

Job Growth Continued in 1996 Despite Setbacks

by John Boucher, Neal Fried, Kristen Tromble, Brigitta Windisch-Cole

Despite setbacks, Alaska's economy grew for the ninth straight year in 1996, propelled by an expanding services sector, another solid visitor season, selected retail trade growth and a budding hard rock mining industry. However, job growth was slower than at any other time during the 1990s. Fishing and timber industry woes combined with federal government downsizing, a slower construction season, and continued consolidation in Alaska's oil industry to further slow employment growth. Nevertheless, wage and salary jobs grew 0.6%, slightly more than half of the 1.0% pace set in 1995. No growth in Alaska's financial industry rounded out the factors leading to the slow employment growth.

1,200 more jobs in 1996

Although Alaska's economy added 1,200 jobs in 1996, this was the smallest job gain posted in the 1990s. (See Table 1.) From 1990-94, Alaska's economy added about 5,000 jobs a year. In 1995, the economy grew by 2,800 jobs.

Several factors caused the slower job growth. Alaska's manufacturing sector had a down year in 1996. Low salmon prices influenced the level of seafood processing employment, and fewer logging jobs meant a loss of employment in the lumber and wood products sector. Civilian and military agencies continued to shed employees, extending federal government employment decline into a third straight year. After a string of three strong growth years, employment in the construction industry slipped back. The oil industry suffered from the after effects of the ARCO layoff, continued downsizing at Alyeska Pipeline, and consolidation at oil field service companies.

Health care, business services, social service providers push services growth

The biggest contributor to Alaska's job growth last year was services. (See Figure 1.) Nearly every facet of services added jobs. Job additions were noted in hospitals and health care facilities and in firms providing business services. Business services firms that performed notably included those that provide facilities maintenance and management, equipment rental and supply, and computer programming and other computer-related services.

Social services agencies, particularly those providing residential and social care for individuals, experienced a healthy employment increase last year. Amusement and recreation services, a sector heavily influenced by Alaska's visitor industry, posted another solid year of employment growth. One notable exception to services growth was hotels and lodging places. Hotel employment fell as some of Alaska's larger hotels cut back on their level of service. Actions included reducing their level of restaurant service and cutting staffing levels during seasonal slowdowns in operations. The legal services portion of the

