

Faster Job Growth, Lower Unemployment Mark 1993

by John Boucher, Neal Fried, Tom Lane, and Holly Stinson

Alaska's economy grew for the sixth straight year in 1993. Even more important, economic growth sped up, reversing a trend of shrinking job growth and increasing unemployment rates. Wage and salary job growth accelerated from the 1.8% pace set in 1992 to 2.1% in 1993. Unemployment in Alaska dropped to 7.7%, its lowest level since 1990, and well below the 1992 unemployment rate of 9.0%. This occurred against a background of high-profile plant closures and struggling resource-based industries.

5,300 more jobs in 1993

On an annual basis, Alaska's economy had 5,300 more jobs in 1993 than 1992. (See Table 1.) A perked-up construction sector, an expanding services industry, continuation of a massive retail expansion, and solid contributions from most sectors of the economy boosted the state's wage and salary employment numbers. (See Figure 1.)

However, the employment gain was tempered by bad news in several sectors of the economy. For the second straight year, employment grew despite shutdowns of high-profile Alaskan employers and a general downturn in resource-based industries. The springtime closure of the Greens Creek mine near Juneau sent Alaska's hard rock mining employment into a tailspin. Later in the year the timber industry was hit by another plant closure when the Sitka Pulp mill shut its doors. Adding to the manufacturing industry's job losses was a slowdown in Western Alaska's bottomfish boom and continued struggles in the salmon fishery. And although Alaska's oil industry significantly slowed the job hemorrhage that characterized 1992, oil posted another year of job losses.

Construction comes back strong

Fueled by lower interest rates, a commercial construction frenzy and solid contributions from public-sector construction projects, Alaska's construction industry was one of the biggest employment winners in 1993.

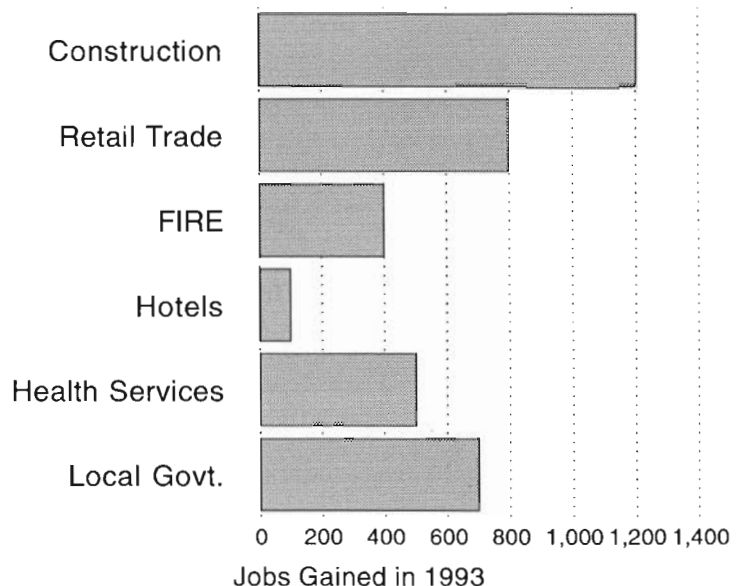
Construction employment hit its highest level since 1986, the tail-end of the 1980s building boom.

Many reasons factored into the construction industry expansion, but the most important element was private-sector investment. Particularly evident in commercial construction, the investments made in constructing new space were phenomenal. The biggest push came from retailers entering or expanding their presence in the Alaska market. On the residential side, lower interest rates, a healthy economy and an increased demand for housing combined for the best residential construction climate since the mid-1980s. In addition, Alaska's public-sector construction budget made its normal steady contribution to the 1993 season.

