

A TRENDS profile — City & Borough of Sitka

by Tom Lane

Sitka, the capital of Russian America, the original U.S. Territorial capital, and a center of Tlingit culture, has a unique and rich heritage. The importance of that heritage matches the area's outstanding scenic beauty, its strategic location on the outer Southeast Alaska coast, and its strong and diversified economy. A major contributor to the city's prosperity has been its largest employer, the Alaska Pulp Corporation. While residents were aware of the problems facing the pulp mill, they were still shocked by the announcement that it would close indefinitely at the end of September 1993. How to weather that closure is the major issue facing Sitka today. The strength and diversity of the other segments of the local economy will help it to do so.

After thirty-four years, the mill shuts down

The distribution of employment and earnings by industry (See Figures 1 and 2.) shows, paradoxically, both the diversity of the Sitka economy and the importance of the pulp mill. Pulp mill employment (at over 400) represented 10.3% of wage and salary jobs. Since the mill paid, on average, 84% more than other Sitka employers, it accounted for 17.5% of the payroll. Additionally, the plant represented about 20% of assessed property values in the community, which helped Sitka to maintain property tax rates (at 6 mills or \$6 per \$1000 valuation in 1993) that are considerably lower than those of other major Southeast communities. To cushion the blow of the closure, the company offered to pay its current level of taxes for two more years.

The mill closure affects other jobs, of course. The number of these affected

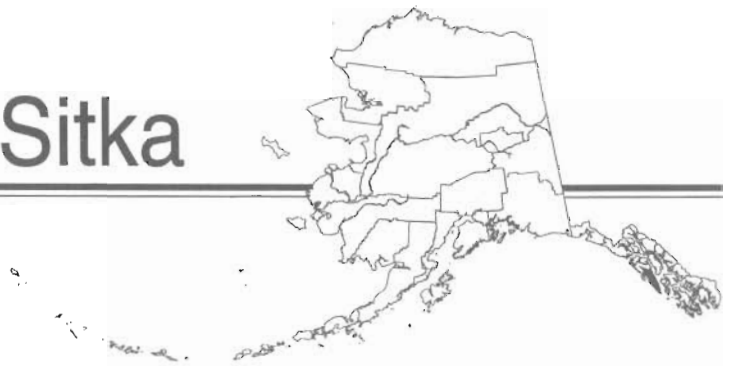
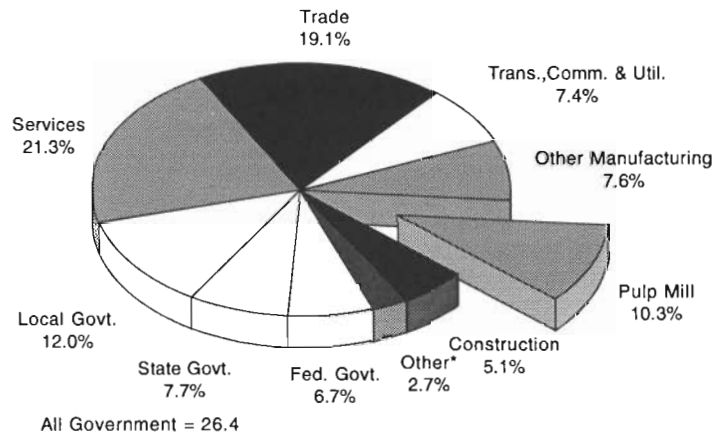


Figure • 1

The Pulp Mill Provided Over 10% of the Jobs... 1992 Wage & Salary Employment

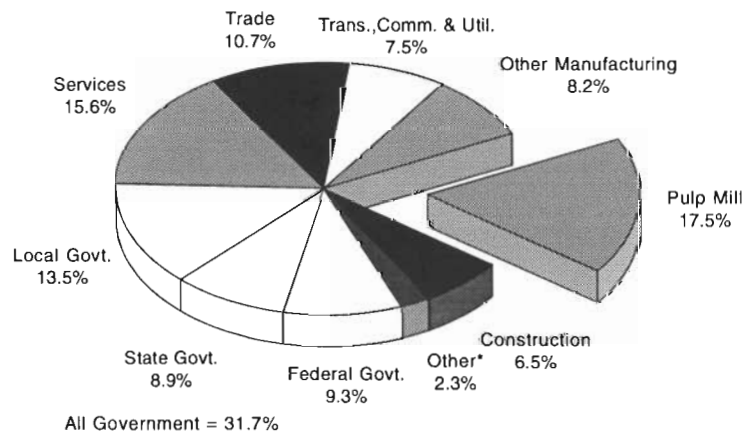


* Other = Mining; finance, insurance and real estate; agriculture, forestry and fishing; and nonclassifiable.