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Figure • 1

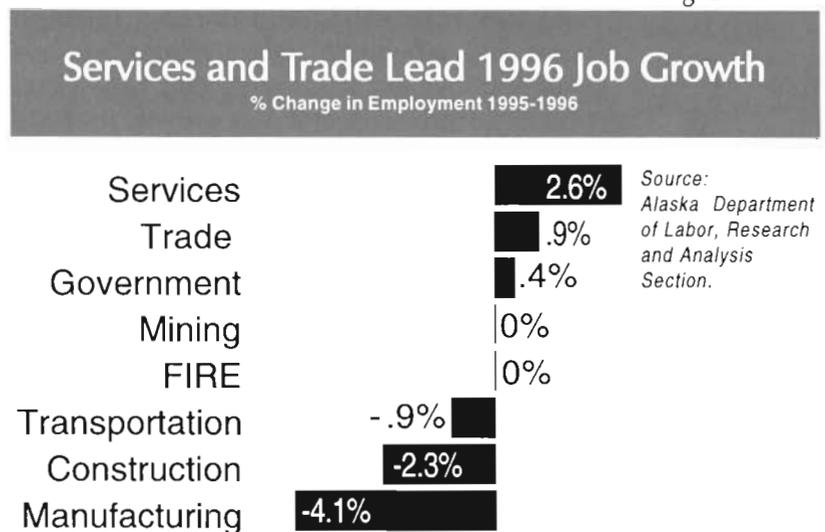


Table • 1

Change in Wage & Salary Employment 1995-1996

	Alaska				Municipality of Anchorage				
	1995	1996	Change	Percent Change	1995	1996	Change	Percent Change	
Total Nonag. Wage & Salary	262,000	263,200	1,200	0.5	Total Nonag. Wage & Salary	120,500	120,600	100	0.1
Goods-producing	39,700	38,600	-1,100	-2.8	Goods-producing	11,200	10,700	-500	-4.5
Mining	10,000	10,000	0	0.0	Mining	2,700	2,500	-200	-7.4
Construction	12,800	12,500	-300	-2.3	Construction	6,400	6,300	-100	-1.6
Manufacturing	16,900	16,200	-700	-4.1	Manufacturing	2,100	2,000	-100	-4.8
Durable Goods	3,200	3,100	-100	-3.1	Service-producing	109,300	109,900	600	0.5
Lumber & Wood Products	2,200	1,900	-300	-13.6	Transportation	12,000	11,800	-200	-1.7
Nondurable Goods	13,600	13,100	-500	-3.7	Air Transportation	4,900	4,600	-300	-6.1
Seafood Processing	10,400	10,100	-300	-2.9	Communications	2,100	2,200	100	4.8
Pulp Mills	500	500	0	0.0	Trade	29,700	29,700	0	0.0
Service-producing	222,300	224,600	2,300	1.0	Wholesale Trade	6,400	6,500	100	1.6
Transportation	22,900	22,700	-200	-0.9	Retail Trade	23,300	23,200	-100	-0.4
Trucking & Warehousing	2,700	2,800	100	3.7	Gen. Merch. & Apparel	4,800	4,500	-300	-6.3
Water Transportation	2,000	1,900	-100	-5.0	Food Stores	3,000	2,800	-200	-6.7
Air Transportation	7,800	7,500	-300	-3.8	Eating & Drinking Places	8,100	8,100	0	0.0
Communications	3,700	3,800	100	2.7	Finance-Ins. & Real Estate	7,200	7,100	-100	-1.4
Trade	54,100	54,600	500	0.9	Services & Misc.	32,400	33,500	1,100	3.4
Wholesale Trade	8,700	8,800	100	1.1	Hotels & Lodging Places	2,600	2,500	-100	-3.8
Retail Trade	45,500	45,800	300	0.7	Business Services	5,500	5,900	400	7.3
Gen. Merch. & Apparel	9,100	9,000	-100	-1.1	Health Services	6,700	7,100	400	6.0
Food Stores	7,100	7,000	-100	-1.4	Engineering & Mngmnt. Serv.	5,100	5,100	0	0.0
Eating & Drinking Places	15,000	15,200	200	1.3	Government	28,100	27,800	-300	-1.1
Finance-Ins. & Real Estate	11,700	11,700	0	0.0	Federal	10,500	10,000	-500	-4.8
Services & Misc.	60,800	62,400	1,600	2.6	State	8,100	8,100	0	0.0
Hotels & Lodging Places	6,400	6,300	-100	-1.6	Local	9,500	9,700	200	2.1
Business Services	7,500	8,000	500	6.7					
Health Services	13,200	13,700	500	3.8					
Engineering & Mngmnt. Serv.	7,300	7,400	100	1.4					
Government	72,800	73,100	300	0.4					
Federal	17,600	17,300	-300	-1.7					
State	21,500	21,600	100	0.5					
Local	33,700	34,200	500	1.5					

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 school systems and the University of Alaska. Benchmark: March 1996

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

industry also lost employment, continuing a three-year slide in employment at attorneys' offices.

Retailers post job gain despite losses in some categories

Fueled by new eating and drinking establishments and growth in miscellaneous retailers, retail employment was the second largest contributor to private-sector job growth in 1996. Eating and drinking establishments posted a third consecutive year of job growth. Gas stations, boat dealers, building supply stores, furniture stores and gift shops also contributed to retail job growth. The other major segments of retail posted slight contractions. General merchandisers retrenched from the astounding growth that occurred early in the decade. Chain store job counts moved down as retailers adjusted to the new ultra-competitive environment that resulted after a series of store openings that concluded in 1994. Food stores job growth also sputtered in 1996, as

the expansion that paralleled growth at general merchandisers came to a close.

Oil layoffs over-shadow hard rock mining gains

The oil industry downsizing that occurred following the ARCO layoffs combined with the continued consolidation of oil field service contractors to make for one of the roughest shake out periods in Alaska's oil and gas industry in recent years. Oil industry job losses took their toll particularly on Anchorage and the North Slope, but the economic reverberations were felt throughout the state.