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Figure • 1

Construction Led the Job Gains in 1993



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

Table • 1

Change in Wage and Salary Employment 1992-1993

Alaska

	1992	1993	Change	Percent Change
Total Nonag. Wage & Salary	247,200	252,500	5,300	2.1
Goods-producing	38,700	38,600	-100	-0.3
Mining	10,500	10,000	-500	-4.8
Construction	10,200	11,400	1,200	11.8
Manufacturing	18,000	17,100	-900	-5.0
Durable Goods	3,000	3,100	100	3.3
Lumber & Wood Products	2,300	2,300	0	0.0
Nondurable Goods	15,000	14,100	-900	-6.0
Seafood Processing	11,200	10,600	-600	-5.4
Pulp Mills	900	800	-100	-11.1
Service-producing	208,400	213,900	5,500	2.6
Transportation	22,600	22,900	300	1.3
Trucking & Warehousing	3,000	2,900	-100	-3.3
Water Transportation	1,700	1,800	100	5.9
Air Transportation	7,300	7,400	100	1.4
Communications	3,700	3,700	0	0.0
Trade	47,800	48,700	900	1.9
Wholesale Trade	8,000	8,000	0	0.0
Retail Trade	39,900	40,700	800	2.0
Gen. Merch. & Apparel	6,700	7,100	400	6.0
Food Stores	7,000	7,000	0	0.0
Eating & Drinking Places	13,500	13,600	100	0.7
Finance-Ins. & Real Estate	10,700	11,100	400	3.7
Services & Misc.	54,100	56,800	2,700	5.0
Hotels & Lodging Places	5,500	5,600	100	1.8
Health Services	11,700	12,200	500	4.3
Government	73,300	74,400	1,100	1.5
Federal	19,600	20,000	400	2.0
State	21,700	21,600	-100	-0.5
Local	32,100	32,800	700	2.2

Municipality of Anchorage

	1992	1993	Change	Percent Change
Total Nonag. Wage & Salary	113,800	117,200	3,400	3.0
Goods-producing	10,800	11,300	500	4.6
Mining	3,400	3,300	-100	-2.9
Construction	5,400	6,100	700	13.0
Manufacturing	2,000	1,900	-100	-5.0
Service-producing	103,100	105,900	2,800	2.7
Transportation	12,000	12,400	400	3.3
Air Transportation	4,500	4,600	100	2.2
Communications	2,200	2,400	200	9.1
Trade	26,200	26,200	0	0.0
Wholesale Trade	5,800	5,800	0	0.0
Retail Trade	20,400	20,400	0	0.0
Gen. Merch. & Apparel	3,200	3,500	300	9.4
Food Stores	3,500	3,300	-200	-5.7
Eating & Drinking Places	7,400	7,100	-300	-4.1
Finance-Ins. & Real Estate	6,500	6,800	300	4.6
Services & Misc.	29,900	31,200	1,300	4.3
Hotels & Lodging Places	2,500	2,400	-100	-4.0
Health Services	6,200	6,300	100	1.6
Government	28,400	29,400	1,000	3.5
Federal	11,200	11,800	600	5.4
State	8,100	8,200	100	1.2
Local	9,100	9,500	400	4.4

Notes: Subtotals may not add due to rounding. Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics. Government includes teachers in primary and secondary schools and personnel employed by the University of Alaska. Benchmark Date March 1993.

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

Services (and new businesses) also fueled job growth

While construction gained the most jobs percentage-wise, services added the most new jobs, at 2,700. Services growth was spurred by job additions in health care employment, engineering and management firms, social services organizations, and hotels. Some segments of services lost ground last year, in particular law firms and establishments providing personal services like dry cleaners and beauty salons.

While robust employment growth characterized services, it's slightly overstated due to administrative record keeping. A significant portion of services job growth in 1993 was in

miscellaneous services- the category where new firms are placed until their business activity is determined. Many of these firms end up in other industries, shifting the growth from services elsewhere. In a normal year, industry shifting is inconsequential. In 1993 there was more employment growth in services associated with new businesses than normal.

Following services and construction, the next biggest contributor to private-sector growth was retail trade. Propelled by general merchandise and apparel stores, the category that the headline-grabbing retail entries fit into, retail trade was a big job gainer in 1993. Judging from the numbers in Table 1, these stores' job growth is paltry, but the 1993

