

# Rural Alaska's Different Economic Picture

by Neal Fried

Employment opportunities in rural Alaska are less plentiful than in urban areas of the state. That is why many of the initiatives described by the Department of Community and Regional Affairs in the accompanying article are being undertaken in rural Alaska. Although the opening statement of this paragraph is accurate, it is a generalization. Some of Alaska's rural communities have an abundance of employment opportunities. In other communities the number of jobs can be counted on one hand. The size of rural communities varies from three people in Napaimute to 4,818 in Bethel. Alaska Natives are the majority population in rural Alaska, but there are some areas in which they are a minority. (See Figure 1.)

## Rural Alaska defined

Defining "rural Alaska" is difficult. The U.S. Census Bureau defines a rural place as a community of 2,500 or less. Some of Alaska's isolated communities not connected to the road system don't fit this definition. Examples are Nome, Kotzebue, Barrow and Bethel. Most would agree these communities are rural. There are, however, some real differences in economic opportunities between these regional centers and the smaller villages in rural Alaska.

There are other ways to define "rural Alaska." Some would only include communities of 500 or less. For purposes of this article, we chose to define rural Alaska as those boroughs and census areas not connected to the road system or the marine highway. (See Table 1.) The strength of this definition is there is little quarrel that all of these areas are predominantly rural. One weakness is there are rural areas of the state which are excluded. Some are connected to the road system, such as Copper Center. Others exist within boroughs or census areas where there are both rural and urban communities. An example would be the Kodiak Island Borough.

## Jobs are scarce; unemployment is high

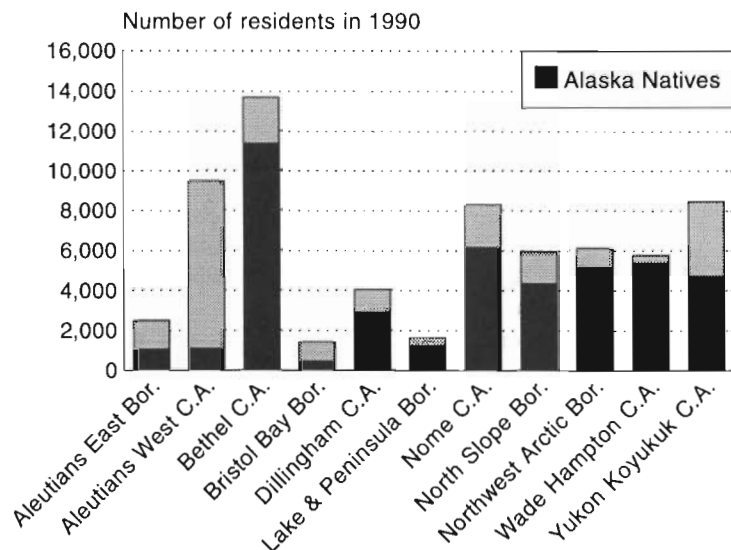
Finding a wage or salary job in rural Alaska is often a daunting task. Only 66% of rural adults participate in the labor force versus 75.8% in the rest of the state. In some areas, such as the Bethel and Wade Hampton census areas, labor force participation rates barely exceed 50%.

The unemployment rate for rural Alaska is more than twice as high as in the rest of the state. (See Table 1.) In the Bethel census area nearly a third of the 36 villages reported unemployment rates of 25% and higher. These figures underestimate the urban/rural difference, because the number of dis-

Neal Fried is a labor economist with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. He is based in Anchorage.

Figure • 1

## Alaska Natives Predominate in Rural Alaska



Source: U.S. Department of Commerce, Bureau of the Census.

