

# Alaska's Northern Region

By Neal Fried

## A Common Thread

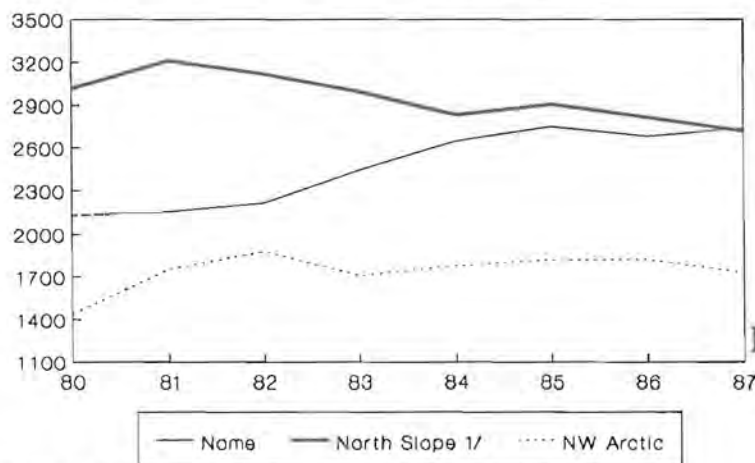
**J**ob opportunities are scarce; subsistence is a way of life; roads connecting the region to the rest of the state are virtually nonexistent; government is the major source of employment; subsurface minerals are abundant; and almost three quarters of its residents are Inupiaq Eskimo. These attributes weave a common thread through the Northern region of Alaska which includes the Nome census area, the Northwest Arctic Borough, and the North Slope Borough.

The region is characterized by small communities. Of the region's 37 communities, 19 have populations of 250 or fewer, and there are only three with more than 1,000 inhabitants. None has a population greater than 3,500. Barrow, Kotzebue, and to a lesser extent Nome operate as administrative and supply centers for the two boroughs and one census area. They are the only communities in the region that provide significant wage and salary employment opportunities to their residents.

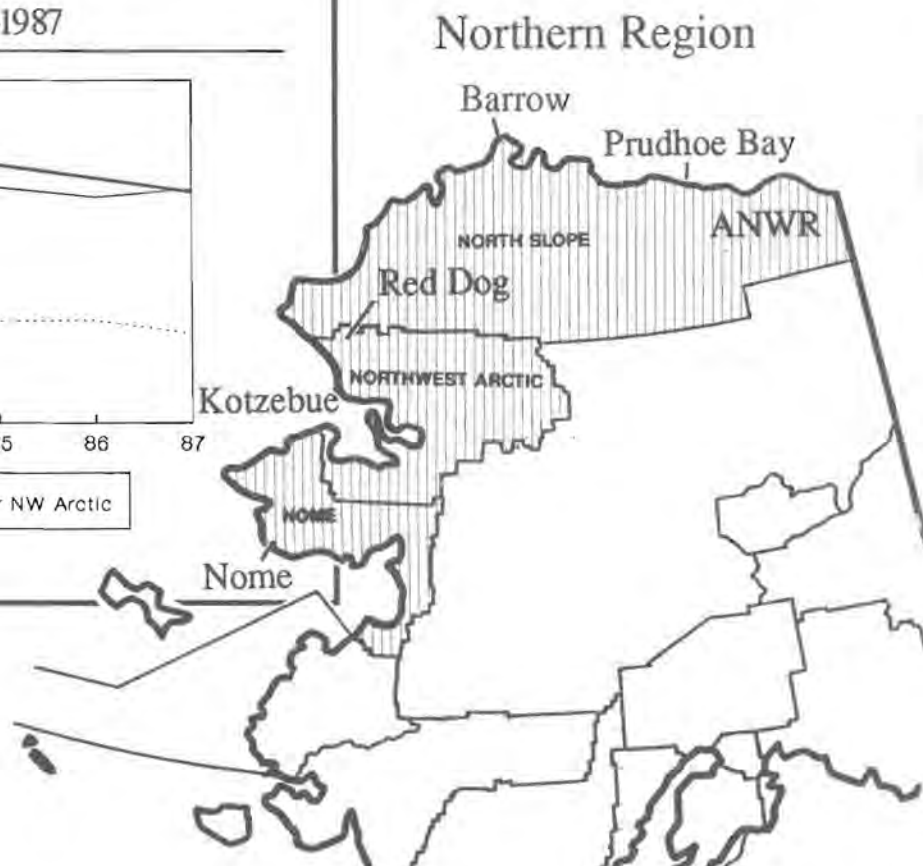
The scarcity of economic and employment opportunities for two-thirds of the region is clearly reflected in per capita income figures. For example, Northwest Arctic Borough's 1986 per capita income of \$12,613 ranked 19th in the state (out of 23) and was only 70% of the statewide per capita income of \$17,969. Nome did not come in much higher at \$13,747. On the other hand the North Slope Borough's per capita income of \$21,590 ranked fourth in the state.

