

1999: The Year in Review

By Rachel Baker, John Boucher,
 Neal Fried, and Brigitta Windisch-Cole

Consolidations and oil patch woes slow 1999 growth to 0.9%

Despite job losses due to consolidation, Alaska's economy managed to post its eleventh consecutive year of job gains in 1999. Alaska's job base grew 2,600 jobs, pushing the annual average wage and salary employment to 277,600. (See Exhibit 1.)

Some significant events adversely affected 1999's job count. A contraction in Alaska's oil and gas industry, continued struggles in Alaska's manufacturing sector, and the consolidation of two of Alaska's most prominent retailers, were drags on Alaska's job growth. Overall, statewide job growth slowed to 0.9%, down substantially from the 2.3% rate of growth posted in 1998. This was the second-slowest growth rate this decade. (See Exhibit 2.)

The main reason some growth was maintained was that Alaska's services sector offset the job losses associated with the negative events. Also, retailers, construction companies, and transportation firms assisted in moving the job count higher. In Alaska's public sector, the overall job totals showed little change, but that belied the churning that occurred during the year. Privatization of federal and local government entities spurred private sector job growth higher.

Among regions, Anchorage and the Mat-Su Borough grew the fastest in 1999. Northern and Southwest Alaska were the only areas to experience job losses. (See Exhibit 3.)

Services sector leads growth

Alaska's services industry takes most of the credit for the 1999 statewide job count's ending up in the black. Services accounted for 2,300 additional jobs in 1999, while overall statewide job growth was 2,600 jobs. Services growth was broad-based with many segments contributing and very few showing declines.

Health care providers made some of the largest gains in the services sector last year. This sector was bolstered by continued

Wage & Salary Employment Change — Alaska 1998-1999

| | 1998 | 1999 | Change | Percent Change |
|-------------------------------|---------|---------|--------|----------------|
| Total Wage & Salary | 275,000 | 277,600 | 2,600 | 0.9% |
| Goods-producing | 38,600 | 37,200 | -1,400 | -3.6 |
| Service-producing | 236,400 | 240,400 | 4,000 | 1.7 |
| Mining | 10,800 | 9,500 | -1,300 | -12.0 |
| Oil & Gas Extraction | 9,300 | 8,000 | -1,300 | -14.0 |
| Construction | 13,400 | 13,800 | 400 | 3.0 |
| Manufacturing | 14,400 | 13,900 | -500 | -3.5 |
| Durable Goods | 2,800 | 2,900 | 100 | 3.6 |
| Lumber & Wood Products | 1,600 | 1,700 | 100 | 6.3 |
| Nondurable Goods | 11,600 | 11,100 | -500 | -4.3 |
| Seafood Processing | 9,000 | 8,500 | -500 | -5.6 |
| Transportation/Comm/Utilities | 25,500 | 26,100 | 600 | 2.4 |
| Trucking & Warehousing | 3,000 | 2,900 | -100 | -3.3 |
| Water Transportation | 1,900 | 1,900 | 0 | 0.0 |
| Air Transportation | 9,200 | 9,400 | 200 | 2.2 |
| Communications | 4,400 | 4,800 | 400 | 9.1 |
| Electric/Gas/Sanitary | 2,600 | 2,700 | 100 | 3.8 |
| Trade | 56,500 | 57,300 | 800 | 1.4 |
| Wholesale Trade | 9,000 | 9,000 | 0 | 0.0 |
| Retail Trade | 47,600 | 48,300 | 700 | 1.5 |
| Gen. Merch. & Apparel | 9,000 | 9,400 | 400 | 4.4 |
| Food Stores | 7,100 | 6,900 | -200 | -2.8 |
| Eating/Drinking Places | 16,200 | 16,600 | 400 | 2.5 |
| Finance/Insurance/Real Estate | 12,500 | 12,800 | 300 | 2.4 |
| Services & Misc. | 68,200 | 70,500 | 2,300 | 3.4 |
| Hotels & Lodging Places | 6,700 | 7,100 | 400 | 6.0 |
| Business Services | 8,600 | 8,700 | 100 | 1.2 |
| Health Services | 15,000 | 15,600 | 600 | 4.0 |
| Legal Services | 1,600 | 1,700 | 100 | 6.3 |
| Social Services | 7,400 | 7,800 | 400 | 5.4 |
| Engineering & Mgmt. Svcs. | 7,800 | 7,900 | 100 | 1.3 |
| Government | 73,700 | 73,600 | -100 | -0.1 |
| Federal | 17,200 | 16,800 | -400 | -2.3 |
| State | 21,500 | 21,800 | 300 | 1.4 |
| Local | 34,900 | 35,100 | 200 | 0.6 |

Benchmark: March 1999. Subtotals may not add due to rounding. Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics. "Government" includes employees of public schools and the University of Alaska.

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

growth in the variety of medical care services offered, as well as the privatization of the largest remaining Indian Health Service facility—the Alaska Native Medical Center in Anchorage.

Investment in Alaska's tourism and travel industry also meant job growth for services. Bolstered by the opening of several properties, hotels and lodging places contributed a good portion of the services job growth.

Social services was another fast growing segment as family and social service organizations, child day care services, and residential care facilities added jobs in 1999. Also showing job growth were membership organizations, often in the form of traditional village councils.

Education-related services also played a role in job growth last year. A boost in Head Start programs and the opening of the Alaska Native Heritage Center were key events helping this sector post solid employment growth.

Despite Safeway/Carrs consolidation, retailers post job gain

Fueled by growth in eating and drinking establishments and general merchandise and apparel stores, retail employment was the second-largest contributor to private-sector job gains.

Eating and drinking establishments added 400 new jobs, posting a sixth consecutive year of growth. Meanwhile, general merchandise stores added another 400 retail jobs, primarily due to store openings in Anchorage, Kodiak, and the Mat-Su Borough. Car dealers and gas stations also had a banner year, adding 300 new jobs. Miscellaneous retailers, primarily on the strength of gift, novelty and souvenir shops, also contributed to job growth.

