

# Sitka

by Neal Gilbertsen  
Labor Economist

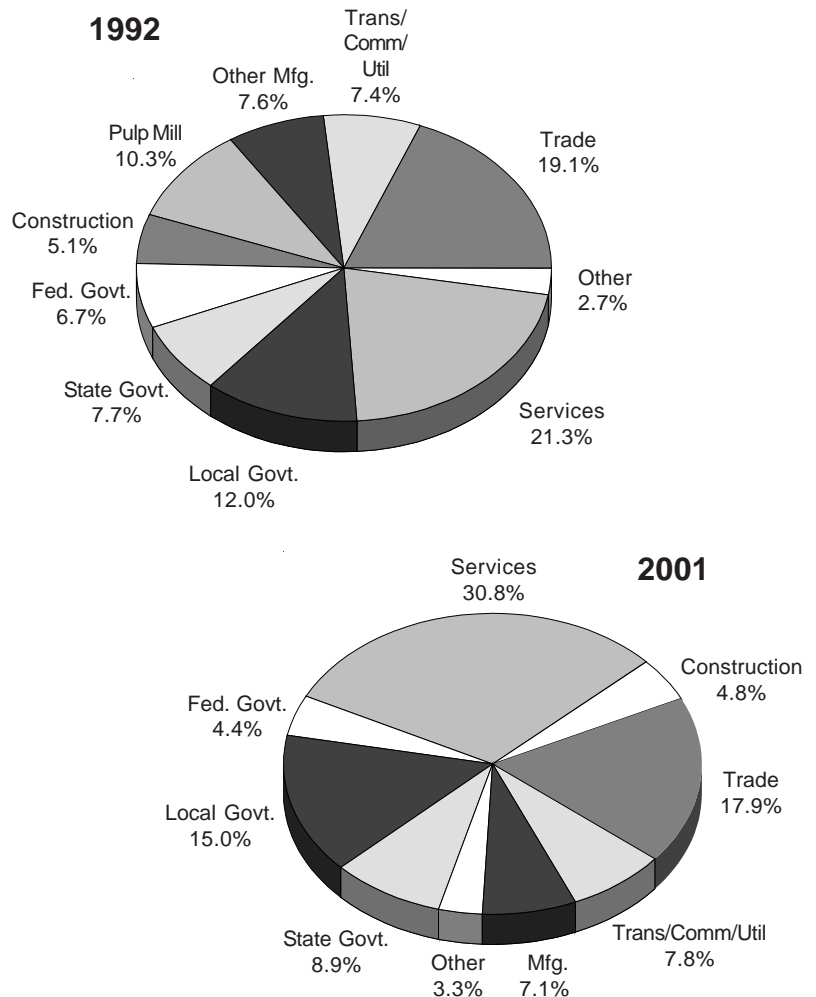
**Rich in history, Sitka has also demonstrated a diverse and resilient economy in recovery from shutdown of its pulp mill**

**S**itka is located on the outer coast of Baranof Island in central Southeast Alaska. Home to the Kiksadi clan of Tlingits, it was “discovered” by the Vitus Bering expedition of 1741. In 1799, Alexander Baranof built a Russian-American Company fortification six miles north of the Native village and called it Novo Arkangelsk. The Tlingits, unhappy with this intrusion, captured the fort in 1802, killed most of the occupants, and forced the Russians to withdraw. In 1804, Baranof retaliated. Leading a mixed expedition of Russian and Aleut fighters across the Gulf of Alaska from Kodiak, he took over Castle Hill in the heart of town, burned the houses, and established the new capital of Russian America.

The original inhabitants called the settlement Shee Atika. This name, meaning “people on the outside of Shee Island,” became “Sitka” in ears accustomed to Russian phonetics.

