

The Year 2002 in Review

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State marks 15 consecutive years of employment growth

STATEWIDE by Dan Robinson

1 Wage and Salary Employment Statewide — 2001-2002

	2001	2002	Change	Percent Change
Total Nonfarm Wage & Salary	289,300	295,800	6500	2.2%
Goods Producing	38,300	37,900	-400	-1.0%
Services Providing	251,000	257,900	6900	2.7%
Natural Resources & Mining	11,600	10,800	-800	-6.9%
Logging	700	500	-200	-28.6%
Mining	11,000	10,300	-700	-6.4%
Oil & Gas Extraction	9,500	8,800	-700	-7.4%
Construction	14,900	15,800	900	6.0%
Manufacturing	11,700	11,200	-500	-4.3%
Wood Products Mfg.	400	300	-100	-25.0%
Seafood Processing	7,900	7,400	-500	-6.3%
Trade, Transportation & Utilities	60,200	61,000	800	1.3%
Wholesale Trade	6,200	6,200	0	0.0%
Retail Trade	33,200	33,800	600	1.8%
General Merchandise Stores	9,200	9,400	200	2.2%
Food and Beverage Stores	5,900	5,700	-200	-3.4%
Trans/Warehousing/Utilities	20,800	20,900	100	0.5%
Air Transportation	6,600	6,300	-300	-4.5%
Truck Transportation	2,600	2,700	100	3.8%
Information	7,300	7,200	-100	-1.4%
Telecommunications	4,400	4,200	-200	-4.5%
Financial Activities	13,800	13,600	-200	-1.4%
Professional & Business Svcs	22,800	23,300	500	2.2%
Educational & Health Services	27,900	30,300	2400	8.6%
Health Care & Social Assistance	25,900	28,100	2200	8.5%
Ambulatory Health Care	10,700	11,900	1200	11.2%
Hospitals	7,300	7,500	200	2.7%
Leisure & Hospitality	28,300	29,200	900	3.2%
Accommodation	7,200	7,300	100	1.4%
Food Svcs & Drinking Places	17,200	17,500	300	1.7%
Other Services	11,900	12,300	400	3.4%
Government	78,800	81,000	2200	2.8%
Federal Government	16,800	16,800	0	0.0%
State Government	22,900	23,800	900	3.9%
Local Government	39,100	40,400	1300	3.3%
Tribal Government	3,300	3,500	200	6.1%

Benchmark: March 2002. 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

Alaska recorded its fifteenth consecutive year of employment growth in 2002. The 6,500 new jobs equate to a growth rate of 2.2 percent. (See Exhibits 1 and 2.) Repeating the theme of recent years, the growth came primarily from the service-providing sector of the economy. In the goods-producing sector, only the construction industry showed growth in 2002.

New classification system enters the scene

Revised numbers for 2001 and 2002 are being published for the first time under the North American Industry Classification System, or NAICS. NAICS replaces the Standard Industrial Classification system, or SIC. The reasons behind the change are detailed in the July 2002 issue of *Alaska Economic Trends*, and some examples of what the change will mean to Alaska are discussed in the March 2003 *Trends*.

The new NAICS categories present challenges for the users of these employment data, who will be unaccustomed to the new groupings, and to the economists estimating the numbers, who will not have the benefit of extended historical data. As a result, analysis will be more complicated and revisions to the numbers are likely to be larger than usual for the next year or two.

Construction a bright spot

A significant number of public construction projects and a building season extended by unseasonably warm weather contributed to another good year

for the construction industry. The 900 new construction jobs equate to a healthy over-the-year growth rate of 6.0 percent.

Fewer oil and seafood processing jobs

After adding jobs for the last two years, the oil industry had a down year in 2002. With no major new projects in 2002, employment fell by 700 jobs, or 7.4 percent. Seafood processing jobs also fell over the year as much of Alaska's fishing industry continued to struggle with low prices and competition from farmed fish.

Strong health care growth continues

Health care and social assistance, a new category under NAICS, added 2,200 jobs in 2002. That number amounts to about a third of the state's employment growth and is an over-the-year increase of 8.5 percent. A sub-category called ambulatory health care accounts for 1,200 of the new jobs and had a whopping over-the-year growth rate of 11.2 percent. Employment classified under ambulatory health care includes physician and dentist offices, as well as other health practitioners (chiropractors, optometrists, physical therapists), medical & diagnostic laboratories, and home health care services.

Leisure and hospitality adds jobs

Another new category, leisure and hospitality, added 900 jobs in 2002. The category conveniently combines the lion's share of Alaska's visitor-related industries, facilitating analysis of this important segment of the state's economy. Growth in these industries is notable because following the September 11, 2001 terrorist attacks considerable uncertainty circulated about what kind of a visitor season the summer of 2002 would bring. A related industry, air transportation, did not fare so well, losing 300 jobs in 2002.

Professional and business services grow

The state added 500 jobs over the year in yet another new category, professional and business

services. The category combines employment in the professions including law, accounting, architecture, advertising, and engineering, with employment related to scientific research. The category also includes jobs in employment placement agencies, telephone call centers, private security firms, janitorial and landscaping services, convention and visitor bureaus, and waste collection, treatment, and disposal, among others.

