

Juneau: Alaska's Seat of Government

by Brian N. Rae



The economic history of Alaska's capital city shows that Juneau has been predominantly a one industry town. The result is a history which recounts Juneau's economy dodging the occasional hazards brought on by a lack of economic diversification. And despite efforts to broaden its economic base, the Juneau economy is still highly dependent upon one industry for its economic future.

Juneau Founded On Gold Mining

In Juneau's early years, the primary industry was gold mining. When the huge mining operations of the Alaska-Juneau, Treadwell, Alaska Mexican, Ready Bullion, and Seven Hundred Foot mines prospered, the city's economy thrived. On the other hand, the city's future turned bleak when a mining tunnel under Gastineau Channel flooded in 1917 and faced further hardship when gold mining was deemed a "nonessential activity" during World War II.

At one point, the seafood industry was a significant player in Juneau's economy. Two large scale facilities offered full services to Southeast's fishing industry. The expansion of the industry throughout Southeast increased the competition for the catch. Other Southeast localities were closer to the productive fishing grounds, and this seriously harmed Juneau's seafood processors. Juneau-based companies have attempted to recapture some of this market, but currently only one processor operates in Juneau, and only sporadically.

Government Employment is now Juneau's Mainstay

Juneau's current economic mainstay is state government. Unfortunately, state government's reliance on a single source for most of its revenues, and the projected decline of these revenues, does not bode well for continued employment stability in Juneau.

The reliance of Juneau's economy on government employment was apparent in the late 1970s and early 1980s during attempts to relocate the capital. Several statewide elections during this period almost turned Juneau's worst economic fear into a reality. New investment in commercial and residential construction during this period of uncertainty was restrained, but the degree to which the capital move issue slowed growth in Juneau is not clear. All of Alaska

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Table 1

Annual Average Employment City and Borough of Juneau 1988

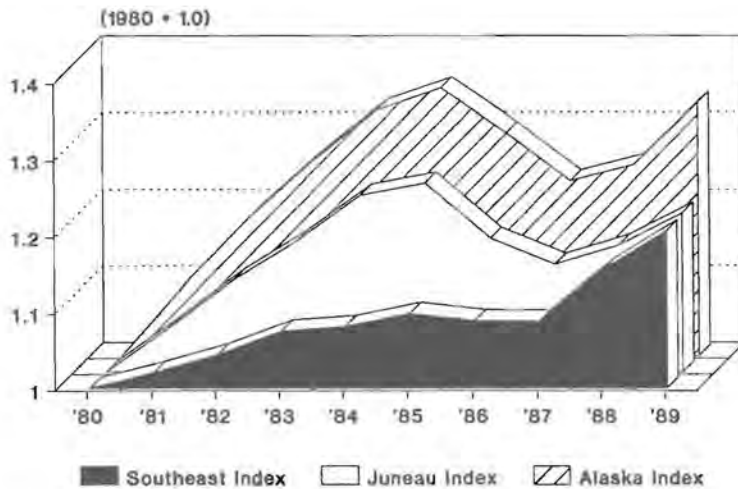
	Employment	% of Total Employment
Nonag. Wage & Salary	12,500	100.0%
Mining	169	1.3
Construction	341	2.7
Manufacturing	341	2.7
Seafood Processing	84	0.7
Lumber and Wood Products	163	1.3
Transportation	747	6.0
Trade	2,023	16.2
Wholesale	197	1.6
Retail	1,826	14.6
Finance-Ins. & Real Estate	561	4.5
Services & Misc.	2,010	16.1
Government	6,310	50.5
Federal	1,039	8.3
State	4,020	32.2
Local	1,251	10.0

Subtotals may not add due to rounding.

Source: Alaska Department of Labor, Research and Analysis Section

Figure 1

Employment Index Juneau, Southeast and Alaska



Source: Alaska Department of Labor, Research and Analysis Section

was growing at a tremendous rate during the early 1980s. Juneau also showed strong growth, leading Southeast Alaska but falling below the statewide growth rate. (See Figure 1.) The prohibitive expense of the capital move finally persuaded voters to reject the plans, and Juneau's economic future was secured for the moment.