These job gains occurred against a backdrop of the most significant retail development in Alaska since the entrance of Wal-Mart and Kmart into the Alaska market in the early 1990s. Safeway purchased Alaska's largest private sector employer, Carrs, initiating a major consolidation in Alaska's food store sector. Upward of 400 jobs, many at the Carrs' administrative center in Anchorage, were lost in the consolidation process.

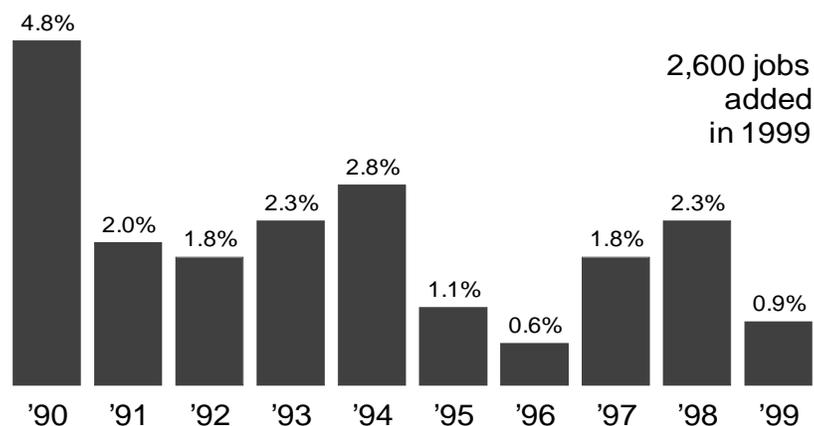
Privatization, air transportation, push transportation forward

The transportation, communications and public utilities sector contributed the third highest number of new jobs in 1999, adding jobs at a 2.4% clip. Alaska's rapidly evolving telecommunications industry was a big contributor to job gains. Investment in new communications technologies and the privatization of the Anchorage Telephone Utility were major contributors to job growth in 1999. Anchorage International Airport continued to grow as a hub for international cargo. That activity, combined with tourist traffic, translated into 200 new jobs in air transportation. Elsewhere in the transportation sector, the job picture was mixed. Low levels of exploration and development activity on Alaska's North Slope curtailed trucking industry activity, and low levels of manufacturing activity stymied water transportation.

Construction, finance post another solid year

Alaska had another solid construction season in 1999. The construction industry moved ahead 400 jobs, a 3.0% growth rate. Given the poor performance in the oil and gas sector and a slowing

2 Statewide Job Growth Rate 0.9% Percent employment change from previous year



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

residential construction market, this sector of Alaska's economy performed admirably in 1999. New retail space and hotels were among the job engines in the commercial construction sector. Federally funded projects, both military and highway related, also helped bolster the industry, while state and locally funded projects such as schools and other public facilities helped out as well.

Publicly funded construction activity also propelled growth in Alaska's finance, insurance and real estate sector in 1999. Publicly funded regional housing authorities added employees to refurbish and build rural low-income housing. Alaska's banking sector, spurred on by refinancing activity, also saw some growth. Some major shakeups occurred in Alaska's banking sector in 1999. Bank of America pulled out of Alaska, selling most of its branches to Northrim Bank. Wells Fargo purchased National Bank of Alaska, the largest bank in the state, late in the year.

Oil industry sheds nearly fifteen percent of all jobs

Alaska's oil and gas industry, particularly the oil field services sector, experienced one of its roughest years in recent memory in 1999. After an extremely strong year for exploration and development activity in 1998, Alaska's oil and gas industry fell prey to low oil prices. An unprecedented consolidation in the oil field services sector resulted, topped off by the announcement that Alaska's two largest oil producers, BPAmoco and ARCO, would merge through BPAmoco's purchase of ARCO. In the process, Alaska's oil and gas sector shed 1,300 jobs in a calendar year comparison, a 14 percent loss of oil industry jobs in the state.

Low prices, in particular gold prices, also meant a contraction in employment in minerals mining in 1999. Alaska's large scale mines all survived and some even thrived in the current low price environment. The Greens Creek and Fort Knox mines had solid years while an expansion project at Red Dog increased that mine's production capacity and resulted in incremental job gains.

Alaska's small and medium size mines struggled as some downsized and others ceased operations.

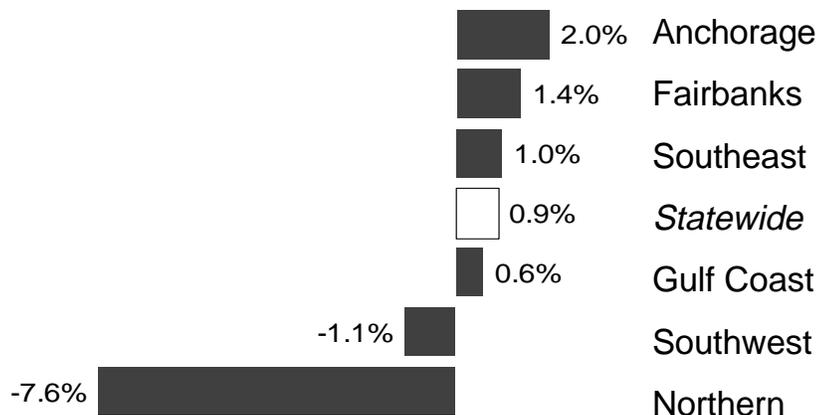
Seafood processors among largest job losers

Alaska's seafood processors posted 500 fewer jobs than in 1998. Two consecutive poor years in Bristol Bay resulted in processors curtailing operations in the region. Even though 1999's sockeye run rebounded from the previous two years, production capacity was not increased. Another seafood industry development was a significant drop in employment related to the winter fisheries in 1999. Seafood processing posted its lowest level of employment for the January-March period since 1991, down about 1,000 jobs from the same quarter in 1998. Another factor that may have contributed to lower levels of employment was the labor shortages reported by many seafood processors throughout the year.

Employment appeared to grow slightly in Alaska's lumber and wood products industry in 1999, but a portion of that was due to an administrative reporting change which moved administrative employees of Ketchikan Pulp Company from the pulp to the sawmill sector. At year's end, additional

Anchorage Leads Regional Growth 3

Percent change in employment 1998-1999



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

sawmill closures and logging layoffs marked another year of contraction for the timber industry in Alaska.