State and local government add jobs

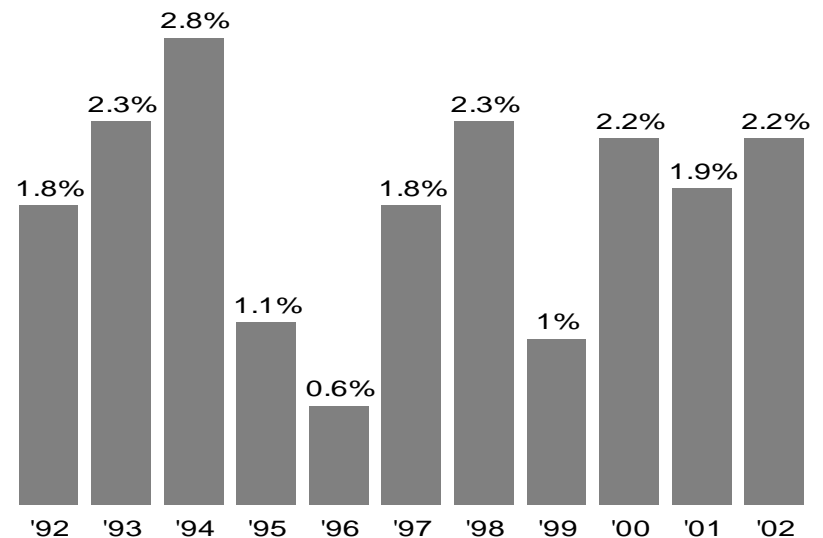
Both state and local government added a significant number of jobs in 2002. State government, which includes the University of Alaska system, added 900 jobs over the year. For its part, local government added 1,300 jobs and grew at a rate of 3.3 percent. Total employment in federal government held steady in 2002 despite several hundred new jobs in airport security.

Unemployment rate higher in 2002

Even as employment grew in 2002, unemployment grew faster. Revised numbers show that 2002's unemployment rate rose one and

State Maintains Moderate Growth 2

Percent employment change from previous year



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

three-tenths of a percentage point over the year to 7.7 percent. The rate is the highest Alaska has seen since 1997. One likely cause for the increase is the indirect effect of the unsteady national economy. During the U.S. economy's strong growth years in the mid to late 1990s, Alaska had more people migrating out of the state than migrating in.

That all changed with the national recession that began in 2001 and the uncertain recovery that persisted throughout 2002. For the first time in almost a decade, Alaska had moderate in-migration in 2002. So while Alaska's economy has continued to add jobs, it has also had to absorb more job seekers. The inability to absorb them all has led to higher unemployment rates, a condition that will likely persist until either the rate of job growth in Alaska increases or the economy in the lower 48 improves noticeably.

ANCHORAGE by Neal Fried

In 2002 employment in Anchorage climbed by 2.7 percent or by 3,800 jobs. (See Exhibits 3 and 4.) This represents a higher rate of growth than the ten-year average of approximately 2 percent but is less than 2001's growth rate of 2.8 percent. But given the oil and visitor industries' below par performance of the past year, 2002's numbers came in stronger than expected. Services, construction, retail and government generated most of the new jobs. Underlying much of this growth was the continued increase of federal funds. In a sense, 2002 was an uneventful year for Anchorage—no single economic event, or string of them, positive or negative, took place. Instead, the momentum of the past few years continued.

Unemployment stayed low

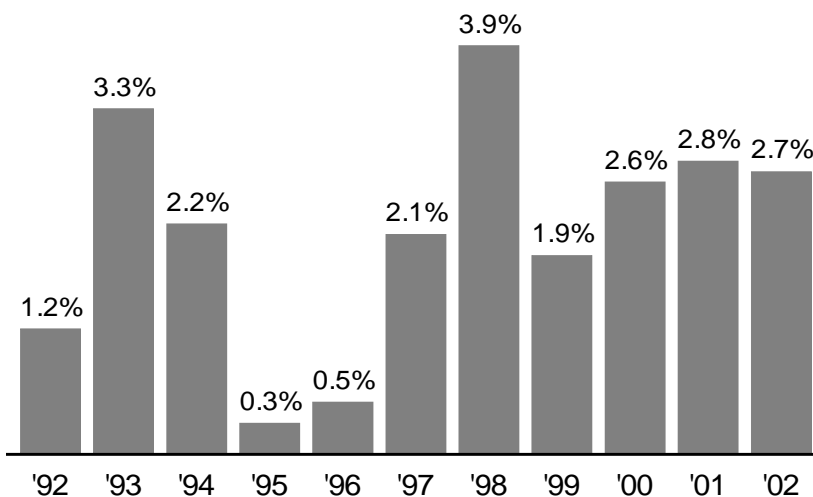
The unemployment rate for Anchorage came in at 5.4 percent, a point higher than last year's figure but below the statewide average of 7.7 percent and national figure of 5.8 percent—an indicator that the local job market remained relatively healthy. This higher rate was a sign that the job market did soften in 2002. Unlike the previous three years, job seekers reported finding fewer opportunities and employers were finding it less difficult to recruit workers.