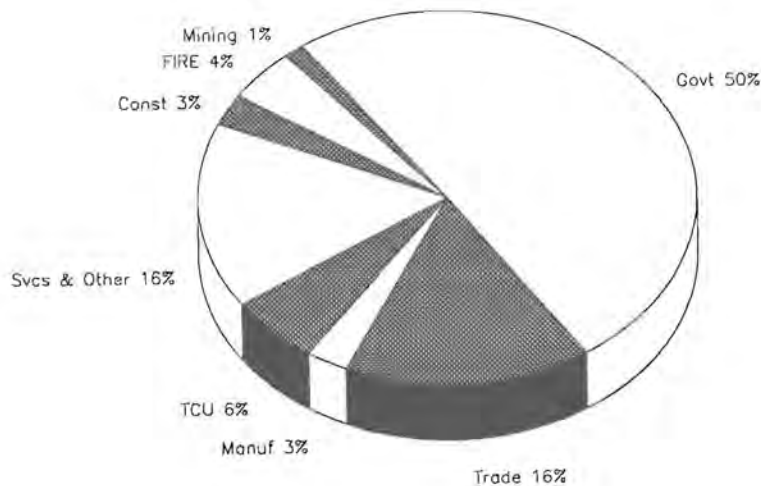
The resolution of the capital move issue and population increases contributed to a building boom in Juneau. Rising state budgets and additional state programs combined with pent-up development pressures to fuel a building boom during 1983-1985. This boom was quickly brought to a halt by the 1986 fall in the price of oil. Faced with falling revenues, state government was forced to tighten its belt, and Juneau's main industry was under pressure to cut back.

Juneau Rebounding

For the present, Juneau seems to have weathered another economic storm; employment, population and property values are all on the rise. Although significant losses were recorded in all these areas during the most recent recession, employment and population gains are well on their way to new highs. Property values have not yet matched their precipitously high levels of the mid 1980s, but have turned around dramatically.

Figure 2

Employment by Major Industry 1988 City and Borough of Juneau



Source: Alaska Department of Labor, Research and Analysis Section

An Anomaly in Southeast

Before highlighting the mainstays of the Juneau economy, it is interesting to compare Juneau to the rest of Southeast Alaska. It quickly becomes apparent that the region's major industries play only minor roles in the Juneau Borough's economy. Most of Southeast Alaska relies on natural resources for an economic base. While cities such as Ketchikan and Sitka serve as regional trade and service centers, their economies are primarily resource-based.

The region is heavily dependent upon manufacturing, which employs one in six Southeast Alaskans. Most of these jobs are in the seafood processing and timber industries. On the other hand, except for the corporate office staff of several companies involved in these

industries, Juneau sees very little direct employment from manufacturing industries. (See Table 1.)

Fishing, the economic cornerstone of many of Alaska's coastal communities, has varied from somewhat important to virtually nonexistent in Juneau's economy. Most recent attempts to lure more fishing boats into Juneau harbors have met with both limited successes and resistance. A small number of Juneau merchants earn significant shares of their income from fishing activities, and projects such as Juneau's fish hatcheries exist solely because of this industry. Still, the percentage of Juneau's economy dependent on the seafood industry is small compared to other coastal Alaska communities.

While much of Southeast has based an economy around timber operations, this is another industry which has more of a secondary than a direct impact on Juneau's economy. Several corporations active in this industry are based in Juneau, but most activities occur outside of the borough. Local transportation companies and some retailers benefit from the industry, but the local economy is not nearly as dependent on the timber industry as other communities in Southeast.

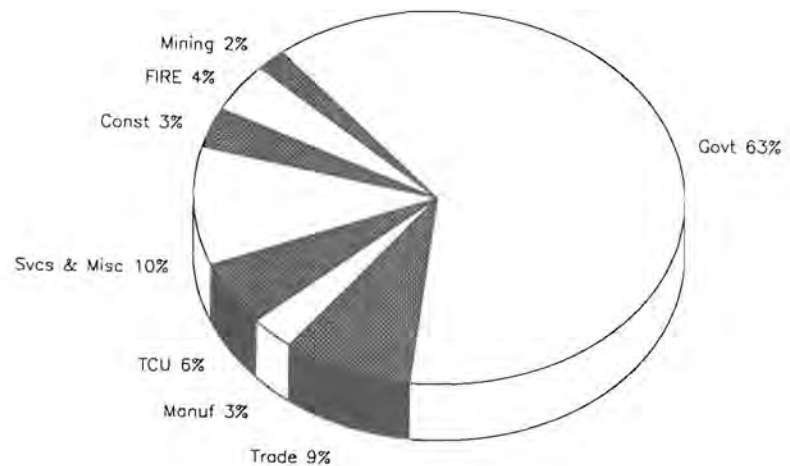
Government Reigns in Juneau

While Juneau is not a resource-based economy, it's clear that what Juneau does have is government, and lots of it. This is no surprise, being the capital of Alaska, a regional hub, the third largest city, and the headquarters for many federal government agencies.