Federal government loses, state and local governments grow

Alaska's public sector employers saw a slight loss on balance, when federal government employment dropped while state and local government inched up slightly. Privatization of the Alaska Native Medical Center, and continued downsizing of civilian military and federal agency employment accounted for the federal loss in 1999. State government employment saw a slight increase, primarily at the University of Alaska. At the local level, new school facilities and attempts to lower pupil-teacher ratios nudged employment up. The gain in local employment was notable in that it offset the negative effects of the privatization of the Anchorage Telephone Utility (ATU).

ANCHORAGE:

Average growth year belies changes afoot

In 1999, employment in Anchorage grew two percent—close to the decade's annual average growth rate of 1.8%. (See Exhibit 4.) While employment growth could be considered average

in 1999, that belies the dramatic events that both influenced last year's employment numbers and will continue to be felt for years to come. The proposed merger of BP Amoco and ARCO, privatization of Anchorage Telephone Utilities and the Alaska Native Hospital, Safeway's buyout of Carrs, and the sale of National Bank of Alaska to Wells Fargo are reshaping Anchorage's economy. As the headquarters city to all of these companies, Anchorage is feeling the effect of these actions disproportionately and will continue to do so.

Last year's performance was a slowdown from 1998's robust 3.9% growth. Unlike 1998, when it experienced a major rebound, the oil industry went through a severe contraction. Nearly all of the city's other industries managed to grow, but without the zest of 1998. (See Exhibit 5.)

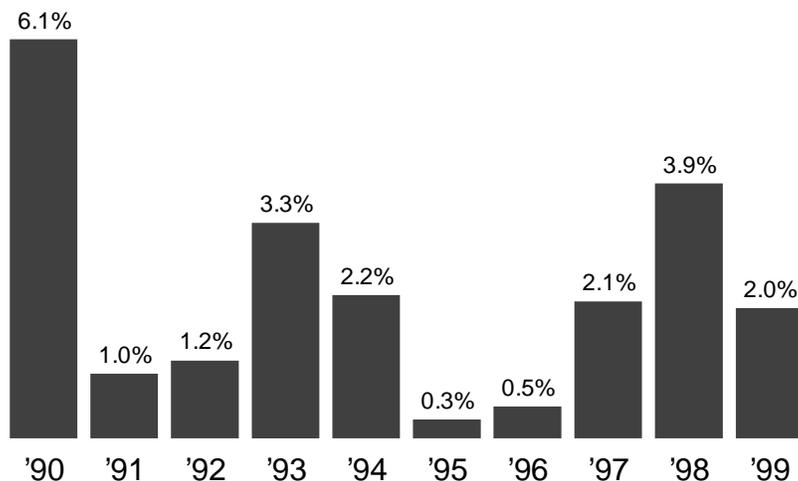
Despite average employment growth, 1999 was another good year for job seekers. The unemployment rate was at 4.5%, the second lowest in history behind 1998's record low of 4.1%. This was one of the lowest rates in the state and mirrors the national rate, which hit a 30-year low this past year. This improved jobless rate was backed up by much anecdotal evidence of labor shortages reported by employers, the media, and others.

Oil hits the rocks in 1999

After a stellar performance and strong gains in 1998, the state's oil and gas industry hit the skids in 1999, with low oil prices the culprit. When it came to layoffs, no time was wasted. At the beginning of the year, BP's layoffs of 620 began; 220 of these lost jobs were in BP and the rest were the company's contractors, the largest being NANA services. As the year progressed, other deep cuts hit oil field service companies. Many of these lost jobs were direct hits for Anchorage. Oil industry employment fell by 10 percent but losses in other industries, such as services, were also sizeable. In the midst of this downsizing, there were a few rays of sunshine. Construction of modules for the Alpine projects continued in Anchorage through most of the year and oil prices began to bounce back in April.

4 Anchorage Growth Slows

Percent employment change from previous year



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

Good news in construction

In 1999, construction was one of the more dynamic sectors in Anchorage's economy. Employment grew at twice the rate of the rest of the economy. No one project or segment dominated the industry picture. Residential construction softened, possibly because of the woes in the oil patch. The number of permits for new housing units fell from a decade record high of 1,771 in 1998 to 1,284 in 1999. Even with these losses, 1999 will still go down as the third strongest permit year in the 1990s. The number of permits for multi-family units remained strong, along with the entry-level market. The biggest weakness was in the high-end market. Commercial, public, and highway construction projects more than made up for the declining residential activity. Some of the big projects that continued into 1999 included the Alaska Seafood International, the new Post Exchange/Commissary, the 370-room Marriott hotel, the ARCO modules for the Alpine project, and a number of new elementary schools. New activity included the beginning of the \$200 million airport rebuild/expansion, the completion of the Minnesota bypass, and two new Office Depots. A strong season in the Mat-Su Valley also provided a boost for Anchorage contractors.

A strange year for retail

Employment in retail grew in 1999, but only by a hair. The industry under-performed the overall labor market. This occurred despite the addition of two new Office Depots, a Pier 1 Imports, an Old Navy, a new Gap, two large restaurants, and a number of smaller retailers. The biggest explanation for its weakness comes from the effects of the Carrs buyout. Nearly all the Carrs administrative staff was laid off. As a result, grocery store employment actually fell by 100 jobs or 3.4%.

Air transportation continued to grow

Air transportation growth certainly did not earn the industry star status in 1999, but it grew nevertheless. Employment at many larger carriers inched up in 1999, which was considered a decent year by most of these players. The visitor season was strong

and the Asian markets began to turn around. Passenger counts and cargo volumes changed little in fiscal year 1999. Some regional air carriers such as Yute Air cut back service and employment.

