

The Year 2000 in Review

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Growth picks up in Alaska in 2000

Alaska's economy picked up some steam in 2000. Employment grew by 2.2%, twice 1999's rate and close to the average growth rate for the past decade. (See Exhibits 1 and 2.) Most of the extra zip in the economy came from the rebound in the state's oil industry—growing in the double digits. High oil prices for the past 19 months have performed wonders for the industry and other parts of the economy. The entry of Phillips Petroleum Company staved off potentially large layoffs, but other industries actually generated more new jobs than did oil. Alaska's perennial job machine, services, turned in another stellar performance, producing nearly half the new jobs. The rest came from transportation, government, retail, and construction. The only real negative in job counts came from manufacturing or, more specifically, timber and fish processing. Timber's decade-long slide continued and the fishery story was mixed.

The economic news during the past six months provided some extra bounce to the economy. Talk of a gas pipeline became very serious toward the end of the year, and more activity was afoot. Another headline grabber is the very possible deployment of a new national missile defense system in the Fort Greely area. The possible opening up of the Arctic National Wildlife Refuge (ANWR) and the construction of a Knik Arm bridge also have the business community and others abuzz. Many of the projects may be off in the distant future or may never come to fruition, but just the prospect of these ventures provides some spring to the state's economy that cannot be ignored.

Labor market remains tight

The year 2000 will go down as another good year for job seekers. Employers often struggled to recruit a full work force. This was the case across most industries and urban and regional centers in the state. The unemployment rate increased from 6.4% to 6.6%, but it still represents one of the

Wage & Salary Employment Change — Alaska 1999-2000

	1999	2000	Change	Percent Change
Total Wage & Salary	277,800	284,000	6,200	2.2%
Goods-producing	37,600	38,500	900	2.4%
Service-producing	240,200	245,500	5,300	2.2%
Mining	9,400	10,300	900	9.6%
Oil & Gas Extraction	7,900	8,800	900	11.4%
Construction	13,800	14,400	600	4.3%
Manufacturing	14,400	13,800	-600	-4.2%
Lumber & Wood Products	1,700	1,500	-200	-11.8%
Seafood Processing	8,900	8,300	-600	-6.7%
Transportation/Comm/Utilities	13,800	14,800	1,000	7.2%
Trucking & Warehousing	2,900	2,900	0	0.0%
Water Transportation	1,900	2,000	100	5.3%
Air Transportation	9,400	9,700	300	3.2%
Communications	4,900	5,400	500	10.2%
Trade	57,300	57,800	500	0.9%
Wholesale Trade	8,900	8,700	-200	-2.2%
Retail Trade	48,400	49,000	600	1.2%
Gen. Merch. & Apparel	9,400	9,700	300	3.2%
Food Stores	6,900	6,700	-200	-2.9%
Eating/Drinking Places	16,600	17,000	400	2.4%
Finance/Insurance/Real Estate	12,800	12,700	-100	-0.8%
Services & Misc.	70,400	73,300	2,900	4.1%
Hotels & Lodging Places	7,100	7,300	200	2.8%
Business Services	8,600	9,200	600	7.0%
Health Services	15,800	17,100	1,300	8.2%
Legal Services	1,600	1,600	0	0.0%
Social Services	7,800	8,100	300	3.8%
Engineering & Mgmt. Svcs.	7,700	7,400	-300	-3.9%
Government	73,600	74,500	900	1.2%
Federal	16,900	17,100	200	1.2%
State	21,700	22,100	400	1.8%
Local	35,000	35,400	400	1.1%

Benchmark: March 2000 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

lowest unemployment rates in the state's history. The persistently tight national labor market goes a long way toward explaining the tight labor market in the state.

Geographically the picture was mixed

Employment in the Anchorage and Northern regions was the most robust. (See Exhibit 3.) The oil industry was a big plus for both of these areas. In fact, the Northern region's growth rate was in the double digits because of the revved-up oil industry. Anchorage's growth was broader. The service industry was its big plus. Fairbanks also put in a solid year, benefiting from the turnaround in the oil industry along with growth at the university. The Gulf Coast region managed to end the year in the black despite a soft visitor season and a mixed fishing year. Southeast's story was similar. Most of its growth came from services and construction. Only Southwest's numbers came in below year-ago levels. Gains in services were not enough to offset the poor fishing season and the knocked down number of seafood processing jobs.

Half the jobs came from services

When the year ended, the service industry was 2,900 jobs richer than it was just one year earlier. This means that nearly half the new jobs in 2000

came from the services industry. Although that represents a very heavy reliance on one industry, it is more balanced than last year, when more than four out of every five new jobs came from services. Health care topped the list again generating 1,300 new jobs, and it shows few signs of slowing. Business services also racked up strong gains. The oil patch's strong showing was a plus for the temporary and contract work category. Although 2000's visitor season was often described as lackluster, new hotels and expansions were a plus for services. Social services also remained a dynamic sector within the industry, including residential care facilities, day care providers, and social and family services.