Sitka rapidly became the fur trading capital of the world, with pelts of the abundant sea otter its chief commodity. The new arrivals set up tanneries, built a sawmill, and established a foundry for casting brass, copper and iron. They also opened a flour mill, operated a salmon saltery, and constructed shipyards. A tentative trade developed between this outpost of the Russian Empire and the kingdom of Hawaii. Alaska salmon was exchanged for Hawaiian fruits and vegetables; (the Hawaiian dish lomi-lomi was originally made from Sitka salmon). At the dawn of the 19<sup>th</sup>

## Wage and Salary Employment Sitka 1992 and 2001



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

century when Chicago was a muddy outpost, San Francisco a sleepy mission, and Seattle only a fog blanketed forest, American and British fur traders wrote of the opulence of Sitka and the elegant receptions hosted by Baranof. Sitka's growth has not kept pace with these upstart rivals.

In 1867, the United States acquired Alaska for \$7.2 million. At first, Sitka remained the administrative capital of the new possession. After a year of occupation by unruly American troops, many Russian settlers availed themselves of the repatriation clause included in the purchase agreement and returned to the more orderly realm of the Tsar.

In 1906, the territorial capital was removed to the gold mining boomtown of Juneau. As Sitka was politically eclipsed it increasingly relied upon fisheries as the basis of its economic existence. Besides fishing, Sitka's Sheldon Jackson College

provided the region's only center of higher education. Presbyterian missionaries founded the school in 1878, intending to educate the Tlingit population. This academic community was augmented after World War II when the Bureau of Indian Affairs established Mt. Edgecumbe as a boarding school to serve Native students from all areas of Alaska during an era of enforced segregation.

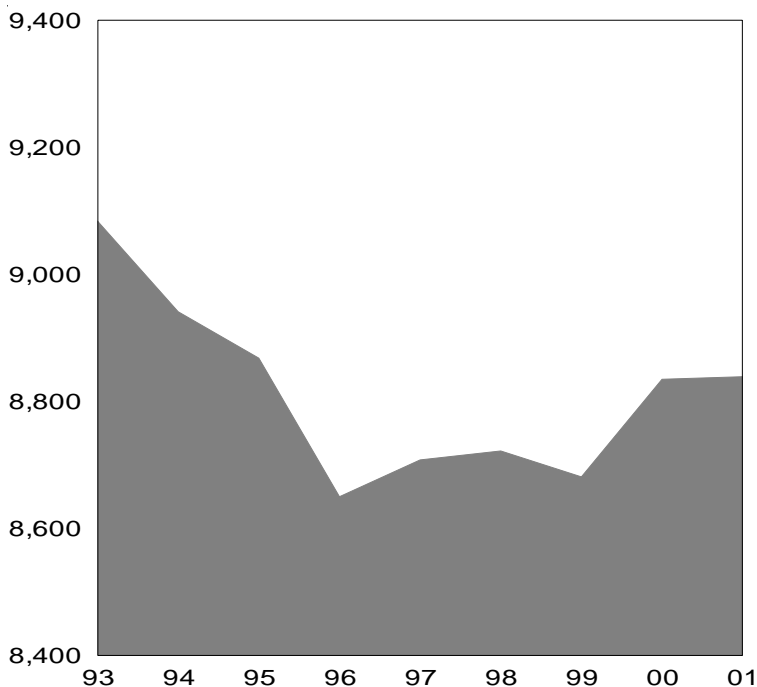
Following World War II, in the early stages of the Cold War, the federal government adopted policies to encourage population growth in Alaska. In Southeast Alaska, this meant the development of a timber industry. Government incentives, including guaranteed access to Tongass National Forest timber, provided the impetus for the establishment of pulp mills in Ketchikan and Sitka. A plywood mill proposed for Juneau was never built. Instead, the Louisiana Pacific mill in Ketchikan and the Alaska Pulp Corporation mill in Sitka became economic centerpieces of their respective communities, and important regional employers.