Lack of employment opportunities and low incomes have also led to a higher incidence of poverty in the region. The incidence of poverty is more than twice as high in the Northwest Arctic Borough and Nome than statewide (27% and 28% versus 11% for the state). The North Slope Borough has been more fortunate; its rate is similar to the state's.

Figure 1  
Northern Region Employment 1980-1987



1/ Excludes Prudhoe Bay



On a positive note, the state's recession did not take as great a toll on the region's employment as it did elsewhere. With the exception of the North Slope Borough, little or no employment losses are evident (figure 1). This is largely because of the region's disproportionately large public sector. The public sector has experienced employment losses, but they have been smaller than losses in the private sector.

The high cost of living and doing business in the Northern region adds an additional economic burden. According to a study commissioned by the state, the cost of living for the Barrow/Kotzebue and Nome areas run 45% and 33% above Anchorage. A Cooperative Extension Service survey put the cost of a weekly food bill for a family of four in Nome at \$149 and in Kotzebue at \$141, compared to \$87 in Anchorage. For Savoonga, one of the region's more remote communities, the costs rose to \$202. This is probably a typical price for most of the region's smaller communities.

Subsistence is an economic and employment activity that takes place in the entire region but is not captured in our statistics. A survey conducted in 1974 found that more than 70% of the Northwest Arctic Borough residents rely on subsistence for more than half of their diet. Attempts have been made to quantify this activity in an economic sense, but none has been completely successful. Part of the problem of quantifying the economic value of subsistence is that it is also a cultural activity. Subsistence is a more important source of non-cash employment in the region's smaller villages where other employment opportunities are scarce, but it also remains important in the regional centers.

Though all of these areas share many common attributes, they also have their distinct economic identities. Nome for example is the major gold producing region in the state. The Northwest Arctic Borough, established a little over a year ago, is moving headlong into the development of the largest unmined lead-zinc deposit in the world—Red Dog. The North Slope Borough is the home of the largest industrial complex in the state and the largest oil field in the nation.

This article will discuss these three different areas' economies. It will point out their similarities and differences and examine major developments that are, or will be, creating changes in the economic lives of the region's inhabitants.

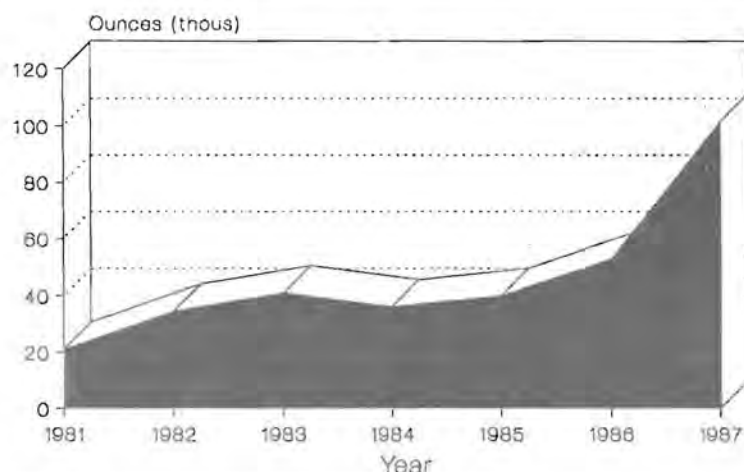
### Nome—Gold's Resurgence

The City of Nome is reclaiming its historical place as a major gold producer in the state. Gold mining activity in the vicinity of Nome has experienced a major revival. Gold mining employment in the Nome region grew from 62 in 1985 to 144 in 1987. During the summer of 1987, mining employment peaked at 247 in August.

