

# Alaska—1987, The Year in Review

By Edward Eboch

**W**hile 1986 is viewed as the start of Alaska's economic downturn, 1987 may be viewed as the turnaround year. The effects of Alaska's recession may not be over but analysis of the benchmarked employment numbers (Table 1 and the revised employment numbers, page 14) suggests that the downturn in employment has ended.

The raw employment numbers (Figure 1) suggest that the economy is still contracting. The seasonally adjusted data (Figure 2), however, indicates the worst is behind. In fact, when looking at seasonally adjusted numbers it appears the drop in employment ended as early as September 1987, if not earlier.

Some caution should be exercised in interpreting the seasonally adjusted numbers since many factors can cause them to appear to be increasing. The seasonally adjusted numbers indicating an upturn are from a significantly lower base. A closer look at the data, however, suggests the seasonally adjusted numbers may understate the basic strength in the economy.

Only the failure of construction and construction related firms to have their usual summer season increase in employment, and the poor fish harvest in the Southeast in August and September caused the seasonally adjusted numbers to record declines in late summer.

## Geographic Analysis

The contraction in the economy has been largely restricted to Anchorage, and to a lesser extent Fairbanks, Juneau, and some Interior and Northern communities. Anchorage as a regional supplier of goods, services, and workers is heavily dependent on the oil industry and state construction spending. With the cutbacks in North Slope activities and state projects Anchorage has suffered. Outmigration has added to Anchorage's problems as less employment and spending have spread to other businesses. (Preliminary estimates indicate that Anchorage has suffered the majority of the approximately 20,000 loss in population.)

The coastal communities of Southeast, Southwest, and Gulf Coast are experiencing relatively healthy economies although not growing at the rates to which Alaskans have become accustomed. Fishing has been up strong over-the-year and timber is experienc-

Figure 1  
Nonagricultural Wage & Salary 1985-1987

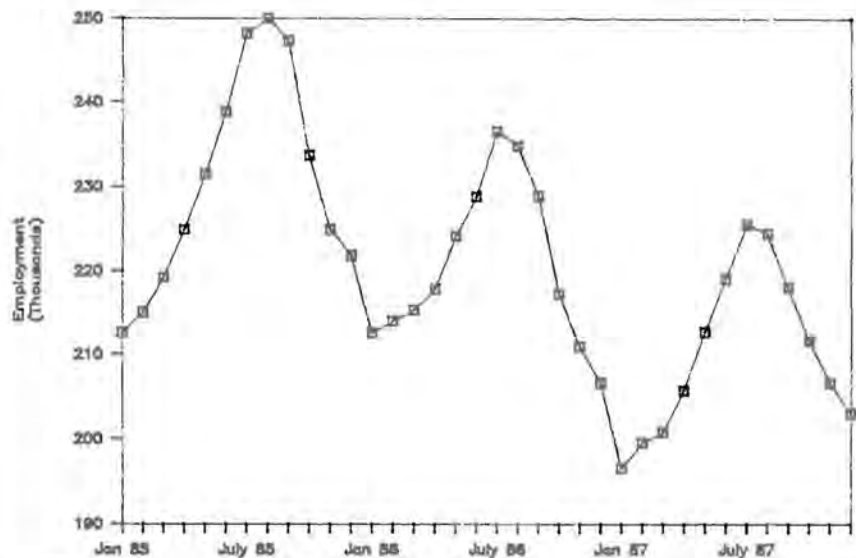
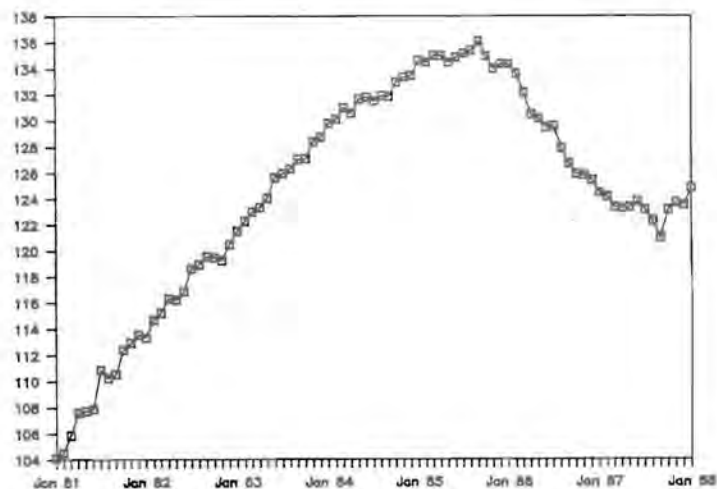


Figure 2  
Composite Nonagricultural Employment  
Seasonally Adjusted Index



ing one of its best years. The offpeak season gains in fishing are most impressive and offer full time job opportunities. This means local income and spending that will eventually add to growth in support sector firms in these communities.

Fairbanks' economy has been helped by the increase in military personnel

and construction spending. Construction at the Green's Creek Mine and anticipation of mining employment has offset some losses in Juneau, although much more is needed to offset the loss of jobs and income from cuts in state government employment. The Northern area has also benefited from construction of the road to the Red Dog Mine. Because of the improved options available to local residents and a generally positive outlook these communities appear to be on the rebound.

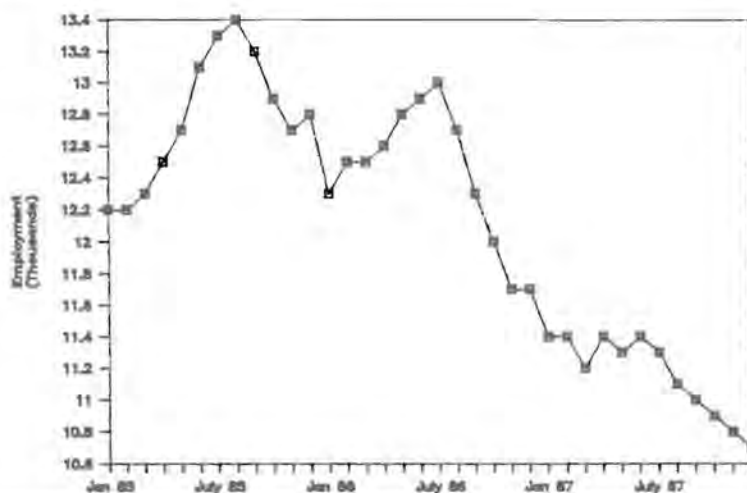
### Industry Activities

The most surprising happening was how rapidly the support sectors adjusted to economic conditions. Although the economy began to decline by late 1985 with employment below the previous year, services employment did not fall below 1986 until April; finance, insurance and real estate until June. The decline in the support sector was caused by both a loss in purchasing power as people were laid off and by the psychological impact that caused firms to prepare for the worst. As business declined many firms closed their doors. Those remaining trimmed back their staffs, anticipating difficult times. By the end of 1986 firms in the support sectors had become cautious in their hiring as the usual summer and Christmas season hiring was less intense.