Services leads employment growth

Services was Anchorage's leader in job growth in 1999. More than half of Anchorage's new jobs came from the multitude of different players in services. One of them was hotels. 1999 could be called the year for new hotels in Anchorage. Three new hotels opened, adding 200 jobs to the workforce. Health care was another leader in services, up five percent. Not all these gains represent new job growth. Private sector health care began to get a big boost from the privatization of the Native Hospital and other Indian Health Services in Anchorage. For example, in 1998, the Alaska Native Tribal Health Consortium had fewer

Wage & Salary Employment Change — Anchorage 1998-1999 5

| | 1998 | 1999 | Change | Percent Change |
|-------------------------------|---------|---------|--------|----------------|
| Total Nonag. Wage & Salary | 128,700 | 131,300 | 2,600 | 2.0% |
| Goods-producing | 12,000 | 12,100 | 100 | 0.8 |
| Service-producing | 2,000 | 2,100 | 100 | 5.0 |
| Mining | 116,700 | 119,200 | 2,500 | 2.1 |
| Oil & Gas Extraction | 3,000 | 2,700 | -300 | -10.0 |
| Construction | 2,900 | 2,600 | -300 | -10.3 |
| Manufacturing | 7,000 | 7,300 | 300 | 4.3 |
| Transportation/Comm/Utilities | 13,200 | 13,800 | 600 | 4.5 |
| Air Transportation | 5,800 | 5,900 | 100 | 1.7 |
| Communications | 2,600 | 3,100 | 500 | 19.2 |
| Trade | 31,000 | 31,400 | 400 | 1.3 |
| Wholesale Trade | 6,400 | 6,400 | 0 | 0.0 |
| Retail Trade | 24,600 | 25,000 | 400 | 1.6 |
| Gen. Merchandise & Apparel | 4,600 | 4,700 | 100 | 2.2 |
| Food Stores | 2,900 | 2,800 | -100 | -3.4 |
| Eating & Drinking Places | 8,800 | 9,000 | 200 | 2.3 |
| Finance/Insurance/Real Estate | 7,500 | 7,700 | 200 | 2.7 |
| Services & Misc. | 36,300 | 37,800 | 1,500 | 4.1 |
| Hotels & Lodging Places | 2,700 | 2,900 | 200 | 7.4 |
| Business Services | 6,200 | 6,200 | 0 | 0.0 |
| Health Services | 7,800 | 8,200 | 400 | 5.1 |
| Legal Services | 1,200 | 1,200 | 0 | 0.0 |
| Social Services | 3,500 | 3,800 | 300 | 8.6 |
| Engineering & Mgmt. Svcs. | 5,600 | 5,900 | 300 | 5.4 |
| Government | 28,600 | 28,500 | -100 | -0.3 |
| Federal | 10,000 | 9,800 | -200 | -2.0 |
| State | 8,400 | 8,600 | 200 | 2.4 |
| Local | 10,200 | 10,100 | -100 | -1.0 |

Benchmark: March 1999. Subtotals may not add due to rounding. Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics. "Government" includes employees of public schools and the University of Alaska.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

than 10 employees, but by the end of 1999 they had more than 300. Not all of this gain came at the expense of federal employment. When federal employees leave or transfer to the consortium there are corresponding losses in federal employment. But in addition to these changes, the consortium hired new workers. Engineering, management and social services also contributed significantly to services growth in 1999.

Mixed picture on the public side

Federal employment fell by 200. Some of this loss came from the privatization of health care discussed above and military reductions. State government's employment grew 200, inching up at the university and other state agencies. Local government's losses are all related to the sale of ATU. After accounting for these changes, employment at both the Anchorage School District and the Municipality of Anchorage grew.

FAIRBANKS: 1.4% growth in 1999

Although growth slowed in 1999 to 1.4%, half of Fairbanks' 1998 growth rate, employment grew 450 jobs. (See Exhibits 6 and 7.) Nearly 80 percent of the new jobs were created by private sector industries, wedging more variety into Fairbanks' economy.

The strongest contribution came from the multi-

faceted service industries, particularly health care. Transportation industries, the real estate sector, and government were other sources of employment growth. But changing conditions in Fairbanks' important natural resource industries led to employment losses. Mining employment suffered in part because of the slowdown of North Slope oil industry activity. Its support industries also had to shed jobs. Gold mining enterprises were plagued by low world prices, but consolidation prevented job losses. Multiple ownership changes among Fairbanks' prominent retailers cancelled out other employment gains in trade.

A turbulent spring in oil and gold mining

At the beginning of 1999, low prices for Alaska's oil and gold caused concern in the community. Fairbanks' annual average oil industry employment fell by 20 percent from its 1998 level. The sluggish pace of new oil field development also affected residents who work on the North Slope. Although oil prices rebounded later in the year, industry employment did not recover. The low gear activities on the North Slope also slowed business for Fairbanks' oil support industry.

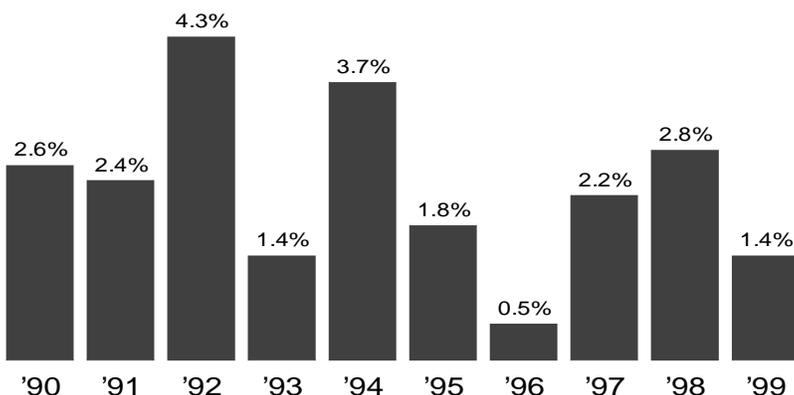
Although the downturn of gold prices prompted a few placer miners to scale back operations during the 1999 mining season, gold mining employment did not suffer losses in the Fairbanks region. In fact, it grew a bit. Exploration effort remained high in the local mining district. Despite an over five percent drop in annual average gold prices, Fort Knox, Alaska's largest gold mine with 270 workers, dodged the blows from world markets by lowering production costs. Kinross, owner of the mine, acquired the True North and Ryan Lode deposits, which could increase throughput at Fort Knox. The Fairbanks mining community also benefited from the Pogo exploration project located near Delta Junction because its logistic support is centered in Fairbanks.