A big share of the employment growth came with the introduction of WestGold's 14-story floating dredge, the *Bima*, in 1986. Brought in from Indonesia, the *Bima* dredges offshore, unlike the other dredges in Nome which mine the ground. WestGold will employ 119 workers this year. WestGold was the largest gold producer in Alaska in 1987. The Alaska Gold Company is the other large gold operator in Nome. In 1986 only one of Alaska Gold's dredges was operational, but in 1987 another dredge was brought on line. In 1987 the western mining district (includes Nome) produced 101,250 ounces of gold compared to 53,000 ounces in 1986 (figure 2).

**Gold mining activity in the vicinity of Nome has experienced a major revival.**

**Figure 2**  
**Gold Production**  
**Western Mining District 1981-1987**



Other large gold mining projects are being considered in the Nome region that may push mining employment higher. WestGold is considering adding an additional floating dredge to operate close to shore. The *Bima* could then be used for deeper water mining, for which it was designed. Other companies such as Aspen Exploration Corporation have beefed up their prospecting in the area and are investigating the possibility of hard rock gold production. The federal government is making plans to lease offshore grounds (beyond the three-

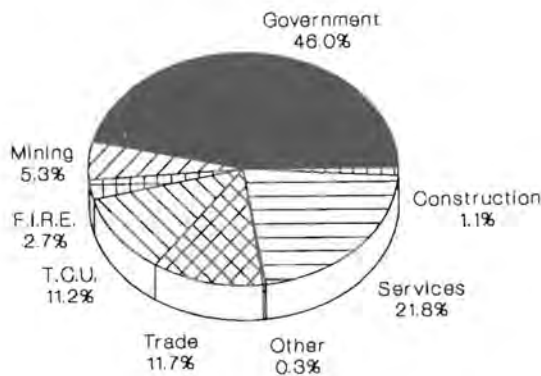
mile limit) for gold mining and other mineral production) a first for Alaska. As long as gold prices remain strong, the growth prospects for the gold mining industry in Nome remain bright.

### The Rest of the Economy

Gold mining certainly is not Nome's only economic activity, nor is it the dominant economic force. Government is Nome's number one employer—it employs 46.0% of the area's wage and salary work force (figure 3). The federal sector is relatively small, but the state and particularly the local sector are big employers. Some employment was lost on the state level in 1987 because of oil revenue declines. After many years of strong growth in local government, it began to fall victim to declining oil revenues in 1986-87, but by late 1988 these numbers should stabilize.

Unlike the rest of the state's employment, which plummeted in 1986 and 1987, Nome's employment remained relatively stable. The increase in gold activity is one key factor. Its large public sector is the other reason Nome was able to avert the declines. Although the public sector has lost ground, the losses have been smaller than in the private sector.

**Figure 3**  
Nome Census Area  
Employment by Industry — 1987



**Table 1**  
Nome Census Area  
Employment by Industry  
1980-1987

	1980	1981	1982	1983	1984	1985	1986	1987
Total	2,130	2,154	2,216	2,447	2,649	2,751	2,682	2,740
Mining	*	*	*	*	*	62	89	144
Construction	33	39	65	88	86	55	35	30
Manufacturing	*	*	*	*	*	*	*	*
Trans., Comm. & Util.	143	176	160	173	186	201	231	307
Wholesale Trade	0	0	0	0	0	*	*	*
Retail Trade	249	286	303	294	303	311	327	321
Finance-Ins. & R.E.	120	54	54	79	83	103	76	73
Services	602	575	468	512	536	582	583	596
Government	849	913	1,018	1,194	1,346	1,424	1,328	1,261
Federal	161	145	132	157	134	111	99	94
State	178	193	220	244	243	246	242	215
Local	511	575	667	793	969	1,067	987	952
Miscellaneous	*	*	*	*	*	*	*	*

\*Nondisclosable

Source: Alaska Department of Labor, ES-202 Files.

Recent employment trends have been better in Nome than elsewhere in the state but employment opportunities are not necessarily plentiful. Employment is often seasonal, and in most of the area's smaller communities opportunities are scarce. Outside of Nome and Unalakleet, the location of Bering Sea School District headquarters, little wage and salary employment exists. The labor force participation rate for the Nome area is 53%, nearly 20 points below the statewide average. The unemployment rate in Nome has consistently remained higher than the statewide average, as illustrated in figure 4. Income and poverty figures mentioned above attest to the lack of employment opportunities. It will take much more than new gold production to provide the Nome area with an adequate economic base able to generate healthy levels of employment.