On the non-oil mining front, 1996 saw several hard rock mining projects come into production, so that by the end of the year, the hard rock mining industry had posted an impressive 30 percent employment gain. The biggest contributors to this gain were the reopening of the Greens

Change in Wage & Salary Employment 1995-1996

Southeast Region

	1995	1996	Change	Percent Change
Total Nonag. Wage & Salary	35,700	35,900	200	0.6
Goods-producing	5,800	5,700	-100	-1.7
Mining	200	250	50	25.0
Construction	1,600	1,750	150	9.4
Manufacturing	4,000	3,650	-350	-8.8
Durable Goods	1,700	1,400	-300	-17.6
Lumber & Wood Products	1,550	1,250	-300	-19.4
Nondurable Goods	2,350	2,250	-100	-4.3
Seafood Processing	1,600	1,450	-150	-9.4
Pulp Mills	500	500	0	0.0
Service-producing	29,900	30,200	300	1.0
Transportation	2,850	2,850	0	0.0
Trade	6,650	6,700	50	0.8
Wholesale Trade	500	500	0	0.0
Retail Trade	6,100	6,200	100	1.6
Finance-Ins. & Real Estate	1,400	1,450	50	3.6
Services & Misc.	6,700	6,750	50	0.7
Government	12,300	12,400	100	0.8
Federal	1,950	1,950	0	0.0
State	5,400	5,350	-50	-0.9
Local	5,000	5,150	150	3.0

Gulf Coast Region

	1995	1996	Change	Percent Change
Total Nonag. Wage & Salary	27,000	26,800	-200	-0.7
Goods-producing	7,000	6,700	-300	-4.3
Mining	1,150	1,000	-150	-13.0
Construction	1,150	1,150	0	0.0
Manufacturing	4,700	4,550	-150	-3.2
Seafood-Processing	3,450	3,200	-250	-7.2
Service-producing	20,000	20,100	100	0.5
Transportation	2,250	2,250	0	0.0
Trade	5,000	5,050	50	1.0
Wholesale Trade	650	600	-50	-7.7
Retail Trade	4,400	4,450	50	1.1
Finance-Ins. & Real Estate	700	700	0	0.0
Services & Misc.	5,300	5,350	50	0.9
Government	6,700	6,750	50	0.7
Federal	650	700	50	7.7
State	1,750	1,700	-50	-2.9
Local	4,300	4,350	50	1.2

Fairbanks North Star Borough

	1995	1996	Change	Percent Change
Total Nonag. Wage & Salary	31,200	31,850	650	2.1
Goods-producing	3,200	3,250	50	1.6
Mining	750	950	200	26.7
Construction	1,950	1,800	-150	-7.7
Manufacturing	550	500	-50	-9.1
Service-producing	28,000	28,600	600	2.1
Transportation	2,300	2,350	50	2.2
Trucking & Warehousing	500	550	50	10.0
Air Transportation	550	600	50	9.1
Communication	300	300	0	0.0
Trade	6,950	7,000	50	0.7
Wholesale Trade	800	750	-50	-6.3
Retail Trade	6,150	6,250	100	1.6
Gen. Merch. & Apparel	1,250	1,250	0	0.0
Food Stores	700	750	50	7.1
Eating & Drinking Places	2,300	2,350	50	2.2
Finance-Ins. & Real Estate	950	1,000	50	5.3
Services & Misc.	7,550	7,800	250	3.3
Government	10,250	10,500	250	2.4
Federal	3,000	3,200	200	6.7
State	4,350	4,350	0	0.0
Local	2,850	2,950	100	3.5

Southwest Region

	1995	1996	Change	Percent Change
Total Nonag. Wage & Salary	17,250	17,400	150	0.9
Goods-producing	5,500	5,500	0	0.0
Seafood-Processing	5,200	5,250	50	1.0
Service-producing	11,750	11,900	150	1.3
Government	5,350	5,450	100	1.9
Federal	550	450	-100	-18.2
State	500	500	0	0.0
Local	4,300	4,450	150	3.5

Northern Region

	1995	1996	Change	Percent Change
Total Nonag. Wage & Salary	15,300	15,300	0	0.0
Goods-producing	5,550	5,450	-100	-1.8
Mining	4,950	5,000	50	1.0
Service-producing	9,800	9,800	0	0.0
Government	4,750	4,650	-100	-2.1
Federal	200	200	0	0.0
State	300	300	0	0.0
Local	4,200	4,150	-50	-1.2

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

Creek mine and the beginning of mining at the Fort Knox gold project. Also contributing to employment gains were the Nixon Fork mine and expansion at several other smaller mines around the state.