A thousand more jobs in transportation

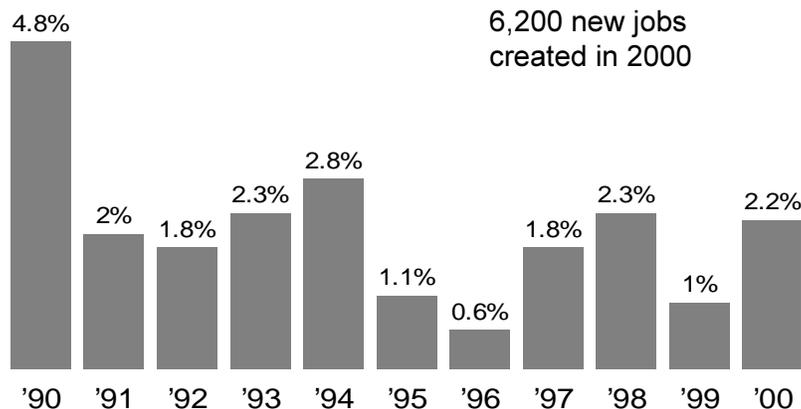
Transportation got a nice lift in 2000 with gains coming from a variety of sectors. It was a big year for module sealifts, which contributed to the growth in water transportation. Growth in international air cargo helped keep air transportation aloft. Northwest Airlines, Federal Express, and other cargo players put on additional flights. At year end the air transportation industry suffered some pretty big hits that will affect next year's numbers. The largest came when Reeve Aleutian Airways ceased most of its activities, costing the state nearly 250 jobs, and United Airlines closed its cargo facility in Anchorage, a possible loss of more than 100 jobs.

Retail grows modestly

Even though retail grew in 2000, this industry had a pretty turbulent year. The big negative was in food stores. By year end, Alaska Marketplace, which had grown out of the Safeway/Carrs buyout, ended up closing all seven of its stores in Anchorage, Fairbanks and the Valley, a total job loss of approximately 400. The stores were open less than 15 months. Lamonts also closed all six of its stores in late spring but by early fall they reopened again as Gottschalks. New Wal-Mart stores opened in Eagle River and in Kodiak, giving general merchandise a boost. But the most dynamic sector of retail was in eating and drinking. Two thirds of the new jobs in retail came from restaurant growth.

2 Alaska Job Growth Rate Rebounds

Percent employment change from previous year



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

This is the seventh consecutive year of growth. At times the demand for eating establishments appears to have no end.

Timber and seafood processing buffet manufacturing

Employment in the state’s manufacturing sector is in its fifth year of decline. The culprits are both timber and seafood processing. Weak timber demand in Asia hurt prices in 2000. A small sawmill on the Kenai Peninsula burned down. Just eight years ago timber had twice the labor force it had this past year.

Weaker fish harvests led to a drop of 600 jobs in seafood processing. The salmon harvest was 21 percent smaller than 1999’s and the value was off by more than \$100 million. Trawl fishery harvesting restrictions were negatives for the groundfish fishery, but the overall catch was actually up a bit in 2000. The state’s shellfish (nearly all crab) harvest was less than a quarter the size of 1999’s and its value was cut by more than half. One fishery that enjoyed a pretty good year was halibut. But the positives were not big enough to outweigh the negatives. A tight labor market may have also played a role in this industry’s smaller workforce.

Another solid year for construction

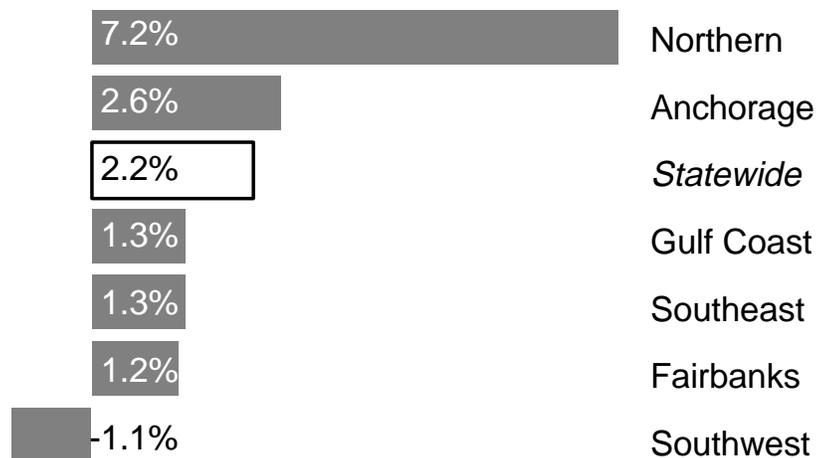
Construction continues to enjoy what may be the longest period of stability in this industry’s history. Although 1999 was a pretty good year, construction got an extra boost from the oil industry’s revival and grew by 4.3% in 2000. Public, commercial, industrial, and residential projects were contributors to the industry’s good health. Thanks to an increased flow of federal dollars, publicly funded projects led the way in 2000. The massive airport project in Anchorage along with a new jail and a variety of other projects kept hammers pounding in that community. Big projects at two military bases in Fairbanks, a new state courthouse, and hotel construction kept the Interior’s season busy. This past year was a very active highway construction season around the state, with over \$300 million spent. A big increase in railroad work

was also a factor. Commercial construction was of lesser importance. A few new hotels were expanded or built, some retail space came on line, and new office space was added. Major hospital expansions were under way both at Alaska Regional Hospital and Providence Health Systems in Anchorage. The level of residential construction was not dramatically different from 1999 levels around the state.