How important is government employment to Juneau? Half of all jobs in Juneau are in the public sector, with one-third in state government alone. Increasing the public sector's importance is its comparatively large payroll. The public sector employs 50% of Juneau's workers, but pays out 63% of the total Juneau payroll. (See Figures 2 and 3.) In comparison, slightly less than one in three Alaskans are employed in the public sector. (See Figure 4.) This larger proportion for Juneau's public sector is caused both by the overall size of government employment and Juneau's small remaining economic base.

Figure 3

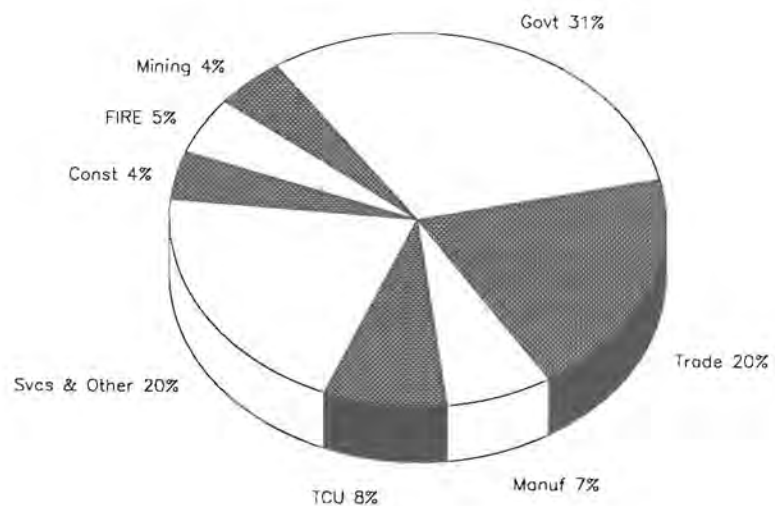
Payroll by Major Industry 1988 City and Borough of Juneau



Source: Alaska Department of Labor, Research and Analysis Section

Figure 4

Employment by Major Industry 1988 - Alaska



Source: Alaska Department of Labor, Research and Analysis Section

Figure 5

Juneau Employers 1st Quarter 1980 – 2nd Quarter 1989



Source: Alaska Department of Labor, Research and Analysis Section

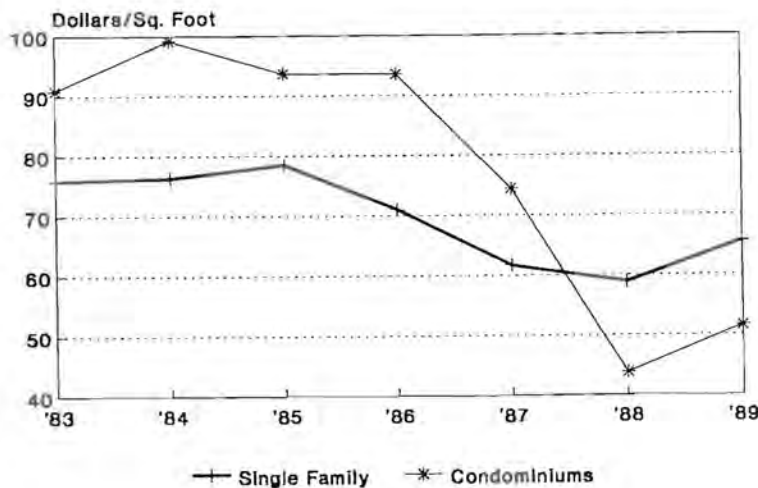
Juneau's dependence on public sector employment is partially the result of a build-up of government services made possible by skyrocketing oil revenue. Addressing the growth of government employment in Juneau, the August 1989 *Juneau Trends* asserts: "For the next 10 years (from 1973 through 1984), petro-dollars flowing from the North Slope to the capital city would generate an average of 170 new state government jobs in Juneau each year. In terms of impact, it was like adding nearly the full employment of a Green's Creek mine every 12 months."^{1/}

Central State Government Functions Employ the Most People

The same issue of *Juneau Trends* looked at Juneau's state government employment and divided it into three functions: central (or statewide); regional; and local. Two-thirds of Juneau's state employees worked for statewide programs, one-quarter dealt with regional tasks, and less than 5% were employed for local tasks.^{2/}

Figure 6

Residential Unit Sale Price Single Family and Condominiums



Source: CBJ Community Planning Department; *Juneau Trends*, February 1990

Debate over the appropriate size of state government is outside the scope of this article. However, it is fair to say that even if reduced to absolute minimal levels, state government employment will continue to be the driving force behind Juneau's economy for the foreseeable future.

