

A Profile:

Northwest Arctic Borough

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Hugging Kotzebue Sound and belted by the Arctic Circle, the Northwest Arctic Borough is Alaska's second largest borough. Only the North Slope Borough is larger. Although the Northwest Arctic Borough was not formed until 1986 and its 11 communities are spread out over nearly 36,000 square miles, it is one of the most economically and culturally unified political subdivisions in the state.

The vast majority of its residents are Inupiat Eskimo, sharing a common language and similar customs. Subsistence remains a powerful unifying force. Most of the borough's communities can be found along one of four major rivers, the Noatak, the Kobuk, the Selawik and the Buckland. These four rivers converge on the coast near Kotzebue, which has developed into the region's largest community and hub. Nearly all goods and services pass through Kotzebue on their way to the borough's 10 other communities. A reflection of the area's tight economic and social integration is the fact that all of its key institutions—including the borough; the Northwest Arctic Native Association (NANA), the area's regional Native corporation; the Northwest Inupiat Housing Authority; the Northwest Arctic Borough School District; and Maniilaq, a health and social service provider—share virtually identical geographical boundaries.

A remote and sparsely populated area

The Northwest Arctic Borough is one of the most remote and sparsely populated areas of Alaska.

Year-round access to the rest of the state exists only by air. No roads connect the borough's 11 communities. During the warmer months when rivers are navigable, boats are the main transportation link among the villages. In the winter, some of the communities are linked by snow machine or dog team routes. The total resident population of the region in 1998 was 6,844. The region's communities range in size from 2,964 in Kotzebue to 102 in Kobuk. Kotzebue is the only community larger than 750. (See Exhibit 1.) Some of these communities

Population of Communities in Northwest Arctic Borough



	1990	1998
Northwest Arctic Borough	6,113	6,844
Ambler	311	315
Buckland	318	408
Deering	157	156
Kiana	385	402
Kivalina	317	349
Kobuk	69	102
Kotzebue	2,751	2,964
Noatak	333	410
Noorvik	531	598
Selawik	596	746
Shungnak	223	257
Remainder of census subarea	122	137
Red Dog	39	42
Candle	10	11

Source: Alaska Department of Labor, Research and Analysis Section

2 A Statistical Snapshot Of the Northwest Arctic Borough

	Alaska	Northwest Arctic Borough
Population 1998	621,400	6,844
A young population and large households		
Median age (1997)	32.2	23.0
Persons per household (1997)	2.7	3.75
...with more children (1997)		
Percent under 5 years old	8.5%	11.5%
Percent school age population (5 to 17)	23.2	32.2
Percent adult workforce population (18 to 64)	63.2	51.2
Percent seniors (65 years & over)	5.1	5.1
...and more women		
Percent female (1997)	47.9%	48.1%
Demographics of the region (1997)		
Percent Native American	16.7%	87.1%
Percent White	74.2	11.7
Percent African American	4.5	0.2
Percent Asian/Pacific Islander	4.6	1.1
Percent Hispanic	4.5	1.6
More unemployed (1997)		
Percent of all 16 years + in labor force (est.)	72.2%	54.5%
Percent unemployed (annual average)	7.9	16.1
Income measured:		
Personal per capita income (1996)	\$24,597	\$18,392
Wage and salary employment (annual average 1997)	32,781	38,515
Educational Attainment (1990)		
Percent high school graduate or higher	86.6%	63.8%
Percent bachelor's degree or higher	23.0%	11.9%

Sources: Alaska Department of Labor, Research and Analysis Section;
U.S. Department of Commerce, Bureau of Economic Analysis,
and Bureau of the Census

evolved from traditional hunting camps or winter settlements and have been inhabited for thousands of years. Other communities developed around churches, trading posts, schools and mining camps. All of the communities except Noatak are incorporated.

A very young population

Even with a relatively high birth rate, population in the Northwest Arctic Borough in the 1990s has grown by only 1.5% per year, a rate nearly identical to that of the rest of Alaska. But this is where the demographic similarities between the borough and the rest of the state end. While Native Alaskans comprise 16.7% of Alaska's population, more than 87 percent of the Northwest Arctic Borough's population are Native Alaskan, and nearly all are Inupiat Eskimos. (See Exhibit 2.) The balance of the population is largely white. There is no other borough in the state with a larger concentration of Native Alaskans. Only the unorganized area of Wade Hampton, which lies south of the Nome census area, has a larger concentration of indigenous people.