A stable year for construction

Construction employment slowly recovered during the 1990s and became a solid supplier of jobs. In the past decade, the 1999 construction season was Fairbanks' third best. A series of projects, such as the new state courthouse and

6 Decade of Growth for Fairbanks

Percent employment change from previous year



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

other public construction, new hotel construction and one expansion, the hospital addition, the Doyon office complex, and a large movie theater helped to keep Fairbanks crews busy. Residential building showed about the same level of activity as in 1998.

Transportation, communications, utilities

Although employment grew 3.3% in Fairbanks' transportation, communication and utilities industry in 1999, not all changes were positive. Air transportation fared well and transit-cargo traffic increased, but passenger traffic lightened. Fairbanks' reputation as a cold weather test site for all types of aircraft has spread internationally, increasing the airport's list of clients. In communications, the local telephone utility lost its headquarter status. Ownership changed and the company became a division of the Anchorage-based Alaska Communications System.

The transition of Fairbanks' retail markets continued

Retail employment in Fairbanks has not grown since 1994. Structural changes continued in the retail sector and the most recent fusion of two major grocery chains countered employment growth. The Safeway acquisition of Carrs also meant that fewer grocery stores were competing in Fairbanks. Despite the changes, grocery store employment did not suffer job losses. A newcomer, Alaska Marketplace, entered the market and existing food stores hired more staff. Combined employment growth in other retail categories was sluggish as well. However, restaurant employment continued to grow and several new places opened their doors. Undoubtedly tourism played a role in restaurant employment growth and Fairbanks appeared to have a good season.

Tourism and services book good season

During the second and third quarter of the year, incoming passenger transit at the Canadian border was up by 10.3%. Visitors arriving by car often drive a northern loop to include Fairbanks and Denali National Park, two hours south of Fairbanks, on their itineraries. This past year, visitation at

Denali National Park rose about five percent and hotel receipts in the Fairbanks North Star Borough increased 4.2%. Visitor-related services employment benefited from the uptick of summer activity. Services expanded for Fairbanks residents as well. An addition to the Fairbanks Memorial Hospital helped to boost employment in health care. Military and other government contracts also helped augment services employment.

Housing authority activity boosts real estate

With the exception of 1999, finance, insurance and real estate has been a sector of slow growth. In 1999, it was the fastest growing major industry category in Fairbanks. However, the impressive annual nine percent growth rate translated into merely 100 new jobs. Growth was concentrated in the real estate component. The Interior Region Housing Authority received a Housing and Urban Development (HUD) grant of about \$10 million to upgrade and renovate housing in villages of the Interior. Other real estate employment also kept

Wage & Salary Employment Change — Fairbanks 1998-1999

| | 1998 | 1999 | Change | Percent Change |
|-------------------------------|--------|--------|--------|----------------|
| Total Nonag. Wage & Salary | 32,950 | 33,400 | 450 | 1.4% |
| Goods-producing | 3,300 | 3,200 | -100 | -3.0 |
| Service-producing | 29,650 | 30,200 | 550 | 1.9 |
| Mining | 900 | 800 | -100 | -11.1 |
| Construction | 1,800 | 1,800 | 0 | 0.0 |
| Manufacturing | 600 | 600 | 0 | 0.0 |
| Transportation/Comm/Utilities | 3,000 | 3,100 | 100 | 3.3 |
| Trucking & Warehousing | 650 | 600 | -50 | -7.7 |
| Air Transportation | 750 | 900 | 150 | 20.0 |
| Communications | 450 | 450 | 0 | 0.0 |
| Trade | 6,900 | 6,900 | 0 | 0.0 |
| Wholesale Trade | 850 | 800 | -50 | -5.9 |
| Retail Trade | 6,000 | 6,150 | 150 | 2.5 |
| Gen. Merchandise & Apparel | 1,200 | 1,200 | 0 | 0.0 |
| Food Stores | 750 | 750 | 0 | 0.0 |
| Eating & Drinking Places | 2,100 | 2,200 | 100 | 4.8 |
| Finance/Insurance/Real Estate | 1,100 | 1,200 | 100 | 9.1 |
| Services & Misc. | 8,150 | 8,400 | 250 | 3.1 |
| Hotels & Lodging Places | 850 | 850 | 0 | 0.0 |
| Health Services | 1,850 | 1,950 | 100 | 5.4 |
| Government | 10,500 | 10,600 | 100 | 1.0 |
| Federal | 3,350 | 3,300 | -50 | -1.5 |
| State | 4,400 | 4,400 | 0 | 0.0 |
| Local | 2,800 | 2,950 | 150 | 5.4 |

Benchmark: March 1999. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

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

steady and business was brisk. Over 730 houses were sold in the Fairbanks North Star Borough in 1999, slightly up from 1998 sales. The average price per house increased a bit and three bedroom single family homes remained the best sellers in Fairbanks' real estate market.

Government helps job growth

Government added 100 new jobs in Fairbanks. Despite a decline in school enrollment, employment in education gained ground. Federal educational grants helped increase staff and reduce class sizes in elementary schools. State employment levels were flat, and the federal government trended downwards. The decline, however, occurred in seasonal employment.

SOUTHEAST ALASKA: Growth returns in 1999

The Southeast regional economy was surprisingly resilient in 1999, adding 350 jobs from the previous year after posting job losses in 1998. (See Exhibits 8 and 9.) Strong growth in services and local government overcame job losses in the mining, food stores, and federal government sectors. Job gains also came from the lumber and wood products, seafood processing, and retail sectors.

Services continued to be the fastest growing sector in Southeast, as it has been since 1997. The growth was divided among the hotel, amusement and recreation, and social services categories. The Mt. Roberts Tram and the White Pass and Yukon Railroad posted over-the-year employment gains in response to a healthy visitor season. The social services sector also continued to add jobs in counseling, assisted living, and custodial services. Growth in health care services remained flat over the year. This sector had been one of the fastest growing sectors in the Southeast region, but growth tapered off during 1999.

