

A tale of two economies

In the last decade, the communities of Southeast Alaska have followed divergent economic paths. Juneau, the state's capital, has seen steady growth, while much of the rest of the region has seen heavy job losses in the timber and fishing industries. Although intuition might suggest that Juneau's growth has been the result of growing government, such intuition would be mistaken. While government remains the unquestioned heart of the economy, most of Juneau's growth over the last decade has come from the private sector. By contrast, in nearly every other Southeast community the private sector has struggled and the more stable government jobs have increased in importance, as they have become a larger percentage of total employment.

Rich in resources, but rugged and isolated

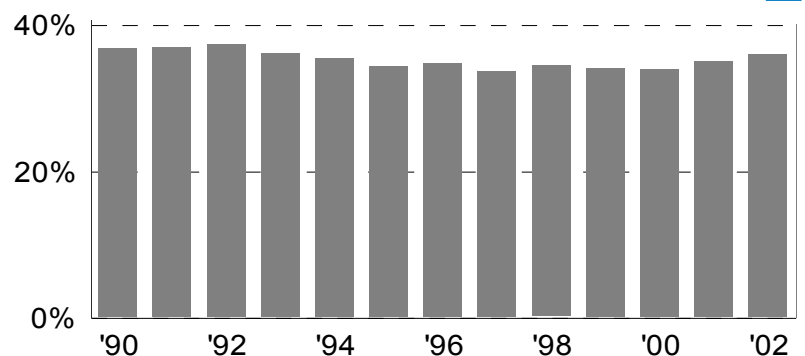
Southeast Alaska includes the thin strip of Alaska coastline that extends from Dixon Entrance in the south to Cape St. Elias in the north and the hundreds of islands in the Alexander Archipelago. Much of Southeast is covered by the Tongass National Forest. The region's rugged island and coastal geography has been both a blessing and a curse. Tourists are drawn to the beauty of a wilderness only lightly touched by roads, but these attributes also render the development of the region's timber, fish and mineral resources both difficult and expensive.

Because most Southeast communities have developed in isolated settings, each represents a

unique economic environment. While the region as a whole has traditionally shared a dependency upon fishing, timber, tourism, and government, the relative importance of each of these industries varies from location to location. Communities that relied heavily on timber and fisheries have suffered through a decade of damaging economic events. Logging has been curtailed, mills have closed, and salmon prices have plummeted.

As a result of these setbacks, the overall economy of Southeast Alaska has shown little growth over the last decade. The region-wide statistics, however, contain a tale of two distinct economies. Juneau has experienced steady growth, both in population and employment. Offsetting this positive trend has been the erosion of population and employment in most of the other communities of Southeast. To explain these differences as based on government growth would be to

Government as Percent Of Southeast Region employment



2001 and 2002 adjusted for Tribal Government.

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

misinterpret what is happening. (See Exhibit 1.) In fact, the capital city of Juneau is the one community in Southeast where government played a smaller economic role in 2002 than it did in 1990. (See Exhibit 7.)

Like the rest of the nation, Alaska has experienced a decline in manufacturing and natural resources employment. (See *Alaska Economic Trends* January 2004 *Employment Scene*.) Southeast has been particularly hard hit by these reductions. Again following the national trends, the relative importance of the region's services sector as a source of employment has increased over the last decade. (See Exhibit 2.) That most of these jobs have been created in Juneau is tied to the fact that Juneau's core economy of government provides a large enough year-round workforce to attract service oriented businesses.

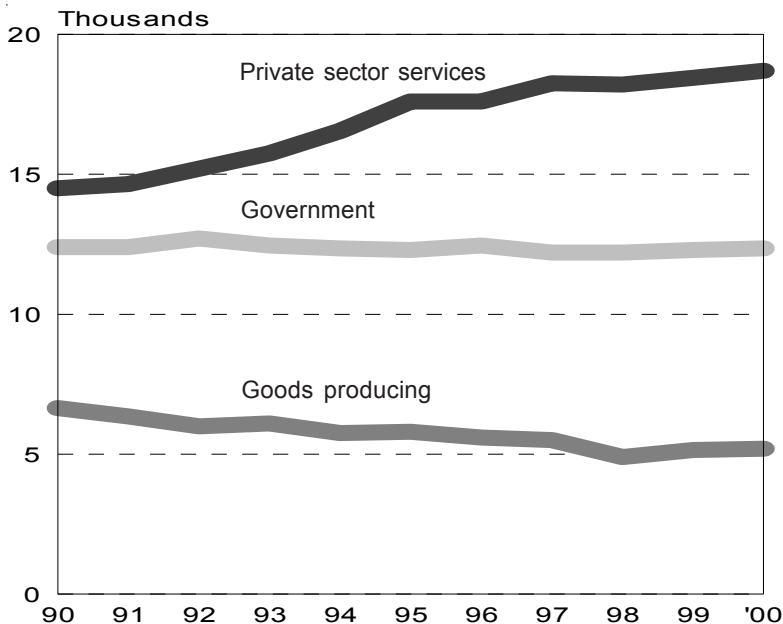
Declines in timber and fishing have hurt the region

A yellow bumper sticker supporting jobs in fisheries, timber, and tourism is seen frequently in many Southeast communities. The message expresses an understandable desire to recapture a recent past when the first two industries provided much of the private sector employment and income throughout the region. While all three industries remain important to Southeast, in their current manifestations they are highly seasonal and often rely upon a transient workforce. Communities that rely on highly seasonal and transient employment often have difficulty attracting service providers who predicate their business investments on year round clientele.

In the decade of the 1990s, the Alaska Pulp Corporation and Ketchikan Pulp Company ceased operations. Mill closures in Ketchikan, Sitka, and Wrangell dramatically impacted the economies of these communities by eliminating their major private sector sources of year round employment. In addition, the seasonal but well paid logging activities in Prince of Wales-Outer Ketchikan, Wrangell-Petersburg, and Skagway-Hoonah-Angoon census areas were severely reduced. In 1990, there were 3,450 sawmill and logging jobs in the region. By 2002, only 450 of these remained. The elimination of 3,000 high paying jobs has contributed to an exodus of population and a reduction in per-capita private sector earnings. (See *Trends*, December 2003.)

The salmon and herring fisheries of the area have also experienced hard times. While salmon runs remain extremely strong in historical terms, prices have fallen to such low levels that large numbers of fishermen have been forced out, or have voluntarily left the industry. In 1992, for example, 2,658 salmon permit holders harvested 188 million pounds of salmon valued at \$109 million. A decade later, 1,671 salmon permit holders landed 220 million pounds valued at only \$35.4 million. The reduced fishing effort resulted in a 17 percent increase in harvest volume, but a 68 percent decline in harvest value. The nearly 1,000 fewer permits represent a 37 percent

2 Southeast Employment By sector 1990–2000



Note: Data based on SIC categories, and cannot be compared with post-2001 NAICS categories.

