

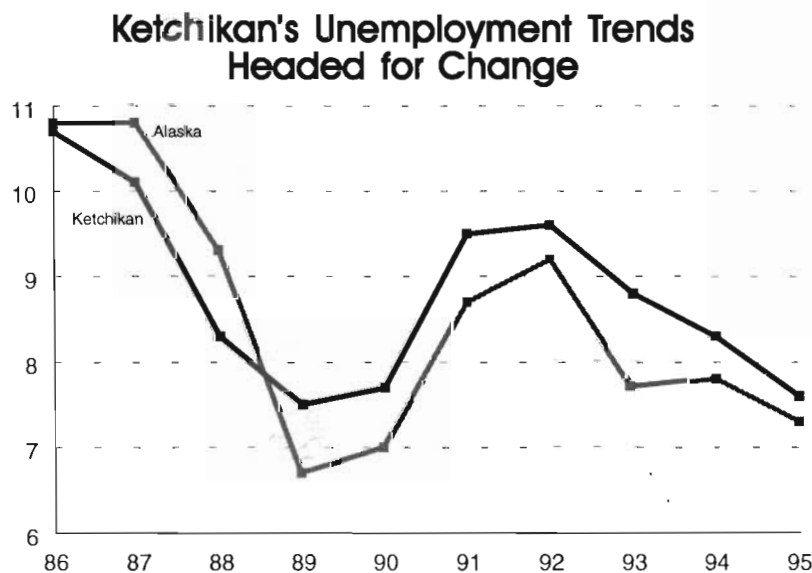
Mill Closure Impacts Far Reaching

The Ketchikan Pulp Company's (KPC) pulp mill closure is a severe blow to Ketchikan's economy. The closure of Ketchikan's largest private employer means a direct loss of 500-550 jobs, many of them year-round, relatively highly paid positions. Loss of the mill will effectively cut off a large portion of the local economy's manufacturing leg. More manufacturing jobs are at risk at KPC's sawmill.

Indirect and induced economic effects of the mill closure will vary depending upon a number of factors. For example, the economic impact of closing just the KPC pulp mill would be different from closing both the pulp mill and sawmill. A recent McDowell Group study, which assumed that both the pulp mill and sawmill closed, indicated that indirect job loss could more than double the total jobs lost at the pulp mill and sawmill.¹ It is unlikely that all of the indirect and induced job loss would occur immediately. A large percentage of the job loss would occur in the first few years, but economic effects could still be present five to seven years after the closure. The total number of jobs lost likely will not be shown in future Ketchikan employment counts because employment gains in other industries will help offset job losses associated with the closure. The study indicates that logging firms, support services, construction, and transportation firms are likely to suffer the largest effects in the private sector.

Ketchikan's public sector will not be immune to the closure's economic effects. The McDowell Group study estimated that lower property and sales tax revenues, combined with lost revenue from state and federal sources, could amount to a 15-18 percent revenue loss to the Ketchikan Gateway Borough. The study assumes that a smaller Ketchikan population would mean a loss in state municipal assistance and revenue sharing, and that federal revenue from the Tongass timber receipt program would be lower until Tongass timber allocated to KPC through the 50-year contract is reallocated to other users. Ketchikan Public Utilities, the government-operated utility that provides electrical, telephone, water and wastewater services, could also lose more than \$1 million in annual revenue.

Figure • 1



Source: Alaska Department of Labor, Research and Analysis Section.

The role of KPC in the region's economy, particularly in sawmill and logging operations in the surrounding areas, also has important economic benefits for Ketchikan. As a regional supplier, Ketchikan's losses will increase if the economies of the surrounding areas suffer significant hardships.

1. *Impacts of the Forest Products Industry on Ketchikan: A Study of Ketchikan's Forest Products Industry and the Economic Impacts of Mill Closure.* McDowell Group, September 1996.

Unemployment likely to rise, population fall

When the pulp mill closes, the recent improvement in unemployment trends will reverse. In 1995, unemployment averaged 7.6%, with just under 600 persons unemployed. (See Figure 1.) After the closure, this rate could easily double, placing Ketchikan's rate well above the average rate for Alaska. The loss of a substantial number of year-round jobs may also increase seasonal swings.

The borough's population is also likely to fall as households dependent

upon income from KPC jobs relocate due to economic factors. A survey of KPC employees conducted for the McDowell Group study indicated that nearly two-thirds of the households could relocate in the three years following the closure, with half of the population drop occurring immediately and the other half occurring gradually over the next several years.