Although northwest Alaska was one of the first settled areas in the state and has been inhabited for over 10,000 years, it is now home to one of the state's youngest populations. The region's median age in 1997 was 23.0 years, nearly 10 years less than the statewide median age of 32.2 years. Considering the youth of the borough's population, it is no surprise that household size is larger than average. At 3.75 persons per household, the borough's household size is surpassed only by the Wade Hampton region. The statewide average household size is 2.70. Another manifestation of the region's youth is the size of its school-aged population. Over 32 percent of its population is school-aged, versus 23 percent statewide. As Exhibit 3 illustrates, the Northwest Arctic Borough School District's enrollment has grown rapidly in recent years.

Public sector important; private sector making big inroads

As elsewhere in rural Alaska, the public sector is the leading employer of residents in the borough. Nearly a third of the employment in the borough is in the public sector, making government the largest employer in the region. (See Exhibit 4.) The Northwest Arctic Borough School District, the City of Kotzebue and federal and state government are among the largest public employers in the region. (See Exhibit 5.)

From an income standpoint, the public sector's influence is even more far-reaching. According to a recent study, approximately 70 percent of the borough's personal income came from public sources via federal, state, local and tribal government payrolls and transfer payments. The absence of a substantial private sector is a factor in the public sector's dominance in the local economy.

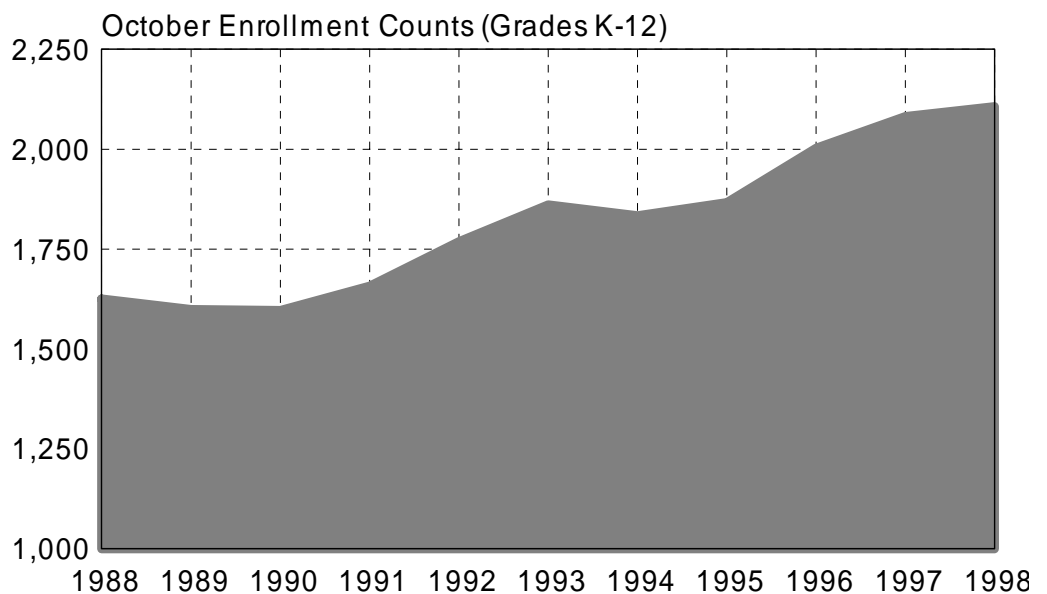
Although public sector employment is the largest in the borough, its direct role has diminished remarkably over the past decade. As late as 1989, more than half of all direct wage and salary employment in the region was in the public sector. Part of the change occurred as a number of federal and state programs were turned over to local nonprofit organizations. One example of this is the borough's second largest employer, the Maniilaq Association, a regional nonprofit corporation primarily funded through federal and state programs. Maniilaq provides comprehensive health, social services, public assistance and training programs to the residents of the region. It also operates the newly constructed 25-bed hospital in Kotzebue.

Although privatization of some government services has played a role in the change, strong growth in the private sector has been even more important. Services industry employment, for example, nearly doubled over the past decade. (See Exhibit 6.) Growth in health care, private social services and the visitor industry has pushed services employment upwards.

Kotzebue serves as the gateway to four major National Park systems: the Noatak National Preserve, Kobuk Valley National Park, Cape Krusenstern National Monument and the Selawik National Wildlife Refuge. In 1998, the National Park Service tallied over 13,000 visits to the parks and about 10,000 to the refuge.