While mining, construction, and state and local government as well as the support industries continued to contract, increases in federal government, timber, and fisheries employment stemmed the free fall in employment during 1987. By the end of 1987 the increases in the basic industries of timber, fishing, mineral mining, and federal government were beginning to have a positive effect on the support industries as services and trade employment began to show some strength.

The one exception appeared to be in finance, insurance, and real estate (F.I.R.E.) which was still suffering from the collapse in the real estate market (Figure 3). While the rate of foreclosures had declined by late 1987 there are still problems in the real estate market. Bad commercial and housing loans were the cause of many bank closures and consolidations by

**Figure 3**  
Finance, Insurance & Real Estate  
Employment 1985-1987



**Table 1**  
Alaska  
Nonagricultural Wage & Salary Employment  
By Place of Work

	Annual Average			Percent Change		
	1985	1986	1987	86/85	87/85	87/86
Nonag. Wage & Salary	230,700	220,600	210,300	-4.4	-8.8	-4.7
Mining	9,500	9,100	8,500	-4.2	-10.5	-6.6
Construction	18,600	13,400	10,600	-28.0	-43.0	-20.9
Manufacturing	12,100	12,600	13,500	4.1	11.6	7.1
Seafood Processing	6,200	6,600	7,400	6.5	19.4	12.1
Lumber & Paper Prod.	2,300	2,600	2,900	13.0	26.1	11.5
All Other Mfg.	3,600	3,400	3,300	-5.6	-8.3	-2.9
Trans. Comm. & Utilities	18,700	17,900	17,700	-4.3	-5.3	-1.1
Trucking & Whseing.	2,300	2,300	2,400	0.0	4.3	4.3
Water Transportation	1,400	1,200	1,000	-14.3	-28.6	-16.7
Air Transportation	5,800	5,400	5,300	-6.9	-8.6	-1.9
Other Trans. Comm. & Util.	9,300	9,100	9,100	-2.2	-2.2	0.0
Trade	45,800	43,700	41,400	-4.6	-9.6	-5.3
Wholesale	8,700	8,100	7,400	-6.9	-14.9	-8.6
Retail	37,100	35,600	34,000	-4.0	-8.4	-4.5
Gen. Mer. & Apparel	5,300	5,200	4,900	-1.9	-7.5	-5.8
Food Stores	6,000	5,800	5,900	-3.3	-1.7	1.7
Eating & Drinking Pl.	13,400	13,200	12,600	-1.5	-6.0	-4.5
Other Retail Trade	12,300	11,400	10,700	-7.3	-13.0	-6.1
Finance-Ins. & R.E.	12,800	12,400	11,200	-3.1	-12.5	-9.7
Services & Misc.	44,800	43,600	41,800	-2.7	-6.7	-4.1
Government	68,300	68,000	65,700	-0.4	-3.8	-3.4
Federal	17,600	17,600	18,000	0.0	2.3	2.3
State	20,500	20,200	18,700	-1.5	-8.8	-7.4
Local	30,300	30,200	29,000	-0.3	-4.3	-4.0

mid-1987, the cause for the current weakness in F.I.R.E. While the industry appears under pressure, the seasonal adjusted numbers indicate that even F.I.R.E. has rebounded from its lows of late summer (Figure 4).

While the oil and gas industry gradually lost ground over the year, the other mining segment of the industry was expanding rapidly, up over 17%. Metal mining was up even more while the quarrying segment was off because of the decline in the construction industry. Unfortunately, from an employment standpoint, mining employment is dominated by the oil and gas industry where losses exceeded the entire other mining employment. The result was a loss in mining employment over the year indicating the importance of the oil and gas industry to Alaska's economy; beyond it's tax contributions to state operations.

The construction industry was hit much harder than the early estimates of employment exhibit, but not as much as the 20.8% drop indicates. At least one major firm classified as oil field services had most of its employment actually doing construction work during 1987. While this is always a problem in assigning a firms employment it became more of a problem in 1987. The competitive situation in Alaska had firms in these industries vying with each other for work to remain in business. Large firms that in the past concentrated on oil field service construction work were aggressively bidding for any construction work available. As bad as things look in the construction industry the seasonal adjusted numbers suggest the bottom has been reached, albeit from a much lower base.

### Conclusion

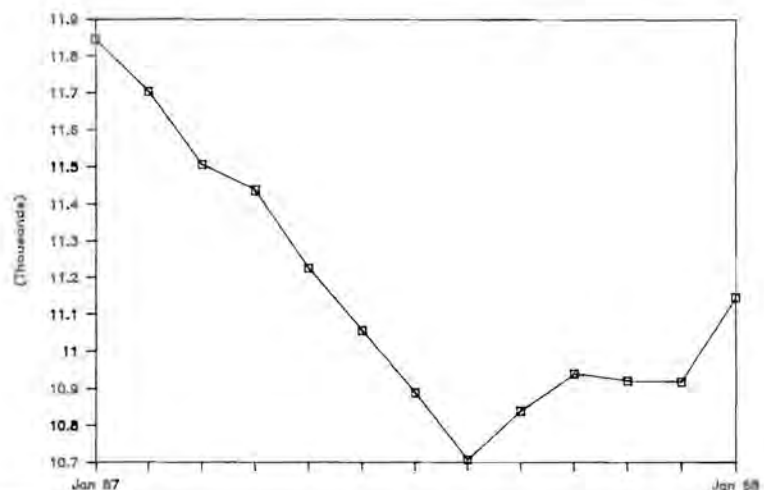
Alaska's economy lost employment at an increasing rate in late 1986 and early 1987 but by the end of the year strength in several basic industries began to stem the loss in employment. Growth in fishing, timber, and federal government employment largely offset losses in other industries.

When looking at the seasonally adjusted data it appears the bottom was reached by late summer/early fall. Ad-

justing for manufacturing, however, suggests the rest of the economy may still be contracting even with gains in federal government and mineral mining.

The losses were not equally distributed around the state. Anchorage, the Northern Region, and a few interior communities suffered to a

**Figure 4**  
**Finance, Insurance and Real Estate**  
**Seasonally Adjusted Employment**



much greater extent than the rest of the state. The coastal communities saw fishing and timber rebound just as state spending was cut. Fairbanks had an increase in military construction spending and an influx of military personnel that mitigated the loss in spending from cuts elsewhere. Juneau suffered from state budget cuts but mining and fishing ventures, while not adding much to employment immediately, improved the outlook for an improved economy and seemed to stem the collapse.