Dependance on Public Sector has a Cost for Juneau's Economy

Government positions are less tenuous than many private sector jobs, but Juneau's reliance on a single industry has its costs. Juneau's economy was hit hard by the declines in oil revenues during 1986 and 1987. In order to cut the state budget, many state positions were either cut or left unfilled. The impact on Juneau's employment is evident in Figure 1.

Private Sector Dependent on Public Sector

It is impossible to totally separate Juneau's public sector employment from the overall economy. Government employment has a multiplier effect —

income earned by government employees is spent at private sector establishments, creating private sector jobs. Additionally, many Juneau-based companies do a significant portion of their business with public sector agencies.

Figure 5 points out this public/private sector relationship. The decline in government employment and spending was the major reason that over 15% of Juneau businesses closed their doors between 1985 and 1988.

Compounding the problem of separating out public sector employment is its sheer size — in Juneau it dwarfs the private sector. (See Figures 2 and 3.) A recent McDowell Group study puts this relationship into perspective. According to the report, Juneau's state government employment:

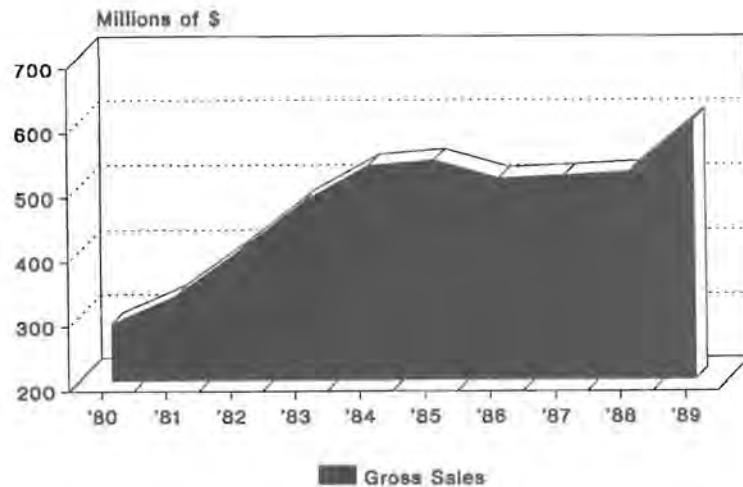
- is larger than the entire Alaska forest products industry;
- is five times the size of the entire Southeast tourism trade;
- is ten times the size of the proposed A-J mine;
- is twenty times the size of Greens Creek;
- and generates twenty times the payroll of Juneau's tourist trades.^{3/}

Comparing private sector employment patterns between Juneau and other areas of the state shows some surprising results, in spite of the analytical problems associated with Juneau's large public sector.

TCU Employment Different in Juneau

The Transportation, Communications and Utilities industry (TCU) accounts for about 12% of total private sector employment throughout the state. However, Juneau's TCU industry differs from the rest of Southeast Alaska. The air transportation industry in Juneau has a much larger share of total TCU employment than in the rest of Southeast. The other industries in this group, communications and utilities, are also well represented in

Gross Business Sales – Juneau 1980-1989



Source: City and Borough of Juneau, Treasury Division

the Borough. Regional and local telephone and television stations are located in Juneau, and the city's larger population means more utility companies (and therefore more utility workers) than found in many other Alaskan cities.

Juneau Construction Comparable to Southeast

Somewhat surprisingly, construction employment levels are nearly identical for both Juneau and Southeast private sectors. At present, very few Juneau construction jobs are directly attributable to Juneau being the state capital. One such future project is the new Department of Environmental Conservation building, constructed in Juneau because it is the capital.

Most other government funded projects are of a regional or local nature, and compete for funding with other public sector projects throughout the state. For that reason, one would expect the share of construction employment to be roughly equivalent when comparing Juneau to other Southeast communities.

Printers are Juneau's Biggest Manufacturer

The most glaring difference in private industry employment is found in manufacturing. In Southeast Alaska's private sector, over one in four jobs are in manufacturing. Juneau's lack of any significant timber or seafood processing operations means that only about one in 18 private sector jobs are in manufacturing. The largest portion (20%) of Juneau's manufacturing jobs are in commercial printing and publishing.

Mining Holds Biggest Promise for Employment Diversification

Recently, Juneau's private sector has perked up because of mining. The opening of the Greens Creek mine on Admiralty Island (just outside the Borough boundary) was a signal that Juneau's mining industry is reawakening. Greens Creek represented the biggest single mining project to begin production in Southeast Alaska in recent history. Both construction and mining employment were boosted by Greens Creek development during the last two years.

Now in full operation, more than 200 workers are employed at the mine, with a total annual payroll of \$10 million.