The transportation sector has also expanded its presence significantly. Airlines have increased the frequency of their flights, bringing in more visitors to the area. As in so many other areas of the state, retail trade expanded its offerings in the borough, coupled with retail employment growth. One of the large employers contributing to this growth has been the

School Enrollments Increase **3** Northwest Arctic Borough School



Source: Alaska Department of Education

District

Kikiktagruk Inupiat Corporation (KIC), Kotzebue's village corporation. The KIC is the fifth largest employer in the region and the third largest private sector player. The company is involved in construction, real estate, retail, and a variety of other ventures. All the rest of the area's village corporations merged with NANA, which has become the most significant player in the dramatic expansion of the private sector in the borough.

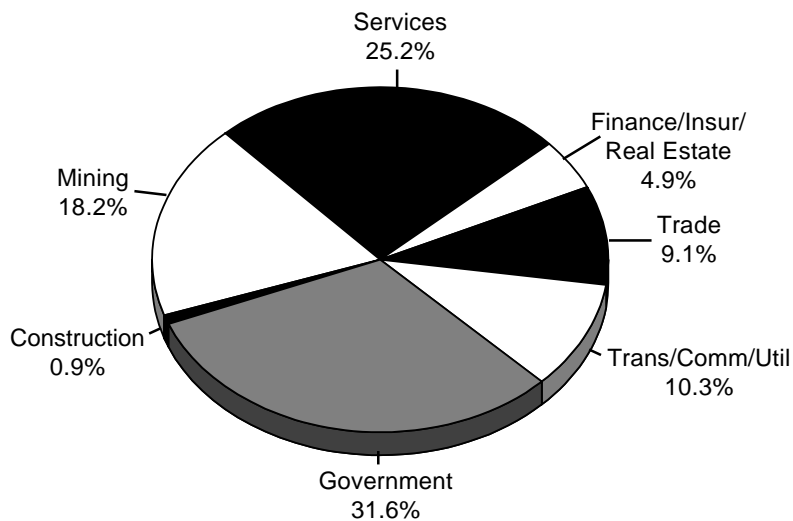
A recent report prepared for NANA estimates that its activities were responsible for one in five jobs and for 10 percent of all personal income in the borough. Just for starters, the NANA/Marriott joint venture is the seventh largest employer in the borough and the Nullagvik Hotel, operated by NANA, is the 14th largest employer. NANA also operates many subsidiaries outside of the borough. For example, it now operates three hotels in Anchorage. Although these are outside of the borough, NANA works to recruit and train shareholders for jobs both inside and outside the region. NANA's crown jewel is the Red Dog

Mine, 90 miles north of Kotzebue, which opened in 1990. The mine is the single biggest reason the private sector in the borough gained so much ground over the past decade.

Red Dog changes the economic picture of the borough

The Red Dog Mine is a NANA joint venture with Cominco Alaska, Inc., the world's largest zinc concentrate producer. The ore deposits are owned by NANA and leased to Cominco, which owns and operates the mine, including its shipping facilities. As the single largest employer in the Northwest Arctic Borough, the mine wields an influence on the region's economy not to be underestimated. Approximately 59 percent of the mine's workers and its contractors are NANA shareholders. The mine's workforce represents 14 percent of the borough's wage and salary employment. Even more impressive are the wages generated by the mine. Red Dog payroll represents over a quarter of the borough's wage and salary payroll. (See Exhibit 7.) In 1997, the mine's payroll was nearly \$26.4 million and its annual wages averaged \$71,124, versus \$32,995 for the rest of the borough. Cominco also provides the borough with the largest source of revenues through payments in lieu of taxes.

4 Government is Largest Employer



Source: Alaska Department of Labor, Research and Analysis Section

When this \$415 million mine opened in 1990, mining employment soared both in the Northwest Arctic Borough and statewide. Red Dog represented the first large-scale mining operation to open in Alaska in decades, and it remains the state's largest operating mine. Prior to Red Dog's opening, the average wage in the borough came in well below the statewide average; a year after the mine opened, the borough's average wage exceeded the state average. In 1997, the borough's average monthly wage was \$3,210, compared to \$2,732 statewide, and most of this premium can be attributed to the mine. Not only are these good-paying jobs, but they are also stable, year-round jobs, a scarce commodity nearly everywhere in

rural Alaska. Most of the workforce at the mine works a two-weeks-on and one-week-off schedule.