Change in Wage and Salary Employment 1992-1993

Southeast Region

	1992	1993	Change	Percent Change
Total Nonag. Wage & Salary	34,200	34,550	350	1.0
Goods-producing	6,000	6,050	50	0.8
Mining	350	200	-150	-42.9
Construction	1,200	1,500	300	25.0
Manufacturing	4,500	4,350	-150	-3.3
Durable Goods	2,000	1,850	-150	-7.5
Lumber & Wood Products	1,900	1,800	-100	-5.3
Nondurable Goods	2,500	2,500	0	0.0
Seafood Processing	1,400	1,500	100	7.1
Pulp Mills	900	750	-150	-16.7
Service-producing	28,150	28,500	350	1.2
Transportation	2,850	2,900	50	1.8
Trade	5,800	6,000	200	3.4
Wholesale Trade	550	550	0	0.0
Retail Trade	5,200	5,450	250	4.8
Finance-Ins. & Real Estate	1,200	1,250	50	4.2
Services & Misc.	5,650	5,900	250	4.4
Government	12,700	12,450	-250	-2.0
Federal	2,200	2,050	-150	-6.8
State	5,600	5,450	-150	-2.7
Local	4,900	4,950	50	1.0

Gulf Coast Region

	1992	1993	Change	Percent Change
Total Nonag. Wage & Salary	24,700	25,350	650	2.6
Goods-producing	6,500	6,650	150	2.3
Mining	1,150	1,150	0	0.0
Construction	1,050	1,050	0	0.0
Manufacturing	4,300	4,450	150	3.5
Seafood Processing	3,250	3,200	-50	-1.5
Service-producing	18,200	18,700	500	2.7
Transportation	2,250	2,150	-100	-4.4
Trade	4,300	4,500	200	4.7
Wholesale Trade	500	550	50	10.0
Retail Trade	3,800	3,950	150	3.9
Finance-Ins. & Real Estate	600	650	50	8.3
Services & Misc.	4,850	5,250	400	8.2
Government	6,150	6,200	50	0.8
Federal	600	650	50	8.3
State	1,800	1,750	-50	-2.8
Local	3,750	3,800	50	1.3

Southwest Region

	1992	1993	Change	Percent Change
Total Nonag. Wage & Salary	18,550	17,900	-650	-3.5
Goods-producing	6,850	6,100	-750	-10.9
Seafood Processing	6,400	5,700	-700	-10.9
Service-producing	11,700	11,800	100	0.9
Government	6,150	6,100	-50	-0.8
Federal	1,250	1,150	-100	-8.0
State	550	500	-50	-9.1
Local	4,350	4,400	50	1.1

Fairbanks North Star Borough

	1992	1993	Change	Percent Change
Total Nonag. Wage & Salary	29,150	29,650	500	1.7
Goods-producing	2,650	2,600	-50	-1.9
Mining	550	550	0	0.0
Construction	1,500	1,450	-50	-3.3
Manufacturing	600	600	0	0.0
Service-producing	26,500	27,100	600	2.3
Transportation	2,100	2,150	50	2.4
Trucking & Warehousing	450	450	0	0.0
Air Transportation	600	600	0	0.0
Communications	300	300	0	0.0
Trade	6,650	6,750	100	1.5
Wholesale Trade	800	800	0	0.0
Retail Trade	5,850	5,950	100	1.7
Gen. Merch. & Apparel	1,100	1,100	0	0.0
Food Stores	700	700	0	0.0
Eating & Drinking Places	2,250	2,350	100	4.4
Finance-Ins. & Real Estate	1,050	1,050	0	0.0
Services & Misc.	6,450	6,700	250	3.9
Government	10,250	10,450	200	2.0
Federal	3,250	3,300	50	1.5
State	4,200	4,250	50	1.2
Local	2,800	2,900	100	3.6

Northern Region

	1992	1993	Change	Percent Change
Total Nonag. Wage & Salary	14,050	14,600	550	3.9
Goods-producing	5,150	5,100	-50	-1.0
Mining	4,700	4,550	-150	-3.2
Service-producing	8,900	9,500	600	6.7
Government	4,400	4,550	150	3.4
Federal	250	250	0	0.0
State	350	350	0	0.0
Local	3,800	3,950	150	3.9

Notes: Subtotals may not add due to rounding.

Alaska and Municipality of Anchorage prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics. All other tables prepared in part with funding from the Alaska State Employment Security Division. Government includes teachers in primary and secondary schools and personnel employed by the University of Alaska. Benchmark Date March 1993.

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

annual average doesn't reflect a full year's worth of employment at the new retail outlets. A better idea can be gained from a December 1992 to December 1993 comparison, which showed general merchandisers adding 1,500 jobs.