The same reasons which made Greens Creek viable have also made other ventures, such as the Alaska-Juneau, Kensington and Jualin mine reopenings appear economically feasible. If all of these mining projects come on line, the initial exploration and construction phases would directly employ roughly 1,000 persons, while operations would account for 850 to 900 employees (including those working at Greens Creek, who for the most part live in Juneau). If these employees were added to Juneau's current employment, they would represent approximately 7% of all Juneau jobs and nearly twice that amount if public sector employment is excluded.

One potential boost available from mining occurs through the Borough's ownership of a share of the resource. Unlike most other economic activities, where city revenues are enhanced only through taxes, Juneau owns a significant share of the ore body of the Alaska-Juneau mine. Similar to state royalty payments for North Slope oil, the city should receive some direct compensation for the resource. If the city charges rates comparable to private owners for its ore reserves, there is the potential for a revenue windfall if the A-J mining project continues.

Tourism — Small But Important Player

Over the past several years more Alaskan communities have been looking to cash in on tourism, and Juneau is no exception. A variety of promotional organizations ranging from the Juneau Convention and Visitors Bureau to regional and statewide organizations are attempting to attract travelers to the area. Since tourists consume many of the same goods and services that residents and business travelers consume; it is difficult to gauge the employment impact of tourism.

Studies of Southeast Alaska tourists and their expenditures help put tourism-related employment into perspective. According to a report from the Juneau-based McDowell Group, Juneau attracted 246,900 pleasure

visitors in 1988 and they spent a total of \$24.5 million. To put this level of economic activity into perspective, Juneauites can look north to Skagway, where the number of pleasure tourists and their expenditures equal about 80% of those of Juneau.^{4/}

Skagway is possibly the Alaska city most dependent on tourism. The vast majority of Skagway's employment, which stood at 370 on an annual average basis in 1988, is tourism-related. If one assumed that Skagway is completely tourism dependent, and that Juneau's tourist industry is 25% larger than Skagway's, then this would mean that between 450 and 475 jobs were created by Juneau's tourism industry in 1988. This would amount to slightly less than 4% of Juneau's total employment in that year and about 8% of total private sector employment.^{5/}

Housing, Sales Tax Data Underline Juneau's Recent Recovery

For Juneau's overall economic health, several different data sets serve to chart its course. Figure 6 shows how housing prices have fluctuated in Juneau since 1982. The housing market has been very volatile in recent years, with costs peaking in the 1985-1986 period and falling sharply until 1988. In 1989, prices again began to rise. Early indications in 1990 suggest that housing prices are continuing a strong upward movement, with local realtors saying that single family units are increasing nearly 1% per month.

Sales tax records provide data on gross business sales in Juneau. Following the path of other economic indicators, total gross receipts peaked in 1985. (See Figure 7.) Unlike some other economic indicators, gross receipts declined for only one year (in 1986). Gains were small until 1989, when sales increased by more than 15%.

Government will not be Toppled as King Anytime Soon

Juneau has a history of economic swings, and has managed to weather most of them. Government has been, and will continue to be, the major employer for the foreseeable future. This dependence on a single industry is

nearly unavoidable given Juneau's small size and the current scale of state government employment.

Some projects are underway to diversify Juneau's economy. Tourism advocates have worked hard to attract more people, and dollars, into Juneau. Their activities have won significant increases in tourist traffic through Juneau.

Currently, mining is the private sector industry with the greatest potential economic impact. If the three major mine proposals come into production, the area's mining industry (including the Greens Creek mine) will eventually employ 850 to 900 miners. These are well compensated, year-round jobs, and will create secondary employment in the borough.

Economic diversification and expansion are important to Juneau, and will become more so as pressure to reduce state government grows. Promoting new industries and businesses can ease the economic pain of any such reduction. It cannot be ignored, however, that Juneau's economic future relies on the future of government, and in particular state government.

Notes:

- 1/ CBJ, Community Planning Dept., *Juneau Trends*, Volume Two, Number Five, August 1989, p 12.
- 2/ Ibid, p 14.
- 3/ *Juneau's Population: Current Estimate and Future Forecasts*; The McDowell Group, April 24, 1990, p 2.
- 4/ *Southeast Alaska Visitor Research Program*, Summer 1988; Southeast Alaska Marketing Council, p 158.
- 5/ Juneau has a much higher number of business travelers than does Skagway. Efforts are made to attract conventions and conferences to Juneau, but a majority of these business travelers come to Juneau because it is the capital and a regional hub. The business tourist seems much less influenced by advertisements or promotions than does the pleasure tourist.