Manufacturing heads list of job losers

Alaska's manufacturing industry led 1996's list of declining industries. Despite a bountiful harvest, low salmon prices meant trouble for processors and fishers. The effect on employment was a drop of over 300 jobs in the seafood processing sector. In the wood products industry, shutdowns and shift cutbacks characterized the sawmill segment. Meanwhile the logging portion of the industry experienced sharp cutbacks as timber harvesting levels dropped off significantly from 1995's level. The pulp mill segment of the industry held steady in 1996, but late in the year Ketchikan Pulp Company announced that its pulp mill in Ketchikan would close in March 1997.

Construction posts first loss in three years

Following three years of solid growth, employment in Alaska's construction industry declined slightly in 1996. While residential building construction managed to outstrip 1995's level, a sharp drop in heavy construction led to the overall employment drop. Much of this drop was in contractors associated with Alaska's oil and gas industry. Oil industry downsizing was one reason that Alaska's heavy construction industry posted an employment drop in 1996.

Despite the employment drop, public construction such as the Healy Clean Coal facility, numerous schools, the Elmendorf hospital, and rural water and sewer projects kept builders active. A solid year for highway and street renovation also contributed to public sector construction spending. Big projects outside of the public sector were often related to investment in Alaska's tourism and mining sectors. Interior Alaska was a hot spot as construction work at the Fort Knox gold mine and the reconstruction of the Princess Hotel at Denali Park gave the industry a boost.

Federal losses slow to 300 jobs

After losing more than 1,000 jobs in 1995 due to the effects of federal government downsizing, federal government employment losses began to subside. The reinvention of government took its toll on Alaska's larger federal agencies like the Bureaus of Land Management, Indian Affairs, and Mines in the Interior Department, the Forest Service in the Department of Agriculture, and the Federal Aviation Administration in the Department of Transportation.

In state government, employment held steady. At the local level, employment crept up due to increased school enrollment and new school facilities.

Anchorage's economy grows for the eighth straight year

By adding 100 jobs to its work force in 1996, Anchorage posted its eighth straight year of employment growth; however, this was a fraction of a percent increase for the year (0.1%), making it the weakest showing in eight years and a close repeat of 1995's gain. (See Figures 2 and 3.) Unlike 1995, however, no major negative economic events grabbed the headlines. Instead, small gains and losses described 1996. The exceptions were the service industry, which put in another strong year, and the federal work force that experienced sizable losses.

Services, services and more services

Without the strong performance by the services industry, total employment in Anchorage would have fallen in 1996. Services grew by three percent or 1,100 jobs.

Health care, the largest employer in services, provided 400 additional jobs, nearly a third of the industry's growth. Population growth cannot explain these increases, since Anchorage's population remained largely unchanged in 1996. New medical procedures and an aging population might explain some of these gains. There is also evidence that health care professionals, to

escape managed care elsewhere in the country, are relocating to Anchorage.

Business services also showed employment gains. This sector has benefitted as firms contract out services and use contingent and temporary workers. In recent years, losses in the oil industry, banking, transportation and the public sector translated into increases for business services. Social services also experienced moderate increases. Growth in other parts of services provided an additional boost to the state's largest city.

Oil industry employment dips, but other news was good news

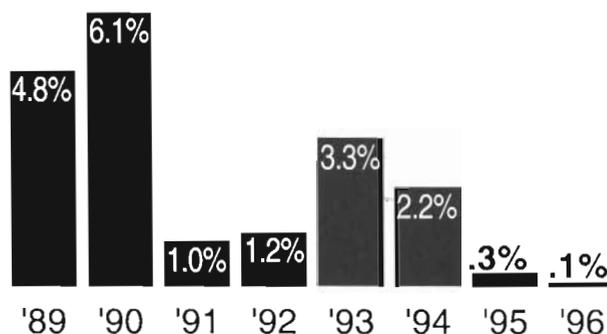
After big losses in 1995, oil industry employment dipped in 1996. More important developments unfolded in 1996 that helped mask these small losses. Oil prices were three to four dollars higher. ARCO Alaska and British Petroleum announced their most ambitious development programs in many years, which may include the development of at least four new fields, including West Sak, Alpine, Badami and Northstar. These developments could stave off further oil industry employment losses in the industry's headquarter city.