Public sector growth primarily education-related; Federal growth overstated

Alaska's public sector added a little over 1,000 jobs in 1993. Some of the growth was education-related, while another portion was due to changes in federal government reporting practices. For the past several years, urban school districts have been expanding in response to growing school-age populations. The result has been growth in local government employment.

The 400 additional jobs reported by the federal government in 1993 are not really additions but the result of previous misreporting of federal agency employment. Accounting changes by several federal agencies have given a more accurate picture of their agency employment levels in Alaska, and the apparent federal government job growth is the result of this correction rather than a change in agency employment. In fact, the closure of the FDIC's Anchorage office in late 1993 probably resulted in a drop in federal government employment last year.

Employment reached a new peak in Anchorage

The biggest reason for the resurgence in the state's economy was Anchorage's performance. (See Figure 2.) Alaska's largest city enjoyed a year of robust employment growth, surpassing by 3,400 jobs the previous peak of 114,500 reached in 1985. The city's economy not only reached a new high but it did so with gusto. Anchorage posted a 3.0% gain, the strongest annual growth rate since 1990. The big contributors to this surge were construction and services. The public sector helped, to a lesser extent.

Construction was Anchorage's star player

The whiff of a construction boom was in the air in Anchorage in 1993. Construction em-

ployment grew 13%, reaching a work force of 6,100. Construction valuation for the Municipality reached \$389 million in 1993—\$144 million ahead of 1992. No single project or segment of the industry dominated these healthy increases. Residential building permits reached 1,194, which is 544 more than 1992 levels and made 1993 the busiest year since 1985. Commercial construction valuation was up by \$75 million; much of this increase was fueled by the erection of six major new retail stores. Public construction was led by ground breaking for the new Alaska Native Medical Center and Elmendorf AFB hospital. It is important, however, to put this boom into historical perspective. In 1984, during the city's last boom, 4,000 more construction jobs existed than in 1993.

A spin-off benefactor from Anchorage's building boom was the financial sector. The healthy building year and near record-low mortgage rates kept Anchorage's finance sector hopping. Nearly all of the banks posted strong profits for the year. Mortgage companies benefited from the refinancing and increased real estate activity.

Oil industry employment ends year on a positive note

Although oil industry employment failed to post annual gains in 1993, not all of the news was bad. The year began weak because industry-wide consolidation efforts spilled over into the first part of 1993. By August, however, employment with oil field service companies moved ahead of 1992. Busier exploration schedules, maintenance work and the installation of a large gas handling project (GHX-2) pushed the industry's employment numbers into the black during the latter part of the year.

Retail catches fire at year's end

In spite of the hoopla and grand openings in 1993, retail trade's employment numbers for the year did not budge. Early in 1993 ground was lost as some retailers cut back on staff. In addition, fallout from the loss of international passenger air carriers was still being felt. Some data reporting changes also caused a downward trend in trade. (See *Benchmark* article in this issue.) By the last quarter of the year, retail trade caught fire when Kmart,

Pace, Toys R Us, and Fred Meyer opened their doors. By December there were 1,350 more jobs in retail trade than the previous year.

Anchorage's largest private sector employer, services, generated the largest number of new jobs in 1993. The surge in construction helped make engineering services one of the most impressive winners in the industry. Business services was another positive player all year. It is benefiting from the increased use by businesses of temporary help and outsourcing. Medical services' strong growth record of the past was more subdued in 1993 due to staff cuts at Providence Hospital and moderate growth in other medical services.

Government numbers were mixed

Like the statewide numbers, Anchorage's federal employment gains look solid; but are misleading. Most of the growth represents a correction in the way the federal government agencies report employment. State government employment inched forward by 1.2%. This increase was all at the University of Alaska, Anchorage. State government agency employment fell slightly in 1993. Nearly all the local government growth came from the Anchorage School District as it hired more staff to take care of growing enrollments.