By the early 1990s conditions were in a state of change. In 1990 the total export value of all Alaska wood products peaked at \$641 million. By 1992 record inventories of pulp were unsold. World market competition in the pulp industry had grown, local production costs were increasing, and federal policies on the supply of timber were increasingly restrictive. Citing these factors, Alaska Pulp Corporation ceased operations in September 1993.

### The pulp mill closure hit hard

In 1992, the year before the closure, Alaska Pulp's average annual employment was 411. This represented 10.3 percent of the wage and salary jobs in the Sitka Borough. Because the mill paid on average 84 percent more than other Sitka employers, the wages earned by mill workers accounted for 17.5 percent of the community's

## 2 Sitka Population Fell From 1993 to 2001



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

payroll. While the number of indirect mill dependent jobs was never officially tabulated, estimates ran as high as 400 to 550. In addition, the plant represented about 20 percent of assessed property values, which enabled Sitka to maintain lower property tax rates than other major Southeast communities.

As these numbers indicate, the closure of the pulp mill constituted a serious economic setback for Sitka. While some of the negative effects continue to reverberate, the community has shown a surprising resilience, and its economy has regained much of its former prosperity. (See Exhibit 1.)

## How have things changed?

### Population falls, but stabilizes

AKDOL estimates show that Sitka's population reached its historical peak of 9,083 in 1993, the year of the pulp mill closure. The loss of job opportunities associated with this event led to an exodus over the next three years, and by 1996 the population had fallen to 8,650. Since 1996, the population has more or less stabilized at this lower level, and in 2001 the estimated population was 8,839. (See Exhibit 2.)

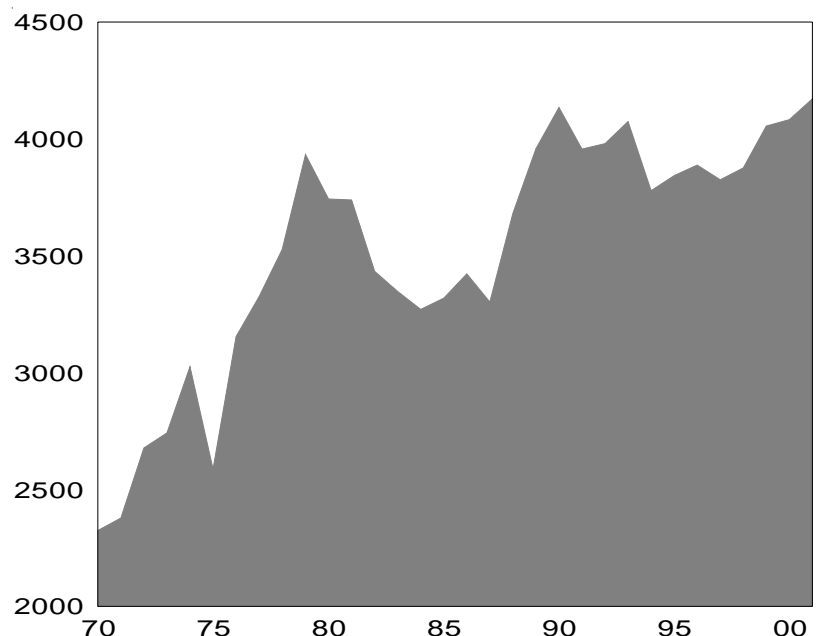
### Jobs increase but wages fall

While population has fallen, the number of jobs has actually increased since closure of the mill. (See Exhibit 3.) In 1993, Sitka's average annual employment of 4,074 produced total annual wages and earnings of \$101,497,592 (in 1990 dollars). By 2001, Sitka's average annual employment had risen to 4,171, producing \$92,009,196 (\$1990) in total wages and earnings. With the additional 97 jobs, overall earnings in constant 1990 dollars were \$9,488,396 less. This is because real average monthly wages, expressed in constant 1990 dollars, have fallen sharply from over \$2,100 per month in the early 1990s to just over \$1,800 per month in 2001. (See Exhibit 4.)