Construction employment holds steady

The size of Anchorage's construction workforce changed little in 1996. A mix of construction activity in public sector, commercial, and residential areas kept the industry's numbers strong. Big projects included continued work on the new Elmendorf Air Force hospital, construction of First National Bank's new headquarters and computer processing facility, the new Marriot-Courtyard hotel, completion of four new schools, and near completion of the new Alaska Native Hospital. Moreover, residential construction ended on a stronger note than expected. In fact, the city issued the largest number of residential building permits (1,153) in 11 years.

Anchorage Posts Eighth Year of Growth

% Change in Employment from Previous Year



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

Financial sector gets leaner

The loss of 100 jobs in 1996 did not reflect a weaker financial sector. Most banks enjoyed a decent year in 1996. Instead, technology and contracting out services are the biggest reasons employment dropped in 1996.

Air transportation employment stabilizes

Although air transportation employment fell, losses were moderate compared to 1995. Nearly all of the job loss was related to Mark Air Express's demise in late 1995. Aside from this layoff, the rest of air transportation grew in 1996. Several carriers quickly moved in to fill the gap left by Mark Air's closure. At the interstate level one new carrier, America-West, entered the market and others added flights. Federal Express continued to expand their workforce in 1996, and United Parcel Express built a new facility. Another direct Europe to Alaska charter operation moved into the market, and the number of international passengers climbed by nearly 100,000.

Elsewhere in the transportation industry, the continued downsizing of Alyeska Pipeline Services contributed to job losses in Anchorage's transportation sector.

Retail loses jobs

Retail's workforce fell 100 jobs from its 1995 level of 23,300. After the heady years of 1994-95, this decline was not unexpected. Although no large retailers closed their doors in 1996, a group of small and medium-sized retailers disappeared and others shaved staff levels. Retail's employment losses came in spite of the additions of Barnes and Noble and CompUSA. Possibly the most dynamic sector of retail was the restaurant business. Four new brew-pubs opened in 1996 along with several other eating establishments. But surprisingly, even with this strong showing, employment in this sector of retail stayed even with that of 1995.

Federal government losses shrink public sector for third year

Federal government was the largest job loser in Anchorage, shedding 500 jobs. These losses put Anchorage's federal civilian work force at a ten-year low and caused overall public sector employment to decline again in 1996. For the fifth year in a row, state government employment remained unchanged. Local government employment crept up by 200 jobs. Most of these gains came as the result of four new schools opening and enrollments climbing.

Fairbanks the fastest growing area

By adding 650 new jobs in 1996, Fairbanks earned the title of fastest growing area in the state. (See Figures 3 and 4.) The 2.1% growth rate outpaced last year's 1.8% rate. Although most industries contributed, the mining sector put the shine on Fairbanks' economic performance. Only a few industries showed slight downward adjustments in employment levels. Construction, for example, could not hold on to last year's level. The few industries that experienced setbacks were offset by gains in other industries and the public sector, netting another year of economic expansion for Fairbanks.

While the Fort Knox mine, with a price tag of \$350 million, stimulated construction activities

in Fairbanks over the past two years, its preparation for the November production start-up reinstated Fairbanks as a gold mining town. On average, gold mining employment nearly doubled in one year. At year's end, about 250 employees worked at Fort Knox, making it one of Fairbanks' largest private sector employers. Other gold mining companies in the district also stepped up exploration efforts. The development of the Illinois Creek mine, located in the Yukon Koyukuk area, will soon give another boost to mining employment in the Interior.

Despite an employment drop caused by the completion of large construction projects, construction recorded its second best season since 1985. In 1995, construction employment reflected building activities on three large job sites: Fort Knox, the Healy Clean Coal project, and the Eielson Air Force base housing project. This past year, although construction employment peaked at Fort Knox, it also came to an end. The second phase of the Healy Clean Coal project helped keep employment up. Other projects, however, were not large enough to repeat 1995's exceptional performance.