Modest growth in Fairbanks

Alaska's second-largest city, Fairbanks, also increased local school district staff because of growing enrollments. This boost in local government employment, along with slight increases at the state and federal levels, accounted for much of Fairbanks' 1993 job growth. Fairbanks' net increase of 500 jobs in 1993 meant a growth rate of 1.7%. This was a slowdown from 1992 when Fairbanks' economy created jobs faster than other urban centers. Fairbanks got a psychological boost, though, when the Pentagon announced the last round of military base closures. The only change was a decline of 600 troops at Ft. Wainwright, which started in October.

In the Fairbanks private sector, most of 1993's growth was in retail trade and services. The finance, mining, and manufacturing categories held at 1992 levels, while transportation

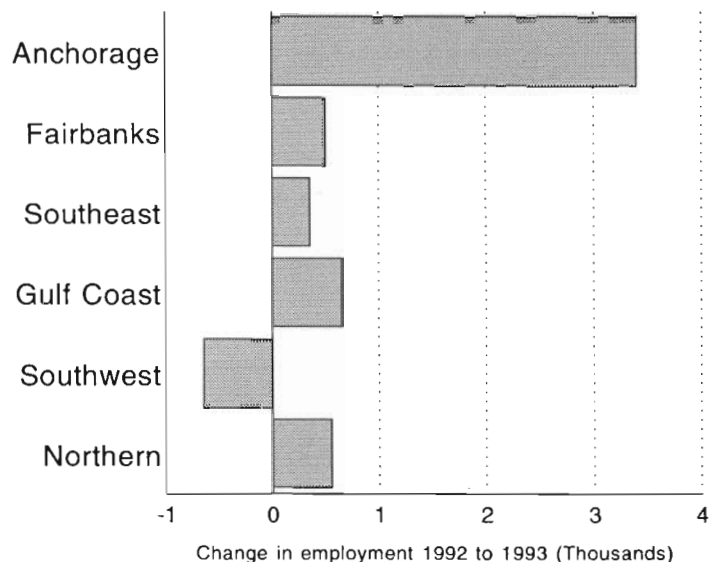
eked out some growth. Construction was the only industry in Fairbanks that had fewer jobs in 1993. There was a mix of public and private construction projects, the largest being a new science building at the University of Alaska and a Kmart store.

The Princess Hotel construction project ended in 1993. The new jobs associated with the May opening were an important contribution to services employment growth. Although the 1993 tourist season did not match the record-breaking pace of 1992's 50th Anniversary of the Alaska Highway, indicators pointed to a solid year for tourism in Fairbanks. Business, health, and other services also gained employment, giving this sector the strongest growth for 1993.

Fairbanks' retail sector maintained the large jump in employment from the previous year and then some. General merchandise stores, however, did not keep up with the pace set in 1992. For much of the year this category had 100-200 fewer jobs. The opening of Kmart in October boosted retail jobs and allowed annual average employment to match 1992 levels.

Figure • 2

Anchorage Led the Job Growth in 1993



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

A mixed picture in the Gulf Coast

The retail boom that started in Fairbanks in 1991 spread to the Gulf Coast region in 1993. Alaska's first Kmart opened its doors in Kenai in July. Work also began on a Fred Meyer which will open in Soldotna in the spring of 1994. In addition to providing competition for Kmart, the grocery section will compete with the Carrs food store which opened in 1992.

The retail sector accounted for only a small part of the growth story in Gulf Coast in 1993. New jobs in services and manufacturing contributed to most of the 650 net employment increase in Gulf Coast. In the services sector, hotel and health care jobs were on the rise. In the manufacturing industry, the gains usually attributed to seafood processing were absent in 1993. Other economic activities caused the gain. Seward welcomed the reopening of Chugach Alaska's sawmill in February and PetroStar opened its refinery in Valdez. A wood chip operation on the Kenai Peninsula and increased logging in the region also contributed jobs to this sector.

Mixed signals also marked the region's seafood industry. Kodiak's salmon harvest set an all-time high, mostly because of a record harvest of pink salmon. Cook Inlet had average runs of most species. Prince William Sound had a practically non-existent herring run. To make matters worse, the pink salmon harvest in Prince William Sound was also a bust. Low prices cast a pall over this industry, leaving many harvesters in poor financial shape.

There was good and bad news for the oil industry in Cook Inlet during 1993. The year started with high expectations for Arco's Sunfish discovery. However, delineation wells drilled this past season indicated that the prospect is not as large as originally thought.

