

JUNEAU 1972 to 1982: GROWTH AMID UNCERTAINTY

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When Alaska's voters defeated the state capital move initiative in November 1982, Alaska's capital city ended one era and began another. The last ten years have been tumultuous times for Juneau, marked by counterbalancing forces effecting the local economy. The realization of billions of dollars in state oil revenue and increasing population had a positive effect on Juneau employment while the 1974 capital relocation vote tended to inhibit employment growth.

Juneau employment increased 58.6% from 1972 to 1982. The largest gains coming in state and local government (1,926 jobs), services (1,008 jobs), and retail trade (790 jobs). Impressive gains were also made in the manufacturing and finance, insurance and real estate industries. Construction and federal government employment were the slowest growing sectors of the Juneau economy during the past 10 years. Federal government employment grew 6.6% and construction employment was actually higher in 1972 than in 1982. This decline overstates sluggishness in Juneau construction because in 1972 the State Office Building, Egan Drive and several other large projects were under construction.

Construction employment was the industry hardest hit by the 1974 capital relocation vote. The threat of losing the city's base industry brought disincetive for private investment in any project dependent on long term viability of the community. Construction employment figures bear this out. From 1974 to 1975, immediately after the vote to move, the annual average number of jobs available in construction dropped by 110. Despite increasing population, Juneau construction stayed close to its 1975 level until 1981. In 1981 construction employment increased by 131 jobs, the highest level since 1973. The upturn was fueled by a dramatic increase in state oil revenues which made millions of dollars available for capital projects. Increasing construction employment was not solely the result of public construction projects. The private sector made a significant contribution to the surge of 1981. Building permits for residential housing units jumped from 308 in 1980 to 491 in 1981. Other projects such as new office buildings increased the number of construction jobs in Juneau.

Growth of residential construction could be explained by the emergence of subsidized housing loans through Alaska Housing Finance Corporation and state and federal subsidized energy programs. Long term leases to the state and guaranteed buyout of state employee houses if the capital move budget was approved limited the risk of some construction investments. Some major private commercial construction either ignored the risk the capital move represented or speculated that it would be resolved in Juneau's favor.

The effect the capital move initiative had on employment in other industries is more difficult to quantify. By comparing statewide industry growth to growth in Juneau during the same period one can get an idea of what development in Juneau might have been without any constraint. For some industries this is a more valid comparison than others. Mining, for example, would not be comparable because of thousands of new oil and gas jobs on the North Slope.

From 1972 to 1982, Juneau lagged behind statewide employment growth in every industry except manufacturing. Transportation, communication, and public utilities is one industry that grew much slower in Juneau than statewide during this period. Part of the growth difference is explained by the Trans-Alaska pipeline since all pipeline related employment has been added to the statewide total since 1972. However, pipeline employment does not account for all or even a majority of the difference. Water transportation actually declined in Juneau from 1972 to 1982 while statewide it increased 70%. Air transportation and trucking and warehousing were also areas where Juneau lagged significantly behind statewide growth. One area of transportation where Juneau performed better than the statewide average growth was communications. This can be attributed to the expansion of telecommunications facilities within the area, a growing cable television network and the addition of a public television station.

Trade, both wholesale and retail, grew much slower in Juneau than it grew in the rest of the state from 1972 to 1982. The building materials and hardware stores sector of retail trade had very little expansion during this period while statewide this sector more than doubled. The slow expansion could be attributed to the lackluster performance of the construction industry during this period. Food stores and miscellaneous retail stores were other areas of high growth statewide that Juneau did not experience. Growth could have been inhibited in these two areas not only by the impending capital move, but by the lack of a large enough population to support specialty merchandise stores that become more feasible endeavors as the population and marketplace expand.

Services, finance, insurance and real estate and government employment growth did not lag as far behind statewide growth as transportation and trade did during this period. Government employment, especially central state government, grew strongly in Juneau because of the rapid expansion of services and programs offered by the state. Finance, insurance and real estate growth was mainly due to two forces. Banking and real estate employment contributed to some of the growth in this industry, but the emergence of Alaska's native corporations contributed the lion's share of employment growth in finance, insurance, and real estate in Juneau. Employment by native corporations in Juneau went from next to nothing in 1972 to more than 150 in 1982. Juneau benefited from the establishment of the local Goldbelt Corporation and was chosen as the headquarters for

the regional Sealaska Corporation. Services grew at the statewide pace, led by strong growth in business services, medical services, and legal services.