The oil patch lost ground

After more than three years of strong oil prices one might expect petroleum industry activity to remain high, but instead in late 2001 and during all of 2002, employment in the oil industry fell. Oil industry employment in Anchorage fell by nearly 600 jobs or eighteen percent. After the big Alpine and Northstar projects and strong exploration in the previous two years, activity fell in 2002. Most of the losses came from the oil field services share of the industry but some of the producers also scaled back. Both Unocal and BP trimmed their workforces in 2002 and BP closed its Alaska exploration office. The downturn in the oil industry's activity probably best explains the overall slowdown in Anchorage's employment growth in 2002.

3 Anchorage Grows Steadily

Percent employment change from previous year



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

Construction helped keep the economy on a positive track

For the second year in a row Anchorage saw strong employment growth in construction. Employment climbed nearly 500 jobs up to the 8,000 level. The city's building permit valuations totaled \$584 million in 2002, close to last year's near record of \$599 million. All of the industry's major sectors shared in the growth. Commercial construction activity was anchored by the completion of the new \$10 million headquarters for the Arctic Slope Regional Corporation—the largest commercial office building built in Anchorage since the 1980s. The construction of a new Carrs, Lowe's and Fred Meyer in Eagle River and Aspen Hotel and a host of other projects rounded out the commercial side of this industry. The \$230 million expansion of the International Airport remained the single largest public building project, but added to this list were two new high schools, an elementary school, a new National Park Service headquarters building along with a list of smaller projects. A busy and long highway season in Anchorage and the Mat-Su Valley kept Anchorage contractors busy.

It was also another good year for residential construction. Builders broke ground for 1,332 new residential units in Anchorage—again close to last year's level of 1,423 units. The average home sale value rose seven percent in 2002. Continued low interest rates and a relatively healthy economy have kept this slice of the construction industry in the black. As building lots are becoming increasingly expensive in the Anchorage bowl, more of the new housing units being built are duplexes, condominiums and other multifamily-type housing.

Another moderate year for retail

For an industry that employs more than 17,000 workers, the addition of 300 retail jobs in 2002 represents a modest increase. The new South Anchorage Fred Meyer opened in February and Lowe's opened later in the spring. Toward the end of the year, a new Best Buy electronics store opened its doors. Combined, these new stores

employ 400 to 500 workers, but because they opened up at different times of the year the net increase for 2002 was somewhat smaller. Cut-backs in existing stores also offset some of this growth. For example, KMart, which added groceries to their two operations in Anchorage during the last quarter of 2001 and hired hundreds of new workers, significantly cut back this workforce during the latter part of 2002. Then, in January of 2003, KMart announced the closure of its Alaska stores, which will affect 2003's retail employment levels.

Wage and Salary Employment Anchorage – 2001-2002 **4**

	2001	2002	Change	Percent Change
Total Nonfarm Wage & Salary	138,200	142,000	3,800	2.7%
Goods Producing	12,700	12,700	-	0.0%
Services Providing	125,500	129,300	3,800	3.0%
Natural Resources & Mining	3,400	2,800	(600)	-17.6%
Mining	3,300	2,700	(600)	-18.2%
Oil & Gas Extraction	3,200	2,600	(600)	-18.8%
Construction	7,500	8,000	500	6.7%
Manufacturing	1,800	1,900	100	5.6%
Trade, Transportation & Utilities	32,500	32,700	200	0.6%
Wholesale Trade	4,700	4,700	-	0.0%
Retail Trade	16,900	17,200	300	1.8%
General Merchandise Stores	4,200	4,400	200	4.8%
Food and Beverage Stores	2,500	2,300	(200)	-8.0%
Transport/Warehousing/Utilities	10,900	10,900	-	0.0%
Air Transportation	3,500	3,400	(100)	-2.9%
Truck Transportation	1,500	1,500	-	0.0%
Information	4,800	4,700	(100)	-2.1%
Telecommunications	2,900	2,700	(200)	-6.9%
Financial Activities	8,500	8,300	(200)	-2.4%
Professional & Business Svcs	16,100	16,900	800	5.0%
Educational & Health Services	14,800	16,200	1,400	9.5%
Health Care & Social Assistance	13,600	14,800	1,200	8.8%
Ambulatory Health Care	5,400	6,200	800	14.8%
Hospitals	4,400	4,600	200	4.5%
Leisure & Hospitality	14,000	14,500	500	3.6%
Accommodation	2,800	3,000	200	7.1%
Food Svcs & Drinking Places	9,500	9,800	300	3.2%
Other Services	5,600	6,000	400	7.1%
Government	29,200	30,100	900	3.1%
Federal Government	9,700	9,600	(100)	-1.0%
State Government	9,100	9,600	500	5.5%
Local Government	10,400	10,900	500	4.8%
Tribal Government	200	200	-	0.0%

Benchmark: March 2002. 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

Transportation budgeted little in 2002

Employment numbers in transportation's largest sector, air transportation, moved little in 2002 but Alaska fared far better than the rest of the nation. September 11th, a slower international air cargo season during the first half of 2002, and a weaker visitor season all had negative effects on the industry. In light of the existing environment it performed surprisingly well. Employment at Alaska's largest air carrier, Alaska Airlines, actually increased a little in 2002 despite the weaker visitor season. For the state's largest two international air cargo players, Federal Express and United Parcel Services, employment held steady. International air cargo activity did make a strong comeback during the second half of 2002, but employment levels have yet to follow.