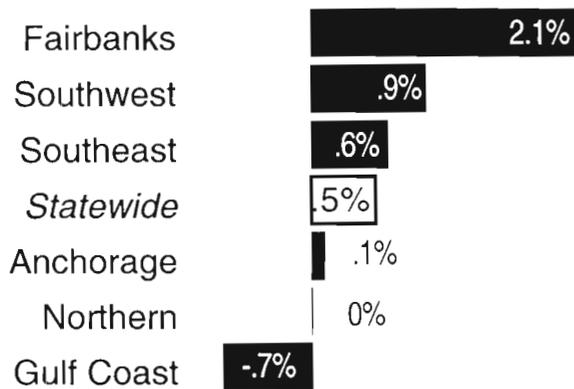
Another successful visitor season helped add jobs in support industries such as services, transportation, and trade. Although highway traffic dropped off by over 25 percent, the number of airline passengers arriving in Fairbanks rose by more than 25,000 during the second and third quarter of the year. An increased number of cruise ship passengers touring the Interior helped fill lodging places, which in turn boosted hotel receipts during the travel months by 3.4% from last year's level.

Services made a healthy contribution to employment growth with 250 new jobs. Several new hotels opened their doors, while health care, business and other service categories contributed to the 3.3% industry job growth. The diverse mix of the new service industry jobs reflects well on the upbeat confidence in Fairbanks' economy.

Figure • 3

Fairbanks Leads Regional Growth

% Change in Employment 1995-1996

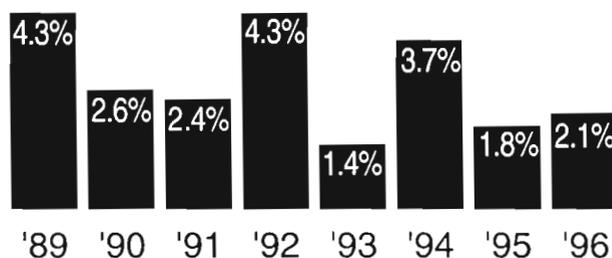


Source:
Alaska Department
of Labor, Research
and Analysis
Section.

Figure • 4

Fairbanks Still Perking

% Change in Employment from Previous Year



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

Trade employment regained its 1994 level, making up for last year's losses. Restaurant and food stores contributed to the over-the-year employment gain, but employment growth has slowed in most trade industries. One reason is that the regular customer base has changed little in Fairbanks since 1990. Population has grown by slightly over six percent in the past six years. A troop draw down of military personnel between 1991 and 1995 subtracted 4,200 people from retail's customer base. The military's realignment is nearly complete and last year Fairbanks' military population trend showed a slight reversal.

Federal employment gained 200 jobs over last year; however, this reflects a change in reporting the location of military reserve jobs. Previously, the Air National Guard and Alaska's Army National Guard reported all of their employment in Anchorage. When the reporting change is factored out, federal government employment showed a continuing, although slower, downturn in Fairbanks. Employment levels in state government remained unchanged and local government showed an increase. Most job growth occurred in school-related employment. School districts' increased staff levels corresponded with a rise in school enrollment.

Economic performance weakens in the Gulf Region

Fish-processing and oil industry job losses subtracted from the 1995 employment levels in the Gulf region. Fish processing employment losses were not surprising because seafood processors throughout the region had expressed a reluctance to buy and process 1996's pink salmon harvest. Declining crude oil production in Cook Inlet affected oil-related employment. Other industries could not quite absorb these employment losses because their job growth was moderate. Overall the Gulf's economy registered a decrease of 200 wage and salary jobs—a loss of less than one percent.

Construction employment showed no change from last year's level, although a few towns in the region had large construction projects in progress.

In Valdez, for example, the pipeline's vapor recovery project created work for heavy construction workers. Workers in Kodiak completed the second phase of the Coast Guard's housing project. Construction crews in Homer finished a new elementary school. In Seward, the Alaska SeaLife Center project moved ahead of schedule. Workers on the state's largest road project, the Seward Highway, finished another phase.

Fish processing employment was down 250 jobs from the year before. High inventories, left over from the 1995 pink salmon harvest, kept fish buyers indifferent to the 1996 catch. Market prospects did not improve during the season, and harvesters, discouraged by price offerings as low as five cents per pound for pinks, made little effort

to scoop up the catch. An abundant sockeye harvest in Cook Inlet exceeded expectations, and Kodiak also enjoyed a good sockeye fishery. The groundfish, flatfish and herring fisheries, which have not been plagued by a glutted global market, all progressed well. The drop in fish processing employment, therefore, stems from the salmon fisheries.