## Selected Indicators for Rural Alaska

	Population	Unemploy- ment Rate	Percent with Degree		Median Household Income	Percent Living in Poverty
			High School	College		
Aleutian Islands East Borough	2,422	1.4	66.4	12.9	\$42,384	11.9
Aleutian West Census Area	9,918	3.3	85.8	14.8	\$35,187	9.0
Bethel Census Area	14,069	13.1	62.3	13.1	\$25,402	30.0
Bristol Bay Borough	1,415	6.9	89.8	18.9	\$51,112	5.1
Dillingham Census Area	5,155	10.6	69.8	15.3	\$28,779	24.6
Lake and Peninsula Borough	1,722	15.1	60.7	14.4	\$25,231	20.0
Nome Census Area	8,491	16.5	65.0	13.8	\$30,144	22.4
North Slope Borough	6,290	14.7	68.5	14.1	\$50,743	8.7
Northwest Arctic Borough	6,303	20.3	63.8	11.9	\$33,313	18.5
Wade Hampton Census Area	6,091	28.9	57.8	10.2	\$20,586	31.0
Yukon Koyukuk Census Area	6,713	21.4	73.2	13.8	\$23,945	26.0
Rural Alaska	67,589	14.0	69.4	13.6	—	21.4
Rest of State	502,711	8.2	88.8	24.2	—	7.3
Statewide	570,300	8.8	86.6	23.0	\$41,408	9.0

Sources: U.S. Dept. of Commerce, Bureau of the Census and 1990 Census.

couraged workers, who are not included in the unemployment rates, are more numerous in rural Alaska.

There are myriad reasons why employment opportunities are scarce in rural Alaska. The primary reason is there simply are fewer jobs to go around. Many of these communities don't have the ability to support a vibrant cash economy because of their remoteness, high costs, small sizes and/or limited resources.

In spite of these limitations, employment in rural Alaska managed to grow by 1.2% per year during the past decade. This was half the rate of growth for Alaska as a whole. (See Figure 2.) Rural Alaska's population also did not grow as fast as the state's but, unlike employment, population did grow at more than half the urban rate. If employment opportunities were to become as plentiful in rural Alaska as in urban areas, its rate of employment growth would have to exceed urban Alaska's for many years.

### Less education is part of the picture

There are reasons beyond scarcity of jobs which explain the lack of employment opportunities for the rural population. A significant number of jobs that do exist in rural Alaska, particularly in the regional centers, are filled by imported labor. The primary reason why these jobs don't translate into opportunities for the local population is because local residents often don't possess the skills required to fill these jobs.

Many of these jobs are managerial and professional occupations in the health and educational fields. They tend to be the higher-paying, non-seasonal jobs. For example, in the Nome census area 60% of the labor pool are Alaska Natives but they hold only 39% of the managerial and professional jobs. Statewide 11% of the labor force are Alaska Natives; they account for 7% of the managerial and professional occupations.

A look at educational levels attained in rural Alaska sheds light on this problem. In the rest of the state 88.8% of the adult population are high school graduates versus 69.4%

in rural Alaska. When it comes to four-year college degrees the difference is considerably greater. (See Table 1.) Statewide, 23.0% of adults hold four-year degrees versus 13.6% in rural Alaska. If local residents possessed the necessary skills, more employment opportunities would exist for them.

An activity not accounted for in the employment or other economic indicators discussed here is subsistence. It could be argued that time spent in the pursuit of subsistence should be counted as employment. Not only should it be counted, but to some extent it excludes the pursuit of cash employment. Since statewide data collection of subsistence activities is sporadic, it is difficult to quantify and compare these two pursuits. What is known is that in the villages of rural Alaska, subsistence activity is a major part of the economy for many of the households.

### Fewer jobs means less income

Since most of Alaskans' income is from wages and salaries, it is not surprising that incomes in rural Alaska come up short when compared to their urban counterparts. Households in eight of the ten areas included in this article had incomes considerably below the statewide average. (See Table 1.)

The most recent per capita income numbers also show a stark contrast. Not only do the per capita income figures in most of rural Alaska fall below the statewide average but they also fall below the national average. (See Figure 3.) If the cost of living were taken into account the difference would be even greater. Rural Alaska also has more children per household than urban Alaska, which further depresses per capita income.