Health care and social services climbed

Education and health services created more than a third of all new jobs in Anchorage and a majority of these were in the category of health care and social assistance. All levels of health care grew in Anchorage, including hospitals, doctors' offices, clinics and just about anything else tied to this industry. An increase in federal money has also boosted employment for both health care and social service organizations. The privatization of these services was also a factor. But services growth has also come from engineering and other professional type services. The one area of services that was not a top performer was the visitor industry. By nearly all accounts businesses tied to the visitor industry struggled more than in past years. Bed taxes collected in Anchorage fell slightly—from \$11.2 in 2001 to \$11 million in 2002. However, the leisure and hospitality industry did manage to grow by three percent. Three new hotels opened in Anchorage in 2002—the Hilton Gardens, the Dimond Center Hotel and the Aspen. Food services and drinking places continued their expansion with the opening of a number of national chain restaurants in 2002, including Boston Pizza, International House of Pancakes, Applebee's and Chili's. Other smaller local establishments also opened.

State and local government grew

Federal government employment fell slightly in 2002. The privatization of military activities and the Alaska Native Medical Center might explain most of this 150-job loss. However, during the last quarter of the year employment at the federal level got a big boost when more than 300 federal security people were hired at Anchorage International Airport. Because it happened so late in the year, these new hires will have a much bigger effect on levels of federal employment in 2003.

Employment levels in state and local government grew by 500 jobs respectively. State growth came both from the University of Alaska and state government operations. Nearly all of local government's growth came from the Anchorage School District.

FAIRBANKS by Brigitta Windisch-Cole

If construction employment were the bellwether for the economy, Fairbanks would have recorded fabulous growth in 2002. Construction employment grew at the impressive rate of 12.5 percent. Overall, Fairbanks' economy booked a much more modest increase of 1.9 percent. (See Exhibits 5 and 6.) That translated to a gain of 650 jobs. Outside of construction, most sectors grew little or remained the same. Still, the big push from construction kept the local economy on track for its 14th year of growth.

Construction flexed strong muscles

The dramatic growth in construction came from big public sector projects and a blend of commercial and residential building. Over a third of all new jobs created in the local economy were in construction. The net gain of 250 jobs in this industry resulted in an average employment level of 2,250. This was Fairbanks' best building season in seventeen years. The museum expansion, the Westmark Hotel renovation, and road projects such as Badger overpass, are a few examples of

the 2002 construction agenda. Proximity to the large Fort Greely missile site project also contributed to Fairbanks' performance.

In the Borough, the cornerstone project remained the \$215 million Basset Hospital, but other large military projects kept construction crews busy as well. A number of projects were not completed during 2002 and will carry over to the 2003 season.

Health care & social assistance climbed

Demographics are often cited to explain the rise in health care employment. Fairbanks is aging, despite the presence of large young adult age cohorts that dominate the military and university populations. According to the Census Bureau, the median age in Fairbanks rose by two years between 1990 and 2000 to 29.5 years. While this remains below the statewide figure, aging baby boomers are a significant part of Fairbanks' population. This group, as elsewhere in the state, has influenced the demand for health care. The widening repertoire of specialized services also explains some of the industry's growth. Employment in the health care and social assistance category in Fairbanks rose by 100 in 2002. (See Exhibit 6.)

Opposite business cycles emerged in mining

Mining employment in 2002 was a combination of growth and contraction. The oil and gas industry cut jobs while gold mining enjoyed an up cycle. Alaska's oil producers have curtailed capital spending on North Slope development, which resulted in a down year for Fairbanks' oil and gas support industry. Stringent cost controls in oil transportation further curtailed business for oil industry contracting partners.

Fairbanks' dominant gold mining employer, Ft. Knox, had a good year. At the beginning of 2002 an ounce of gold traded well below \$300 per ounce on world markets but by year's end prices had climbed to over \$340 per ounce. In addition, the 2001 acquisition of the True North

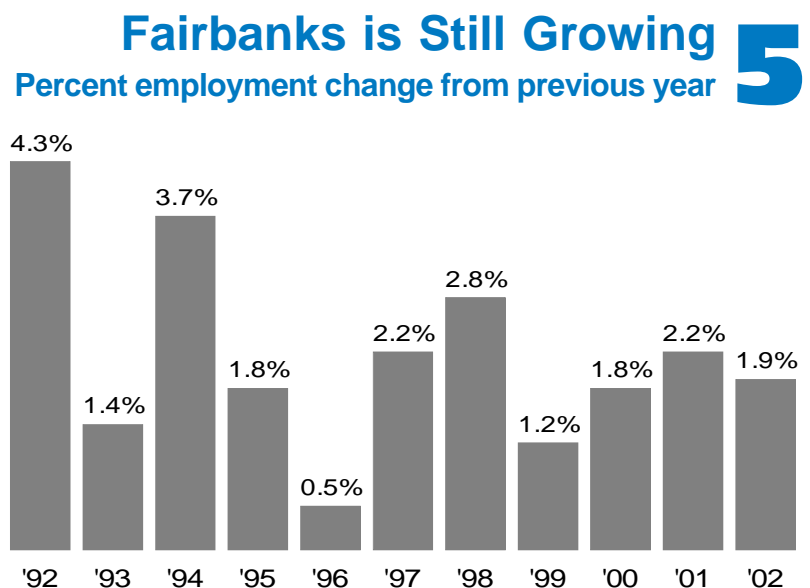
deposit has helped the mine to mill more ore and increase production. As a result, employment has steadily risen at the mine. Staff levels in 2002 were about 380, up 85 jobs from 2000.