#### The North Slope Borough— The Oil Producer

If any economy stands out as unique in Alaska, it is the North Slope Borough (NSB). The borough is made up of eight communities, seven of which have populations of 600 or fewer, and 77% of the inhabitants are Inupiaq Eskimo. Barrow, the administrative and economic center of the borough, has a population of 3,075.

Then there is the other segment of the borough—the largest self-contained petroleum/industrial enclave (Prudhoe Bay) in Alaska. Approximately 5,237 workers live and work in this complex. According to University of Alaska estimates, only 30 North Slope Borough residents worked in the oil industry—the rest came from elsewhere in the state and the nation. This mix has created incredible economic and cultural dynamics in this sparsely populated part of the state.

Although few North Slope residents work in Prudhoe Bay, the borough accrues substantial economic benefits from the site via taxation and other business ventures. In 1987 the borough government collected \$249 million in oil property taxes from the complex, which represents approximately two-thirds of the borough's budget. This rich tax base has enabled the borough to provide employment opportunities, services, and a standard of living unparalleled in arctic Alaska.

This source of tax revenues has made the NSB the central economic player in the area. University of Alaska researchers estimated the borough provided approximately 71% of borough resident employment in 1984.<sup>1</sup> That figure includes employ-

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**Table 2  
North Slope Census Area  
Employment by Industry  
1980-1987**

	1980	1981	1982	1983	1984	1985	1986	1987
Total	6,118	8,761	9,638	10,318	9,581	9,107	8,642	7,956
Mining	2,776	3,860	3,564	3,324	3,605	3,915	3,813	3,925
Construction	706	1,744	2,414	3,242	2,188	1,450	1,128	514
Manufacturing	0	0	0	0	0	*	*	*
Trans., Comm. & Util.	423	492	529	455	439	431	371	326
Wholesale Trade	*	*	*	*	*	*	*	*
Retail Trade	329	265	315	368	412	494	471	421
Finance, Ins. & R.E.	*	95	128	*	*	144	125	130
Services	401	748	1,166	1,110	1,128	1,059	1,014	740
Government	1,408	1,440	1,486	1,604	1,632	1,569	1,681	1,850
Federal	249	241	182	147	143	132	117	156
State	41	19	21	30	35	35	32	28
Local	1,117	1,181	1,284	1,427	1,454	1,402	1,532	1,666
Miscellaneous	*	*	*	*	0	*	*	*

\*Nondisclosable

Source: Alaska Department of Labor, ES-202 Files.

ment generated by borough operations, the school district and capital expenditures.

One example of the borough's prominence in the economy was the ambitious capital improvement program (CIP) it undertook in the late 1970s. The borough spent \$1.4 billion dollars from 1978 to 1986 building schools, water and sewage facilities, cultural and health facilities, housing, roads, and other improvements. Spending peaked at \$302 million in 1983. CIP projects provided residents not only with new services and facilities but new jobs. University researchers estimated that in 1983, 603 residents, or 28% of the borough resident work force was employed by these projects.

A growing burden of bond indebtedness, \$232 million in 1988, and concerns about the operating costs of these new facilities has led to a dramatic slowdown in CIP expenditures. Expenditures fell to \$57 million in fiscal year 1988 and are projected to decline to \$25 million in 1989. The dramatic impact of this decline in CIP activity on employment is being eased by two programs established by the borough—the Mayor's Job Program and Resident Employment and Living Improvement program (RELI).

The Mayor's Job Program is creating jobs in the borough's seven smaller

purpose of RELI is to stabilize employment, provide job training and help reduce the cost of living to local residents. It includes energy conservation work, housing improvements, a coal development project, and a long list of other undertakings. The ultimate goal of this approach is to provide a transition from a heavy capital spending economy to sustainable government operation.