Oil is the comeback kid

After shedding jobs in large numbers in 1999, the oil industry turnaround in 2000 was nothing short of astounding. The industry went from losing 1,400 jobs in 1999 to double-digit growth last year. In late 1999 it was already evident that activity on the North Slope would pick up in 2000 because of the development of the Alpine and Northstar fields. It was thought the positive effects from new activity would be muted, because BP/Amoco’s buyout of Arco was pending and the predictions were for associated job losses once the buyout was complete. Instead, Phillips bought most of Arco’s assets and BP became Prudhoe Bay’s sole operator. The end result was the reverse of what had been expected. The major oil producers ended 2000 with increases in their

Northern Region Leads Growth 3 Percent change in employment 1999-2000



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

workforces, not layoffs—a first for this segment of the industry in over ten years. In addition to their growth, oil field service companies and others dramatically ramped up their activities to support new field development, new exploration, and stepped-up field maintenance programs.

The federal government grows again after seven years

After seven straight years of declines, federal government employment grew modestly in 2000, getting enough of a boost from the 2000 Census count to keep it in the black. The Herculean task of counting every resident in the state once every ten years requires a huge temporary workforce. Both local and state government also grew moderately. State government, including the University of Alaska, grew by 400 jobs. Most of local government growth came in local education.

ANCHORAGE

In 2000, employment in Anchorage climbed by 3,400 jobs or 2.6%. (See Exhibits 4 and 5.) This represents a bit more growth than the decade's

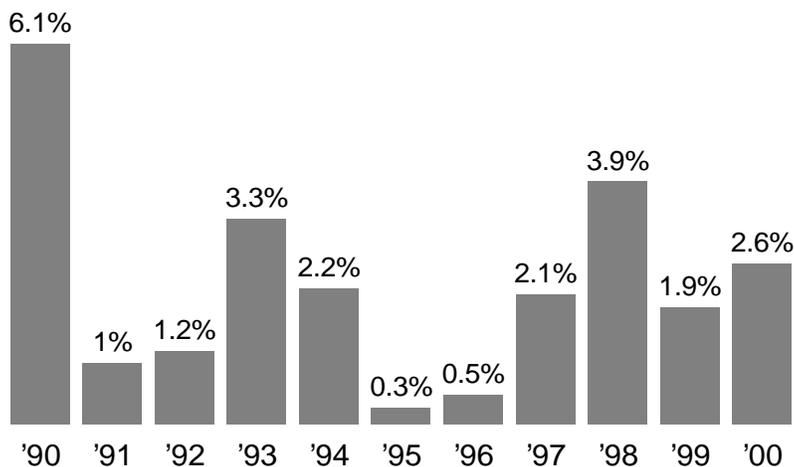
annual average growth rate of two percent. The number belies how much better the economic environment was in 2000 than just one year earlier. In 1999, the economy was haunted by low oil prices, major oil industry job losses, and the specter of even bigger oil industry layoffs to come following the planned merger of Arco and BP/Amoco. Further layoffs did not happen and oil prices rebounded to near record highs, helping pave the way for a good year in Anchorage's economy, which had no real negatives. Unemployment remained below five percent for the third year and the job market was hopping. On top of the good news from the oil patch, the economy was blessed with a growing stream of federal monies and record-high permanent fund dividends. Construction activity remained robust. Anchorage's Ted Stevens International Airport's cargo business continued to expand and the visitor industry held its own. Towards the end of the year, serious discussion about the potential of building a natural gas pipeline gave the economy real buoyancy. At year end, the economic news was topped off when Anchorage-based Cook Inlet Regional Corporation announced record \$50,000 dividends to its nearly 7,000 shareholders.

A nice bounce begins in the oil patch

One of the big economic stories of 2000 was the oil industry's rebound. Although the turnaround in employment did not begin until June, it quickly moved into double-digit growth. Even employment among the major oil producers (Phillips and BP/Amoco) grew in 2000—a first in over a decade. High oil prices helped make much of this possible. Development of Phillips' Alpine and BP's Northstar oilfields was the biggest reason for the comeback. Alpine came on line at the end of the year and is now the state's third largest producing oil field. Other development and exploratory activity was an additional factor in the industry's big recovery. There was a big sigh of relief when Phillips purchased part of Arco's assets, which meant there would still be two big players in Alaska's oil patch and big layoffs were not in the offing.

4 Anchorage Growth Picks Up

Percent employment change from previous year



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

Another good year for construction

The construction industry in Anchorage had another good year. The municipality's building permit applications totaled \$521 million in 2000, which was \$37 million more than in 1999 and represented the biggest year since 1985. Although publicly funded projects were front and center, commercial activity was up and the number of single family building permits increased by 44 in 2000. The \$200 million plus expansion and reconstruction of the Ted Stevens International Airport was the single largest project in 2000 and completion is still a long way off. The construction of the new \$46 million jail was in full swing this past year, with a completion date set for early 2002. Two new fire stations were also under construction. Much of the commercial activity centered on the \$70 million-plus expansions of Providence Alaska Medical Center and Alaska Regional Hospital. A noteworthy event for the industry in Anchorage was the construction of a five-story, 61,000 square foot office building in mid-town, the first large commercial office building built on speculation since the city's real estate crash of the mid-1980s. A strong highway construction season was another plus for the industry, along with significant activity on Elmendorf Air Force Base (AFB). It was a good year for the industry around the state, which translated into a bonus for many Anchorage-based contractors.

Ups and downs in retail make for a moderate year

Employment in the city's second largest private industry sector grew by 400 in 2000, making it a year of moderate growth. One major store opened in 2000, the new Eagle River Wal-Mart with a workforce of approximately 200. In major store closures, Lamonts Apparel closed all three of its stores in Anchorage in July but all reopened in the fall under the new ownership of Gottshalks. The biggest loss in retail came with the closure of the new Alaska Marketplace grocery chain that had emerged out of Safeway's buyout of Carrs. By December, all four stores in Anchorage were closed

and approximately 280 jobs were lost. Although the stores were open less than 15 months, they were big employers and would have ranked among Alaska's 100 largest private sector employers. The most dynamic sector of retail remained the eating and drinking sector. Employment in restaurants grew by 300 or 3.3% in 2000. With some growth in population and more families choosing to eat meals out of the home, demand for new restaurants appears to be insatiable.