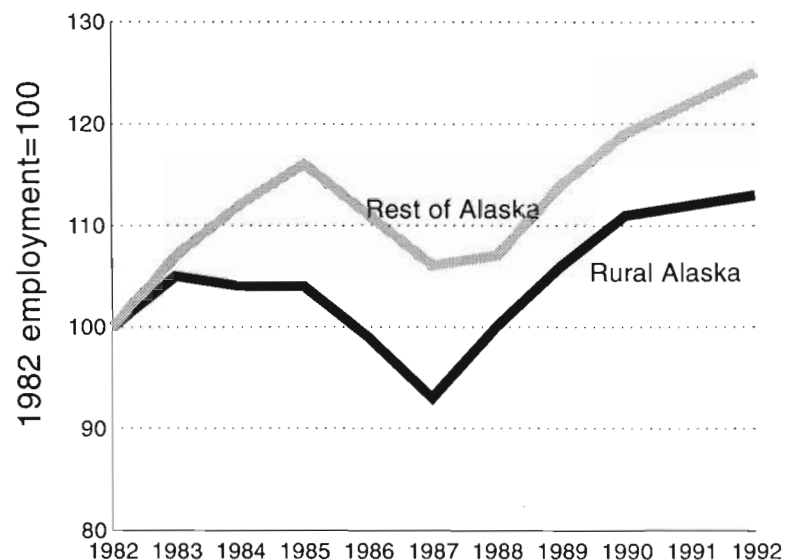
Not all of the income information is discouraging. Over the past decade incomes in many areas of rural Alaska grew substantially, even after adjusting for inflation (See Table 2.) This was particularly true for those areas with low incomes. For example, per capita income for the Wade Hampton, Bethel, and Dillingham census areas, along with the Northwest Arctic Borough, grew over 20%. This compares to 8.6% for the state as a whole.

Part of this increase came as a result of the tremendous growth in oil revenues which translated into growth of transfer payments from the state. Some also came from economic development. For example, opening of the Red Dog mine in Northwest Arctic Borough had a substantial impact on the area's income. Development of North Slope oil resources puts the North Slope Borough in its own league in rural Alaska.

Because of the lack of economic activity, rural Alaska is more dependent on the public sector as a source of employment (See Figure 4). Many of these areas are also more dependent on federal and state transfer payments. These payments account for more than 25% of personal income in five of the ten rural areas in this article. (See December 1993 *Alaska Economic Trends*). The area most dependent on this type of income is Wade Hampton, where 45% of personal income is from transfer payments. According to a report by the University of Alaska's Institute of Social and Economic Research

Figure • 2

### Employment Growth More Moderate in Rural Alaska



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

Table • 2

**Per Capita Income in Alaska's Rural Areas**

	Per Capita Income		Percent Change
	1991	1980*	
ALASKA	\$21,723	\$19,857	8.6
Aleutian Islands Census Area		17,540	
Aleutians East Borough	19,223	—	—
Aleutians West Census Area	17,946	—	—
Bethel Census Area	13,279	10,539	20.6
Bristol Bay Borough	27,927	26,859	3.8
Dillingham Census Area	21,219	15,137	28.7
Lake & Peninsula Borough	17,783	—	—
Nome Census Area	14,706	12,790	13.0
North Slope Borough	23,848	25,442	-6.7
Northwest Arctic Borough	17,771	11,911	33.0
Wade Hampton Census Area	9,630	7,698	20.1
Yukon-Koyukuk Census Area	14,956	14,165	5.3

\* Adjusted for inflation.

Note: Aleutian Islands Census Area split into Aleutians East Borough and Aleutians West Census Area.  
Source: U.S. Department of Commerce, Bureau of the Census.

(ISER), much of the growth in village Alaska's incomes in the 1980s occurred because of an increase in federal and state transfer payments.

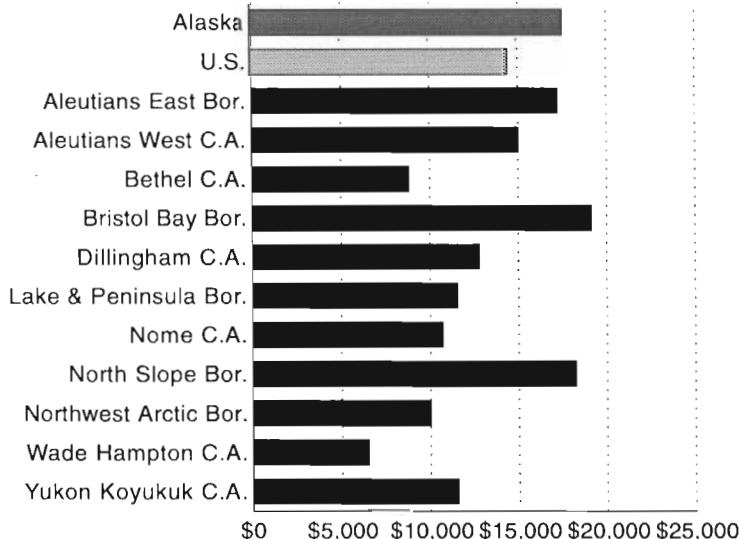
**Less income translates into more poverty**