Wage and salary employment in the borough outside of Prudhoe Bay was 2,719 in 1987, which represents one-third of total employment in the borough (table 3). Not all of this employment is held by local residents, but most of it is located in the borough's eight communities. The remainder is located on remote military radar sites and oil exploration camps outside of Prudhoe Bay. Employment peaked at 3,215 in 1981. It then began to taper off as the borough's capital improvement program began to wind down. By 1987 employment had fallen to the 2,719 level. These numbers are not expected to change much in the coming years.

Total NSB employment (table 2) peaked at 10,318 in 1983 and continued to slide through 1987. Some of the declines came as a result of the decelerating CIP program, but most of it came as a result of the slowdown in construction activity in Prudhoe Bay. During the past two years, employment declines were exacerbated by the dive in oil prices. Drilling activity, exploration and oil field development fell off dramatically, and employment fell to a low of 7,956 in 1987. By 1988 the employment picture stabilized and is beginning to show signs of resurgence.

#### Another Prudhoe Bay On The North Slope?

The potential development of the Alaska National Wildlife Refuge (ANWR) looms over the economic horizon of the NSB. ANWR could turn out to be another Prudhoe Bay or it could be a bust. Experts have estimated the reserves could be as large as Prudhoe Bay's. If the development does occur, the benefits to the borough are unclear because of the question of land ownership. Presently most of this property is in federal hands. Whether it remains in federal

**Although almost identical in population, NWAB's employment opportunities are roughly 60% of what they are in the North Slope Borough.**

**Table 3  
North Slope Borough Employment  
(Excluding Prudhoe Bay)  
1980-1987**

1980	3,018
1981	3,215
1982	3,121
1983	2,996
1984	2,833
1985	2,908
1986	2,816
1987	2,719

Source: Alaska Department of Labor, ES-202 Files.

villages at the cost of \$4.5 million over the next two years. They are short-term jobs designed to generate economic activity and provide additional employment experience to residents. RELI is being funded at \$35 million for the next two years. The

hands, is deeded over to the Native or Village corporations, or to the state, or any combination of the above there will be radically different impacts for the North Slope Borough. One thing is certain, if the find is large, and it is developed, the NSB will not have to worry nearly as much as they do today about a declining tax base when Prudhoe Bay's production begins to fall.

### Northwest Arctic Borough

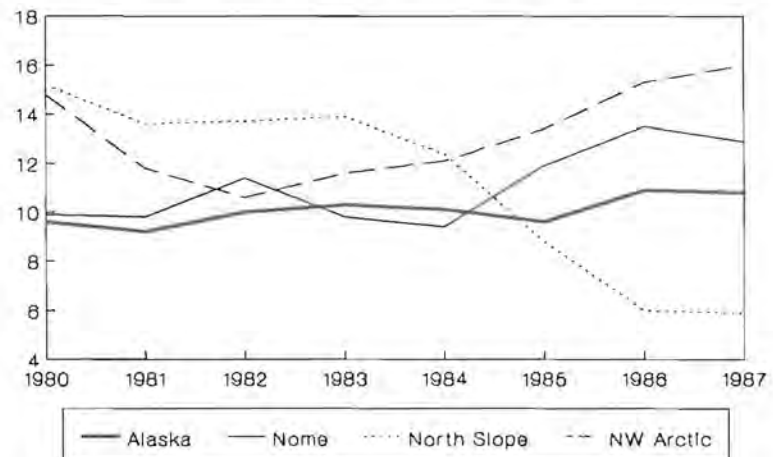
The Northwest Arctic Borough (NWAB) has a great deal in common with its northern neighbor, both culturally and geographically. Approximately 84% of the population are Inupiaq Eskimo. The NWAB consists of 10 villages with populations of 600 or fewer. The population of its regional center, Kotzebue, is 2,633 inhabitants. The borough boundaries are basically identical with the NANA region or those of the former Kobuk census area.

Economically speaking, NWAB's economy is a stark contrast to its northern neighbor's. Although they are almost identical in population, employment opportunities are roughly 60% of what they are in the North Slope Borough (excluding Prudhoe Bay). Only 52% of the adult population participates in the labor force and high unemployment plagues the

economy (figure 4). The borough's income and poverty statistics also paint a picture of an unhealthy economy.