The expenditure of these wages and other spin-offs from the mine are the major reasons for the borough's strong private sector growth. For example, a recent study found that more than a half dozen NANA subsidiaries are involved in providing services to the mine. Other contract partners and vendors profit from the mine's existence as well. Its influence on the borough's economy continues to grow. During the past two years, the mine has gone through an \$85 million expansion, with a workforce that peaked at nearly 600. The modernization of the mine and additional ore storage space will give Cominco the ability to expand its production by 40 percent. Moreover, the discovery of an additional large ore body will extend the life of the mine for another 30 years. The Red Dog Mine will remain a huge influence and driving force in both the borough's economy and the state's mining industry for many years to come.

Subsistence remains important

While land in the Northwest Arctic Borough offers great potential in mining and other wage and income opportunities, subsistence activity represents an important source of non-cash income, as well as employment. To some extent, subsistence resources help offset the much higher cost of living and unemployment in the borough. Caribou, sheefish, salmon, seals and moose are the most important subsistence resources, but small game and berries are also harvested. The Western Arctic caribou herd, which is one of the largest in North America with nearly half a million animals, migrates through the region.

Nearly the entire population engages in subsistence activities. In Kivalina, a community of 349, all households are involved with subsistence activities. The average household harvests 3,636 pounds of usable subsistence resources, or 761 pounds per person, according to a 1992 Alaska Department of Fish and Game study on subsistence resource

harvest and use. Although subsistence may be relatively more critical to the smaller communities of the borough, where few payroll employment opportunities exist, most Kotzebue residents (74%) engage in subsistence harvests as well.

Reindeer herding, which for many years was an important source of both cash and subsistence, has been on the wane. In recent years, many of the animals have been lost to the migrating caribou herds. Several herds were once owned privately, but now only one herder still has reindeer in his corral. Reindeer meat can be bought in local grocery markets in towns such as Nome, Kotzebue and Barrow. Reindeer antler harvests, however, are exported from the region. In recent years, the price for antlers in Asian and domestic markets has been severely depressed.

Major Employers In Northwest Arctic Borough **5**

Rank	Employer	Annual Average Employment 1997
1	Cominco Alaska Inc.	370
2	Maniilaq Association Inc.	369
3	Northwest Arctic Borough School Dist.	356
4	Veco Construction Inc.	96
5	Kikiktagruk Inupiat Corp.	93
6	City of Kotzebue	74
7	NANA/Marriott, joint venture	63
8	Federal Government	62
9	State Government	58
10	Baker Aviation, Inc.	45
11	Arrow Transportation International, Inc.	42
12	Carr Gottstein Foods	37
13	Alaska Commercial Company	34
14	Nullagvik Hotel	33
15	City of Noorvik	30
16	OTZ Telephone Cooperative, Inc.	28
17	Selawik Council	25
17	Lions Club of Kotzebue	25

Source: Alaska Department of Labor, Research and Analysis Section

6 Wage and Salary Employment In the Northwest Arctic Borough

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Total Industries	1,822	1,823	1,732	1,785	1,991	2,220	2,190	2,227	2,298	2,465	2,509	2,436	2,564
Mining	*	*	*	41	116	266	327	337	335	343	358	360	467
Construction	*	*	*	*	33	43	28	9	11	23	42	24	19
Manufacturing	*	*	*	*	*	*	*	*	*	*	*	2	0
Trans/Comm/Util	120	99	153	153	167	192	202	210	223	230	236	251	263
Trade	188	232	209	171	184	152	101	127	242	224	256	243	233
Finance/Insur/R.E.	81	69	86	84	65	101	80	60	65	96	90	103	125
Services	251	277	336	354	413	438	472	516	522	643	688	630	645
Government	1,132	1,104	910	932	1,009	1,028	974	964	895	900	837	823	809
Federal	137	151	111	101	89	79	78	79	75	67	63	63	62
State	93	92	93	88	86	84	77	79	77	73	62	60	58
Local	903	862	705	744	834	865	819	806	744	760	712	700	689
Miscellaneous	*	*	*	*	*	*	*	*	*	6	2	1	0

* Nondisclosable

Source: Alaska Department of Labor, Research and Analysis Section

Salmon provides a subsistence resource to the region, and there is also a small commercial fishery in the Kotzebue area. Most of the salmon harvested are chums, and recently low catches and low prices have plagued this commercial fishery. In 20 years of fish harvest history, the 1998 catch was the smallest both in volume and in value. Only 22 percent of local fishers participated in the commercial chum harvest.