From a statewide perspective Alaska's poverty picture is quite positive. According to the Census Bureau, 10.0% of the state's population lived in poverty in 1992 versus 14.5% nationally. When these figures are dissected into regions, however, a different picture emerges.

The 1990 census found the incidence of poverty was more than twice as high in rural Alaska than in the balance of the state (21.4% versus 9.0%). (See Figure 5.) In some areas, such as Bethel, it climbs to as high as 30%. In many villages the poverty rate exceeds 50%. If the difference in the cost of living is taken into account, the contrast widens. A lack of economic opportunities helps explain the much higher incidence of poverty in rural Alaska.

Figure • 3

**Per Capita Income is Lower in Much of Rural Alaska**



Source: U.S. Department of Commerce, Bureau of the Census.

The poverty picture improved from 1980 to 1990. According to the 1980 census 25.7% of rural Alaska was below the poverty threshold. This declined to 21.4% in the 1990 census. Nearly all of rural Alaska benefited from this decline. The largest improvement was in the Northwest Arctic Borough (27.5% in 1980 versus 18.5% in 1990)—probably because of the Red Dog mine opening.

**Some rural areas don't fit the mold**

It is true the incidence of poverty, the lack of employment opportunities and lower incomes plague much of rural Alaska. There are, however, exceptions to this rule. Economic indicators for the Aleutians East and West areas, along with the North Slope and Bristol Bay Boroughs, defy this picture. Personal income in these areas exceeds the statewide average and their degree of poverty is below average. Unemployment in a number of these areas is also below the statewide average. Many of these areas enjoyed robust employment growth in recent years. All of these areas are either endowed

with rich fishery resources, a large military presence or oil resources.

These areas are evidence that a lack of economic opportunity is not always synonymous with rural Alaska. Economic opportunities have been created in rural Alaska. In many cases it is a formidable task, but it is certainly not without precedent.

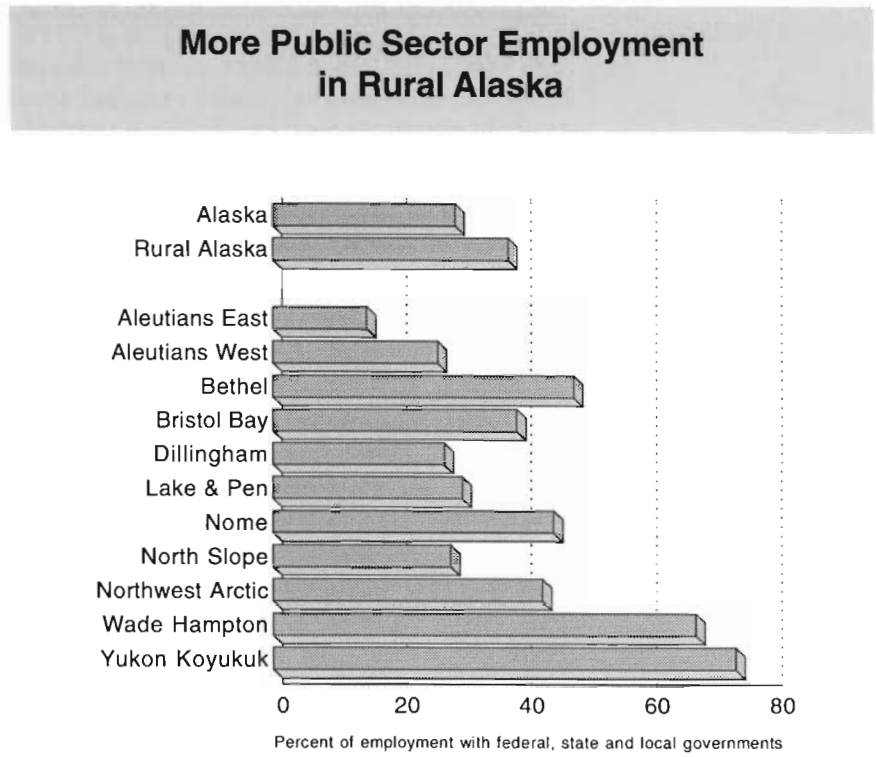
**Many concerns exist for the future of rural Alaska**