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

Figure • 2

...But More Than 17% of the Payroll in Sitka 1992 Wage & Salary Earnings

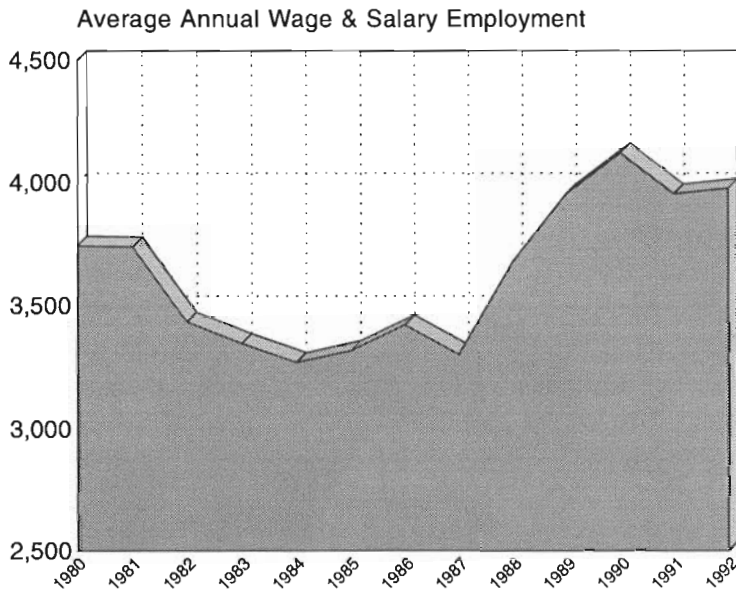


* Other = Mining; finance, insurance and real estate; agriculture, forestry and fishing; and nonclassifiable.

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

Figure • 3

Over 650 New Jobs in Sitka Since 1982-1987 Lull

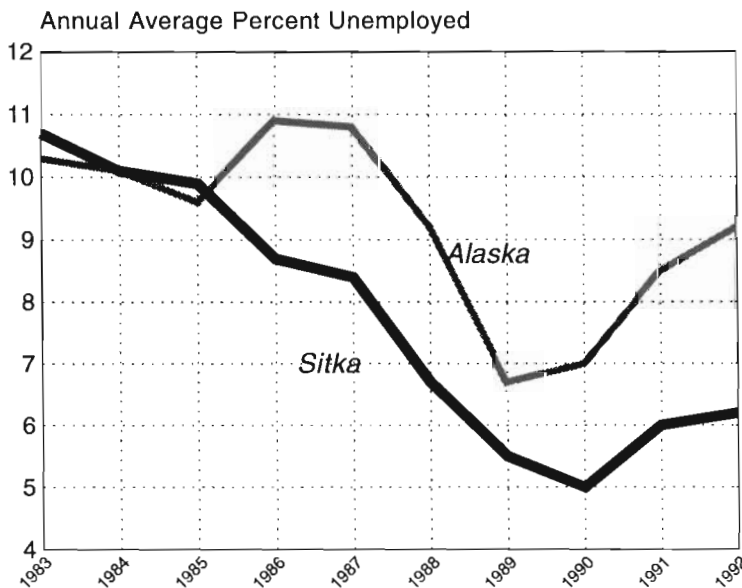


Note: 1990-91 drop due to reporting practice changes by two employers.

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

Figure • 4

Sitka's Unemployment Rate Lower than Alaska's



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

“indirect” jobs is impossible to determine accurately, but one consultant has estimated the job multiplier to be as high as 1.4 other jobs per mill job for a total multiplier of 2.4. A multiplier range of 2.0 to 2.4 implies that as many as 400 to 550 additional jobs would vanish. However, other factors will be in play and Sitka will not lose all those jobs in the immediate future. A lesser, more gradual reduction of workers in support sectors is more likely. Growth in other industries could ensure that at least some of the indirect jobs never disappear.

Many different pieces make up the Sitka economic pie

Past strength will help Sitka face the loss of the mill. Other industries have been expanding: the local economy added over 650 new jobs since 1987. (See Figure 2.) Jobs have been relatively abundant: the unemployment rate in Sitka has been considerably lower than in Alaska as a whole. (See Figure 3.) Moreover, unemployed workers collect unemployment benefits for shorter periods of time.

The list of the top ten private employers (See Table 2.) demonstrates Sitka's economic diversification: not far behind the Alaska Pulp Corporation is the Southeast Alaska Regional Health Corporation (SEARHC). Two fish processors, Sheldon Jackson college, a major hotel, a grocery retailer, a water transportation service, a fast food restaurant (with a nice waterfront location and view) and a non-profit tribal organization are all on the list. Fishing and tourism, particularly cruise ship tourism, are important. The community has also become a major regional health center with a municipally operated hospital, another hospital and medical center operated by SEARHC, and the state's original Pioneers' Home. With two high schools (one, Mt. Edgecombe, providing services to students from all over Alaska), two colleges (the privately operated Sheldon Jackson College and a Uni-