Mixed results were reported for the 1996 visitor season. Among the tourist spots on the Kenai Peninsula, Seward may have attracted the most "outside" visitors. Cruise ship passenger counts were up from the year before. Other towns on the Kenai Peninsula, along the coast of Prince William Sound, and Kodiak did not do as well. Gross sales receipts on the Kenai Peninsula and Kodiak and hotel receipts in Valdez all pointed to a lackluster visitor season in 1996. This helps explain why employment in the trade, transportation and service industries barely posted a gain over 1995.

Over all, the public sector in the Gulf region added 50 jobs this past year. Both federal and local governments added 50 jobs each, while state government employment declined. Local government job growth would have been more brisk were it not for the privatization of the Seward General Hospital. Its employees shifted from the public to the private sector. School-district-related employment did not rise to match the increased school enrollment because of budget constraints. Reinventing government at the state level and tight budgets brought about some job losses.

Fishing still king in Alaska's Southwest region

During 1996, Southwest Alaska added 150 jobs to its employment base, posting a growth rate of less than one percent. In spite of the problems in salmon markets, seafood processing employment grew. Service producing industries led job growth by creating 150 new jobs.

Throughout the year, employment trends in seafood processing mirrored the gyrations of seafood prices on global markets. First-quarter employment, for example, ran about level with 1995's performance during the crab and groundfish harvesting seasons. Average employment during the second quarter moved ahead of last year's performance because of Bristol Bay's bountiful and profitable herring catch. Employment dropped off from last year's level during the third quarter's fishery. The sockeye salmon harvest came in below 1995's voluminous catch, and attracted fewer buyers to process fish. During the fourth quarter, fish processing employment regained ground with bottom fish and crab harvests in progress.

Service industries and local government created new jobs in the region. Most of the new jobs were in health care and public education. Civilian federal employment continued to lose ground during 1996 because of the upcoming closure of Adak's naval base.

Northern region prepares for oil development

Total wage and salary employment numbers for the Northern region, which includes the Nome Census Area, the Northwest Arctic Borough and the North Slope Borough, came in at the same level as the year before. Only a few shifts occurred in industry employment.

Oil patch employment regained about 50 jobs. Winter drilling during the first three months of the year pushed up the average annual employment level. In the later part of the year oil-related exploration activities tapered off. However, in the fall, oil producers announced the go-ahead of several large development projects starting in 1997.

Government employment in the Northern region did not fare as well. Local government showed 50 fewer wage and salary jobs. A good portion of the losses came from school-district-related employment.

Southeast growth slows

In 1996, Southeast added 200 wage and salary jobs. This increase represented a significant slowdown in the rate of employment growth, which fell to 0.6% from the previous year's rate of over two percent. (See Figure 5.) Manufacturing losses in timber and seafood processing employment dragged Southeast's economic performance to this lower than expected level.

Both the timber and fishing industries struggled with problems of price and supply. Timber companies complained of a lack of Tongass trees available to cut, while prices for pulp and other wood products fell. In a market swamped with salmon, prices dove, with fishers selling some species for as little as five cents per pound.

All of these factors impacted employment. Timber industry employment fell 14.6%, with 300 jobs lost, all in the sector that includes logging and sawmills. Timber's troubled year culminated with the announcement that Ketchikan's pulp mill would close in March 1997. With Ketchikan Pulp Company's two sawmills scheduled to remain open, some of the employment lost in 1996 will likely be recovered in 1997. However, the loss of 500 pulp mill jobs guarantees this industry's further overall decline.

On the processing side of the seafood industry, employment dropped 9.4%. The temporary closure of Pelican Seafoods accounted for a portion of this sector's job losses. The plant later reopened under new owners at reduced employment levels.

These actual and anticipated job losses likely slowed the rate of employment growth in other industries. Decreased manufacturing activity led to less work for support industries, while worried residents in the affected communities deferred purchases of goods and services.

However, aside from timber and seafood processing, only one other industry registered an employment decline. State government employment was down almost one percent. In addition,