Transportation stayed on the level

While employment in the transportation sector appeared to be steady, a closer examination reveals some problems. In the second half of the year, Alyeska Pipeline Service Company started to transfer personnel from its Fairbanks business unit back to Anchorage. More than 100 jobs have now been moved. The impact of the move will become more apparent in 2003 employment numbers. Ground transportation, especially trucking, also helped mask some of the loss.

Some growth in retail jobs

Fairbanks added 250 retail jobs in 2002, despite the constant flux on the national retail scene that has kept Fairbanks lean in retail employment and left voids in the local market place. Little empty retail space was filled this past year, although a new Home Depot store helped overall retail employment grow. General merchandise, the department store section, was still ailing, suffering a loss of 100 jobs. This loss came from a cumulative downsizing of staff in several large stores, and does not reflect the loss of



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

the Kmart Super Center, which will register in 2003.

Uncertainties surrounded the visitor industry

With the advent of the North American Industry Classification System, a clearer picture can now be drawn of the visitor industry and its influence on employment. NAICS established a new sector for leisure and hospitality. Amusement, accommodation, and eating & drinking employment are all counted here. Employment in this new sector averaged 3,850 jobs in 2002.

The trend in hotel employment and room revenues

ran counter to these gains. Hotel employment was down four percent and room revenues fell eight percent below 2001 averages. Several reasons may explain the weakness of this past travelling season. The national recession and consumer confidence shaken by national security concerns may have played a role. Competition is another possibility. The favorable exchange rate of the Canadian dollar to U.S. and other currencies may have diverted some travelers to the Yukon Territory for their Arctic experience.

Employment in restaurants and amusement services, which get their stimuli not only from visitors but also from local populations, grew by 100 jobs. Several new dining places opened in Fairbanks during 2001 and 2002. Recreational services employment has grown not only in Fairbanks but across the state and nation. Sports club memberships, for example, have risen sharply in the past decade.

Government employment shifted

Public sector employment gains in 2002 are largely attributable to state government. State government added 200 jobs in 2002, many of them at the University of Alaska. These gains offset small employment losses on the local and federal level. Downsizing the federal workforce has been a national policy for several years and specific agencies have felt the effects. The civilian contingent of the Department of Defense, for example, has become considerably smaller. Privatization of support services on the bases has replaced federal employees with private sector workers. However, this past November a change in the opposite direction occurred. The newly created transportation security division created more than 90 new federal jobs at Fairbanks International Airport.

6 Wage & Salary Employment Fairbanks 2001–2002

	2001	2002	Change	Percent Change
Total Nonfarm Wage & Salary	34,700	35,350	650	1.9%
Goods Producing	3,500	3,700	200	5.7%
Services Providing	31,200	31,650	450	1.4%
Natural Resources & Mining	950	900	-50	-5.3%
Mining	950	900	-50	-5.3%
Oil & Gas Extraction	550	450	-100	-18.2%
Construction	2,000	2,250	250	12.5%
Manufacturing	550	550	0	0.0%
Trade, Transportation & Utilities	7,050	7,250	200	2.8%
Wholesale Trade	500	500	0	0.0%
Retail Trade	3,900	4,150	250	6.4%
General Merchandise Stores	1,250	1,150	-100	-8.0%
Food and Beverage Stores	400	400	0	0.0%
Trans/Warehousing/Utilities	2,600	2,600	0	0.0%
Air Transportation	900	850	-50	-5.6%
Truck Transportation	600	650	50	8.3%
Information	600	600	0	0.0%
Telecommunications	300	350	50	16.7%
Financial Activities	1,300	1,300	0	0.0%
Professional & Business Svcs	2,100	1,800	-300	-14.3%
Educational & Health Services	3,400	3,550	150	4.4%
Health Care & Social Assistance	3,200	3,300	100	3.1%
Leisure & Hospitality	3,700	3,850	150	4.1%
Accommodation	1,050	1,000	-50	-4.8%
Food Svcs & Drinking Places	2,300	2,400	100	4.3%
Other Services	1,950	2,050	100	5.1%
Government	11,150	11,250	100	0.9%
Federal Government	3,350	3,300	-50	-1.5%
State Government	4,700	4,900	200	4.3%
Local Government	3,100	3,050	-50	-1.6%

Benchmark: March 2002. 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 REGION by Neal Gilbertsen

The Southeast regional economy shed 150 jobs in 2002, resulting in a four-tenths percent decline from 2001. While not as severe as that experienced from 1997 to 1998, the setback was the third largest in a decade, and the first time in the decade that the region has suffered two consecutive years of decline. Job losses in logging and wood products manufacturing were major factors contributing to this negative trend. Transportation jobs also fell and jobs in the new category of leisure and hospitality showed no growth. Educational and health services and government were the two categories that showed noticeable growth. (See Exhibit 8.)