There are a number of reasons for concern over the future economy in rural Alaska. One is rural Alaska's greater dependence on government transfers and public sector employment. Because of budget restraints at both the federal and state levels it is unlikely they will be a source of additional growth in the future. Instead, there is a good chance they could become a source of decline in rural economies. Another economic concern is that the rural population, along with the rest of the state, continues to grow. This will likely put increasing strains on the subsistence economy.

The age of rural Alaska's population may become the biggest challenge to its economic future. Rural Alaska's birth rate is considerably higher than in the urban parts of the state. Nearly 40% of rural Alaska's population is under the age of 19 versus 33% elsewhere in the state. (See Figure 6). This in turn means that during the next two decades a growing number of working-age adults will be entering the work force in rural Alaska. Without more vigorous employment growth, unemployment and poverty will only worsen.

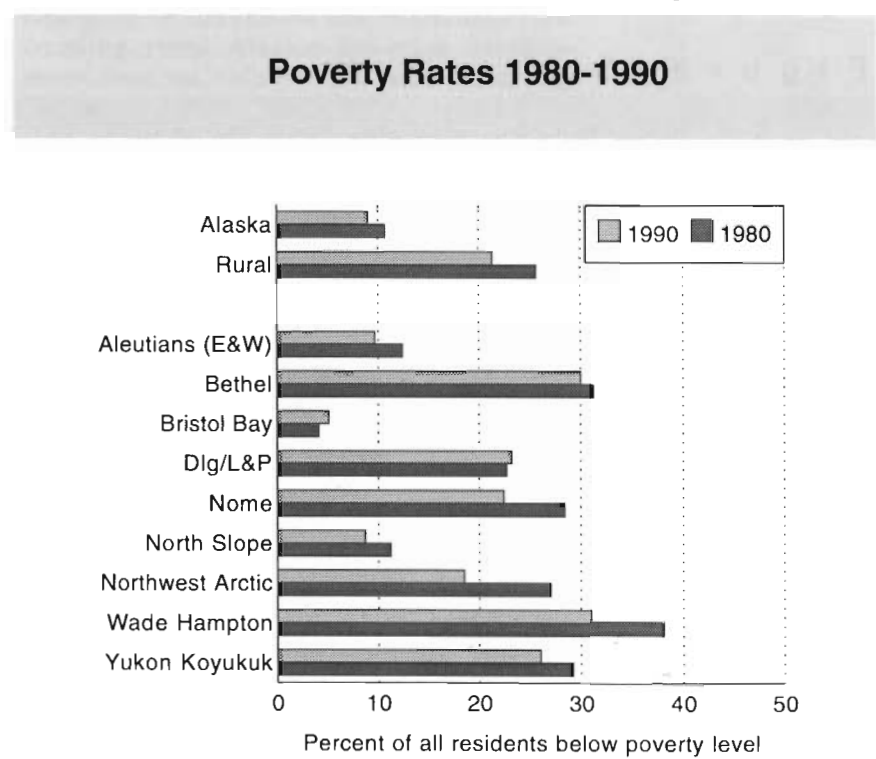
It may also mean more rural residents will migrate to the urban centers where there are more economic opportunities. According to data compiled by the Department of Labor and ISER researchers, there is already evidence that this is happening. For example in the past the community with the largest number of Alaska Natives was always one of the rural regional centers. In 1986 Anchorage took over as the community with the largest Alaska Native population.

Figure • 4



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

Figure • 5



Source: U.S. Department of Commerce, Bureau of the Census.