As people left the state, net losses to migration is estimated to exceed 20,000 over the last two years, the employment scene improved in many communities. Unemployment rates began the year at near record levels but by December were some of the lowest in the 1980s. While jobs were not plentiful, at least people who wanted work could usually find jobs, although it may be in a different profession that most likely paid less.

# Anchorage—1987, The Year in Review

By Greg Huff

**A**lthough 1987 cannot be viewed as the end of the recession, it can be viewed as the beginning of the end. The benchmark employment numbers for Anchorage reveal annual employment levels falling 6.8%, but they were deteriorating quicker and over a broader range of industries in the beginning of the year than at the end. In January, for example, employment levels were down 9%, but by December employment losses had slowed to 2.7%.

In all, 7,400 jobs were lost in 1987, bringing the total number of jobs lost since the beginning of the recession to 13,400. The two years of decline bring Anchorage's employment levels to those found at midyear 1982 (Figure 1). However, on the bright side, this represents 26% more jobs than there were at the beginning of the decade. In other words, Anchorage has experienced an average job increase of over 3.0% annually when averaging out the boom and bust cycles of the last seven years.

Nonetheless, the recession has caused many hardships on workers. Thousands have lost jobs and have decided to leave Anchorage. Since 1985 Anchorage's population has declined by over 5,000 people according to estimates.

## Comparison of Original Estimates and Benchmark Estimates

The trend patterns of the two series, as illustrated in Figure 2, are similar, but the benchmark numbers show employment levels declining more than the original estimates had indicated. The benchmark numbers show employment levels declining 6.8% versus the 5.3% decline indicated by earlier estimates.

**Table 1**  
**Anchorage Employment**  
**1986-1987**

	1986	1987	Percent Change
Nonag. Wage & Salary	108,500	101,100	-6.8
Mining	3,700	3,200	-13.5
Construction	7,200	5,600	-22.2
Manufacturing	2,500	2,300	-8.0
Transportation	9,800	9,400	-4.1
Trucking & Warehousing	1,400	1,500	7.1
Water Transportation	300	300	0.0
Air Transportation	3,400	3,200	-5.9
All Other Transportation	4,600	4,500	-2.2
Trade	25,800	23,400	-9.3
Wholesale	6,200	5,400	-12.9
Retail	19,700	18,000	-8.6
Gen.Merch. & Apparel	2,600	2,500	-3.8
Food Stores	2,900	2,800	-3.4
Eating & Drinking Pl.	7,900	7,100	-10.1
All Other Retail	6,200	5,600	-9.7
Finance-ins. & R.E.	8,200	7,400	-9.8
Services	24,900	23,700	-4.8
Government	26,400	26,000	-1.5
Federal	10,000	10,400	4.0
State	7,200	6,700	-6.9
Local	9,100	8,900	-2.2

For detailed analysis of the original estimates and benchmark numbers contact research and analysis. (Data users Note: Even though the benchmark numbers are derived from figures published in the Statistical Quarterly the series varies in some industries. For more information contact R&A).

The deviation of the two series before June 1986 is a result of adjustments to airline transportation employment between Anchorage and Fairbanks. After June the two series deviated even more as actual employment declined during the month of July. This was a rare event until this recession when it occurred again in July 1987.

The largest difference between the original and benchmark numbers occurred between December of 1986 and January 1987. Here the original estimates did not fully capture the magnitude at which firms were dropping out of the market. On top of the normal post-Christmas layoffs, in January firms were closing their doors in record numbers.

## Trends by Industry

Employment in the **construction** industry in 1987 declined 22%, its lowest level since early 1981 (Figure 3). Over 4,500 jobs have been lost in the industry since its slide began in 1985. This accounts for over 30% of all the jobs lost in Anchorage since that time. This is particularly startling when the industry that represents less



than 10% of all the jobs in Anchorage, accounts for 30% of the jobs lost.

When construction permit data is analyzed this decline is understandable. In 1987, valuations of Municipality building permits totalled \$80 million down from \$240 million in 1986 and over \$1 billion in 1985. Not since 1972 has construction been as slow as it was in 1987.

Employment in the mining industry (95% of which is oil and gas related) declined by 500 jobs for the second year in a row. These declines have resulted in a loss of nearly one-quarter of the jobs that existed in 1985. The majority of the jobs that were lost were among the oil field service firms, such as those providing drilling or geophysical services. These components of the oil and gas industry are always the most sensitive to radical oil price fluctuations such as seen in 1986. By early 1987 employment levels began to stabilize at levels similar to those in mid-1981.

The general story in the government sector in 1987 was the federal government's employment gains, offsetting some of the employment declines at the state and local levels. The net result was a decline of only 400 government workers, leaving 26,000 jobs intact.

Federal government employment increased by some 400 jobs in 1987, a 4% increase. These gains were distributed evenly among both the civilian military and civil services components. The Department of Labor employment numbers do not include uniformed personnel which totalled 11,700 in 1987, up 900 from 1986. In fact, the bases recorded their highest uniformed personnel count of the decade in 1987.

State government was the hardest hit of the government sectors with employment dropping nearly 7% or 500 jobs. Most of these declines were in what we classify as the noneducational segment of state government (that is, state government less the University system).

Although the restructuring of the university and community college system did create some job losses, enrollment in the system did not