The Southeast goods producing sector did not have a good year in 2002. The year opened with the failure of Gateway Forest Products and closed with Wards Cove Packing Company's announcement that it would not operate in 2003. Construction employment was flat, and the news from the rest of the sector was disappointing.

Timber

The newly adopted U.S. tariff imposed on Canadian softwoods resulted in shipment of more than a billion feet of Canadian lumber across the border prior to the tax's taking effect in May 2002. Already low lumber prices collapsed under this glut, and logging operations and lumber mills across both the U.S. and Canada were curtailed or closed for much of the year. For the already struggling timber industry in Southeast, this spelled further hardships. Largely as a result of the Gateway closure, the wood products industry shed over 100 jobs. Nearly 200 additional logging jobs disappeared as the economic effects of low prices added to the industry's woes. Most recently, Silver Bay, the largest logging company in Southeast, has filed for bankruptcy protection as it seeks to reorganize.

Seafood

The full impact of the Wards Cove closure has not yet been felt in Southeast; still the loss of a major

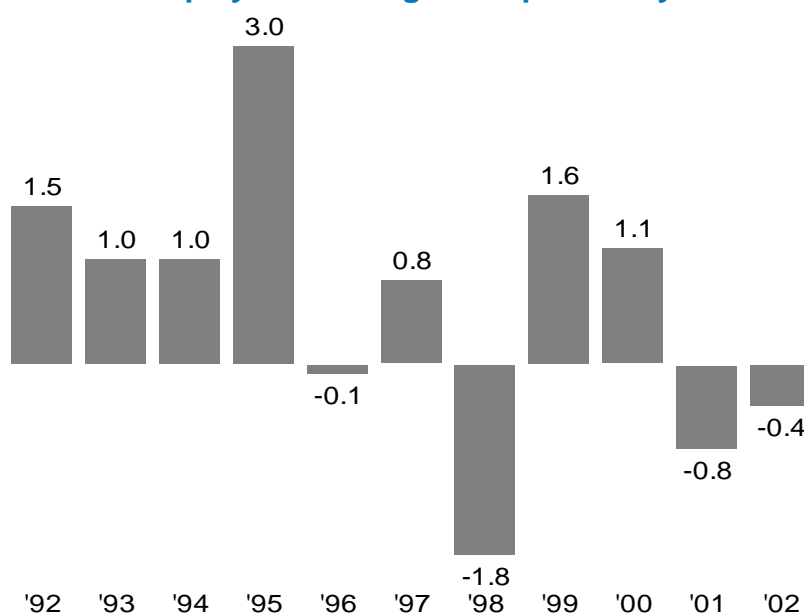
buyer and two of its three seafood processing plants is cause for concern. (E.C. Phillips and Assoc. have acquired the cold storage plant in Ketchikan.) While 2002 seafood processing employment remained unchanged from 2001, it seems likely that 2003 will see significant reductions unless new operators for the remaining plants step forward. Unfortunately, the underlying causes of the Wards Cove closure, low prices and farmed fish competition, continue to plague both fishermen and processors.

Fish prices remain low

According to the Alaska Department of Fish and Game, the 2002 Southeast salmon fisheries produced 242 million pounds, 95 million pounds fewer than the 337 million pounds of 2001. The ex-vessel value of this harvest was estimated to be \$38.9 million, down \$53.9 million from the 2001 landings of \$92.8 million. A very similar harvest level of 242.5 million pounds in 2000 produced nearly twice as much revenue, \$72.2 million. Due to low prices and processor restrictions on the number of vessels whose fish they would purchase, fewer fishermen participated in the

Southeast Employment Declines

Percent employment change from previous year



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

harvest. Only 273 purse seine vessels operated in 2002 compared to 345 in 2001. Similar reductions in effort characterized the power troll and drift gillnet fisheries. Fewer vessels and fewer fishermen resulted in reduced demand for support industries such as fuel docks, grocery stores, and ship chandlers.

While the Alaska Department of Fish and Game expects strong returns in 2003, depressed ex-vessel prices, loss of processing capacity and ever-lower fleet participation do not point to an early recovery of the industry.

Services

Most services employment remained flat in 2002. The losses that occurred in transportation and in accommodation employment may point to a leveling off in tourist related industries. The major gains in health care and social assistance continue a long-term trend and are probably attributable to Southeast's aging population. Both wholesale and retail trade posted gains for the year, but the closure of Juneau's KMart makes it unlikely that this growth will continue through 2003.

The addition of more than 150 airport security personnel created federal employment growth. State government also grew, adding 170 jobs, most of which can be attributed to the University of Alaska Southeast. The apparent increase masks the fact that state government has grown very slowly over the past 13 years. The average annual rate of increase in state government, including the University, from 1990 through 2002 has been approximately one half of one percent, with total employment increasing from 5,600 to 6,000.