A survey conducted by the borough in February 1988 found that more than 63% of respondents were not working or did not have a job and 37% of those who had no employment had not worked for eight months. Though the Department of Labor's unemployment rates are significantly lower than the borough's, they were still five points above the statewide average in 1987. The dis-

**Figure 4**  
Northern Region Unemployment 1980-87



**Table 4**  
Northwest Arctic Borough  
Employment by Industry  
1980-1987

	1980	1981	1982	1983	1984	1985	1986	1987
Total	1,438	1,754	1,880	1,710	1,779	1,822	1,823	1,732
Mining	*	*	*	*	*	*	*	*
Construction	84	*	64	*	14	*	*	*
Manufacturing	*	0	0	0	0	0	0	*
Trans., Comm., Util	125	151	196	195	183	120	99	153
Wholesale	0	0	0	0	0	0	0	0
Retail trade	135	178	227	206	180	188	232	209
Finance, Insur. & R.E.	14	43	39	44	76	81	69	86
Service	168	198	207	258	237	251	277	336
Total Government	883	983	1,106	928	1,048	1,130	1,104	909
Federal	218	207	141	110	122	137	151	111
State	60	52	61	82	89	93	92	93
Local	606	724	905	737	837	901	862	705
Miscellaneous	*	*	*	*	*	*	*	*

\*Nondisclosable

Source: Alaska Department of Labor, ES-202 Files.

crepancy between the borough's unemployment figures and the Department of Labor's is largely explained by definitional differences. The Department of Labor's figures don't account for the discouraged worker<sup>2</sup> and the borough's do. Because of the area's high unemployment, the NWAB was the first region in the state to be designated as an economically distressed zone under the new local hire law provisions enacted in 1987. This designation is intended to increase residents participation in the local labor force.

### Government Dominates the Economy

As in the other areas, government dominates the economy of the NWAB. Fifty-two percent of the employment is government, and a large share of the service industry's employment represents nonprofit activity that is dependent on government revenues. Tourism, a small active fishery and mining contribute to the small private sector side of the economy. Total employment trends have not been remarkable, remaining relatively unchanged since 1981. A more detailed look reveals that the service industry has broadened its share of total employment. Some of this growth came as a result of nonprofit social service agencies assuming a growing share of what were previously government functions. For example the Maniilaq Association recently

took over the Indian Health Service facility from the federal government.

### The Big Break

A big break in the borough's economic fortune came in 1987 when the construction of the road to the Red Dog mine began. NANA owns the Red Dog mine and Cominco will operate it. The mine will provide not only a desperately needed tax base for the borough, but it also job opportunities for local residents. Qualified borough residents will be offered the jobs first. (See *Alaska Economic Trends*, December 1987). In 1987, almost 400 people were employed at the mine site and on the 52-mile road project connecting the mine with tidewater. An equal number of workers are expected on the site this year. When the mine goes into production in 1990, it will employ roughly 400 workers. The life of the mine is projected to be 50 years.

### Summary

Today, large scale resource development is taking place in the entire Northern region. Most of it is relatively recent. The potential for additional resource extraction is enormous since the Seward Peninsula is highly mineralized. The chances of finding additional enormous oil reserves on the North Slope are better than average. The development of its giant gas fields will eventually occur. Massive

deposits of coal are also known to exist on the North Slope. The region's remoteness and inaccessibility have prevented the exploitation of the region's natural resource potential. But, as more sites are developed and accessibility improves, the exploitation of other deposits will become economical. Though the world mineral markets are extremely fickle, it is almost inevitable that in the near future, additional large scale resource development will take place in the region.

These developments will not solve the more immediate problems of low income and high unemployment that most of the region faces today. The region will also continue to wrestle with the dual challenge of effectively preserving the subsistence lifestyle while increasing opportunities in the cash economy. Thus far, the North Slope Borough has come the closest to providing a balance of both. The rest of the region is closely watching the experience of the North Slope Borough to see what they might learn to enhance future development.

### Notes:

<sup>1</sup> U.S. Department of Interior, Minerals Management Service, *Technical Report # 120* volume 1 June 1986.

<sup>2</sup> A discouraged worker is a person who has dropped out of the labor force because they feel that no employment opportunities exist in that labor market. The Bureau of Labor Statistics definition of unemployment, currently in place, excludes anyone who has made no attempt to find work in the four week period up to and including the twelfth of the month.

Figure 5  
Northwest Arctic Borough  
Employment by Industry — 1987