Transportation—a good year for air cargo, but with turbulence

Anchorage's expanding air transportation industry had another good year. Employment in the industry grew by 5.1%. Much of the growth came from international air cargo activity. Polar Air, Northwest,

Wage & Salary Employment Change — Anchorage 1999-2000 5

	1999	2000	Change	Percent Change
Total Nonag. Wage & Salary	131,100	134,500	3,400	2.6%
Goods-producing	11,900	12,200	300	2.5%
Service-producing	119,200	122,200	3,000	2.5%
Mining	2,500	2,700	200	8.0%
Oil & Gas Extraction	2,400	2,500	100	4.2%
Construction	7,200	7,300	100	1.4%
Manufacturing	2,100	2,200	100	4.8%
Transportation/Comm/Utilities	13,800	14,800	1,000	7.2%
Air Transportation	5,900	6,200	300	5.1%
Communications	3,100	3,600	500	16.1%
Trade	31,600	31,900	300	0.9%
Wholesale Trade	6,400	6,300	-100	-1.6%
Retail Trade	25,200	25,600	400	1.6%
Gen. Merchandise & Apparel	4,800	5,000	200	4.2%
Food Stores	9,100	9,400	300	3.3%
Eating & Drinking Places	7,700	7,600	-100	-1.3%
Finance/Insurance/Real Estate	37,600	39,200	1,600	4.3%
Services & Misc.	3,000	3,000	0	0.0%
Hotels & Lodging Places	6,200	6,800	600	9.7%
Business Services	8,300	9,200	900	10.8%
Health Services	1,200	1,200	0	0.0%
Legal Services	3,800	3,900	100	2.6%
Social Services	5,700	5,300	-400	-7.0%
Engineering & Mgmt. Svcs.	28,500	28,800	300	1.1%
Government	9,900	9,900	0	0.0%
Federal	8,600	8,800	200	2.3%
State	10,100	10,100	0	0.0%
Local				

Benchmark: March 2000. 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

Federal Express, and others all added flights and personnel. The strong U.S. economy and growth in trade with Asia kept this segment of the industry healthy. Additional international cargo flights were awarded to a number of airlines at year end that should help ensure strong growth in air cargo. One negative in the cargo business was the closure of United Airline's (UAL) international cargo base in Anchorage, apparently related to a change in UAL's overall corporate focus and not to a lack of business. Because this occurred at the end of the year, the loss of approximately 100 jobs will not manifest itself until next year's numbers. Domestic activity lost some luster because of softer fishing seasons and some consolidation among carriers. The biggest hit did not come until December, when Reeve Aleutian Airways laid off most of its workforce. More than 200 of its employees were based in Anchorage. This gap will be very difficult to fill.

Services created nearly half the new jobs

Services, Anchorage's largest and most eclectic industry, played the old standby, again generating 1,600 of the 3,400 new jobs in Anchorage. Health care was the leader again, up 10.8%. Business services also delivered some hefty gains. Not all the reasons for the growth are clear, but its workforce

got bigger by 600 in 2000. Temporary help services provided business services with a large boost and some of this growth may be related to the recovery in the oil industry. Employment for hotels made modest gains, mostly tied to the opening of the new full-service downtown Marriott. Employment at most of the other hotels either changed little from 1999 levels or even drifted down a bit. Social services also made some inroads this past year along with auto repair services.

Manufacturing and finance are mixed

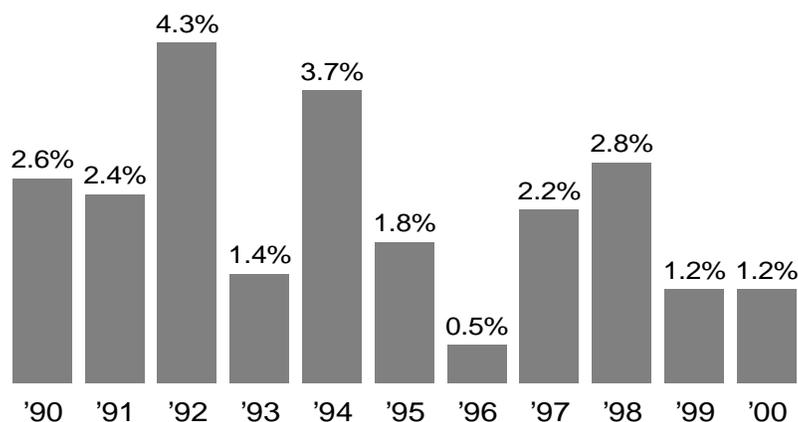
Manufacturing is small in Anchorage but it got a temporary shot in the arm when Alaska Seafood International, producing value-added, ready-to-eat meals, staffed up in 2000. Its employment peaked at 125 before it closed its doors at the end of the year. There is hope it may reopen in 2001 with new investors. Employment in the city's finance sector fell slightly in 2000. The buyout of National Bank of Alaska by Wells Fargo and Northrim's absorption of many of Bank of America's assets explain some of these modest losses. Technology may also be a factor. ATMs, Internet banking, and other technologies continue to provide the industry with big productivity gains.