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

reduction in fishing effort, and does not capture the even greater decline in the number of crewmember jobs.

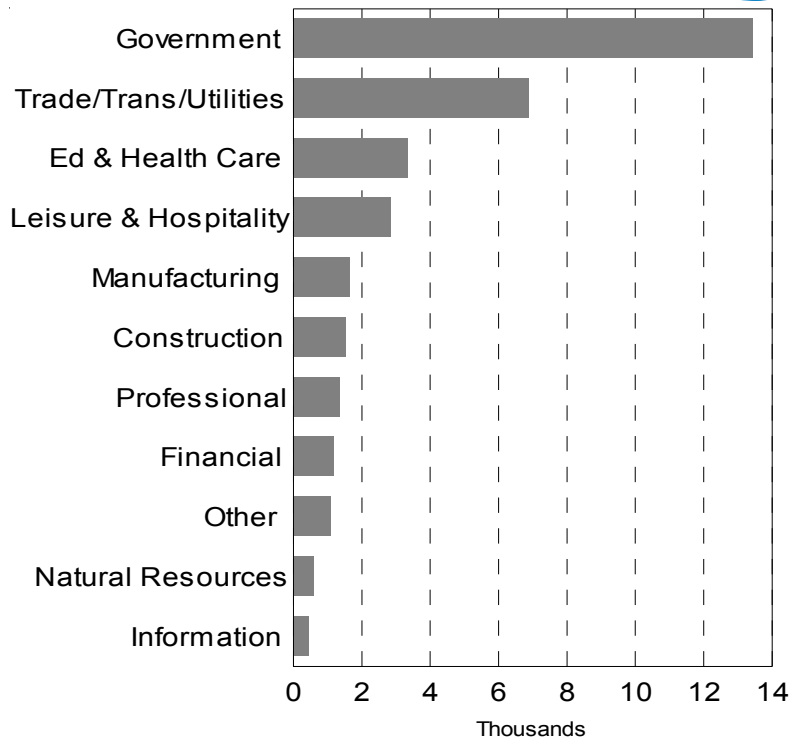
While fishing by its very nature is seasonal, the prices of the late 1980s and early 1990s allowed a large number of fishermen to earn a reasonable annual income. By the late 1990s and early years of this century, both participation and earnings had fallen to much lower levels. Fish processing employment, always dominated by a transient workforce, has also slightly declined over the last decade. Once again, the seasonal and transient nature of both fisheries and fish processing offers little incentive for new service industries to locate in communities dependent upon a declining industry. (See *Trends* October 2003.)

Tourism has grown but may have reached a plateau

Tourism related activities in Southeast have undoubtedly increased over the last decade, but the Alaska Department of Labor and Workforce Development (DOLWD) does not monitor tourism per se. It is often difficult or even impossible to differentiate between employment opportunities created by local demand and those that result from the visitor industry. There is some indication that tourist generated employment opportunities may have been declining over the last several years. Since 2001, the peak months of June, July, and August have shown a significant decline in Leisure and Hospitality employment. In July 2001, for example, this sector accounted for 5,150 jobs, but by 2002 the month's total fell to 5,050, and in 2003 declined further to 4,750. Once again the causes of this decline cannot be clearly established and some of the reduction might be attributed to fewer residents dining out or other slackening of local demand.

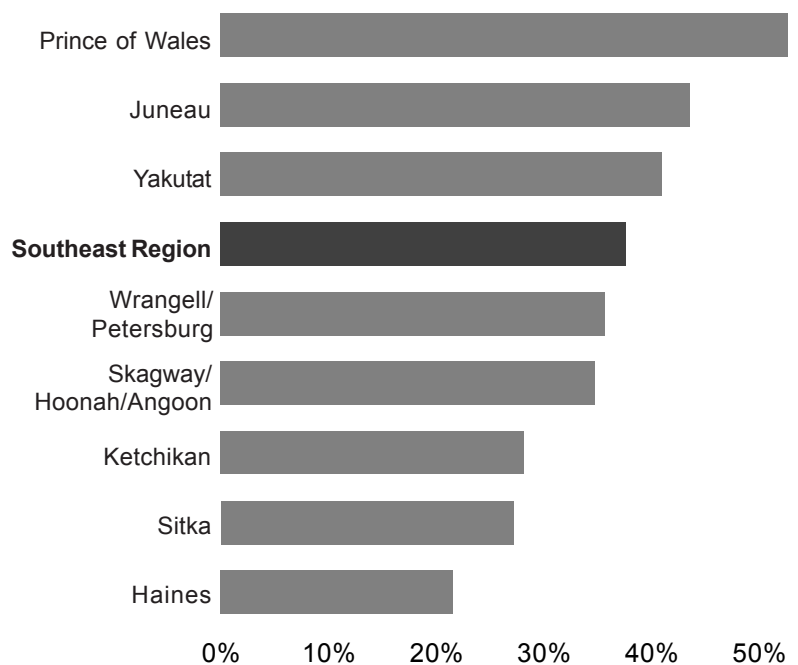
Still, as the winter residents of Southeast recognize, the large number of seasonally shuttered jewelry stores, kayaking offices, and T-shirt shops indicate an increasing regional reliance upon tourism. What is also obvious is that tourism related employment offers little in terms of year round employment. While seasonal employment can

Southeast Employment By industry—2002 **3**



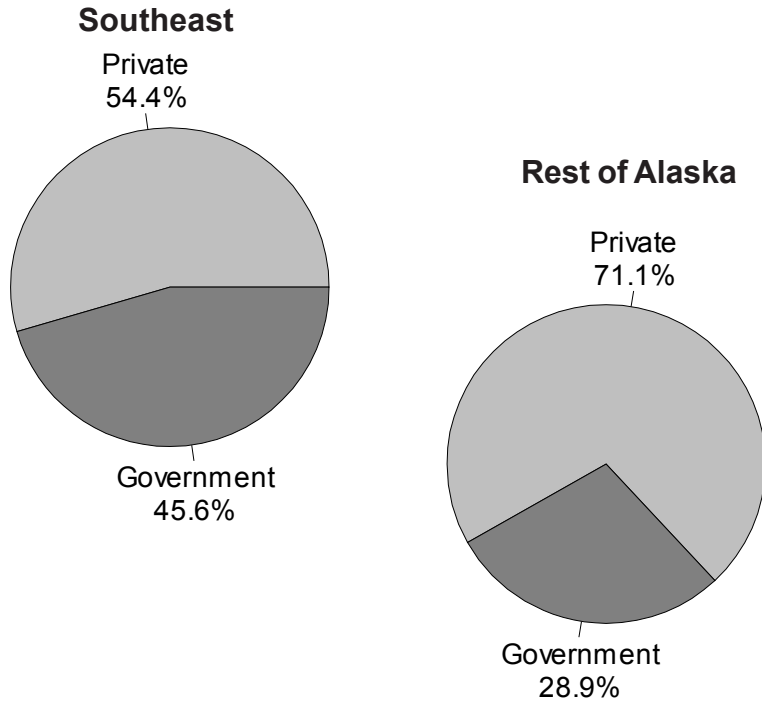
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Government Employment As percent of total—Southeast 2002 **4**



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

5 Private and Government Payrolls As percent of total wages—2002



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

augment a healthy core economy, it cannot provide a substitute adequate to attract year round service oriented businesses.