Figure 1  
Anchorage Employment 1979-1987

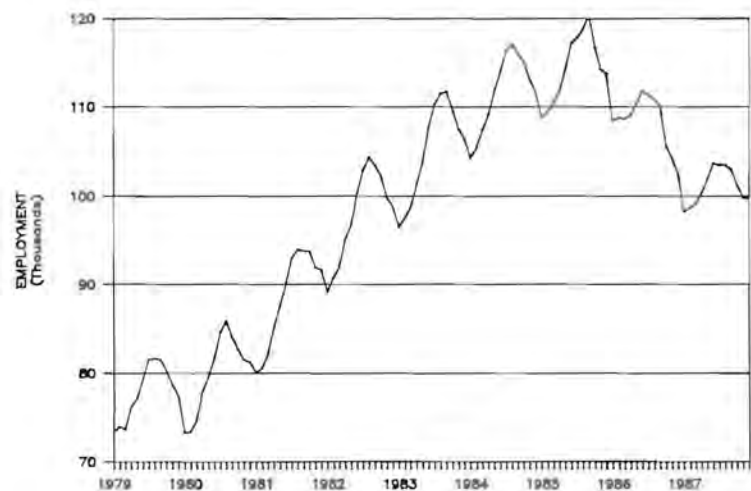
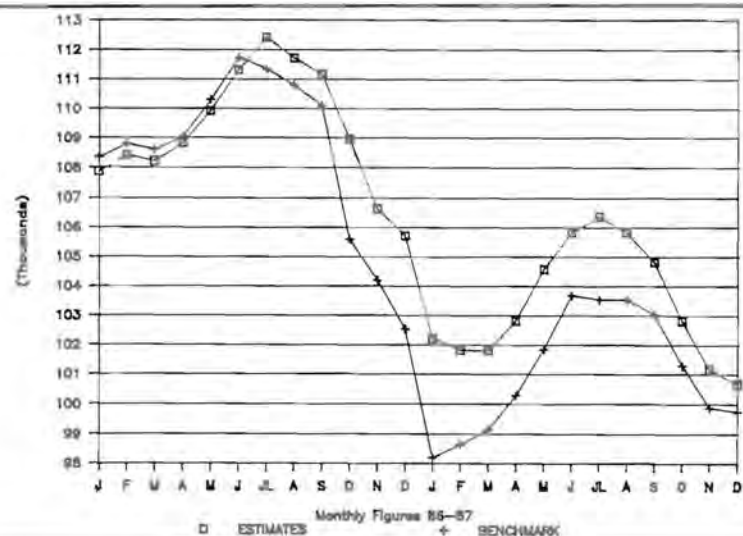
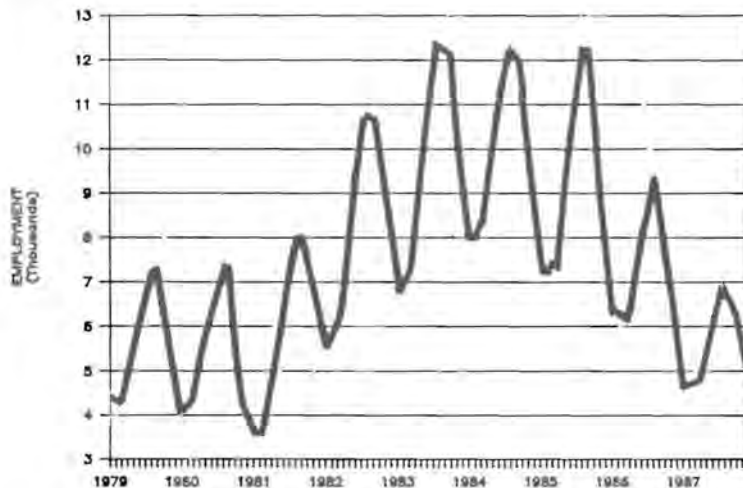


Figure 2  
Anchorage Employment 1986-1987  
Estimates vs. Benchmark



**Figure 3**  
**Anchorage Construction Employment 1979-1987**



decline appreciably and the number of credit hours being taken increased resulting in staffing levels remaining fairly stable.

Local government employment declined 2.2% in 1987 with most of the declines occurring in the second half of the year. As with state government, the non-education segment (this includes the utilities owned by the municipality) experienced most of the employment losses. In part, this was due to how the school district was staffing positions. Generally they hired more part-time/temporary staff than normal, which resulted in employment gains, yet payroll declined.

The bulk of the jobs lost in Anchorage in 1987 were found in the **support** industries, those sectors which provide goods and services to the primary or basic sectors and to the resident population. So as mining, construction, and government employment fell and population declined the "ripple effect" took hold in 1986 and picked up momentum in 1987.

This increased momentum resulted in trade employment declining over 9.3% in 1987 compared to a 5.5% decline in 1986. The finance, insurance and real estates sector had employment losses of 4.7% in 1986 which increased to 8.5% in 1987. The big news in this industry was bank foreclosures. Both Bank of the North and First Interstate Bank went under and were absorbed by National Bank of Alaska. Mutual Bank and United Bank Alaska, on the verge of disaster, merged to form Alliance Bank. These shakeups were not the only cause for declining bank employment levels. The "healthy" banks have also reduced staff for the lean times.

The service industry also suffered losses as a result of cutbacks in the basic sector and loss of income. Particularly hard hit by construction declines were the architecture and engineering firms. Employment in that sector fell 27% in 1987, a decline it also experienced in 1986. Employment in the building supply and materials sector also had double digit employment declines.

The only support sector industry showing signs of health was the legal services sector which had employment increases of nearly 6.0% (200 jobs) in 1987.

### Conclusion

The 1987 benchmark employment numbers show that Anchorage employment has fallen to mid-1982 levels. The largest employment losses occurring during the first half of 1987. As the year ended the rate at which jobs were being lost had decreased considerably. What does this trend mean for future job opportunities? The next issue of Alaska Economic Trends will contain employment forecasts to 1990.

# Fairbanks—1987, The Year in Review

By Neal Fried

**N**ineteen eighty-seven proved to be another rough year for the Fairbanks economy. Employment fell hard in almost all industries. Foreclosures reached new heights, building permits issued reached their lowest point in more than 18 years, and bankruptcies continued to grow. The cumulative impact of the 1986 and 1987 declines has pushed employment levels in Fairbanks' back to 1982-1983 levels. Essentially three years of employment growth vanished (figure 1).

Fairbanks was not the only community experiencing the second year of an economic downturn—almost all other communities along the railbelt were in similar straits. In 1987 employment in Fairbanks fell by 4.9%, or 1,300 jobs. These losses were more moderate than the 1986 declines. In 1986 1,800 jobs were lost which represented a 6.3% decline.

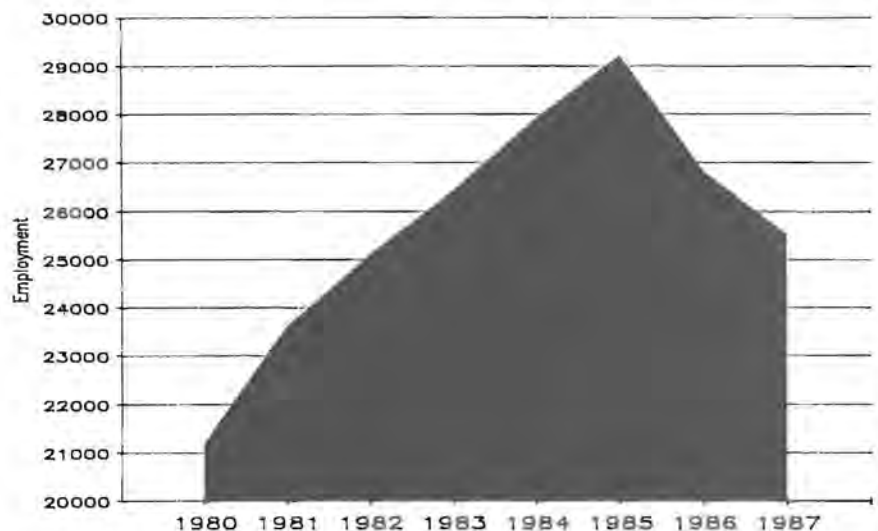
The 1987 benchmark employment numbers show that the employment estimates made during the course of the year slightly underestimated the decline in Fairbanks' employment. The large deviation in the transportation sector was a result of a large employer which operates statewide reporting all of its employment in Fairbanks. Transportation employment appears to have declined by approximately 600 as a result of this adjustment but in fact the real decline was much less.