In summary, in 2001 Sitka population had fallen, total jobs had increased a little, and average real wages had fallen from 1993 levels. This reflects the loss of high paying jobs in the manufacturing sector, increasing reliance upon employment in the lower paying service sector, and quite likely more people working multiple part-time jobs. The apparent increase in average monthly wages since 1996 disappears when adjusted for inflation. Real average earnings, in terms of purchasing power, have been flat over this later period. (See Exhibit 4.)

In 1993, the average annual unemployment rate stood at 6.1 percent; by 2001 it had fallen to 4.8 percent. While a lower unemployment rate is usually viewed as good news, much of this reduction is explained in terms of lost population. Since many of the displaced mill workers left the city in the years following the closure, they were no longer included in the reduced Sitka labor

## Sitka Has More Jobs than Ever **3** Annual average employment



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

force. A slightly increased number of jobs are now shared among a smaller population.

### Sitka had a very different economy in 2001

Sitka had 2.4 percent more jobs in 2001 than in 1993, but this increase conceals some dramatic changes. Manufacturing (includes pulp mill employment) had shed 331 jobs for a 52.7 percent decrease. Services had gained 358 jobs for a 38.6 percent increase. Reductions in U.S. Forest Service employment were reflected in the 21.9 percent decline in federal employment, which was offset by almost identical growth in state employment. In short, Sitka has followed a national trend in losing much of its manufacturing base and becoming increasingly reliant upon services. (See Exhibit 5.)

### Health care is a mainstay

Southeast Alaska Regional Health Care, (SEARHC), is one of the oldest and largest Native-run health care organizations in the nation. Not only is it the largest private sector employer in Sitka, in 2001 it was the largest in the Southeast region with an annual average employment of 401. A consortium of 18 Native communities, the organization provides health care for Tlingit, Haida, Tshimsian, and other Native people of Southeast Alaska. SEARHC operates Mt. Edgecumbe Hospital in Sitka as a regional Native medical center. (See Exhibit 6.)

Sitka Community Hospital also provides modern health care for the region. In operation for over forty years, the hospital is served by physicians from three Sitka clinics as well as other healthcare professionals. The hospital provides a full range of medical services, including long term care.

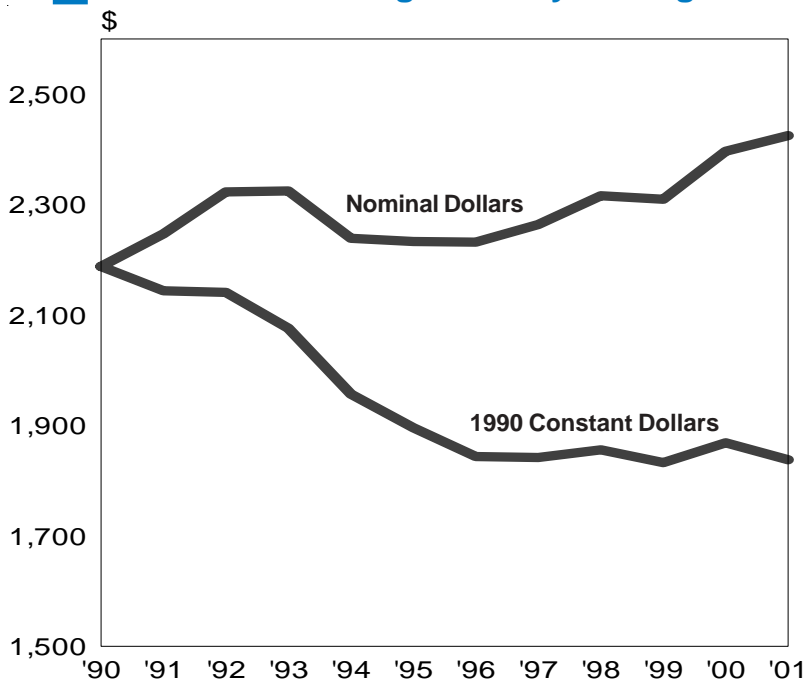
Sitka's Center for Community Services provides home and community based services for people with disabilities and the elderly. These services in many ways supplement the medical community's efforts. As Sitka's second largest employer, with annual average employment of 132, it is also an important economic force in the borough.