While significant gains were seen in services employment, a portion of the additional 350 jobs in the services sector came from an industry change as described in the benchmark article in this issue of *Trends*. The services sector gained

jobs that were shifted from the finance, insurance and real estate sector, which accounts for most of the 150 jobs lost in the finance sector over the year. Although employment at Southeast native corporations did decrease somewhat and job losses took place when the Bank of America branches closed in Ketchikan and Juneau, employment in the finance sector remained fairly stable during 1999.

Manufacturing industry adds to growth

A good salmon harvest contributed to higher earnings for fishers and employment growth in seafood processing in 1999. The pink salmon harvest was larger in 1999 than the previous year and the ex-vessel value for Southeast fishers increased by \$12.9 million. Seafood processing employment grew by 50 in 1999, and labor shortages limited additional growth in the Southeast region as it did elsewhere in the state. The employment growth came primarily from increased summer employment at the Norquest cannery in Petersburg. Increased activity at Allen Marine and Alaska Ship and Drydock also helped manufacturing employment. Both companies added employees during 1999 and are doing well.

Logging employment was stronger through most of 1999 and accounted for some of the timber industry growth. In addition, Gateway Forest Products took over operations at the former Ketchikan pulp mill site and increased employment at the sawmill operation. At the end of 1999, however, a sawmill closure on Annette Island and logging layoffs signaled more hard times for the timber industry.

Local, state government contribute

Although the federal government lost jobs in Southeast, strong gains in local and state government carried the public sector job growth. A portion of the losses in the federal government sector can be attributed to the reduced presence of the National Park Service (NPS) in Skagway. A long-term restoration project for the downtown area that had been underway for several years was finished in 1999. NPS personnel will still staff the Klondike Gold Rush National Historic Park, but

additional employees will not be needed for restoration work.

The job gains in local government came primarily from the non-education sector, and the same was true with state government. Local government gains came from the packing company on Annette Island, Ketchikan General Hospital, and borough governments. State agency employment in Southeast was running above the previous year through July of 1999, then fell below the 1998 levels for the rest of the year.

Grocery losses limit retail growth

Retail trade continued to grow in the Southeast region, gaining 50 jobs over the year. Most of the gain came in eating and drinking establishments and general merchandise stores, where growth was able to offset losses in food store employment. Safeway's buyout of Carrs food stores has not seriously affected employment at the stores in Ketchikan and Juneau, but some of the locally owned grocery stores in Southeast had fewer employees in 1999. Construction was scheduled to begin on a Wal-Mart in Ketchikan in spring of 1999, but building permit and road access issues delayed the construction schedule.

Construction flat in 1999

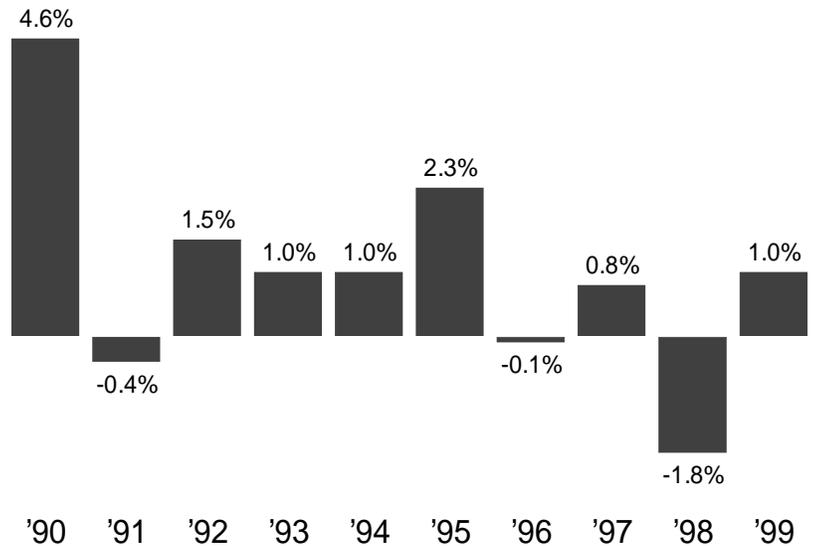
Although residential construction remained fairly flat in the Southeast region, projects like a new hotel and police station in Juneau, a wing addition at Ketchikan General Hospital, and infrastructure improvements in Wrangell kept employment above year-ago levels in the general building sector. These construction gains were offset by large losses in the heavy construction sector, which primarily includes road-building and marine construction contractors. Reduced logging activity also contributed to the losses in this sector.

Mining rounds out employment losses

The mining job loss in Southeast came from small gold mining companies that scaled back operations during the year. Gold prices remained low and likely affected the operation of the smaller mines in

Southeast Grows in 1999

Percent employment change from previous year



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

Wage & Salary Employment Change — Southeast 1998-1999

| | 1998 | 1999 | Change | Percent Change |
|-------------------------------|--------|--------|--------|----------------|
| Total Nonag. Wage & Salary | 35,300 | 35,650 | 350 | 1.0% |
| Goods-producing | 4,900 | 5,000 | 100 | 2.0 |
| Service-producing | 30,400 | 30,650 | 250 | 0.8 |
| Mining | 350 | 300 | -50 | -14.3 |
| Construction | 1,600 | 1,600 | 0 | 0.0 |
| Manufacturing | 3,000 | 3,100 | 100 | 3.3 |
| Durable Goods | 1,350 | 1,450 | 100 | 7.4 |
| Lumber & Wood Products | 1,150 | 1,200 | 50 | 4.3 |
| Nondurable Goods | 1,650 | 1,650 | 0 | 0.0 |
| Seafood Processing | 1,300 | 1,350 | 50 | 3.8 |
| Transportation/Comm/Utilities | 2,900 | 2,850 | -50 | -1.7 |
| Trade | 6,400 | 6,450 | 50 | 0.8 |
| Wholesale Trade | 600 | 600 | 0 | 0.0 |
| Retail Trade | 5,800 | 5,850 | 50 | 0.9 |
| Food Stores | 1,350 | 1,300 | -50 | -3.7 |
| Finance/Insurance/Real Estate | 1,350 | 1,200 | -150 | -11.1 |
| Services & Misc. | 7,550 | 7,900 | 350 | 4.6 |
| Health Services | 1,650 | 1,650 | 0 | 0.0 |
| Government | 12,200 | 12,250 | 50 | 0.4 |
| Federal | 1,800 | 1,750 | -50 | -2.8 |
| State | 5,250 | 5,300 | 50 | 1.0 |
| Local | 5,100 | 5,200 | 100 | 2.0 |

Benchmark: March 1999. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

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

Southeast. The Greens Creek mine, which continues to be the largest producer of silver in North America, maintained its 1998 employment level. Although Kennecott Corp., the operating partner of Greens Creek, recently considered bids for the mine, the company decided to retain its ownership.