Census effort keeps federal government level

During most of the past decade federal civilian employment has been shrinking, but in 2000 employment held steady. Workers hired for the 2000 Census prevented federal employment from falling again this past year. A complete count of Alaska's population is a huge undertaking that happens once every decade. A sizeable workforce was assembled for much of the year and, in Alaska, Anchorage was the epicenter for this effort. By March 370 census workers were on the federal payroll in Anchorage. The workforce peaked in May at 648.

6 Fairbanks Growth Levels Out

Percent employment change from previous year



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

State government employment crept up by 200 jobs

These gains came from both the University of Alaska and the rest of state government. Like the federal sector, local government's employment numbers remained steady. Local education's numbers grew, but these gains were offset by losses in the rest of local government.

FAIRBANKS

The 2000 statistical employment report for Fairbanks showed a year of small changes. The local growth rate came in at 1.2%, the same as in 1999. (See Exhibit 6.) This translated into a gain of more than 400 new jobs. (See Exhibit 7.) The public sector, particularly the university, created most of the new jobs. In the private sector, only service sector employment rose, netting a small gain of 150 new jobs. Such evidence could lead to the assumption that the year 2000 was not strong in economic performance. Anecdotal testimony, however, reported that Fairbanks had a good and busy year. The low unemployment rates during the year corroborate that the job market was tight, and a variety of employers reported labor shortages during the summer months.

Construction turned in a solid year

Although construction employment showed no change, activity was brisk in Fairbanks. Some big construction contracts went to out-of-town bidders. This does not mean that these contractors did not hire Fairbanks residents to do the work. In fact, construction employers in Fairbanks reported they had trouble finding help this past season. Multiple work sites in Fairbanks and on the North Slope kept local crews very busy. In 2000, the runway reconstruction on Eielson AFB, the starting phase of the military hospital on Fort Wainwright, and barracks renewals were large military sponsored projects. The state courthouse was the largest state-owned project.

School renovations also were on the 2000 construction docket. On the commercial side, hotel construction was brisk and brewed into a boom. Workers finished one hotel early in the season and completed another sizeable expansion. Two resorts also added cottages or rooms. Construction started on two new hotels that are scheduled to be finished before the 2001 visitor season. Road work in and around Fairbanks was a bit lighter than in past seasons. Reconstruction projects on the Steese and Dalton highways, which included a new bridge at Atigun Pass, were big road jobs for Fairbanks construction crews. All in all, however, construction employment only held on to its 1999 level.

Mining employment strengthens its base

Although annual average employment in the mining sector showed no change from 1999, it grew briskly in the second part of the year. Oil industry

Wage & Salary Employment Change — Fairbanks 1999-2000

	1999	2000	Change	Percent Change
Total Nonag. Wage & Salary	33,350	33,750	400	1.2%
Goods-producing	3,300	3,300	0	0.0%
Service-producing	30,000	30,450	450	1.5%
Mining	950	950	0	0.0%
Construction	1,750	1,750	0	0.0%
Manufacturing	600	600	0	0.0%
Transportation/Comm/Utilities	3,100	3,100	0	0.0%
Trucking & Warehousing	600	600	0	0.0%
Air Transportation	850	1,000	150	17.6%
Communications	450	400	-50	-11.1%
Trade	6,700	6,700	0	0.0%
Wholesale Trade	750	750	0	0.0%
Retail Trade	5,950	5,950	0	0.0%
Gen. Merchandise & Apparel	1,150	1,150	0	0.0%
Food Stores	650	600	-50	-7.7%
Eating & Drinking Places	2,150	2,300	150	7.0%
Finance/Insurance/Real Estate	1,200	1,200	0	0.0%
Services & Misc.	8,400	8,550	150	1.8%
Hotels & Lodging Places	850	950	100	11.8%
Health Services	1,900	2,000	100	5.3%
Government	10,600	10,900	300	2.8%
Federal	3,300	3,350	50	1.5%
State	4,400	4,550	150	3.4%
Local	2,950	3,000	50	1.7%

Benchmark: March 2000. 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

related employment in Fairbanks regained strength in June and held strong until the end of the year. The oil industry's local employment numbers do not measure up to the overall impact the industry has on the Fairbanks economy. Excluded from Fairbanks employment counts, for example, are oil field workers who commute to the North Slope. The increase in oil field activity benefited Fairbanks during 2000 because it is home to a large expert labor pool and a variety of oil support businesses.

Despite low gold prices, employment held firm in the mining industry in 2000. At year end the employment outlook turned very positive. Fort Knox prepared to expand its operation with the acquisition of the True North deposit. Work also continued on the Pogo exploration project, near Delta Junction. These two projects give mining employment impetus to grow in the near future.

Transportation employment—a zero sum year

Air transportation was the only industry segment that showed strong growth in 2000, with employment rising by 150 jobs. Air cargo to the North Slope was big business in 2000 for local carriers. Trucking was down a bit from last year's stellar performance. Employment levels in communications and utilities dropped off a bit due to changes related to the reorganization at Alaska Communication Systems (ACS). The local telephone company lost its headquarters status when Anchorage-based ACS purchased the firm in 1999. Other changes in transportation employment did not materially impact job counts.

Retail barely holds ground

The only growth industry within retail was restaurant employment. Fairbanks' gastronomy added nearly 150 jobs and enhanced its variety with new establishments. Other retail did not perform as well. The grocery store segment in particular continued a decline that started in 1997. Since then, frequent ownership changes have drained food store employment. The

December closure of the Alaska Marketplace put an additional dent into the industry's employment counts. Specialty retail and clothing stores also had job losses in 2000, albeit smaller. Combined, these job losses counteracted the job growth in restaurant-related employment, and retail barely held its 1999 employment level.