Construction, trade, and service jobs boost Northern Region

Disappointing news on the oil exploration front was not limited to Cook Inlet. In the Northern region, Arco struck out three times in 1993 in efforts to find new oil fields. Con-

solidation of operations at Prudhoe and other efforts to become more efficient led to a job decline of 150 in 1993. Work on another gas-handling facility (GHX-2) increased construction jobs, though. Another large construction project—a \$35 million Alaska Native Health Service hospital in Kotzebue—also added to construction jobs. Other job increases came in the trade and services sectors, although some of these were paper gains due to changes in reporting of industry or location.

Southwest was the sole loser in the state

The Southwest region had the dubious honor of being the only area of the state to lose employment in 1993. Almost all the job loss was in the seafood processing sector, which dropped sharply after several years of job growth. The bottomfish boom, which kept many parts of the Aleutians and Pribilofs growing, evidently peaked in 1992 and began sliding this past year. An ever larger fleet of factory trawlers reaches the harvest quota in less and less time. What began as practically a year-round enterprise is now limited to about three months. Price was also a concern as a world-wide glut of surimi on the market pushed prices down.

The crab harvest was also below 1992 levels. Bristol Bay fishermen caught a record number of red salmon, but the salmon season was a disaster for other parts of this region. The chum salmon decline in western Alaska, evident for several years, reached a critical low point this year. The weakest runs ever reported on the Yukon and Kuskokwim rivers prompted closure of commercial and even subsistence harvests.

Despite setbacks, Southeast employment crept upwards

Like Southwest Alaska, employment setbacks also plagued Southeast in 1993. Employment in Southeast grew slowly (1.0%) between 1992 and 1993. Nevertheless, any growth at all represents a significant accomplishment given the bad news about several major well-paying employers. Low metal prices pushed the Greens Creek silver, zinc and lead mine into shutting down at the end of March and laying off more than 200 em-

ployees. Poor market conditions and restricted supplies of timber led to an extended maintenance shutdown at the Ketchikan pulp mill in May and to the permanent closure of the Sitka pulp mill in October, ultimately costing nearly 400 employees their jobs.

Several positive factors helped offset the problems facing Southeast industries. Poor prices hurt the pulp industry, but lumber prices remained high and sawmills fared relatively well. All segments of the forest products industries were hampered by supply restrictions, however, and logging employment was down. Unusually high pink salmon runs in most of Southeast helped out seafood processing, the other major manufacturing industry. Prices remained low, however, and seafood harvesters (not included in our employment statistics) probably did not fare well.

Several other industry groups grew in 1993. Construction employment was up significantly as contractors were busy with the construction of several major retail outlets in Juneau, with the Tongass Visitor Center in Ketchikan, and with public works and residential construction projects throughout the region. Inauguration of new large cruise ships helped tourism traffic to increase—one factor explaining growth in retail industries. Major changes came to the Southeast retail scene as Price-Costco and Mapco opened outlets in Juneau and Carr-Gottstein stepped into the region by purchasing two Ketchikan supermarkets. Services also increased, primarily in the miscellaneous services group.

A decrease in federal government employment for the region appears to have occurred, but it resulted from improved reporting procedures—Anchorage staff in a federal agency had previously been reported in Juneau. State employment declines reflected cutbacks in state agencies as well as a Marine Highways vessel that was out of service longer than anticipated in the spring and early summer.

Despite setbacks, economy regains momentum in 1993

In 1993 Alaska's economy grew at a moderate 2.1% pace. Resurgent private-sector construction, the continuing retail expansion, growth in the services sector and new businesses were all significant contributors to economic growth. More important, the growth rate in 1993 was greater than in 1992, reversing the trend of declining growth rates in place since 1990. Two high-profile plant closures in Southeast Alaska and job losses associated with Alaska's struggling fishing industry tempered the state's job growth.

Growth was imbalanced regionally. Anchorage's economy provided the momentum for growth while Southeast and Southwest Alaska brought up the rear. Accompanying the job growth was lower unemployment, also reversing a trend toward higher unemployment in place since 1990. On balance, 1993 turned out to be a fairly good year for Alaska's economy, although some sectors, particularly resource-based industries, continued to struggle.