8 Wage & Salary Employment Southeast 2001–2002

	2001	2002	Change	Percent Change
Total Non-farm Wage & Salary	35,950	35,800	-150	-0.4%
Goods Producing	4,300	3,950	-350	-8.1%
Services Providing	31,650	31,850	200	0.6%
Natural Resources & Mining	800	650	-150	-18.8%
Logging	500	300	-200	-40.0%
Mining	300	300	0	0.0%
Construction	1,600	1,600	0	0.0%
Manufacturing	1,850	1,700	-150	-8.1%
Wood Products Mfg.	300	150	-150	-50.0%
Seafood Processing	1,300	1,300	0	0.0%
Trade, Transportation & Utilities	7,100	6,950	-150	-2.1%
Retail Trade	4,250	4,300	50	1.2%
Trans/Warehousing/Utilities	2,400	2,150	-250	-10.4%
Information	550	500	-50	-9.1%
Financial Activities	1,300	1,250	-50	-3.8%
Professional & Business Svcs	1,350	1,400	50	3.7%
Educational & Health Services	3,200	3,400	200	6.3%
Health Care & Social Assistance	3,000	3,150	150	5.0%
Leisure & Hospitality	3,750	3,700	-50	-1.3%
Accommodation	1,400	1,300	-100	-7.1%
Food Svcs & Drinking Places	1,600	1,600	0	0.0%
Other Services	1,150	1,150	0	0.0%
Government	13,200	13,500	300	2.3%
Federal Government	1,750	1,850	100	5.7%
State Government	5,450	5,650	200	3.7%
Local Government	5,950	6,000	50	0.8%
Tribal Government	550	550	0	0.0%

Benchmark: March 2002. 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

GULFCOASTREGION

by Brigitta Windisch-Cole

The Gulf Coast region includes the Kenai Peninsula area, the Kodiak Island Borough and the Valdez-Cordova census area. Employment in the regional economy increased by just half a percent or 150 jobs in 2002. (See Exhibit 9.) Gains in public sector employment and the leisure and hospitality category largely offset continuing job losses in the seafood processing industry.

Job losses mount in the seafood industry

Before the 2002 summer salmon season, Polar Equipment, which operated under the name of Cook Inlet Processors, sold its plants in Kenai and Kodiak to Ocean Beauty Seafoods of Kodiak. At year end Wards Cove Packing Company announced the closure of its plants. The exodus of seafood processing firms illustrates the weakness of the Alaska salmon industry that has severely impacted the Gulf Coast region. In 1994, the Gulf's seafood processing industry employed 3,500 workers. By 2002, the employment level had shrunk to 2,200 jobs, a decline of 38 percent over this eight-year period. (See Exhibit 9.)

Salmon fishermen in Kodiak, Prince William Sound, and Cook Inlet have experienced a downturn in earnings and suffered the devaluation of their assets over the past decade. Investments in fishing permits, boats and gear have fallen to a small fraction of their former values. In 2002, earnings for fishermen in Kodiak dropped 45 percent from 2001 and in Prince William Sound harvest value took a cut of 27 percent. Only Cook Inlet fishermen experienced an increase in 2002, with the harvest value up 57 percent and harvest volume up 84 percent. Participation in the fisheries in all three areas has declined, and many harvesters have fished shortened seasons because of low prices and imposed harvest limits. Due to poor market conditions, fish buyers' interest in processing the harvests has also become problematic.

Fishery reliant areas of the Gulf such as Kodiak Island, where many residents have lifetime investments in the industry, are experiencing lean times and are losing population. The diversification of Kodiak's fisheries has partially cushioned the severe economic setbacks associated with salmon and herring.

Other industries are more stable

The performances of other industries in the Gulf Coast are somewhat better. The Cook Inlet oil and gas industry even made a comeback. Exploration continued and new deposits were identified. A gas pipeline between Ninilchik and Kenai is

Wage & Salary Employment Gulf Coast Region 2001–2002

	2001	2002	Change	Percent Change
Total Non-farm Wage & Salary	27,850	28,000	150	0.5%
Goods Producing	6,150	5,950	-200	-3.3%
Services Providing	21,700	22,050	350	1.6%
Natural Resources & Mining	1,400	1,450	50	3.6%
Oil & Gas Extraction	1,250	1,300	50	4.0%
Construction	1,600	1,600	0	0.0%
Manufacturing	3,150	2,900	-250	-7.9%
Seafood Processing	2,450	2,200	-250	-10.2%
Trade, Transportation & Utilities	5,500	5,550	50	0.9%
Retail Trade	3,300	3,300	0	0.0%
Trans/Warehousing/Utilities	1,900	1,900	0	0.0%
Information	400	450	50	12.5%
Financial Activities	800	850	50	6.3%
Professional & Business Svcs	1,450	1,400	-50	-3.4%
Educational & Health Services	1,800	1,850	50	2.8%
Health Care/Social Assistance	1,700	1,750	50	2.9%
Leisure & Hospitality	3,100	3,150	50	1.6%
Accommodation	1,000	1,150	150	15.0%
Food Svcs & Drinking Places	1,750	1,750	0	0.0%
Other Services	1,450	1,400	-50	-3.4%
Government	7,200	7,350	150	2.1%
Federal Government	750	800	50	6.7%
State Government	1,600	1,650	50	3.1%
Local Government	4,850	4,900	50	1.0%
Tribal Government	300	350	50	16.7%

Benchmark: March 2002. 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

currently being built. Unocal announced that it will shut down its platforms, but other oil companies are looking at Cook Inlet with increased interest. Pipeline employment at the Valdez terminus fell, with employees of the Valdez business unit being moved back to Anchorage.