GULF COAST: A year of marginal growth

Economies in the Gulf Coast region gained 150 jobs, growing 0.6% in 1999. (See Exhibit 10.) Growth was limited by the drop of 200 jobs in the seafood processing industry. During the peak fishing months, labor shortage calls echoed from processing sites adjacent to the fishing grounds of Prince William Sound, the Gulf of Alaska, and Cook Inlet. Job losses also occurred in air transportation when a commuter airline stopped its scheduled services. Unlike other areas, Cook Inlet's oil and gas employment held its ground because of the Alpine modular construction project. Other strong performers were retail and services with respective growth rates of 3.2% and 3.6%. Construction

employment increased, particularly in Seward and Kodiak.

Construction moved ahead

Commercial construction, worth over \$5 million, was Seward's strongest suit during the 1999 season. New hotel construction, additions and remodels, an office addition, a hardware store, and the rebuild of the high school swimming pool were among many projects in the city. In the Kenai/Soldotna area, construction of the Challenger Learning Center of Alaska was the centerpiece among public projects. Homer got a new ferry terminal in 1999 and expanded its hospital. Cordova's construction scene was dominated by public works projects worth \$6.6 million. In Valdez, the largest projects were the Copper Valley Electric Association's generator facility and Petro Star's new office building. Building was also brisk in Kodiak. The Coast Guard added more housing and remodeled existing units. The \$40 million rocket launch facility, a Wal-Mart, and improvements to St. Herman Harbor were other projects on Kodiak's construction list. In all, 1999 summed up to a decent construction season in the Gulf Coast region.

10 Wage & Salary Employment Change — Gulf Coast 1998-1999

| | 1998 | 1999 | Change | Percent Change |
|-------------------------------|--------|--------|--------|----------------|
| Total Nonag. Wage & Salary | 27,100 | 27,250 | 150 | 0.6% |
| Goods-producing | 6,400 | 6,150 | -250 | -3.9 |
| Service-producing | 20,700 | 21,150 | 450 | 2.2 |
| Mining | 1,100 | 1,100 | 0 | 0.0 |
| Oil & Gas Extraction | 1,100 | 1,100 | 0 | 0.0 |
| Construction | 1,150 | 1,200 | 50 | 4.3 |
| Manufacturing | 4,100 | 3,850 | -250 | -6.1 |
| Seafood Processing | 3,100 | 2,900 | -200 | -6.5 |
| Transportation/Comm/Utilities | 2,450 | 2,400 | -50 | -2.0 |
| Trade | 5,300 | 5,500 | 200 | 3.8 |
| Wholesale Trade | 650 | 650 | 0 | 0.0 |
| Retail Trade | 4,650 | 4,800 | 150 | 3.2 |
| Eating & Drinking Places | 1,550 | 1,600 | 50 | 3.2 |
| Finance/Insurance/Real Estate | 750 | 850 | 100 | 13.3 |
| Services & Misc. | 5,500 | 5,700 | 200 | 3.6 |
| Health Services | 1,050 | 1,100 | 50 | 4.8 |
| Government | 6,700 | 6,750 | 50 | 0.7 |
| Federal | 700 | 700 | 0 | 0.0 |
| State | 1,600 | 1,550 | -50 | -3.1 |
| Local | 4,400 | 4,450 | 50 | 1.1 |

Benchmark: March 1999. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska. Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

New stores and the visitor industry helped promote growth

Retail got a big boost in employment from the opening of the Wal-Mart store in Kodiak. The visitor industry also helped. Most tourist hot spots reported good seasons. On the Kenai Peninsula, for example, popular vacation spots showed strong hikes in sales during the third quarter compared to last year. Taxable sales rose by 7.4% in Soldotna, 5.6% in Homer, 5.3% in Seward, and 2.1% in Kenai. The services sector also helped brighten this performance. Two hundred new jobs were created. Some of the new jobs were visitor-related but a good portion came from health care.

A mixed performance in other industries

Other industry performances were mixed. Real estate employment growth was positive. Transportation, however, suffered a big setback when Southcentral Air Inc. ceased to operate as a

commuter airline. Oil industry employment remained unchanged in the Cook Inlet region. The building of the modular units for the Alpine project helped the industry hold onto last year's employment level. Public sector employment hardly changed at all. Local government grew some, while state government employment contracted a bit. Significant changes, however, occurred in the Gulf Coast's manufacturing sector.

Manufacturing employment lost ground

Seafood processing, petroleum and natural gas based industries, and timber make up the bulk of the Gulf Coast region's manufacturing sector. In all three major categories, average employment moved down.

Timber employment in Kodiak did not regain the strength it enjoyed in 1997, despite the turnaround of Asian economies. Demand has not made a full recovery and production has been curtailed. Toward the end of the year, a Peninsula wood chip producer declared bankruptcy due to slack business, and Peninsula logging of beetle killed timber slowed in response to the closure.

For the Kenai Peninsula's fertilizer plant, 1999 was a difficult year. Unocal's urea (fertilizer) plant laid off workers in the spring to cut production costs. World markets remained soft for urea because of abundant supplies.