### Education continues its contribution

Sitka is also a regional educational center. Sheldon Jackson College, (2001 annual average employment 83), and the University of Alaska Southeast campus, (annual average employment 79), provide college level instruction for both traditional and non-traditional students. Mt. Edgecumbe High School continues its role as a boarding school serving students from many parts of rural Alaska. Its size allows it to offer broader curricula than is available in the smaller Alaska communities. In addition, the Sitka Borough School District provides the usual range of public educational services. Total employment in the field of education usually approaches 400, or nearly 10 percent of Sitka's total employment.

## 4 Nominal Wages Up, Real Ones Down

### Sitka annual average monthly earnings



\$1990 Constant: Anchorage CPI

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

## Tourism down from the peak, but still important

Sitka's setting against the dramatic backdrop of the dormant Fuji-like volcano, Mt. Edgecumbe, makes it an attractive tourist destination. Many scenic islands and rocky outcroppings punctuate Sitka Sound, while the rich marine world of the North Pacific lies just beyond. Sports fishermen, hikers, kayak enthusiasts, whale watchers and others are drawn to these natural attractions. Allen Marine Tours, the eighth largest private sector employer in the borough, is among the companies that provide access to nature enthusiasts.

In keeping with the scale of its spectacular scenery, Sitka has always produced more history than it could consume. It has exported much of its colorful past in scholarly undertakings and in the fictionalized works of such authors as Louis Lamour, James Michener and Ivan Doig. This free publicity has drawn many tourists to the city.

Beginning in 1990, the number of tour ship visitors to Sitka steadily increased, reaching a peak in 1996 of 238,000 passengers. During the 1997 season, a major cruise line bypassed Sitka on several ship itineraries. This resulted in a drop of nearly 70,000 visitors in 1997, or 30 percent of the previous year's total. Since that time, the number of tour ship visitors has stabilized at about 150,000 - 160,000. This reduction in visitors was estimated to have cost the community about \$3.5 million in annual lost revenues.

Offsetting this loss has been considerable growth in the convention industry. According to the Sitka Convention and Visitors' Bureau, convention activity in Sitka has more than doubled since 1993, and in 2000 contributed more than \$3 million to the economy.

## Shipyards building for distant markets

In keeping with its heritage, Sitka has rediscovered its roots as a ship building center. Allen Marine

Inc., the ninth largest private sector employer, has gained a national reputation for quality, and has supplied many passenger ferries for the New York area. These vessels ply the East River and New York harbor as well as connecting the city with New Jersey terminals. It is a matter of local pride that Manhattan's commuters and tourists view the Statue of Liberty from Sitka-built hulls.

## Fisheries play key role

Sitka's fishing fleet plays an essential role in the area's economy. Fishermen are considered to be self-employed, and as a result neither crew nor vessel operators are counted in Alaska Department of Labor and Workforce Development earnings and employment data. Still, according to the Commercial Fisheries Entry Commission, the 453 individual permit holders who resided in Sitka harvested fish valued at \$23 million in 2001. This compares with 487 individuals landing \$21.3 million worth in 1993. While low prices, especially

## Employment by Industry **5** Sitka 1993 and 2001

Industry	1993	2001	Change	% Change
Total Industries	4074	4171	97	2.4%
Agriculture Forestry & Fishing	47	57	10	21.3%
Mining	0	1	1	-
Construction	222	202	-20	-9.0%
Manufacturing	628	297	-331	-52.7%
Transportation Comm & Utilities	292	325	33	11.3%
Total Trade	788	748	-40	-5.1%
Wholesale	70	92	22	31.4%
Retail	718	655	-63	-8.8%
Finance Insurance & Real Estate	74	96	22	29.7%
Services*	927	1285	358	38.6%
Total Government	1066	1162	96	9.0%
Federal	237	185	-52	-21.9%
State	303	353	50	16.5%
Local*	526	624	98	18.6%

\* In 2001, certain Native-owned entities were transferred from Services to Local Government. This tends to understate the growth in services and inflate local government employment.