Much of Southeast's private sector economy is seasonal

Fisheries, timber and tourism share a common trait in that they are highly seasonal industries. Fisheries and resulting seafood processing employment peak with the salmon runs of July and August. Logging activities are usually curtailed during the winter months when weather and daylight hours limit access to the forest. Tourism also centers on the summer months. Businesses relying on a year round clientele tend to gravitate to areas of stable employment. When the tourist season ends, many shops in Ketchikan, Skagway and other Southeast communities close their doors, and their seasonal employees follow in the wakes of southbound tour ships. By the time Southeast's rain swollen autumn streams are filled with spawning salmon, seafood-processing workers have followed their own migratory instincts to warmer climes.

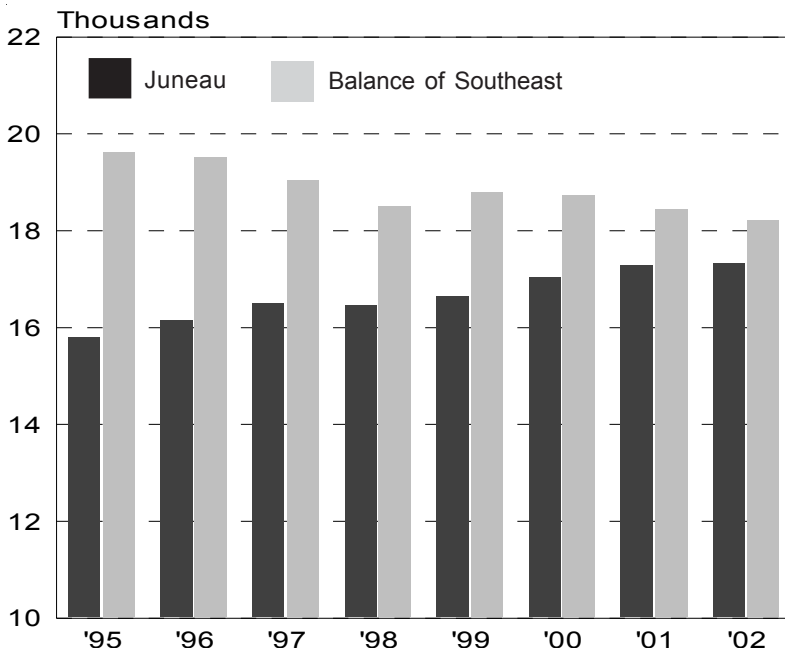
Against this backdrop of a highly seasonal private sector suffering declines in two of its three major components, the role of government as the major source of stable regional employment is often overlooked.

Government dominates Southeast economy

If the core economy of a region is defined as those industries that provide year round employment to a significant percentage of the population, there is no question that government reigns supreme in Southeast. This is true of every community in the region. (See Exhibits 3, 4, and 5.)

In 2002, government, (including tribal government), directly accounted for 37.8 percent of all regional employment and nearly 46 percent of all wages and salaries paid in Southeast Alaska. This compares with statewide totals of 27 percent of all jobs and 29 percent of all wages and salaries.

6 Juneau Employment vs. Balance of Southeast Alaska



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

(See Exhibit 5.) In addition to direct government employment, many of the area's private sector jobs are dependent upon government contracts or funding sources. These include such things as road construction and even medical services. Southeast Alaska Regional Health Corporation, (SEARHC) the area's largest private sector employer, for example, relies heavily upon federal funding.

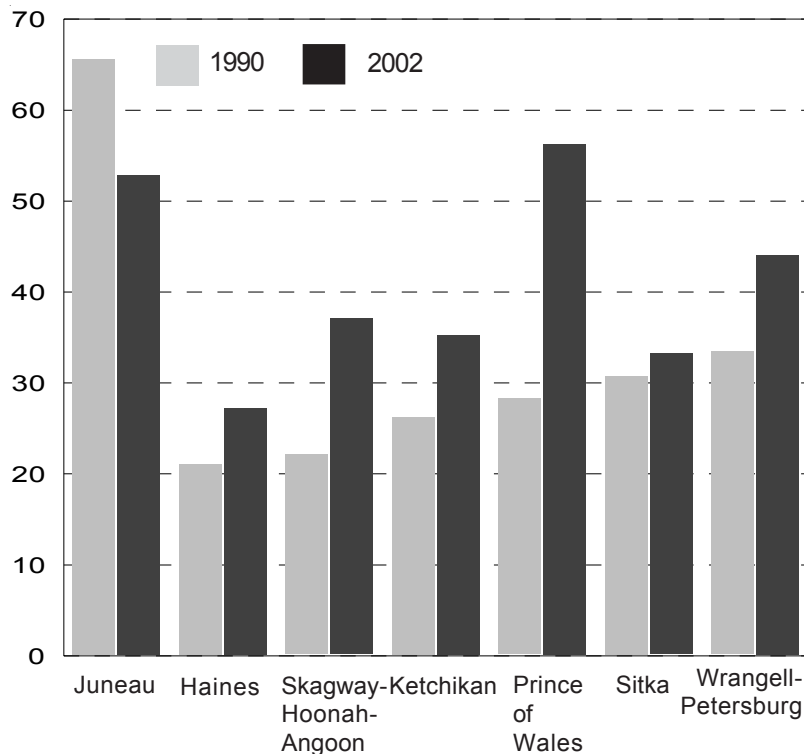
Juneau is the only community in Southeast that has experienced consistent economic growth in recent years. (See Exhibit 6). It is also the only community where the relative economic importance of government has declined over the past decade. Because government provides the capital a stable employment base, Juneau has been able to attract private businesses that cater to this core economy. By contrast, the growing relative economic importance of government in other Southeast communities is largely due to the contraction of the private sector core economy. As year-round employment opportunities, especially in timber related industries have fallen, these communities have become increasingly reliant upon government payrolls.