Sitka Borough Wage and Salary Employment 1982-1992

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Total	3,434	3,347	3,270	3,318	3,422	3,302	3,681	3,957	4,124	3,956	3,980
Mining	*	*	*	*	*	*	*	*	*	*	*
Construction	275	221	203	183	171	151	147	222	236	205	204
Manufacturing	*	*	*	505	570	632	701	754	749	736	714
Transportation	280	271	273	323	398	295	264	282	296	321	296
Trade	480	487	498	502	555	569	485	643	691	701	759
Wholesale Trade	36	29	34	37	36	34	52	63	76	81	86
Retail Trade	444	458	465	465	519	535	433	580	616	621	673
Finance-Ins. & R.E.	69	71	67	66	73	74	71	85	77	71	66
Services	512	593	612	664	595	610	906	938	997	806	846
Miscellaneous 1/	*	*	*	*	*	*	*	*	*	*	*
Government	1,117	1,091	1,037	1,043	1,023	936	929	982	1,032	1,041	1,053
Federal	514	463	362	353	309	284	255	260	259	262	267
State	231	240	254	250	279	254	265	281	304	300	308
Local	373	388	420	440	435	399	409	441	469	480	479

* Nondisclosable

1/ Includes Agriculture, Forestry and Fishing as well as Nonclassifiable employment.

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

iversity of Alaska Southeast campus), Sitka is a regional educational center. It is also home for a regional center of the U.S. Forest Service, for the state's Public Safety Academy, for a small National Historical Park, and for major Coast Guard air and sea facilities with about 200 uniformed personnel.

Few of the jobs added since 1987 were in the traditional manufacturing industries (pulp and seafood processing); seafood processing employment actually declined. Expanding tourism helped increase employment in the trade and service industries. Most notable, however, was the dramatic growth in health services jobs, mainly resulting from expansion of SEARHC. By 1992, public and private health services accounted for over 550 jobs (including the Sitka Community Hospital, SEARHC, the Pioneers' Home, and other federal and private health workers).

Sitka's Ten Largest Private Employers

Rank	Firm	1992 Annual Avg. Employment
1	Alaska Pulp Corporation	411
2	Southeast Alaska Regional Health Corp.	248
3	Sitka Sound Seafoods	139
4	Hames Corporation	124
5	Sheldon Jackson College	86
6	Seafood Producers Cold Storage	80
7	Westmark Shee Atika Hotel	61
8	Samson Tug & Barge Co., Inc.	56
9	McDonald's of Sitka	42
10	Sitka Tribe of Alaska	38

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

A Snapshot of City and Borough of Sitka Statistics from the 1990 Census

	Sitka	Alaska
Sitka's population grew more slowly...		
Percent change 1980-1990 (1990 Population = 8,588)	10.1%	36.9%
And is a little older...		
Median age	30.4	29.4
Percent under 5 years old	8.9%	10.0%
Percent 21 years & over	65.5%	64.5%
Percent 65 years & over	5.7%	4.1%
Alaska Natives have a larger role...		
Percent White	74.1%	75.5%
Percent American Indian, Eskimo, or Aleut	20.9%	15.6%
Percent Asian/Pacific Islander	3.9%	3.6%
Percent Hispanic (of all races)	2.4%	3.2%
Percent Black	0.5%	4.1%
Labor force participation is high; unemployment low...		
Percent of all 16 years + in labor force	78.3%	74.7%
Percent males 16+ in labor force	84.4%	82.1%
Percent males unemployed (Mar./Apr. 90)	7.3%	10.0%
Percent females 16+ in labor force	71.6%	66.4%
Percent females unemployed (Mar./Apr. 90)	5.9%	7.3%
Most households make more money, but fewer make over \$100,000...		
Median household income in 1989	\$43,337	\$41,408
Percent of households below poverty level	4.3%	8.0%
Percent with less than \$5,000 income	1.5%	3.5%
Percent with \$5,000-\$9,999 income	3.0%	4.8%
Percent with \$10,000-\$14,999 income	5.8%	6.4%
Percent with \$15,000-\$24,999 income	11.3%	13.3%
Percent with \$25,000-\$34,999 income	15.9%	13.6%
Percent with \$35,000-\$49,999 income	21.1%	18.5%
Percent with \$50,000-\$74,999 income	26.3%	21.3%
Percent with \$75,000-\$99,999 income	11.1%	10.9%
Percent with \$100,000 or more income	4.0%	7.7%
Renters pay more...		
Median Gross Rent	\$610	\$559
Percent rented for less than \$200	1.2%	1.7%
Percent rented for \$200-\$299	6.8%	5.4%
Percent rented for \$300-\$499	19.1%	27.8%
Percent rented for \$500-\$749	41.1%	29.8%
Percent rented for \$750-\$999	18.0%	12.8%
Percent rented for \$1,000 or more	7.1%	9.1%
Percent with no cash rent	6.7%	13.5%

Source: U.S. Bureau of the Census

And the future?

The pulp mill closure is a major setback for Sitka. No new employer is likely to provide as many high-paying, stable jobs to so many residents. Nevertheless, because the rest of the economy is remarkably diversified, Sitka is positioned as well as any to weather the storm. Community and business leaders are looking at possible expansion of strong industries: tourism (e.g., winter tourism, conferences and conventions); the arts; and health and educational services (establishing a nurse training program, developing a long-term care facility). The Alaska Pulp Corporation is also reviewing possibilities for refitting the pulp mill for other uses, such as fiberboard production. Any new use of the mill would probably require at least two years to implement, however.

Trends profiles are a new feature which will appear periodically in **Alaska Economic Trends**. For more information, contact
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