Services employment decelerates

In 2000, services was the only major industry in the private sector that netted gains. Still, services added only 150 new jobs to its 1999 base. While health care and hotels each added 100 new jobs, employment in several other service industries retrenched a bit. Positives were the expansion of the Fairbanks Princess and the opening of Pike's Waterfront Lodge, which helped the growth of hospitality-related employment. In healthcare, the Fairbanks Memorial Hospital and specialty health care offices added to staff. Job losses in several other services were broad-based and small per individual establishment. Their cumulative effect, however, was a negative. Moreover, tourism most likely did not live up to its 1999 performance.

The tourism industry lost some spunk

Several tourism-related businesses labeled the 2000 season a slow year. Although such remarks are impressions that cannot be aggregated into statistical evidence, they usually concur with some available performance measures. Despite job growth in hotel employment, local hotels generated 4.1% less in bed tax revenue between April and September than in 1999, and visits to the museum at the University of Alaska Fairbanks were down by 8.6% during the same time period. Some of the downturn in tourism can be explained by the high gasoline prices that prevailed during this past summer, and the strength of the U.S. dollar compared to foreign currencies. For foreign visitors, vacationing in Alaska and also in the rest of the nation became costlier in 2000 than in previous seasons.

Public sector employment grows robustly

Public sector employment added 300 jobs last

year. State education led the growth in this sector. The increase in University of Alaska Fairbanks personnel averaged 160. The federal government gained civilian jobs on the military bases, with the transfer of personnel from Fort Greely to Fort Wainwright helping the gain. Fort Greely has been undergoing a realignment process, which will put the base on caretaker status in July 2001. The growth in local government employment can be solely attributed to school district employment.

SOUTHEAST

The Southeast regional economy continued in modest growth mode in 2000, adding 450 jobs from the previous year. (See Exhibit 9.) The 2000 employment growth rate averaged 1.3%, which was a little below 1999's 1.6% rate. (See Exhibit 8.) The 1999 and 2000 growth rates came in just above the average rate of 1.1% in Southeast during the 1990s. Strong employment growth in services, construction, and local government outpaced losses in lumber and wood products, retail trade, and state government.

Construction makes a comeback

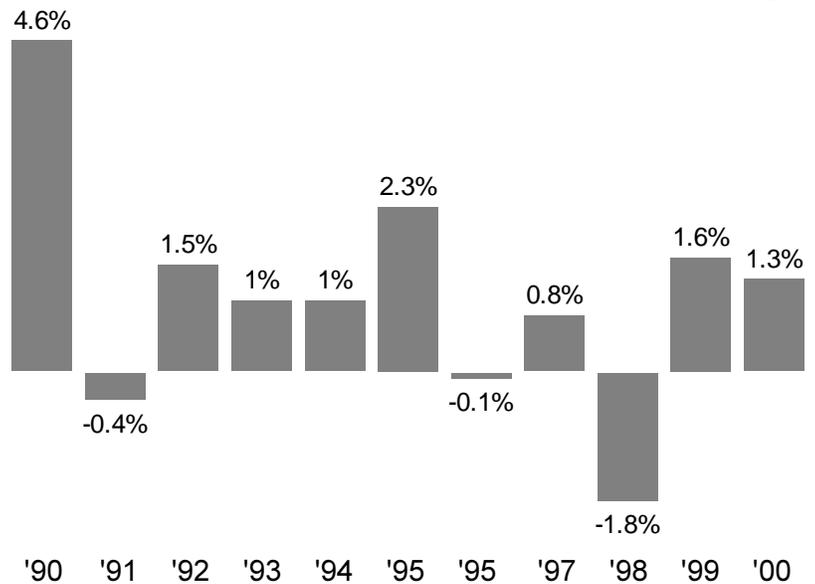
A strong construction season in 2000 supplied over-the-year job growth in the Southeast region. The combined construction sectors grew by 200 jobs, with the special trades sector contributing half of them. Employment growth was especially healthy for plumbing, heating and air conditioning, electrical, and carpentry firms. The region benefited from substantial publicly funded construction and infrastructure improvements. Private projects such as Ketchikan's Wal-Mart and development at the former pulp mill site in Sitka also contributed an economic boost.

Timber industry hit hard again

Lumber and wood products employment fell by almost nine percent in Southeast in 2000. Logging activity dropped off dramatically on Prince of Wales Island during the year. The closure of the remaining Ketchikan Pulp Corporation work sites in Ketchikan and Prince of Wales near the end of the year rounded out the losses, displacing almost

Southeast Grows Again in 2000

Percent employment change from previous year



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

Wage & Salary Employment Change — Southeast 1999-2000

	1999	2000	Change	Percent Change
Total Nonag. Wage & Salary	35,850	36,300	450	1.3%
Goods-producing	5,150	5,200	50	1.0%
Service-producing	30,750	31,100	350	1.1%
Mining	300	300	0	0.0%
Construction	1,650	1,800	150	9.1%
Manufacturing	3,150	3,100	-50	-1.6%
Durable Goods	1,450	1,350	-100	-6.9%
Lumber & Wood Products	1,150	1,050	-100	-8.7%
Nondurable Goods	1,750	1,750	0	0.0%
Seafood Processing	1,450	1,450	0	0.0%
Transportation/Comm/Utilities	2,850	2,850	0	0.0%
Trade	6,450	6,300	-150	-2.3%
Wholesale Trade	600	650	50	8.3%
Retail Trade	5,850	5,700	-150	-2.6%
Food Stores	1,300	1,300	0	0.0%
Finance/Insurance/Real Estate	1,250	1,300	50	4.0%
Services & Misc.	7,950	8,300	350	4.4%
Health Services	1,650	1,700	50	3.0%
Government	12,300	12,350	50	0.4%
Federal	1,800	1,800	0	0.0%
State	5,300	5,250	-50	-0.9%
Local	5,200	5,300	100	1.9%