Unemployment higher; incomes lower

Although job opportunities and wages have improved in the Northwest Arctic Borough over the past decade, high unemployment, low incomes and high rates of poverty persist in most of its communities. Economic and social indicators illustrate this phenomenon. For example, in 1996 the borough's per capita income of \$18,392 ranked 20th out of 27 areas in Alaska. This compares with a statewide per capita income of \$24,597. Part of the difference can be explained by demographics. Because such a large share of the population is under 18, its income is shared among a

proportionately greater number of people too young to work. However, the more telling explanation for this disparity is that fewer opportunities exist locally for employment, especially on a year-round basis. Unemployment in the Northwest Arctic Borough typically runs at least twice the statewide rate and for the past two years was the highest in the state. An even more telling statistic is the percent of the population that participates in the labor force. Statewide in 1997, 72 percent of the over-16 population is active in the labor market, compared to 55 percent in the Northwest Arctic Borough. This is indicative of the high proportion of "discouraged" workers, those not actively seeking employment and not counted in the unemployment statistics. Not surprisingly, incomes and job opportunities are far more plentiful in Kotzebue than elsewhere in the borough.

Incomes are low and job opportunities scarce in the 10 communities outside of Kotzebue. In some communities, year-round jobs are limited to the school district, the city, the local store and possibly

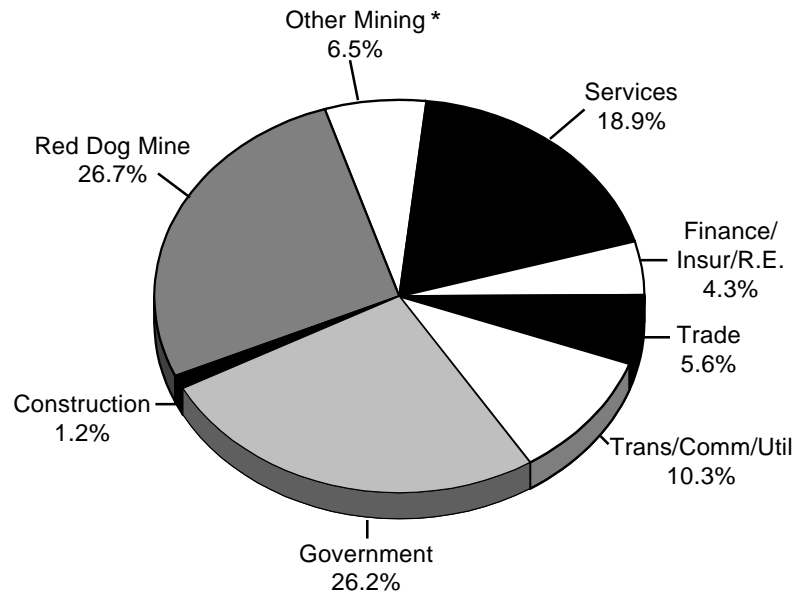
Mining's Payroll the Largest In Northwest Arctic Borough in 1997



a few health practitioners. In some communities, a third of the population lives in poverty (based on cash income). The lack of employment and business opportunities helps explain most of these differences. Low educational attainment also plays a role. Per capita income in some of these communities is half the level found in Kotzebue or in the borough as a whole. High living costs exacerbate the impact of these lower incomes in the villages. According to studies conducted a number of years ago, costs run approximately 40-45 percent higher than they do in Anchorage. Taking into account the value of the subsistence harvest would reduce this differential. Given the demographics of the borough, there will be increasing pressure in the region to provide more economic opportunities as a growing number of residents reach working age.

Summary

Although the Northwest Arctic Borough covers a vast geographical area, it is one of the most economically and culturally unified regions in the state. One of Alaska's most impressive economic powerhouses, the Red Dog Mine, operates in the remote area of the Borough. In eight years of operation, it has become the world's largest producer of zinc ore. It has spurred private sector employment growth and has greatly improved the Northwest Arctic Borough's wage and employment picture. Although many residents benefit from the mine, others still rely heavily on subsistence resources. High unemployment, low labor force participation and high incidences of poverty are still prevalent. Employment is concentrated in Kotzebue, and in most of the outlying villages job opportunities are scarce. Because the Northwest Arctic Borough has a very young population that soon will be entering the labor force, creating enough employment opportunities for these youth will be a challenge.



* Contractors during Red Dog Mine expansion project

Source: Alaska Department of Labor, Research and Analysis Section