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



those paid for salmon and herring, have negatively impacted fishermen, the overall contribution of this industry remains of vital importance to the economy. (See Exhibit 7.)

Sitka consistently ranks among the National Marine Fisheries Services top 25 ports for fish landings in the United States. In 2001, 64.4 million pounds of fish, valued at \$27.9 million, were landed at Sitka. This was down from the 95.5 million pounds valued at \$44.6 million delivered in 2000. As a result, Sitka fell from number 14 to number 25 in the national rankings. Still, it retained first place in Southeast Alaska both years, ahead of Petersburg and Ketchikan.

North Pacific Processors (Sitka Sound Seafoods) ranked third among Sitka's 1993 top ten employers, and retained that ranking in 2001. Seafood Producers' Cooperative ranked sixth in 1992 and seventh in 2001. Both processors remain important economic forces in the community, with a combined average annual employment of nearly 200 jobs in 2001.

## Government changes, but not in economic importance

Federal government jobs have always played an important role in Sitka's economy. The U.S. Forest Service, (USFS), remains the largest federal civilian agency with 105 permanent full time staff. The Chatham District Headquarters of USFS, located in Sitka, was merged into a broader Tongass-wide management area with the adoption of the Tongass Land Management Plan (TLMP). This resulted in some staff cutbacks, but Forest Service employment has since stabilized. Temporary summer workers augment this agency's economic contribution.

The U.S. Coast Guard has a significant presence in Sitka, although its approximately 200 uniformed personnel are not counted in total wage and salary employment. The Sitka Coast Guard contingent includes an air station, a marine safety detachment, a navigational aid team, and the buoy tender Maple. In addition to the Forest Service and Coast Guard, the National Park

## 6 Sitka's 10 Largest Private Employers Annual average employment

1992			2001		
Rank	Firm	Employees	Rank	Firm	Employees
1	Alaska Pulp Corporation	411	1	SE AK Regional Health Care	401
2	SE AK Regional Health Care	248	2	Center for Community Services	132
3	Sitka Sound Seafoods*	139	3	Sitka Sound Seafoods*	128
4	Hames Corporation	124	4	Hames Corporation	122
5	Sheldon Jackson College	86	5	Westmark Hotels	94
6	Seafood Producers	80	6	Sheldon Jackson College	83
7	Westmark Shee Atika	61	7	Seafood Producers	70
8	Samson Tug & Barge	56	8	Allen Marine Tours	63
9	McDonalds of Sitka	42	9	Allen Marine Inc.	62
10	Sitka Tribe of Alaska	38	10	Alaska Airlines	56

\* Now known as North Pacific Processors

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

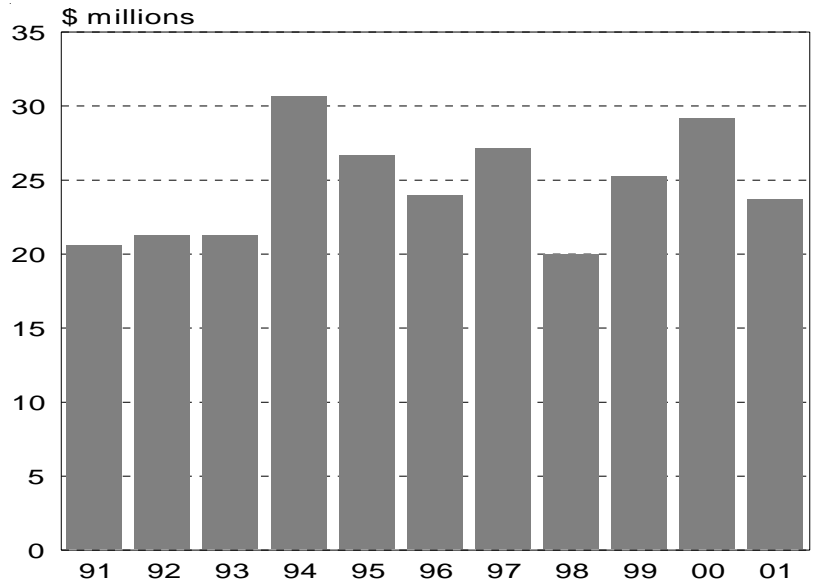
Service, U.S. Postal Service, National Marine Fisheries Services, and National Weather Service all contribute to the local economy.