Government employment has not significantly increased in either absolute numbers or as a percentage of regional employment since the early 1990s, although there have been minor fluctuations from year to year. In 1993, of the 33,628 jobs in Southeast, 12,387, or 37 percent were in federal, state, or local government. By 2002, total employment had increased to 35,477

and government employment, (adjusted for the change in the way in which tribal employment is tallied) amounted to 12,827, or 36 percent. Total regional employment had increased 1,849 or 5.5%, while government employment, (excluding

Government Wages and Salaries As percent of total wages—1990 v. 2002

Percent



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

Wage and Salary Income 1990 and 2002 (in \$thousands)



	1990			2002		
	Total	Government	Gov as %	Total	Government	Gov as %
Haines	\$23,067	\$4,858	21.1%	\$23,439	\$6,394	27.3%
Juneau	403,635	265,165	65.7%	597,755	315,983	52.9%
Ketchikan	226,394	59,481	26.3%	216,704	76,443	35.3%
Prince of Wales/Outer Ketchikan	61,477	17,376	28.3%	48,480	27,291	56.3%
Sitka	103,793	31,959	30.8%	129,173	42,990	33.3%
Skagway-Hoonah-Angoon, Yakutat	58,398	12,974	22.2%	54,239	20,146	37.1%
Wrangell-Petersburg	68,631	23,016	33.5%	75,094	33,084	44.1%
Southeast	945,395	414,829	43.9%	1,144,884	522,331	45.6%
Balance of Alaska	6,058,703	1,877,049	31.0%	9,582,264	2,572,878	26.9%
Alaska	7,004,097	2,291,879	32.7%	10,727,148	3,095,209	28.9%

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

9 Average Monthly Wage/Salary In constant CPI-adjusted 2000 dollars

Year	Private	Government	Federal	State	Local
1989	\$3,179	\$3,627	\$3,452	\$3,893	\$3,544
1992	2,907	3,499	3,516	3,769	3,298
1994	2,809	3,517	3,519	3,761	3,346
1996	2,677	3,227	3,470	3,253	3,081
1998	2,726	3,265	3,918	3,162	2,988
2000	2,776	3,230	4,035	3,154	2,862
2002	2,842	3,122	4,175	3,111	2,668

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

tribal) had grown at the slower rate of 3.5%, adding 440 positions.

Role of government grows in importance

Perhaps more telling than employment data is the role government wages and salaries play in relation to the overall economy. In 2002, government wages amounted to 56.3% of all wage and salary income reported from Prince of Wales-Outer Ketchikan. It also accounted for 52.9% of Juneau's wages and salaries. In fact, every community in Southeast, with the exception of Haines (27.3%) depended upon government for at least one third of all wages and salaries. (See Exhibit 7.) Of the \$1.14 billion of reported regional wages in 2002, government accounted for \$522 million or 45.6%. This degree of economic dependency is far higher than in the rest of Alaska, where government incomes account for less than 27 percent of total salaries. It also shows that government payrolls are growing in importance to every Southeast community except Juneau. (See Exhibit 8.)

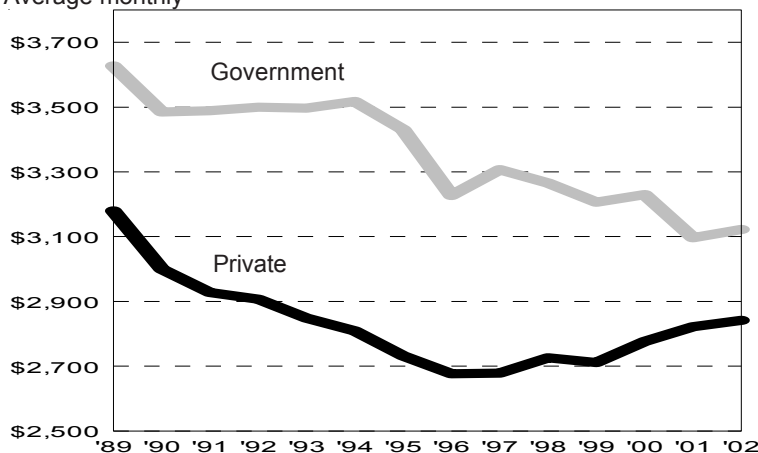
While the relative importance of government payrolls is increasing in most Southeast communities, it has been quite stable in terms of the entire region. In 1990, when the timber industry was in its peak period and comparatively high salmon prices prevailed, government salaries accounted for 43.9% of the regional wage and salary income. While this percentage was slightly lower than the 45.6% of 2002, it must be remembered that the latter number includes the incomes of 550 tribal employees who were counted in the private sector prior to 2001. In point of fact, government employment has long exceeded the combined economic impact of timber, tourism and fisheries throughout the region. Moreover, it provides a large part of the year round employment base, which is the foundation for most service sector employment.

Government and private sector salaries

With the exception of Juneau, the communities of Southeast Alaska have seen the relative economic importance of government increase

10 Government & Private Wages In constant CPI-adjusted 2000 dollars

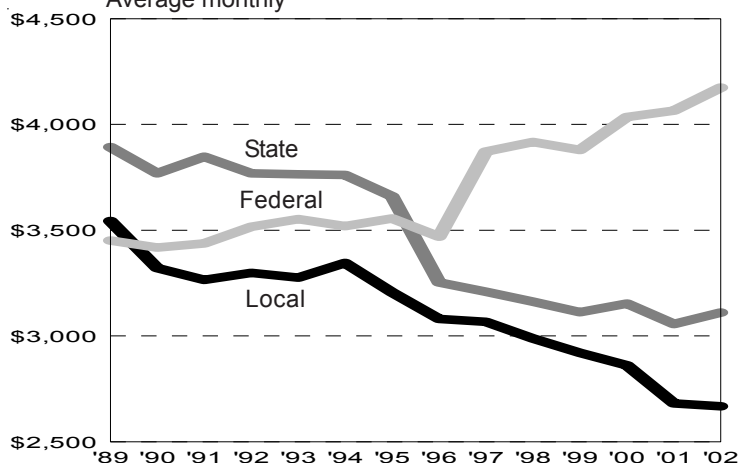
Average monthly



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

11 Government Salaries In constant CPI-adjusted 2000 dollars

Average monthly



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

since 1990. For example, in 1990 government employment accounted for only 28.3% of wages and salaries in the Prince of Wales-Outer Ketchikan census area; by 2002 it had doubled to 56.3%. Ketchikan saw an increase from 26.3% to 35.3% over the same period, while Wrangell-Petersburg saw an increase from 33.5% to 44.1%. Sitka showed a relatively small increase from 30.8% to 33.3%, which does not reflect the fact that the region's largest private sector employer, SEARHC, is highly dependent upon government funding, nor does it capture the impact of uniformed Coast Guard personnel stationed there. Similar increases were evident throughout the region. Exhibit 7 illustrates these numbers.