## Industry Losses Broaden

Though the 1987 employment declines were not quite as steep as in 1986, a broader group of industries contributed to the losses. All but one major industry category lost ground in 1987 (Table 1). In 1986 construction was responsible for more than half of all employment losses. Among the top contenders this year were two industries in Fairbanks' secondary sector—finance insurance and real estate and services. Both of these industries were among the few that made it through 1986 without losing ground, but the losses taken in other industries caught up with them in 1987.

**Finance, insurance and real estate** was hurt by the growing surplus of residential and commercial property. According to the Fairbanks North Star Borough Community Research Center, rental and housing prices fell

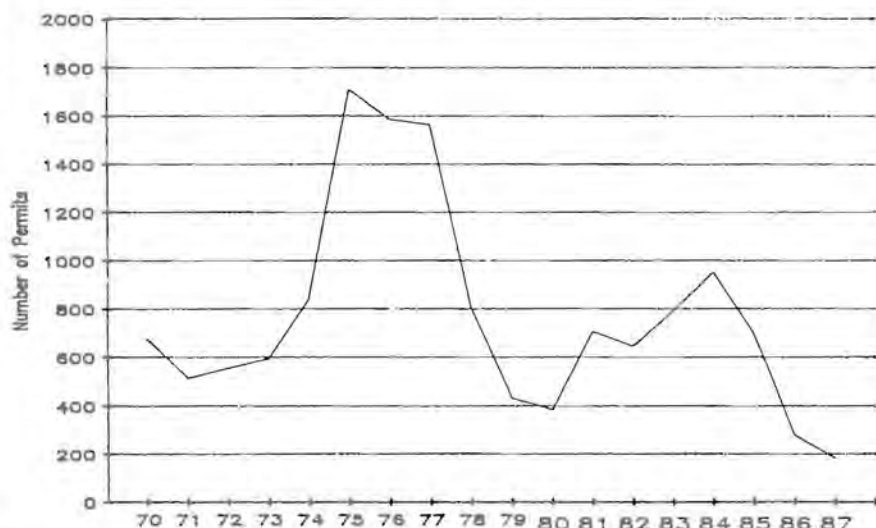
**Figure 1**  
**Fairbanks Nonagricultural Employment, 1980-1987**



**Table 1**  
**Fairbanks Wage and Salary Employment**  
**1986-1987**

	1986	1987	Percent Change 1986-1987
Nonag. Wage & Salary	26,800	25,500	-4.9
Mining	100	100	0.0
Construction	1,700	1,600	-5.9
Manufacturing	600	500	-16.7
Trans. Comm. & Utilities	2,100	2,200	4.8
Trucking & Whseing.	400	400	0.0
Air Transportation	300	300	0.0
Other Trans. Comm. & Util.	1,300	1,500	15.4
Trade	5,800	5,500	-5.2
Wholesale	900	700	-22.2
Retail	4,900	4,700	-4.1
Food Stores	700	800	14.3
All Other Trade	4,200	4,000	-4.8
Finance-Ins. & R.E.	1,100	900	-18.2
Services & Misc.	5,900	5,500	-6.8
Government	9,500	9,100	-4.2
Federal	2,800	2,800	0.0
State	3,900	3,700	-5.1
Local	2,800	2,600	-7.1

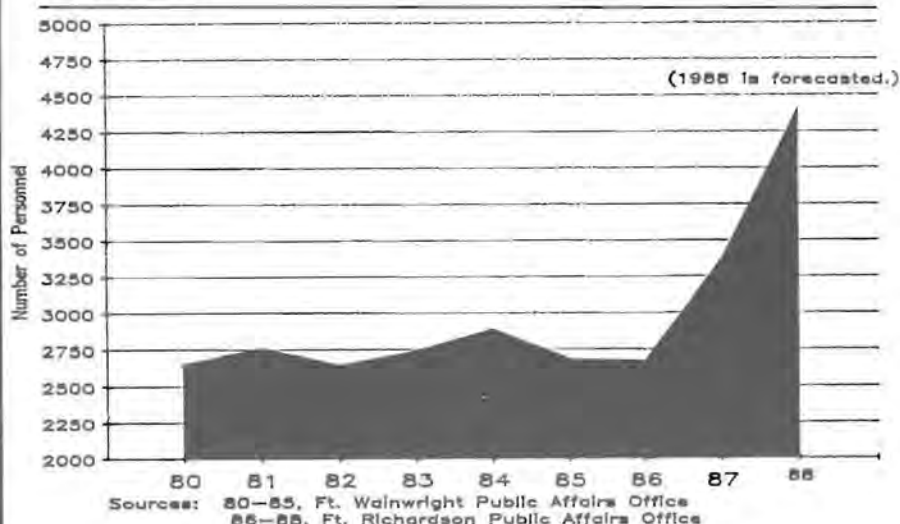
**Figure 2**  
**Fairbanks Residential Building Permits, 1970-1987**



travelers. As a result, some lodging operators who remained open year-round in the past have chosen to close for the winter season and others have pared their winter work force. Entertainment services has suffered because of losses to disposable income. Even medical services lost ground when Fairbanks Memorial Hospital laid off 37 of its workers during the latter part of 1987. In spite of the service industry's present declines, when the recession has run its course this industry will be one which experienced only moderate losses compared to most other industries because of its diversity.

Construction employment dropped 6% in 1987, versus 45% in 1986. The number of residential building permits issued fell to 181, the smallest number in more than 18 years (Figure 2). Given these stark statistics, it is hard to believe construction didn't fall more, but none of these statistics takes public construction and military (except housing) construction into account. Military construction and other large public projects such as the South Fairbanks Expressway helped keep the losses below the double digit level.

**Figure 3**  
**Uniformed Military Personnel on Ft. Wainwright, FFY 80-88**



and mortgage activity fell off dramatically. The number of foreclosed properties more than tripled in 1987. In addition, banks and other lending institutions recorded their worst year in 1987. A number of lending institutions closed and consolidated which has meant smaller work forces.