### Survival through diversity

While Sitka has lost the pulp mill, it has retained other core industries. Health care, education, government, and seafood harvesting and processing continue to play important roles. It has also developed and expanded endeavors in tourism, conventions and shipbuilding. The key to this community's resiliency seems to be its diversified economy and its willingness to embrace new ideas and opportunities. As a result, Sitka has fared better than most Southeastern communities in adjusting to the region's post-timber economy. After passing through some troubled times, Sitka seems to be looking forward to a second 200 years of innovative and adaptive history.

## Fishing Still Important in Sitka

### Value of landings by residents



Source: Commercial Fisheries Entry Commission

# The Sitka Mill Workers

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## Where are they now?

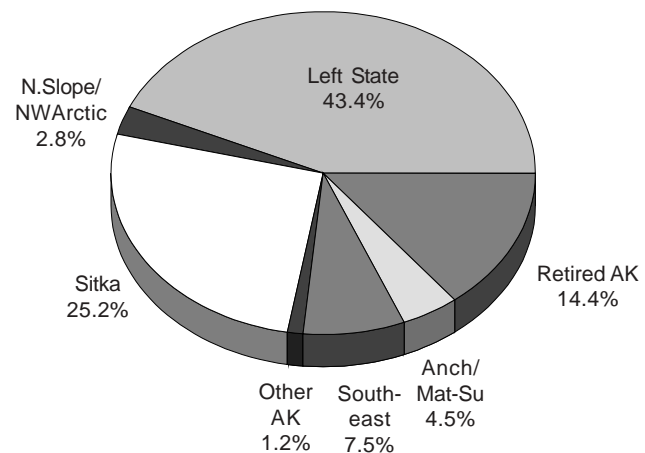
**E**arly in 1993, 427 individuals worked in the wood products industry in Sitka. Later that year, the Alaska Pulp Corporation closed its pulp mill and the number fell dramatically. By 2001, only three Sitka residents were employed in wood products. What happened to the other people? Where did they go and what are they doing now?

### Some left the state, others retired

By 2001, 243, or 57 percent of those once employed in the Sitka wood products industry,

## Where Have All the Workers Gone?

### By 2001, majority had left AK workforce



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

were no longer in the Alaska workforce. Of these displaced workers, 182 individuals, or 43 percent, had left the state. Another 61 individuals, 14 percent, were still in state, but had left the workforce. Most of these were older workers who may have retired since the closure. Fifty of them still resided in Sitka.

### Some continued to work in Alaska

Only 43 percent of the original group were still employed in Alaska in 2001. Of these 184 individuals, 111 were working in Sitka, while 73 had moved to other Alaska locations. Nearly half of these, (32), were still in Southeast Alaska, with fourteen in Juneau, seven in Ketchikan, six in the Wrangell-Petersburg census area, two in Skagway, and one each in Haines, Yakutat and Prince of Wales-Outer Ketchikan.

Forty-one of the original workers had staked out their futures to the north. Nineteen were in the Anchorage/Mat-Su area, five more had relocated

to the Kenai Peninsula, three were in Fairbanks, one in Bethel, and twelve had migrated to the higher latitudes in the North Slope or Northwest Arctic Boroughs. One individual was working offshore in the Alaska maritime industry.