The reason government wages and salaries grew in relative importance in most Southeast communities, however, is not because government has grown or because government workers received more or better pay raises. In fact, on a statewide basis, the average private sector worker's earnings, calculated in CPI adjusted constant 2000 dollars, have declined since 1989, but the average government worker's earnings have declined even more. The average private sector worker earns 12 percent less than he or she did in 1989, while the average government worker earns 16 percent less. Moreover, private sector earnings have shown a slight increase since 1996, rising from \$2,677 to \$2,842 in 2002, whereas government earnings have continued a slow decline, falling from \$3,277 in 1996 to \$3,122 in 2002, despite a small increase from 2001 to 2002. (See Exhibits 9 and 10.)

Employment change 1993 to 2002

Over the ten-year period 1993 through 2002, Southeast's annual average employment increased by 5.5%, adding 1,849 jobs. At first glance, this indicates a continuing if modest rate of growth for the region. When the regional data are broken down by community, the picture changes. While Juneau added 2,719 jobs, the rest of Southeast actually shed a total of 870 jobs. In the southernmost part of the region, Ketchikan Gateway Borough, Prince of Wales-Outer Ketchikan, and Wrangell-Petersburg were the hardest hit, losing a combined total of 1,396 jobs. To the north, Haines, Sitka,

Skagway-Hoonah-Angoon, and Yakutat fared somewhat better, adding a combined total of 526 jobs, 71 percent of which were in Skagway-Hoonah-Angoon.

In short, Juneau employment grew 19 percent over this period, while employment in the rest of Southeast registered a 5 percent decline. The losses in southern Southeast are related to the losses in timber and fisheries that provided much of that area's core economy. (See Exhibits 13 and

Average Monthly Wages/Salaries Southeast-2002, unadjusted **12**

	Federal	State	Local	Private
Haines	\$5,144	\$3,297	\$2,372	\$2,035
Juneau	5,099	3,335	3,185	2,393
Ketchikan	4,364	3,271	3,121	2,423
Prince of Wales	3,531	3,370	2,161	2,062
Sitka	4,339	2,700	2,852	2,298
Skagway-Hoonah-Angoon	3,434	2,832	1,989	2,365
Wrangell-Petersburg	4,087	2,912	2,612	2,090
Yakutat	3,648	3,038	2,098	2,295

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

Employment in Southeast 1993 and 2002 **13**

	1993		2002		Change	
	Gov't	Total	Gov't	Total	Gov't	Total
Haines	242	911	195	893	-47	-18
Juneau	6,940	14,612	7,518	17,331	578	2,719
Ketchikan	1,859	7,582	1,908	6,732	49	-850
Prince of Wales	803	2,094	962	1,818	159	-276
Sitka	1,086	4,074	1,177	4,203	91	129
Skagway/Hoonah/Angoon	510	1,179	543	1,552	33	373
Wrangell-Petersburg	859	2,882	936	2,612	77	-270
Yakutat	88	294	138	336	50	42
tribal adjustment *			-550		-550	
Southeast Region	12,387	33,628	12,827	35,477	440	1,849
Government Growth Rate					3.6%	
Total Employment Growth						7.0%

* Prior to 2001, tribal employment was counted in the private sector. In 2002, tribal government accounted for an estimated 550 employees.

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

14.) Juneau, on the other hand, had less of that type of employment to lose and the benefit of a large, relatively stable base of government employment that may have helped attract private sector growth and development.

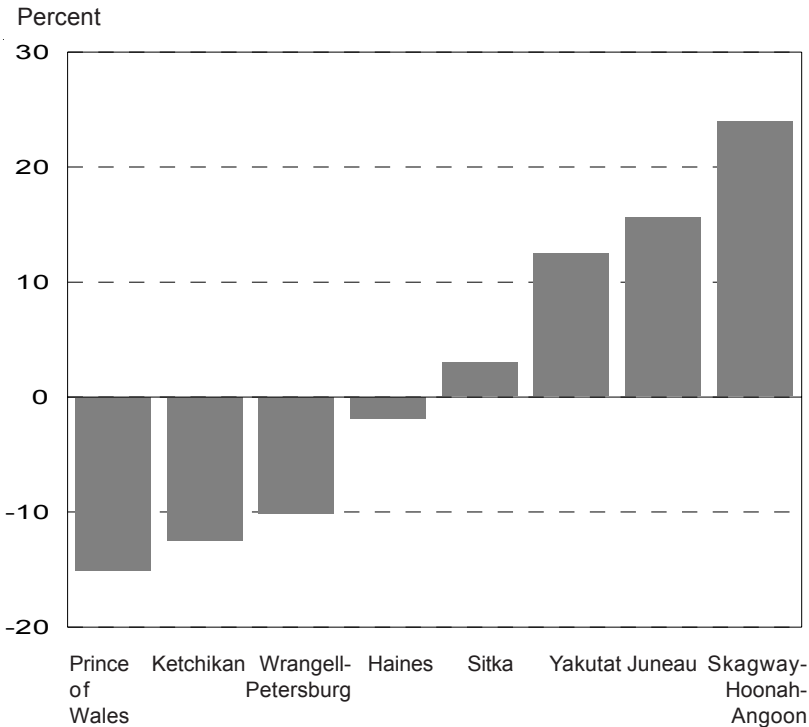
Demographic implications of economic changes

The 1990 U.S. Census found 68,989 residents in Southeast Alaska. By 2000, this number had increased to 73,082. These once-a-decade data tend to conceal the patterns of early growth and recent declines that have characterized most of the region. Since 1997, the population of Southeast has been shrinking. In that year, the DOLWD estimated the region had 73,302 inhabitants. By 2002, the revised estimate had fallen to 71,935. The provisional estimate for 2003 shows a continuing decline, with 71,841 regional residents.

The 2002 population was unevenly distributed among the eight separate boroughs and census areas that make up the region. Three out of four Southeast residents lived in one of the region's three largest boroughs, Juneau, Ketchikan, or Sitka. Juneau accounted for 30,940 or 43 percent of the total population, while the Ketchikan Gateway Borough with 13,697 accounted for 19 percent and Sitka with 8,812 accounted for 12 percent. The remaining population was distributed among the Wrangell-Petersburg census area, 6,471, followed by Prince of Wales-Outer Ketchikan, 5,690, Skagway-Hoonah-Angoon, 3,243, Haines, 2,362 and Yakutat, 720.

If 1990 census data are compared with the DOLWD estimated population of 71,935 in 2002, they show a total regional increase of 2,946. This growth was unevenly distributed. Juneau added 4,189 new residents, while the Wrangell-Petersburg census area lost 571 people. Prince of Wales-Outer Ketchikan had 588 fewer residents, Skagway-Hoonah-Angoon and Yakutat lost a combined 422, while Ketchikan lost 131. Outside of Juneau, only Sitka and Haines showed modest gains of 224 and 245 respectively. (See Exhibit 15.)