In summary, 1972 to 1982 were years of strong growth for some industries while others experienced more hesitant growth. With the capital move initiative quelled for the immediate future, industries that were constrained during this period are showing signs of catch-up growth.

Second quarter 1983 data suggest that some industries are reaping the benefit of the resolution of the capital move issue. Construction was the first industry to take off. Second quarter 1983 construction employment was up 47% over 1982, and was the second highest average for a quarter ever. Of the additional jobs available in Juneau in 1983, over half were accounted for by construction. A high level of activity will continue into next year with public projects such as the area wide water system, and a proposed legislative hall taking up the slack that will occur after completion of private projects that are responsible for the current surge in construction.

Retail Trade is another large contributor to new growth in the Juneau economy, accounting for 121 more jobs in second quarter 1983 than second quarter 1982. Growth in the retail sector will continue to be strong in the near term as mall expansions and chain stores add to retail employment. In the past Juneauites apparently spent significantly less of their disposable income in the local area than other Americans or Alaskans as witnessed by the smaller than normal trade sector in Juneau. Whether or not the traditional buying patterns of Juneauites will change, due to the greater competition and variety of goods and services offered by a larger retail sector, will be the determining factor in future retail trade growth.

Finance, insurance and real estate has been one of the fastest growing sectors in the economy during the past 10 years. Growth in this sector will continue at a moderated pace. One bank which now operates a loan production office is planning a full service headquarters to open next summer. Growth will not be as strong as in the 70's since native corporations will not have as strong an impact on this sector as they did after the Alaska Native Land Claims Settlement Act.

Transportation, communications and public utilities and services will continue growing at a steady pace. The communications sector will probably continue to lead the transportation industry but growth will not be as rapid as during the past ten years. Growth in the water transportation and air transportation and public utilities sectors will be largely in response to increasing population. Services should also make significant contributions to employment growth but not at the pace of the last ten years.

Mining and manufacturing are currently very small segments of Juneau's local economy, and will stay that way in the near term. A large mining

development on Admiralty Island could eventually contribute 300 jobs to the Juneau economy but under the current timetable this would not occur until 1987 or 1988. Manufacturing employment in Juneau was recently dealt a blow when it was announced that the Juneau Cold Storage would close down in January 1984. Fish processing employment at present does not look very promising for the Juneau area. Other manufacturing employment such as printing and publishing, and baking should expand in proportion to growth of other economic activity and the local population.

Government employment is Juneau's largest and now the most stable industry. Federal government employment in the Juneau area is expected to hold steady in the near term. Local government will experience growth as will state government due to the rapidly growing population of both Juneau and Alaska. Growth in state government proportional to population growth is questionable though due to the increasing awareness of the probability of declining state revenues. Expectations of what services the state is able to provide could begin to change, placing less upward pressure on government employment.

In summation, the Juneau economy should experience some strong growth in the short term, much of it taking place in the secondary industries. Construction and government will be the big contributors to employment growth in the basic industries. Beyond the near term however the outlook is clouded. Declining state revenues will probably put the squeeze on state government as well as the massive public construction projects the state is currently funding. Growth beyond the near term would most likely be population driven rather than related to increased state revenue.

Juneau Nonagricultural Wage and Salary Employment
1972 to 1982

	1972	1982	Juneau % Change	Comparab. Statewide % Change
Total Nonagricultural	7,697	12,210	58.6	92.8
Mining	8	12	50.0	324.8
Construction	636	539	-18.0	112.6
Manufacturing	52	151	190.4	56.9
Trans., Comm., & Public Util.	592	916	71.4	84.2
Trade	1,016	1,867	83.8	119.5
Wholesale	109	170	56.0	116.8
Retail	907	1,697	87.1	120.5
Fin.-Ins. & R. Estate	207	527	154.6	157.6
Services	691	1,699	145.9	156.2
Government	4,447	6,443	44.7	47.2
Federal	913	973	6.6	2.4
State & Local	3,534	5,460	54.5	77.8