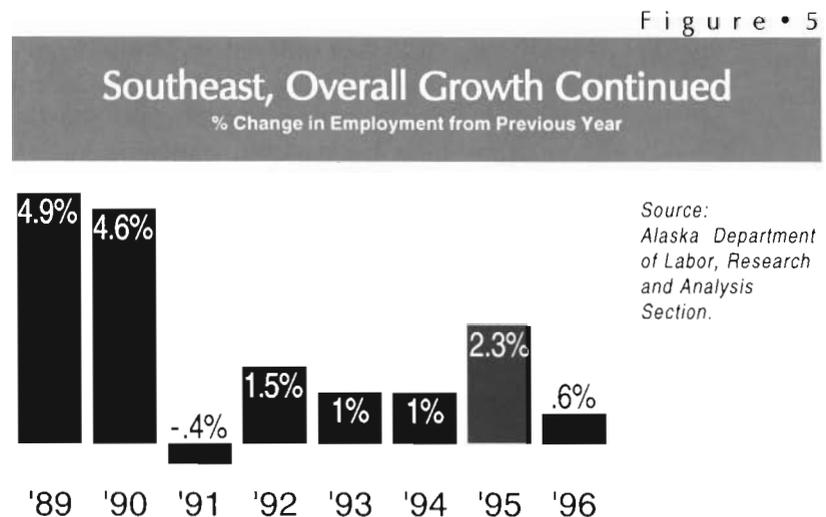
transportation, wholesale trade and federal government employment levels did not change.

Fortunately, growth in other industries boosted the region's employment to a net gain. Propelled by the reopening of Greens Creek, mining, the smallest industry, claimed the top growth rate of 25.0%. Construction and local government added the most jobs, contributing 150 each.

Construction was driven by projects across industries. In Ketchikan, a new indoor recreation center neared completion, and building continued at the Spruce Mill Development, a retail and office complex. Sitka reported a busy residential construction year and continued expansion work at Thomsen Harbor. In Juneau, the residential construction boom roared through another year with permits issued for 348 new housing units, and the University of Alaska campus added a new dorm. Commercial and industrial development boomed in the area around Costco, a private cruise ship dock opened, and the new tram carried its first passengers at the end of the tourist season.

Most of the growth in local government was in the non-education sector. The Metlakatla Indian Community provided about one-third of the new local government jobs.

Driven by expansion at Native corporations, Finance, Insurance and Real Estate was the third



fastest growing industry in the Southeast Region. Fifty jobs were added in this industry during the past year, for a growth rate of 3.6%.

Though not measured as a discrete industry, tourism's continued growth was another major factor in Southeast's employment gains. A record number of cruise ship passengers visited the area, while new charter fishing and tour offerings expanded options for more independent travelers. However, Holland America's decision to move overnight turnarounds from Juneau to Skagway scuttled, at least temporarily, plans for a downtown hotel in Juneau.

Two changes resulted in employment shifts between industries. Services growth was affected by a change in the hotel sector. In 1996, Glacier Bay Lodge closed and reopened under a new name and new owners in the retail trade. This change held services' growth rate down, while boosting retail's. However, thanks to a robust growth rate of 6.7% in health services, the services industry managed a net gain. Continued expansion at SEARHC provided a significant portion of this increase. In another change, as of January 1995, White Pass-Yukon Railroad was reclassified into services to reflect its focus on tourism. Without this shift, transportation would have shown slight job growth.

Area differences apparent

Summarizing employment growth at the regional level masks important differences among areas. Juneau benefitted from the reopening of Greens Creek mine and a strong construction season. Despite the halt in the Alaska-Juneau mine project, Juneau's immediate outlook remains promising.

Ketchikan and Prince of Wales sweated through a stressful year fraught with unsettled timber issues. As some of these issues approach resolution, these areas can expect further uncertainty and change. In Sitka, Wrangell, and Ketchikan, all communities directly hit by this decade's cuts in timber, population declined from 1995 to 1996. Some Prince of Wales communities dependent on logging also lost population. Population numbers estimated as of July 1 may understate the losses by year's end. Most other communities in the region registered population gains.

One effect of the disparate performance within the region is increased competition among the communities to attract new job-creating businesses. Leaders in the region will be challenged to promote cooperation among communities and provide an equitable distribution of resources.

Setbacks meant slower job gain in 1996

Despite numerous setbacks, Alaska's economy grew at a 0.6% pace in 1996. Broad-based job growth in the services sector, a solid tourism year, some selected retail expansion and a resurgent hard rock mining industry were significant contributors to employment growth. Meanwhile, timber, seafood, and oil industry downsizing coupled with federal government layoffs to curb Alaska's employment growth.

Regionally, growth was somewhat balanced. Fairbanks, Southwest and Southeast Alaska and Anchorage all managed to grow. On the flat or negative side of the ledger were the Gulf Coast and Northern regions. On balance, Alaska's economy managed to grow a bit in 1996.