14 Employment Change In percent — 1993-2002



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

Generally speaking, changes in population are closely related to jobs. If a community loses jobs it will usually lose population, and vice versa. As noted above, Juneau's population grew by more than 4,000 from 1990 to 2002. Over the same period the number of jobs increased from 14,122 to 17,331, an increase of more than 3,000.

Nearly all of Juneau's growing population found jobs in the private sector, though the large, stable government employment base certainly played a role in attracting the new jobs. Department stores, supermarkets, restaurants, and medical and legal service providers, to name just a few, are all attracted to communities perceived to have a stable base of employment. As a result of Juneau's private sector job growth and the relatively constant number of government jobs, government's share of total wages and salaries fell in Juneau from 65.7% in 1990 to 52.9% in 2002.

The numbers for Ketchikan tell a different story. The population loss of 131 persons from 1990 to 2002 was much smaller than the decline of more than 1,000 wage and salary jobs over those same years. To date, Ketchikan has been unable to develop an alternative year-round employment base to replace its private sector job losses, although the growing role of the tour ship industry has provided seasonal opportunities. Contrary to the trend in Juneau, government wages and salaries have become relatively more important in Ketchikan, increasing from 26.3% of the total in 1990 to 35.3% in 2002.

Sitka's numbers, both population and employment, suggest that it has diversified its economy and recovered substantially from the loss of the Alaska Pulp Corporation in the early 1990s. From 1990 to 2002, Sitka's modest population growth of 224 was nearly matched by the addition of about 150 jobs. SEARHC and the Coast Guard have contributed enough economic stability to retain industry, but not enough to generate significant employment growth.

It should be remembered when looking at the 1990 to 2002 comparisons for these three communities, as well as for the region as a whole, that trends may have changed over the time period. Although the region shows population growth over the extended period, Southeast had fewer people in 2002 than it did in 1997. In other words, all of the region's growth took place from 1990 to 1997. With the possible exception of Juneau and Sitka, the most recent years tend to show both job and population losses for Southeast communities.

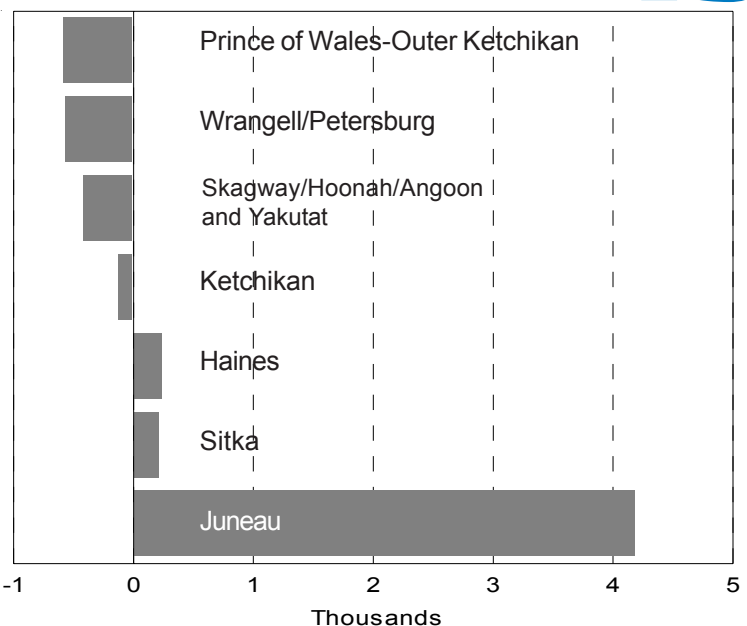
Conclusion

Despite its current economic difficulties, Southeast remains rich in fish, minerals, timber, and natural beauty. Increased access to these assets may provide the promise of the future. Proposed government projects such as the Bradfield Canal highway project, the Juneau access highway or the Ketchikan-Gravina Bridge will initially create jobs in the private sector if and when construction begins. While the construction jobs will disappear with the completion of the projects, it is hoped

that the improved infrastructure will eventually lead to resource development and encourage private sector growth throughout the region. Some private sector projects, such as the Kensington Mine or Woewodski Island mineral development, are already on the horizon, but the immediate future does not seem to hold the promise of significant employment growth. In the interim, government employment will continue to play a central role in the economies of most Southeast communities.

Until the rest of the region regains a stable private sector core economy, Juneau will continue to account for most regional growth. Over the past decade, Juneau has grown and diversified while the rest of Southeast has experienced economic stagnation and contraction. It seems likely that these dual trends will continue for at least the next few years, and that Southeast will remain a tale of two economies.

Population Change 15 1990-2002



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

Supplemental programs extend benefits when regular benefits are exhausted

Unemployment insurance supplemental benefit programs, in essence, provide additional weeks of benefits to claimants who have exhausted their regular benefit accounts. The supplemental programs come into effect during periods of high unemployment, or by an act of Congress during economic downturns. The supplemental programs give an added boost to the economy when it is needed most.

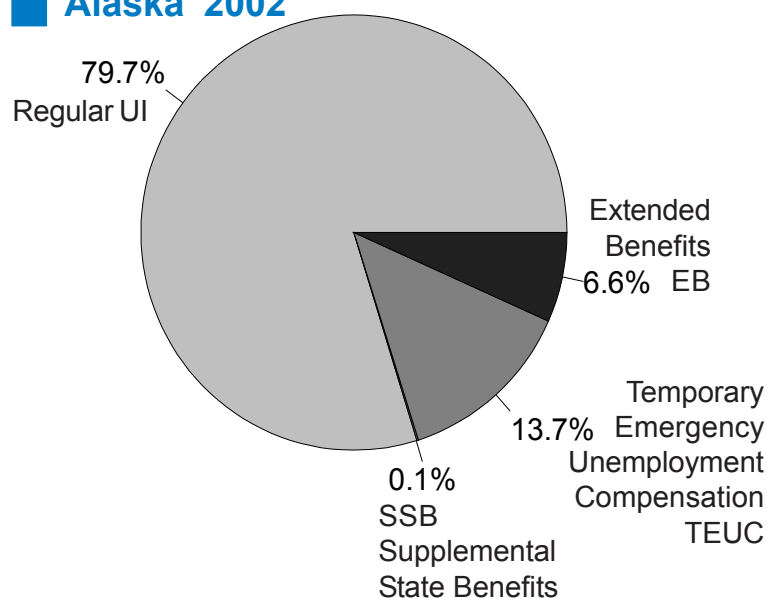
The Unemployment Insurance system – an overview

Unemployment insurance (UI) is an economic stabilization program that has been a part of the national economy for nearly seventy years. Workers receive temporary benefits during periods of unemployment, and employers are provided a more stable workforce of experienced workers who are available to return to work. Local economies benefit from the dollars spent by unemployment insurance claimants.