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

70 employees. Southeast seafood processing employment was flat in 2000, despite a large drop in the salmon harvest. Prior to the summer harvest, many processors tried to actively recruit workers to avoid a repeat of the worker shortages encountered in 1999. But a disappointing pink salmon return quickly swept away employer concerns about the labor supply. The 2000 Southeast pink salmon harvest was just 30 percent of the 1999 catch, and the estimated value of salmon to Southeast fishers dropped by \$21.3 million from 1999.

Services maintains growth

In 2000, services employment grew by 4.4%, close to the sector's 1990s decade growth rate for Southeast. Hotel and motel employment expanded with the opening of a new hotel in Juneau. Health services also contributed 50 new jobs in 2000 after a flat year in 1999. Other services added almost 300 jobs, distributed among amusement and recreation services, social services, and membership organizations. Job gains were particularly

noticeable in fishing, hiking, and climbing guide services across the region. In addition, tourist services such as the Great Alaska Lumberjack Show in Ketchikan boosted employment in this sector. The gains in social services came from counseling and crisis centers and other providers of mental health services. Membership organization employment grew in several Southeast communities with help from Native and community associations.

Retail sector shrinks

The Southeast retail sector dropped by 150 jobs in 2000. A large portion of the jobs were lost in eating and drinking establishments, particularly on Prince of Wales Island and in some smaller Southeast communities. Employment at gift, novelty, and souvenir shops, which primarily serve summer visitors, also dropped. The rapid expansion of shops and services developed to serve tourists in the mid to late 1990s seems to have leveled off in the past couple of years.

Local government carries the public sector

Overall, the public sector added jobs in Southeast in 2000, despite a loss of 50 state government jobs. Gains in local government, which were divided almost evenly between education and other municipal government, outnumbered the state government loss. Federal government employment was flat over the year, despite the addition of temporary Census 2000 workers for several months.

10 Wage & Salary Employment Change — Gulf Coast 1999-2000

	1999	2000	Change	Percent Change
Total Nonag. Wage & Salary	27,250	27,600	350	1.3%
Goods-producing	6,100	6,150	50	0.8%
Service-producing	21,150	21,500	350	1.7%
Mining	1,100	1,250	150	13.6%
Oil & Gas Extraction	1,100	1,250	150	13.6%
Construction	1,200	1,300	100	8.3%
Manufacturing	3,800	3,550	-250	-6.6%
Seafood Processing	2,850	2,600	-250	-8.8%
Transportation/Comm/Utilities	2,400	2,400	0	0.0%
Trade	5,500	5,550	50	0.9%
Wholesale Trade	650	650	0	0.0%
Retail Trade	4,850	4,900	50	1.0%
Eating & Drinking Places	1,600	1,650	50	3.1%
Finance/Insurance/Real Estate	800	800	0	0.0%
Services & Misc.	5,750	5,950	200	3.5%
Health Services	1,100	1,150	50	4.5%
Government	6,700	6,800	100	1.5%
Federal	700	800	100	14.3%
State	1,550	1,550	0	0.0%
Local	4,450	4,500	50	1.1%

Benchmark: March 2000. 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

GULF COAST

The review of the Gulf Coast region combines the economic performance of three areas: the Valdez-Cordova Census Area (including the Copper River area), the Kodiak Island Borough, and the Kenai Peninsula Borough. On a region-wide basis, 2000 came in as a modest growth year. Despite a lackluster visitor season and mixed fish harvest results, the region booked a combined gain of 350 additional jobs in 2000. (See Exhibit 10.) The growth rate for the year was 1.3%.

The services industry created most of the jobs, followed by the oil industry, which added jobs in the Cook Inlet area and at the Valdez pipeline terminus. The oil industry's renewed interest in exploration activities was a significant event for the Kenai Peninsula. Drilling projects for oil and gas, and the installation of a new platform kept oil service workers busy. The industry's job base in the Gulf region increased on average by 150, reflecting the upbeat activities of last year.

Construction, mainly road jobs, also helped employment to grow. The largest projects were at the end of the Sterling Highway and near Seward. Valdez was also abuzz with construction activity, most of it related to work sponsored by Alyeska Pipeline Service Company at the marine terminal. Contractors in the Copper River Basin broke ground to expand tourism infrastructure. Construction on a new National Park Service visitor center and a new Princess Hotel started. Public sector employment grew and its largest gain came from the federal side. Census 2000 gave a strong push. At peak, the U.S. Census Bureau employed 219 survey takers in the Gulf region. But state and local government employment remained flat in 2000.

Changes in employment were small in retail and transportation industries. Air transportation continued to suffer job losses. In 1999, Southcentral Airlines, a Kenai Peninsula commuter, shut down. Last year Peninsula Airways, a Kodiak operator, stopped flying routes on Kodiak Island. Pipeline employment, however, was up and masked the airline related job losses in the transportation industry. Retail employment in the Gulf region did not fare as well as it did in previous years, although by the end of June the gross sales volume on the Kenai Peninsula showed an increase of 5.5% over 1999. Employment, however, grew by a mere one percent. Most growth stemmed from restaurant employment. It increased at a brisk 3.1% pace and gave the only spark to job creation in retail.