### What are they doing?

Only eight persons were still employed in timber related industries. Nearly half had found jobs in either services (29.9 percent) or government (19 percent). Others were working in a variety of industries, but a significant difference appears between those who remained in Sitka and those who left.

### Those who stayed and those who left Sitka

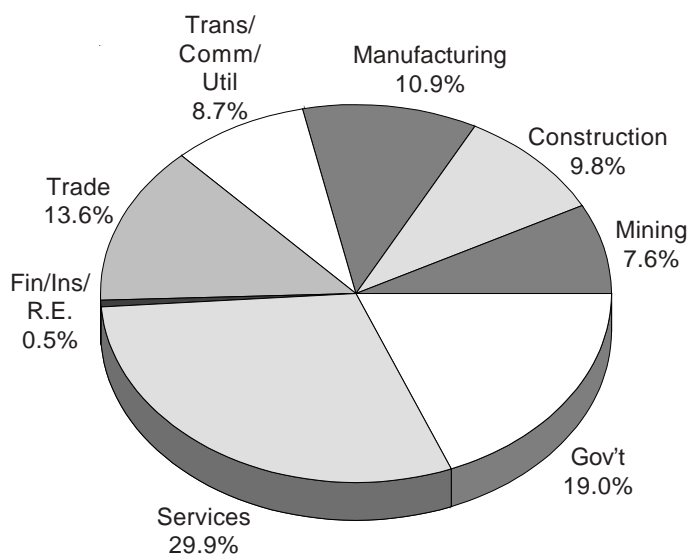
The first noticeable difference between those workers who stayed and those who sought employment elsewhere in Alaska is that a far higher percentage of the migrants secured jobs in the goods producing sector. Fully 41 percent of those who left Sitka were still employed in the goods producing sector in 2001, while only 24.3 percent of those who stayed were so employed. (See Exhibit 3.) Some former Sitka residents who left found work in mining, but none of those who stayed did. Those who stayed were more likely to be working in government. The percentages working in services and manufacturing were roughly comparable for both groups. Those who remained in Sitka were, however, more likely to be employed in trade, while those who left were more likely to hold jobs in the field of transportation, communications and utilities.

### Sitka residents

Most Sitka residents who once worked in the wood products industry have changed occupations. Almost all have found jobs in other local industries. Of the 11 workers employed in manufacturing in 2001, three were still involved with wood products, but six had moved to the

## 2 The Industries They Work In

### Ex-Sitka wood products workers in Alaska



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



## Employment by Industry 3

### Former Sitka mill workers – 2001

Industry	All Alaska Including Sitka		Sitka		Alaska Excluding Sitka	
Mining	14	7.6%	0	0	14	19.2%
Construction	18	9.8%	11	9.9%	7	9.6%
Manufacturing	20	10.9%	11	9.9%	9	12.3%
Trans/Comm/Util	16	8.7%	5	4.5%	11	15.1%
Trade	25	13.6%	20	18.0%	5	6.8%
Fin/Insur/Real Estate	1	0.5%	1	0.9%	0	0.0%
Services	55	29.9%	35	31.5%	20	27.4 %
Government	35	19.0%	28	25.2%	7	9.6%
<b>Total</b>	<b>184</b>	<b>100.0%</b>	<b>111</b>	<b>100.0%</b>	<b>73</b>	<b>100.0%</b>

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

seafood processing industry. Of the 35 employed in services, 15 were in medical related services, five were in social services, and six in educational services.

Sitka has been more resilient to the timber shock than most Southeast communities, in large part because it faced this challenge with a diversified economy. Two major seafood processing plants, two important health care facilities, a significant social service provider, a large educational community and a healthy government sector provided local opportunities that absorbed many displaced workers. In addition, several industries, such as shipbuilding and tourist related services, have developed or expanded in this time frame and provided other alternatives.