The foundation of the unemployment insurance system is the regular benefits program, which pays up to 26 weeks of benefit, depending on individual eligibility. From time to time, however, conditions in the economy are such that the regular benefits program is not sufficient to meet the objectives of the UI system. In such cases, a number of other UI programs supplement regular benefits. Supplemental UI programs provided 22.5% of total benefits paid during the year 2002.

Unemployment insurance can be viewed as a three-tier program. The first tier is regular benefits, financed and administered by each state. The second tier is a permanent supplemental program, extended benefits, which is triggered into effect by several unemployment rate mechanisms. The third tier is comprised of special or emergency benefit extensions enacted by Congress during periods of recession. The latest congressional extension program began March 2002 and ended for new claimants in December 2003.

1 UI Benefit Payments by Program Alaska 2002



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

The foundation – Regular Benefits

Regular benefits are funded by employer and employee payroll taxes deposited in the State of Alaska’s unemployment insurance trust fund. During 2002, \$123.6 million was paid to Alaska claimants through regular benefits. Regular benefits are available in every state under programs defined and administered by state governments. These programs vary greatly in eligibility requirements, benefit amounts, and non-monetary disqualification provisions. Alaska has the highest participation rate in the nation, allowing a greater percentage of unemployed workers to qualify for a benefit. However, Alaska’s average benefit amount, in terms of percentage of wages replaced, is one of the lowest.

In Alaska, unemployed workers can qualify for up to 26 weeks of regular benefits, depending on their qualifying wages. Eligibility for regular benefits is established by earning at least \$1,000 during a worker’s “base period,” the first four of the last five completed calendar quarters. At least \$100 must be earned outside of the quarter of highest earnings. When a worker first files to establish eligibility, this establishes a 12-month long “claim year”. If a worker has received benefits for the maximum number of weeks payable (exhausts benefits), no further regular benefits can be paid during the remainder of the claim year. A new claim year must be established using new base period wages.

It is not uncommon for Alaska claimants to be paid their maximum payable regular benefits and exhaust their account prior to the end of their benefit claim year. In 2002, forty-one percent of claimants filing for regular benefits exhausted their regular benefit entitlement, about average for the last ten years.

Permanent supplement – Extended Benefits (EB)

During past decades in periods of recession, it

was found, nationally, that an increasing proportion of unemployment benefit recipients were exhausting their benefit entitlements. Because this was a consequence of economic conditions, and workers were still involuntarily unemployed, action was taken to provide for additional relief through the existing UI system. In 1970 Congress created the extended benefits (EB) program, and required all states to adopt it, providing an additional 13 weeks of benefits to those who had exhausted their regular benefit accounts.

Funding for the extended benefits program is shared fifty/fifty. One-half is financed by the state’s unemployment insurance trust fund, and the other half by the federal general fund. During 2002, \$10.1 million was paid to Alaska claimants under the extended benefits program.

The ability to pay benefits under the extended benefits program is determined by economic conditions, specifically by a number of unemployment rate calculations that “trigger” the program into and out of effect. Alaska, because it has historically had a high degree of

Extended Benefits 2 Weeks paid 1984–2003

Year	Weeks Paid	Year	Weeks Paid
1984	27	1994	14
1985	35	1995	23
1986	52	1996	22
1987	35	1997	18
1988	24	1998	15
1989	16	1999	19
1990	18	2000	13
1991	31	2001	13
1992	*0	2002	21
1993	*0	2003	52

* 1992 & 1993, EUC on entire year

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

seasonality in its employment and higher than national average unemployment rates, expects to have an extended benefits program in effect during each year. Typically an extended benefits period begins in February and ends in June.

Due to unusual circumstances, Alaska began an extended benefits period in November 2002 that continued for the entire year of 2003. An alternate trigger mechanism came into effect for the first time.

EB safety net – Supplemental State Benefits (SSB)

In September 1982, federal law and conforming state law disallowed payment of extended benefits to low-wage earners who failed to earn at least forty times their weekly benefit amount during their base period. More than one thousand claimants could have been suddenly ineligible for extended benefits if their regular benefits were exhausted. The Alaska Legislature created the supplemental state benefits (SSB)

program to provide an alternative for these low wage claimants, many of whom were in rural areas of the state.

Under the SSB legislation, low-wage claimants who are ineligible for extended benefits solely because of the “forty times rule” are eligible for SSB whenever an EB period is in effect. During 2002, 307 unemployed workers received \$161,904 in supplemental state benefits. The average weekly benefit check was for \$102.94 and the average claim duration was 5.7 weeks. In terms of clients served and benefit dollars paid, SSB is the smallest of the UI supplemental programs. Its impact on the state UI trust fund and the financing system has to be considered negligible when viewed against the totality of the entire system.

Special federal programs

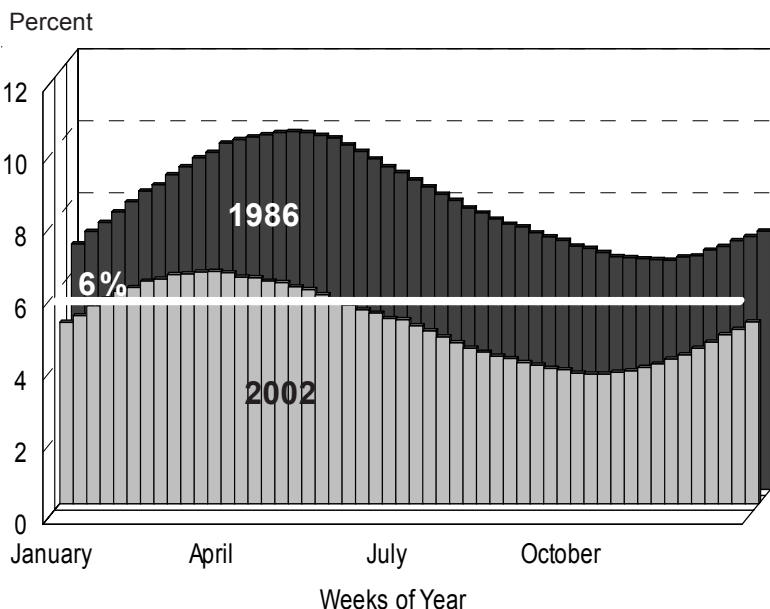
In the past few decades Congress has enacted temporary extension programs for the unemployment insurance program in its efforts to deal with the impact of economic recession. There have been many programs, each a product of its time, and here we will look at some of the more recent ones. Data on the oldest of these is somewhat sketchy and has been extracted from reports that were prepared close to that time.