Effects already taking hold

The announcement of impending closure is already sending ripples through the community. Some KPC workers have already left town to look for new employment. Some retailers have reported reduced sales as residents start to conserve. The city reports that following an otherwise strong year, building permits have recently declined.

Severance package, government aid will help

Laid-off mill workers will receive severance pay of two weeks for each year worked with the company. This benefit will help workers through a difficult transition and help lessen the effect that lost KPC wages will have on the economy. In addition, the Alaska Department of Labor (AKDOL) recently changed a regulation that treated lump sum severance packages as wages spread out over many weeks, which precluded laid-off workers from being eligible for Unemployment Insurance benefits. The regulation change is expected to be in place before the mill closure.

Additional government aid will come from the AKDOL Ketchikan Employment Center in the form of employment assistance to those affected by the mill closure. The Employment Center provides access to job listings and labor market information for the local area and has access to job listings for other communities in Southeast Alaska, the rest of the state and nationwide as well.

Table • 1

Occupational Profile of Ketchikan Workers 3rd Quarter 1995¹

Occupational Group	Number of Workers
Total	10,123
Service	1,803
Seafood processing	1,558
Administrative support, including clerical	1,217
Sales	1,175
Professional specialty	858
Transportation & material moving	659
Handlers, equipment cleaners, helpers & laborers	635
Executive, administrative & managerial	491
Mechanics & repairers	391
Production except seafood	372
Construction & extractive	299
Agriculture, forestry & fishing	273
Other or unknown	246
Technical	146

^{1/} Includes wage and salary workers. Excludes the self employed and federal workers.

Source: Alaska Department of Labor, Research and Analysis Section, Occupational Database.

Other services designed to assist with a person's search for work include vocational counseling and workshops on resume writing, job search skills, interviewing and other subjects related to finding employment.

The AKDOL is working in concert with the Department of Community and Regional Affairs (DCRA) and a number of other local, state and federal agencies to establish a transition center designed to offer these and other services specifically to mill employees. Under the umbrella of the Governor's Coordinated Response Partnership, these agencies are identifying and organizing resources and programs available to affected workers. The intent is to assure a safe landing for those in Ketchikan and other Southeast communities once their employment with Ketchikan Pulp has ended.

Representatives from the Alaska Employment Service and DCRA's Job Training Partnership Office recently conducted a series of town meetings in the Prince of Wales communities of Craig, Coffman Cove, Naukati and Thorne Bay, and in Metlakatla. Similar meetings were conducted in Ketchikan earlier and are designed to inform affected workers of the assistance and benefits which may be available to them.

Over the next four years, assistance from the federal government also is earmarked to alleviate Ketchikan's plight. Ketchikan is scheduled to receive \$25 million in federal economic disaster money to fund economic diversification projects. Already, money has been spent to support seafood product marketing and develop a red sea urchin fishery. Further uses of this aid money will be decided by a mayor's blue ribbon economic development committee by the first of March 1997.

Opportunities for reemployment

Proportionally, the mill closure will most impact non-seafood production occupations, mechanics, construction, handlers and technical occupations.

Comparison of the pulp mill's occupational profile to the occupational profile in the non-timber portion of the Ketchikan Gateway Borough indicates that about 60 percent of the mill's employees work in occupations that appear similar to occupations found elsewhere in Ketchikan. These occupations include clerical and service workers, mechanics and construction workers, and laborers. If positions are available, some of these workers, depending on their degree of specialization, could qualify for other jobs in Ketchikan. The remaining 40 percent of mill employees work in occupations that do not have equivalents or related counterparts in either the Ketchikan or the Southeast Alaska economy. They work primarily in specialty production or scientific/technical positions. Without changing occupations, these specialized mill workers will find staying in either the local or even the regional economy unlikely.

Ketchikan's overall occupational profile can give an inkling as to what kinds of jobs are prevalent in the local economy. In the third quarter of 1995, over half of Ketchikan's wage and salary jobs (excluding federal government) fell into four occupational categories: service, seafood processing, administrative support and sales. (See Table 1.) Increased seafood and tourism activity influences the occupational mix during this peak summer employment season. Both full- and part-time jobs are included in the table.

In the short-term, construction projects could help alleviate KPC-related job losses. Environmental cleanup at the pulp mill site could also provide jobs for some laid-off workers. Some workers who want to stay in Ketchikan may move into commercial fishing, charter boats or other tourist-related businesses.