Traditionally, the service industry is among the more resilient industries during recessionary times, and Fairbanks was no exception. The breadth of this industry, which includes medical, legal, and entertainment serv-

ices; lodging, and private social services, gives it more staying power than other industries. But, by 1987 the service industry could no longer fend off employment losses. Falling incomes and a general decline in business activity caused the service industry to lose ground.

Tourism has remained healthy keeping lodging operators busy during the summer months but the off season activity has been markedly slower during the past two years because of a drop off in business related

Government sectors losses increased in 1987. Federal government's employment levels remained flat in spite of the influx of military personnel. Military related civilian employment did climb moderately but non-military federal employment fell by a corresponding amount. State government (which includes the University) lost some ground, but most of these losses occurred via attrition and early retirements. By the last quarter of the year state government employment levels stabilized. Local government took the biggest hit because of revenue shortfalls and the inability to raise revenues. The City of Fairbanks had the largest losses, but the Fairbanks Municipal Utilities System, the School District and the North Star Borough have all experienced personnel cuts.

#### **The Military**

The deployment of the 6th Light Infantry Division in Fairbanks was seen by some as the panacea to Fairbanks economic problems. Though the number of uniformed military personnel over the past year and a half



increased by approximately 1,500 (figure 3), most measurable economic impacts (with the exception of construction) remain elusive. Part of the reason may be that many of the soldiers are recent arrivals. More likely it's because of the insulated nature of military operations. Many of the soldiers live on base and purchase most of their goods and services there—the military economy operates semi-independently of the rest of the economy. New housing has been constructed on base, which has meant the expectations of big de-

mand for off-base housing in the community has not materialized. There is little doubt economic activity related to the 6th Light Infantry Division has been generated, but the magnitude of the present downturn has hidden the Division's influence on the economy.

### Conclusion

The tentacles of the recession in 1987 reached into sectors of the Fairbanks economy which were largely untouched in 1986, or in previous

economic contractions. The public sector, typically immune from past recessions and the bastion of job stability, is the best example of this. Nineteen eighty-seven was not a good year for those who lost their jobs, for job seekers, or for many business which struggled to survive. Positive news was difficult to find. The only silver lining was the fact that overall losses began to moderate in 1987. This could lead us to the conclusion that the economic rout of Fairbanks' economy which began in 1986 is now winding down.

## Gulf Coast—1987, The Year in Review

By Neal Fried

**T**he Gulf Coast does not represent one integrated economic region; it represents a number of independent economies. Therefore, generalizations about the entire region are difficult to make. The region includes the Valdez-Cordova census area, the Kodiak Island Borough, and the Kenai Peninsula Borough.

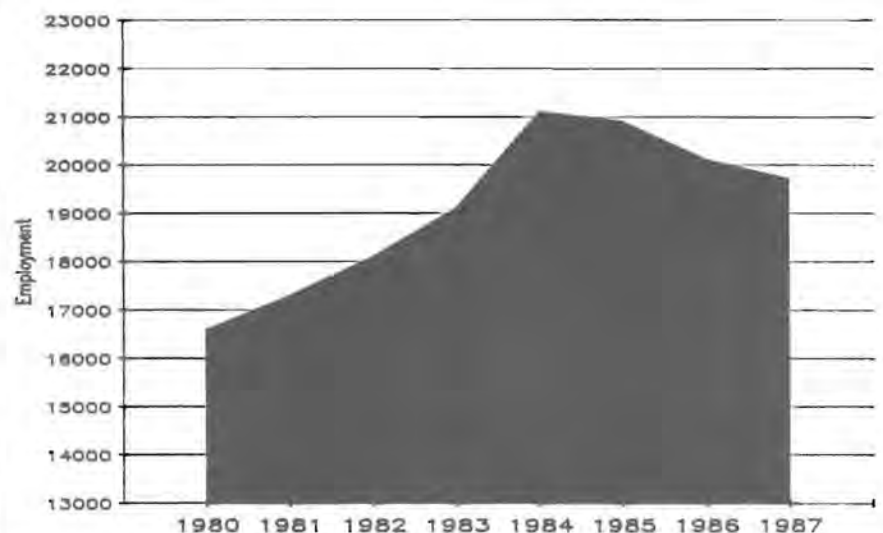
Nineteen eighty-seven represented a further setback for the region's economy; 400 jobs were lost which translates into a two percent loss in employment. Though any loss of employment is not good news, employment declines moderated considerably in 1987, and were less precipitous than in most other regions of the state (Figure 1).

Within the region the economic performance of each area differed. Kodiak's employment increased in 1987 as a result of rapid growth in the bottom fish industry. Both Valdez-Cordova and the Kenai Peninsula Borough, however, lost ground in 1987 (See February Trends for a detailed treatment of the Kenai Peninsula's economy).

### Industry Analysis

Not even Kodiak's healthy economy could provide enough impetus to prevent the region's construction industry employment from falling to 1980 levels. A surplus of housing and commercial space depressed the demand for new private sector construction and the plunging state capital budget lent no support to the public side of the industry. As a result, employment in the construction industry fell 23% in 1987, a slight improvement over 1986's 32% drop (Table 1).

Figure 1  
Gulf Coast Nonagricultural Employment, 1980-1987



**Table 1**  
**Gulf Coast Wage and Salary Employment**  
**1986-1987**

	1986	1987	Percent Change 1986-1987
Nonag. Wage & Salary	20,100	19,700	-2.0
Mining	900	800	-11.1
Construction	1,300	1,000	-23.1
Manufacturing	3,500	3,900	11.4
Seafood Processing	2,900	3,300	13.8
All Other Mfg.	600	600	0.0
Trans. Comm. & Utilities	1,400	1,300	-7.1
Trade	3,500	3,600	2.9
Wholesale	500	500	0.0
Retail	3,000	3,100	3.3
Finance-Ins. & R.E.	700	600	-14.3
Services & Misc.	3,300	3,200	-3.0
Hotels and Other Lodging	600	600	0.0
All Other Services	2,800	2,700	-3.6
Government	5,500	5,300	-3.6
Federal	500	500	0.0
State	1,600	1,500	-6.3
Local	3,400	3,300	-2.9

try is based in Kenai. Kenai is also the home base to many oil service companies in the state. It was this part of the industry which suffered the greatest losses in 1987. Unlike other coastal communities this industry's losses contributed to local economic woes.