SOUTHWEST REGION

by **Brigitta Windisch-Cole**

Older population drives growth

Health care employment continued to grow in 2002. The aging of the population and an emerging mail box economy based on retirement checks is linked to the increased demand for health services. The Kenai Peninsula appears to be attracting an influx of retirement age population. Among the three Gulf areas, the Kenai Peninsula has the most diversified economy and benefits from proximity to Anchorage. Its natural beauty and recreational opportunities not only lure retirees but attract a large visitor clientele from Anchorage and elsewhere.

The visitor industry continues to enlarge

The visitor industry continued to grow in 2002. Employment increases were mainly associated with hotels. Two large new businesses opened this season: the Aspen Hotel in Soldotna and the Princess Hotel at the entrance of the Wrangell/ St. Elias National Park at Copper Center. An Aspen Hotel, a remodeled property, will open this year in Valdez.

The public sector adds staff

Public sector employment increased in 2002 at all three levels of government. Federal employment grew with the hiring of security personnel at Gulf region airports. Kodiak alone gained more than 30 federal workers. Increased university staff largely explained growth in state government. The gain in local government stemmed from hiring at the two Kenai Peninsula hospitals and enhanced tribal employment.

Although the decline in seafood processing employment cost 300 jobs, wage and salary employment was above 2001 levels by 250 jobs. Overall employment registered 1.4 percent growth in 2002. (See Exhibit 10.) The public sector contributed 150 new jobs. Health care and social assistance led employment growth among the other services producing industries, adding 150 new jobs. The remaining small gain was evenly spread among the services sectors.

Fishing is the economic mainstay in Southwest Alaska. The 2002 fishing seasons produced mixed results. The Bering Sea groundfish fleet had a successful year. Crab fishermen had a more mixed experience. The winter crab harvest was small and prices were down early in 2002. The Red King crab fishery, however, was profitable for most participants and harvest prices were high.

Only a few seafood companies showed up in Bristol Bay to process fish. Numerous plants remained dormant, there were very few fish, and the harvest price was low. Many fishermen opted to sit out the season fearing the costs of participation would exceed gross earnings. All in all, it was another disastrous year for the Bristol Bay fishery.

Two of the three areas making up the Bristol Bay region have lost population, and the third is barely holding its own. Populations in Bristol Bay and Lake and Peninsula Boroughs both fell by 9.1 percent between 2000 and 2002. The Dillingham census area gained just eight new residents, which means that natural increase (births minus deaths) could barely mask the out-migration trend. This population trend underscores the problems associated with the local fishery.

NORTHERN REGION

by Brigitta Windisch-Cole

Wage and salary employment increased by 200 jobs in 2002. The corresponding growth rate for the year was 1.3 percent, and contained only small changes in industry employment. Employment in the North Slope Borough oil fields remained flat for most of the year. With the exception of a few maintenance and upgrade programs, the industry concentrated on oil and gas production from existing fields.

Employment in the western part of the region that encompasses the Nome Census Area, the Northwest Arctic, and the North Slope Boroughs grew some with the public sector creating most of the new jobs. Increases in local government employment took place in school districts, federally recognized tribes, and other government entities. Most of the new job creation in the private sector was in the educational and health services category. A soft spot was mining employment at the Red Dog Mine. Employment levels there dropped by about 25 jobs in 2002 from its 2001 average.

Wage & Salary Employment Southwest Region 2001–2002 10

	2001	2002	Change	Percent Change
Total Nonfarm Wage & Salary	18,050	18,300	250	1.4%
Goods Producing	4,300	4,050	-250	-5.8%
Services Providing	13,750	14,250	500	3.6%
Seafood Processing	4,150	3,850	-300	-7.2%
Government	7,300	7,450	150	2.1%
Federal Government	350	350	0	0.0%
State Government	500	550	50	10.0%
Local Government	6,400	6,550	150	2.3%
Tribal Government	1500	1550	50	3.3%

Benchmark: March 2002. 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

Wage & Salary Employment Northern Region 2001-2002 11

	2001	2002	Change	Percent Change
Total Nonfarm Wage & Salary	15,950	16,150	200	1.3%
Goods Producing	5,600	5,550	(50)	-0.9%
Services Providing	10,350	10,650	300	2.9%
Oil & Gas Extraction	4,400	4,450	50	1.1%
Government	4,850	5,100	250	5.2%
Federal Government	150	150	-	0.0%
State Government	300	350	50	16.7%
Local Government	4,350	4,600	250	5.7%
Tribal Government	500	550	50	10.0%

Benchmark: March 2002. 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