The big negative in employment was manufacturing. Both the seafood and timber industries suffered job losses. The seafood industry on average employed 250 fewer processing workers

during last year's season than in 1999. The disappointing salmon harvest in Cook Inlet and harvesting restrictions in the Gulf trawl fishery were big factors. However, not all salmon harvests in the Gulf region were poor. The Prince William Sound harvest, for example, was up 12% from last year's catch and Kodiak had an average salmon season. Kodiak's processing employment, however, took a big hit in the fall after the harvesting ban around sea lion habitat took effect. The ban practically paralyzed the fishing effort of Kodiak's small boat trawler fleet.

Logging employment in the Gulf region continued to suffer from the curtailed Asian demand for Alaska timber and wood chips. And a sawmill burned to the ground in Ninilchik in May of last year. On top of the job losses in manufacturing industries, visitor industry observers labeled the 2000 season as a down year. Road construction may have discouraged trips by local travelers to the visitor spas of the Kenai Peninsula. Although industry performance was mixed, employment in the Gulf region was up for the second year in a row.

SOUTHWEST

Average annual wage and salary employment in Southwest Alaska decreased by 200 jobs or 1.1% in 2000. (See Exhibit 11.) Job losses were concentrated in the seafood processing industry, but transportation employment also lost ground.

Wage & Salary Employment Change — Southwest 1999-2000



	1999	2000	Change	Percent Change
Total Nonag. Wage & Salary	17,750	17,550	-200	-1.1%
Goods-producing	4,700	4,350	-350	-7.4%
Service-producing	13,000	13,200	200	1.5%
Seafood Processing	4,500	4,100	-400	-8.9%
Government	5,650	5,700	50	0.9%
Federal	300	350	50	16.7%
State	500	500	0	0.0%
Local	4,800	4,850	50	1.0%

Benchmark: March 2000. 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

During 2000, several airlines cut back service to Southwest Alaska communities, and in December, Reeve Aleutian Airways grounded its scheduled airline business. These losses were mitigated by employment growth in service industries and the public sector. Although construction activity was up in Southwest communities and the industry gained jobs, it remains a small employer. Seafood is the most important industry player in the region and its successes and vicissitudes affect local economies the most. In 2000, practically all major Southwest fisheries faced problems, which plunged the seafood processing employment level 400 jobs below last year's average.

The 2000 season developed into a challenging time for both harvesters and processors. The rocky start of the winter fishery, a harvest delay, and a dismally low quota for snow crab just signaled more tremors ahead. The summer salmon harvest, combining the results of five western area fisheries, was down 15 percent from last year's catch. Low product prices for salmon were another negative. Run failures to the Yukon and Kuskokwim rivers led to a repeat of the previous year's disaster declarations. Even subsistence salmon fishing was impacted. In the fall, new problems surfaced. Regulatory intervention imposed a harvesting ban around Steller sea lion habitat and displaced a large portion of the Western trawl fishing fleet from their home grounds. A large portion of the fall pollock harvest quota

along the Alaska Peninsula on the Gulf side could not be fished. In the Aleutians, the same protective measure took effect, forcing the fleet to move to distant fishing grounds. For seafood processing companies the year was difficult as well. In summer, labor shortages plagued the industry, and by late fall, the processing plants along Alaska's Peninsula lacked the product to keep their crews employed.

The lackluster season also caused erosion of public revenue in communities in Bristol Bay, the Pribilof Islands, Alaska Peninsula, and Aleutian Chain. The fish tax is the most important local revenue. Exceptionally hard hit were St. Paul and St. George in the Pribilofs because of low quotas in the crab fisheries. Only in Unalaska, on the Aleutian chain, did public revenue remain unscathed. Just recently, a \$30 million federal disaster relief package became available to Western fishing communities.

NORTHERN REGION

Most of the employment gain in the Northern region, which posted 1,050 new jobs in 2000, resulted from the oil industry rebound on the North Slope. (See Exhibit 12.) Big projects such as Alpine, Northstar, and other drilling campaigns boosted oil-related employment by 17 percent over the 1999 average. Staffing levels at oil-support companies also expanded and helped the service-producing industry to grow by 3.1%.

Away from the oilfields, economic performance was mixed. The Red Dog Mine in the Northwest Arctic Borough had a good year. The mine added staff and expanded production. The North Slope Borough had a year of transition. Local government privatized services, mainly in Barrow, and spun off jobs from the public sector. But school district employment increased and made up for some of the job losses. In the Nome Census Area, residents experienced another disastrous salmon fishing season following the catastrophic 1999 harvest. Subsistence fishing was affected as well.

12 Wage & Salary Employment Change — Northern 1999-2000

	1999	2000	Change	Percent Change
Total Nonag. Wage & Salary	14,550	15,600	1,050	7.2%
Goods-producing	4,900	5,700	800	16.3%
Service-producing	9,650	9,950	300	3.1%
Mining	4,250	4,950	700	16.5%
Oil & Gas Extraction	3,800	4,450	650	17.1%
Government	4,400	4,400	0	0.0%
Federal	150	150	0	0.0%
State	300	300	0	0.0%
Local	3,950	3,950	0	0.0%

Benchmark: March 2000. 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