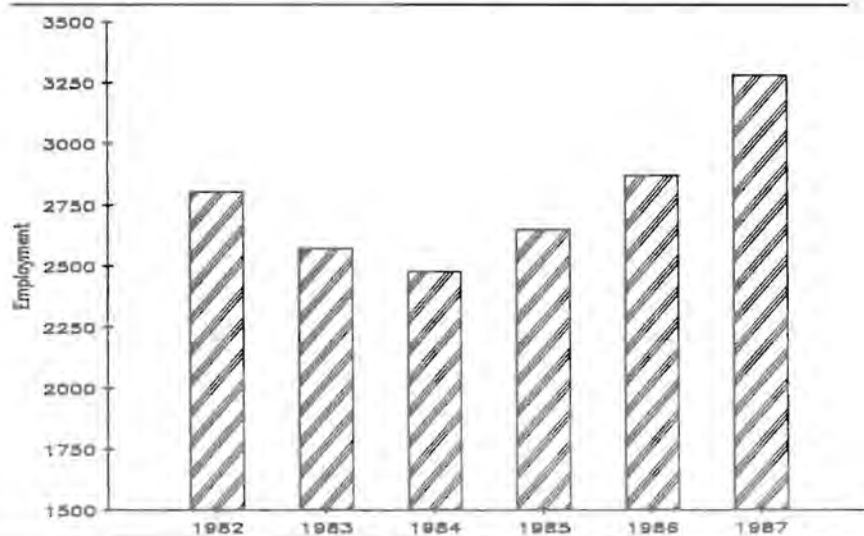
The story was mixed in the support industries. Retail trade performed quite well in the midst of a down economy. Employment grew by 100. Finance, insurance and real estate and services were not as fortunate. In 1986 the Kenai Peninsula Savings and Loan was one of the first of what was to become a string of lending institutions to close their doors. In 1987 other closures and consolidations of lending institution caused further reductions in work force during the latter part of the year. The poor real estate market contributed to most of these bank failures and layoffs in the industry.

Normally considered the bedrock of stability and job security, the public sector did not get through 1987 unscathed. Falling oil revenues and property values forced state and local government to reduce their work force. Though most of the reductions were relatively small, the fact that the public sector joined the private sector in this economic contraction emphasizes the depth and breadth of the recession.

### Conclusion

As in so many other places in the state, 1987 was another year of economic struggle for many individuals and businesses in the Gulf Coast region. Many people left and many businesses ceased to operate. For the lucky inhabitants who depend on the fishing industry for their livelihood, 1987 was probably a prosperous year. In the Kodiak Island Borough, there were few signs of a recession. The fact that the losses moderated in 1987 may be one sign that the rest of the region could begin to pull itself out of this recession sometime this year.

**Figure 2**  
**Gulf Coast Seafood Processing Employment,**  
**1982-1987**



In contrast to the region's construction industry, manufacturing was one of the few industries with gains in 1987 (Figure 2). All manufacturing's gains can be attributed to the fishing industry. It was a good salmon year in most areas with good volume and prices. The crab season continues to remain below historic levels but appears to be slowly rebounding. What accounts for the surge in the seafood processing industry is the relatively new bottom fishery. Most of this ac-

tivity is based out of Kodiak—but many of the fishing communities in the region, including Cordova, Homer, and Seward have also begun to develop this fishery. If the bottom fishery continues to flourish, and a year round fishery develops fully, it will make Alaska more competitive in world markets and provide a stable source of jobs and incomes to local communities.

This entire region's mining (oil) indus-

# Southeast Alaska—1987, The Year in Review

By John Boucher

**F**or the second consecutive year, Southeast Alaska wage and salary employment declined from the previous year, down 1.7% which came on the heels of a 0.9% drop from 1985 to 1986. The loss of nearly 500 jobs in 1987 put annual average employment in Southeast Alaska at 28,600.

While employment losses are never anything to cheer about, there is some consolation in the fact that employment losses in many regions of the state were much more severe than they were in Southeast Alaska. Other regions of the state lost four to seven percent of their total employment from 1986 to 1987 so the 1.7% loss in Southeast Alaska made it one of the better economic performers during the past year.

## Industry Employment

The construction industry experienced a 1.0% employment decline in 1987, and construction's percentage share of total employment remained at one of its lowest levels since 1975. (Table 1) A good sign is that the drop was the smallest decline since the onset of the construction downturn in 1984. It looks as if Southeast Alaska construction has reached a level that can be sustained provided there are no further economic surprises. A rapid drop in the price of oil or an event which jeopardizes the current healthy outlook for Southeast's manufacturing industry would have a negative im-

**Table 1**  
**Construction & Southeast Employment**  
**1975-1987**

	Const.	Total	Const. as % of Total	% Change from Previous Year
1978	997	24,763	4.0	2.4
1979	944	24,967	3.8	-5.3
1980	1,212	27,610	4.4	28.4
1981	1,428	27,267	5.2	17.8
1982	1,514	27,844	5.4	6.0
1983	2,017	28,706	7.0	33.2
1984	1,814	28,875	6.3	-10.1
1985	1,665	29,326	5.7	-8.2
1986	1,098	29,072	3.8	-34.1
1987	1,087	28,598	3.8	-1.0

**Table 2**  
**Southeast Alaska**  
**Nonagricultural Wage & Salary Employment**  
**1985, 1986 & 1987 Annual Averages <sup>1</sup>**

	1987 Annual Avg	1986 Annual Avg	1985 Annual Avg	86-87 Net Change	86-87 Percent Change	85-87 Percent Change
Nonag. Wage & Salary	28,598	29,072	29,326	-474	-1.6	-2.5
Construction	1,087	1,098	1,665	-11	-1.0	-34.7
Manufacturing	4,102	3,854	3,219	248	6.4	27.4
Seafood Processing	1,094	1,160	1,160	-66	-5.7	-5.7
Lumber & Paper Prod	2,794	2,490	2,015	304	12.2	38.7
Other Manufacturing	214	203	203	11	5.4	5.4
Trans., Comm & Utilities	2,095	2,107	2,032	-12	-0.6	3.1
Trade	4,528	4,465	4,552	63	1.4	-0.5
Wholesale Trade	391	335	370	56	16.7	5.7
Retail Trade	4,138	4,130	4,182	8	0.2	-1.1
Finance-Ins. & R.E.	1,059	1,166	1,114	-107	-9.2	-4.9
Mining, Services & Misc.	4,708	4,553	4,546	155	3.4	3.6
Government	11,020	11,829	12,203	-809	-6.8	-9.7
Federal	1,947	2,027	2,085	-80	-3.9	-6.6
State	4,981	5,397	5,522	-416	-7.7	-9.8
Local	4,092	4,406	4,597	-314	-7.1	-11.0

Totals may not add due to rounding

<sup>1</sup> 1987 Annual average based on 6 months of ES202 data and 6 months of estimated data.

pact on the construction industry as well.

