: <http://www.jobs.state.ak.us/employer.htm>

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AJCN staff help employers recruit qualified workers by listing job openings in each [Alaska Job Center](#) across the state, on [Alaska's Job Bank](#), and on [America's Job Bank](#).

Seafood Industry Employers

Employers in the seafood industry, please see the [Seafood Jobs](#) web site. Or go directly to the [Seafood Job Order Form](#).



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