The seafood industry's problems took a turn in 1999. The main problem was not harvest volume or market price but recruitment of workers. The industry had difficulty finding seasonal help during the salmon and groundfish seasons. Kodiak was affected the most. In addition to the labor shortages, Peninsula seafood buyers consolidated processing into fewer plants, and some seafood processors did not operate at all during the 1999 season. The decline of 200 jobs in annual average employment can be attributed to both the labor shortages and reduced processing capacity.

In general, Gulf Coast fishers had a good season. The salmon harvests of Prince William Sound, Kodiak, and Cook Inlet surpassed last year's in volume and price. The salmon catch weighed in at

nearly 5 million pounds more and was valued at nearly 28 percent more than 1998's catch. Groundfish and halibut harvests were also profitable, and the season turned out to be satisfactory for all. Harvesters were paid good prices and there was plenty of fish, processing companies found good markets, and workers had good paychecks due to overtime.

SOUTHWEST ALASKA: Seafood processing drives Southwest employment down

The decline in seafood processing employment along the Aleutian chain, the Alaska Peninsula, and Bristol Bay was strong enough to cause employment losses for the entire Southwest region. In 1999, average annual employment fell by 200 jobs, or 1.1%. (See Exhibit 11.)

Other industries, however, created 150 new jobs, with services contributing most. Health care drove much of the demand for services. Employment in real estate rose because the regional housing authority increased staffing in 1999 to renovate, maintain, and build public housing in a variety of communities. Construction fared better than in past years. Outside of public construction, which included water and sewer systems and runways, a new airport terminal in Bethel, a new bunkhouse in Unalaska, and other projects were built.

The seafood industry, the region's largest employer,

Wage & Salary Employment Change — Southwest 1998-1999

| | 1998 | 1999 | Change | Percent Change |
|----------------------------|--------|--------|--------|----------------|
| Total Nonag. Wage & Salary | 17,400 | 17,200 | -200 | -1.1% |
| Goods-producing | 4,600 | 4,250 | -350 | -7.6 |
| Service-producing | 12,800 | 12,950 | 150 | 1.2 |
| Seafood Processing | 4,400 | 4,050 | -350 | -8.0 |
| Government | 5,700 | 5,650 | -50 | -0.9 |
| Federal | 350 | 350 | 0 | 0.0 |
| State | 500 | 500 | 0 | 0.0 |
| Local | 4,800 | 4,850 | 50 | 1.0 |

Benchmark: March 1999. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska.

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

dominated the private sector with 38 percent of wage and salary jobs. Most seafood processing workers in the region, however, were nonresidents. As a result, waning seafood employment hardly impacted the local economies. But harvest effort and proceeds benefited the economies of those communities where commercial fishing success is a crucial ingredient.

Higher seafood product prices help

Bering Sea crab fishers and Bristol Bay and Alaska Peninsula salmon fishers had a much better year than the year before. The snow crab harvest value was up 30 percent, king crab proceeds went up 46 percent, and salmon in the Southwest region yielded 50 percent more than in 1998. This was remarkable for the crab fishery, in particular, because catch quota reductions of 20 percent in snow crab and 37 percent in king crab reduced harvest volume.

For processors, the 1999 season was a difficult one. During the fishing season, labor shortages surfaced and were a factor in the loss of 350 jobs in average annual seafood processing. For the existing industry workforce, lots of overtime accrued. The end result was a good year for seafood processing workers and fishers.

NORTHERN ALASKA: Oil industry losses hit North Slope hard

Northern Alaska experienced sharp job losses in 1999. Practically all of the 1,200 job loss stemmed from the oil industry and its support

services. (See Exhibit 12.) Oil industry employment fell 16.8%, with 800 jobs lost predominantly in the oil field service category. These losses brought about a decline in trade and service sector jobs. Camp support facilities scaled back on employment in sync with the oil industry workforce.

Oil production on the North Slope in 1999 declined 8.7% from last year's annual averages. Production at Badami, a new field, was disappointing and it shut down for several months. Alpine, another new field, became one of the few construction projects that progressed on schedule. Toward the end of the year, work resumed on the Northstar project. The curtailment of oil patch development investment was felt most by exploration experts such as the drilling companies.

Employment in most settlements along the western coast hardly changed. The Nome area, however, suffered job losses caused by the closure of its gold mine. Employment increased at the Red Dog Mine, Alaska's giant zinc ore producer. The North Slope Borough, however, scaled back on employment. Tax revenues from oil properties were impacted by the production slowdown.

Statewide summary: Slow growth despite consolidation

Despite a year marked by consolidation in several sectors, Alaska's economy grew 2,600 jobs in 1999. That translated into a 0.9% rate of growth—the second slowest rate posted in the 1990s. Services, a solid tourism year, some retail expansion, and good years in the transportation, construction, and financial sectors contributed to employment growth. Meanwhile, an oil industry contraction, consolidation in the retail sector, and continued struggles in the seafood processing industry were major drags on employment growth. Accompanying the slower job growth were relatively low unemployment rates, although they were generally higher than the record lows seen in 1998.

A regional view shows the Mat-Su, Anchorage, and Fairbanks areas among the fastest growing, while Southeast and the Gulf Coast grew at slower rates. Southwest Alaska and Northern Alaska, particularly the North Slope, saw job declines in 1999.

12 Wage & Salary Employment Change — Northern 1998-1999

| | 1998 | 1999 | Change | Percent Change |
|----------------------------|--------|--------|--------|----------------|
| Total Nonag. Wage & Salary | 15,850 | 14,650 | -1,200 | -7.6% |
| Goods-producing | 5,900 | 5,000 | -900 | -15.3% |
| Service-producing | 9,950 | 9,650 | -300 | -3.0% |
| Mining | 5,200 | 4,350 | -850 | -16.3% |
| Oil & Gas Extraction | 4,750 | 3,950 | -800 | -16.8% |
| Government | 4,450 | 4,400 | -50 | -1.1% |
| Federal | 150 | 150 | 0 | 0.0% |
| State | 300 | 300 | 0 | 0.0% |
| Local | 4,000 | 3,950 | -50 | -1.3% |

Benchmark: March 1999. Subtotals may not add due to rounding. Prepared in part with funding from the Employment Security Division. "Government" includes employees of public schools and the University of Alaska. Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section