1982 – Federal Supplemental Compensation (FSC)

The Federal Supplemental Compensation (FSC) Act of 1982 allowed additional weeks of benefits to be paid to claimants who were still unemployed but no longer eligible for regular benefits or extended benefits. The weekly benefit entitlement for FSC was the same as for regular benefits and extended benefits, while the duration of benefits varied according to the insured unemployment rate in the state of the claimant’s residency. The FSC program was in effect from September 30, 1982, through March 31, 1985.

In Alaska, when the extended benefits program was “triggered off” (was no longer in effect), most

3 Insured Unemployment Rate Alaska 1986 and 2002



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

claimants were automatically eligible for FSC. However, low-wage claimants receiving supplemental state benefits (SSB) were not eligible for FSC benefits. The impact of the FSC program was that with regular UI, extended benefits, and FSC combined, potential existed for some claimants to receive unemployment benefits continuously for a full year.

Benefit payment data for the first few months of the program (1982) and its first full year (1983) are not available to us some 20 years later. However, a nice snapshot is provided by descriptive information for 1984, the second full year of the program. In 1984, 13,712 persons received \$10,920,866 in federal supplemental compensation benefits, including \$1,176,658 in dependent benefits (9.4% of FSC paid). The average duration of claims was 11.6 weeks, and the average weekly benefit amount was \$141.82. Assuming that the 1982 and 1983 experience was similar to 1984, estimated FSC program payments to Alaska UI claimants were \$26 million from 1982 to 1985.

1991 - Emergency Unemployment Compensation (EUC)

The Emergency Unemployment Compensation (EUC) Act of 1991 established the emergency unemployment compensation program. Essentially, EUC temporarily superseded the permanent EB program during the period it was in effect. EUC gave an additional 20 weeks of assistance to claimants who had exhausted their regular benefits, or state supplemental benefits, or EB.

Under the provisions of the EUC program, the governor of Alaska chose to exercise the option of allowing claimants to receive EUC benefits instead of extended benefits. There were two reasons for the decision. First, the cost to the UI trust fund for benefits paid would be less because EUC benefits were to be fully federally funded, whereas more than 50 percent of EB payments come from state funds. The second reason was that the EUC program offered claimants a maximum of 20

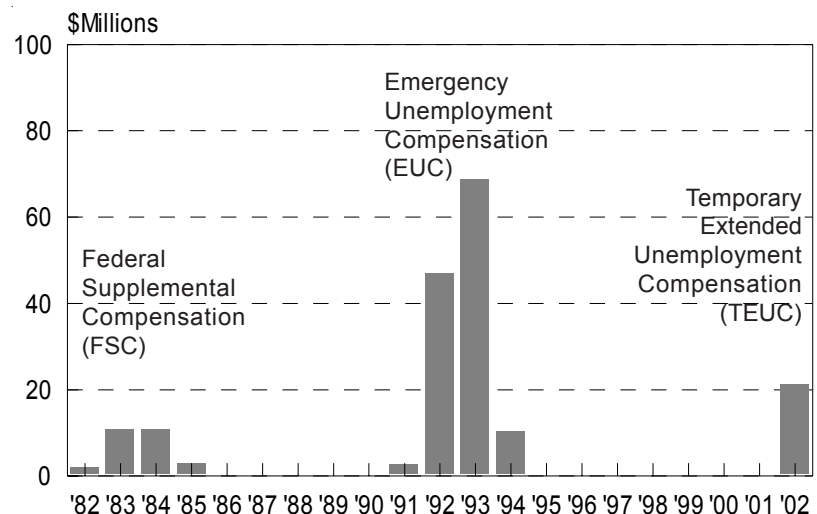
weeks payable, while EB offered from eight to thirteen weeks based on the duration of the regular UI claim.

EUC benefits were first payable for the week ending November 23, 1991, and the program continued until the week ending April 30, 1994. Alaska paid out \$2.8 million in EUC during its first few weeks in 1991. For 1992, an additional \$47.1 million was paid to 20,900 claimants. The greatest activity in the EUC program was in 1993 when \$68.7 million was paid in benefits. This substantial figure amounted to 38 percent of all benefit payments that year. During the final year of the EUC program, 1994, another \$10.5 million was paid. EUC was responsible for \$129 million in benefit payments to claimants who had exhausted their entitlement to regular UI benefits.

2002 – Temporary Extended Unemployment Compensation (TEUC)

In March 2002, Congress created the temporary extended unemployment compensation program (TEUC). At that time it was evident that the labor market had not recovered from the 2001 recession, or the impact of the 9/11 World Trade Center

Federal Supplemental Program 4 Benefit payments, by years in effect



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

attacks. It was noted in October of 2003, that 30 months after the start of the 2001 recession, only 15 states had more jobs than they had when the recession began. Alaska is one of them.

TEUC provides an additional 13 weeks of benefits to persons who have exhausted the regular benefits available to them. The first week payable under TEUC was the week ending March 23, 2002. The original TEUC program expired at the end of 2002, but was extended at the start of 2003 setting the last week payable at April 3, 2004. If an extended benefits period is in effect, claimants must first exhaust their EB entitlement before they can be paid under the TEUC program. Alaska is the only state currently paying extended benefits. During 2002, \$21.2 million in TEUC benefits was paid in Alaska, 13.6% of the total.

Summary

The supplemental unemployment insurance programs provide a valuable boost to Alaska during times of higher unemployment. The permanent extended benefits program becomes effective during Alaska's annual period of seasonally higher unemployment rates. During times of national economic downturn, special acts of Congress augment the existing unemployment insurance system. The supplemental programs have brought significant sums into Alaska, providing relief to individual workers, stability to an existing labor force, and economic stimulus to business enterprises.

5 UI Benefit Payments By program 1992-2002 Alaska

Year	Regular	EB	EUC/TEUC*	SSB	All Programs Total
1992	\$128,145,404	\$3,801	\$47,069,125	\$613,796	\$175,832,126
1993	110,636,005	579	68,737,851	813,931	180,188,366
1994	123,721,603	15,489,926	10,494,385	304,145	150,010,059
1995	119,152,311	7,508,648	46,043	136,008	126,843,010
1996	118,257,664	7,142,882	15,994	137,013	125,553,553
1997	112,795,464	5,588,037	0	90,726	118,474,227
1998	113,243,432	5,633,577	0	119,680	118,996,689
1999	122,026,178	7,071,703	0	136,217	129,234,098
2000	109,362,642	4,853,730	0	115,354	114,331,726
2001	112,751,856	4,656,951	0	106,195	117,515,002
2002	123,642,067	10,180,936	21,226,533	161,904	155,211,440

* The EUC program expired on April 30, 1994.
The TEUC program began March, 2002.

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