While the level of construction employment remained relatively stable, the mix of employment within the industry changed dramatically. General construction and special trades construction were both down during 1987 while the heavy construction sector of the industry grew during the year. The drop in general and special trades construction reflects the weakness in the residential and commercial construction sectors. Very little new construction of commercial and residential space took place in 1987 because of the overbuilding, particularly in Juneau, in the early 80s. The surge in heavy construction reflects state and federal dollars spent to upgrade and maintain existing roads as well as construct new logging roads.

The **manufacturing** industry was Southeast Alaska's shining star in 1987, but the news wasn't all good from this industry. Good foreign exchange rates, particularly the fall of the dollar against the Japanese yen, and the fruition of cost cutting measures propelled the lumber and paper products industry to its highest annual employment total since 1980. The two largest employers in this industry, the pulp mills in Sitka and Ketchikan, enjoyed a year of increased production and employment. Sawmill and logging employment gains helped fueled the expansion in this industry.

On the other hand, a disastrous pink salmon run in southern Southeast Alaska put a severe crimp on peak employment in the seafood processing sector of manufacturing. August and September employment levels were off 25% to 30% from 1986, which translated into 700-800 jobs during those two months and about 140 jobs on an annual basis. Manufacturing employment in the region was severely handicapped by the loss of these jobs.

The other manufacturing sector, which is primarily printing and publishing, experienced very little change in employment during the year.

The **transportation** industry in Southeast Alaska has four major sectors; air transport, water transport, communications and utilities, and

other transportation. In 1987 three out of the four sectors had employment growth but employment losses in the communications and utilities sector were so sharp that it offset most of the gains in the other three.

Air transportation is growing in response to increased traffic in the tourism industry. Growth in air transportation employment during 1987 was primarily in smaller air carriers that cater to Southeast's smaller communities or special groups such as air sightseers. The small carriers were not the only segment of air transportation that grew as larger carriers and airport ground services also experienced some employment growth. The other transportation sector, where ground transportation operators such as Westours are counted, also benefitted from the increase in tourism.

A portion of the employment increases in water transportation during the year are also attributable to increased tourism in Southeast Alaska. The fortunes of this industry, however, are most closely tied to the lumber and paper products sector. Since the wood products industry had another banner year of employment growth water transportation had some spin-off employment growth also.

Communications and utilities employment fell in Southeast Alaska by almost 90 jobs in 1987 due to drops in utilities related employment. Telephone communications was the biggest loser among this category but other utilities such as electric companies and electronic media were also had losses.

**Trade and services** employment increased slightly during the course of the year. In trade, the wholesale sector bounced back while some sectors of retail trade fell off. Eating and

drinking establishment employment fell off but food store employment increased. This is probably due to two factors. People have been eating out less as their incomes have dropped. In addition, many food stores have added take-out delicatessen which is in direct competition with low cost eating and drinking establishments.

In services, hotel and motel employment increased on the strength of the summer tourist season. Several operators speculated that increased occupancy in Southeast hotels was due to efforts to market the region to the independent traveler. Medical services continues to be a growing component of the services industry. Some of the growth can be attributed to the emergence of the Southeast Alaska Regional Health Center (SEARHC) as a private provider of medical services to the region. Business and personal services grew slightly during the year but the largest category all other services fell off dramatically. This category includes services like engineers and architects which have contracted with the construction industry. It also includes membership organizations and clubs which in general are dependant upon discretionary spending and income that is not available as it was during the first half of the 80s.

**Finance, insurance, and real estate and government** were the largest employment losers in 1987. Finance-insurance and real estate struggled as the overall economy contracted. The absorption of Bank of the North by National Bank of Alaska as well as attrition has taken its toll on employment throughout the banking industry. The lone bright spot in finance-insurance and real estate may be the healthy outlook for many of the regions native corporations.

Government contracted in all three sectors with local and state government sectors of the region taking the brunt of the losses. Juneau in particular was hard hit by the drop in government. Federal government employment declined slightly in Southeast continuing a trend that established itself early in the decade. Local and state government dropped precipitously with the dramatic drop off in the state's oil revenue in 1986. Most of the employment drops in state and local government occurred



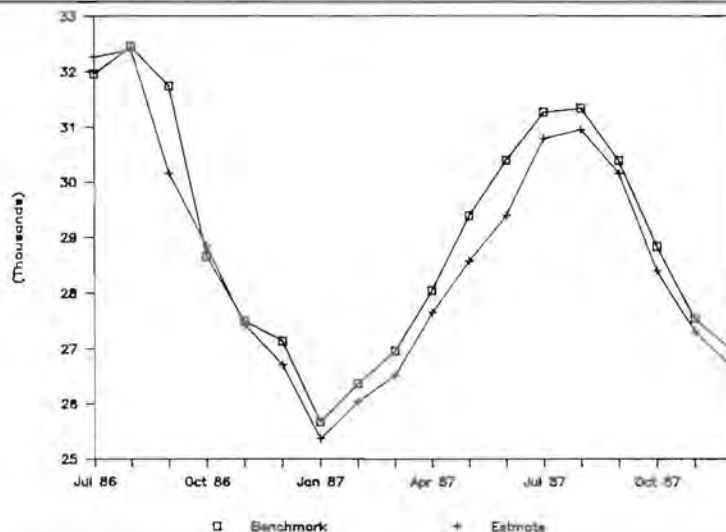
with the beginning of the new state fiscal year in July of 1986 or were phased in during the course of the following 12 months. From June of 1986 to June of 1987 state and local government lost about 10% of its total combined employment, by December 1987 comparisons to the previous year were showing drops of less than 4%.

### Original Estimates Compared to Benchmark Estimates

As explained in greater detail in the following article of this issue of *Alaska Economic Trends*, revised employment estimates for 1986 and 1987 are the result of a procedure referred to as benchmarking. As a result of benchmarking, the revised employment numbers better indicate the economy's direction as well as the magnitude and dynamics of that direction.

Figure 1 compares the original estimates to the estimates made after the benchmark. In general the original estimates were underestimated beginning with the first quarter of 1987. A combination of factors explains the difference between the two series. First of all sample data did not indicate the relative strength of the construction industry in Southeast Alaska during the year. Most year-to-year comparisons of establishment data projected construction employment losses to be in the neighborhood of 10-15% over-the-year. The benchmark revisions upward were

Figure 1  
Southeast Alaska Employment  
Estimate vs. Benchmarked



quite surprising especially given the weakness of construction industry employment on a statewide basis.

Another industry which outperformed the sample data was lumber and paper products. The employer sample data indicated a broad rally in this sector but the sample consists largely of well established firms. While these firms tended to grow at a rapid pace during the year their growth was outstripped by logging firms outside of the sample of employers.