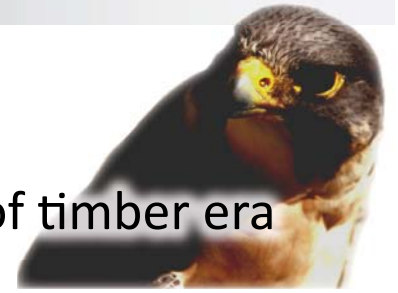


# Sitka's Diverse Economy

## Fishing town returns to its roots after end of timber era



The Southeast city of Sitka has one of the longest colonial histories of any place in Alaska. Known to the Russians as Novo Arkhangelsk — “New Archangel” — Sitka was established as the capitol and administrative headquarters for Russian America.

In 1799, Russians set up the headquarters of the Russian American Company near what was originally a Tlingit settlement, taking advantage of the lucrative fur trade between Alaska Natives and Russians along the Alaska coast. The high price that otter pelts fetched in the Chinese and European markets brought enormous profits for traders who bartered for pelts in Sitka, then crossed the Pacific to deliver to eastern Asian ports such as Canton and Okhotsk.

In 1867, the transfer of Alaska to the United States from Russia took place in Sitka, and until 1906 the town served as the capital of what was then known

as a district.

Alaska's first gold discovery was near Sitka in 1872, a few years after the purchase. This ignited mining interests and spurred the stream of prospectors during the Klondike Rush who spread by the thousands into the Juneau mining district and eventually the interior.

Despite the presence of potentially economic mineral deposits nearby, a stigma developed over mining in Sitka. According to a recent assessment by Avalon Development of Fairbanks, Sitka's reputation in the mining world during the rush was damaged by speculation, lack of capital, and poor management despite enormous endeavors in Juneau and elsewhere. Other political factors and land ownership precluded mining firms from exploring the region in the mining revivals up to the present day, so few data are available on the resource.

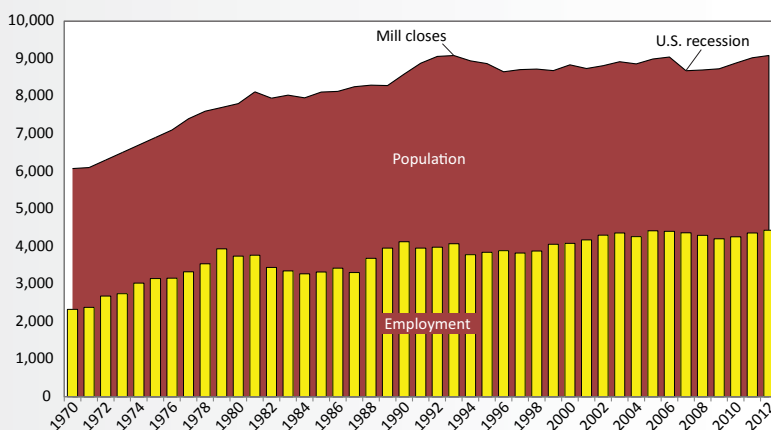
Seafood would eventually become the base of Sitka's economy, which was punctuated by the tumultuous rise and fall of the timber industry. Unlike some communities in Southeast that took a long-term hit from the removal of a large industry from a small economy, Sitka's population, jobs, and wages have recovered due to its relatively diverse economy. (See Exhibit 1.)

### Structural change from timber

The timber era in Sitka was instigated by the federal government, which signed several long-term contracts in the 1950s to supply timber to mills in Southeast. One of these was the Alaska Lumber and Pulp Company, which was the largest employer in Sitka from the 1960s through its closure in 1993. Population also peaked that year at 9,000, a gain of about 3,000 since the start of timber's rise.

The mill's closure was followed by stagnating

### 1 Stability Despite Economic Changes Sitka's population and employment, 1970 to 2012



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



Above, Lincoln Street is the main street in downtown Sitka. In the center is St. Michael's Russian Orthodox Cathedral. Photo by Roger Wollstadt. Above left is a peregrine falcon in Sitka. Photo by Alan Wu

employment and a 5 percent decline in the population over the next three years. (See Exhibit 1). An Alaska Department of Labor and Workforce Development study of former workers found that by 1996, 30 percent of the mill workers had left Alaska. The remaining workers had difficulty finding other jobs and saw their once-high earnings fall despite Sitka's relatively diversified economy.

Average monthly wages also peaked in 1993 due to high-paying mill jobs, then dipped considerably from a high of \$3,700 (in 2012 dollars). After a few solid years of growth, wages were still well below that level in 2012, at \$3,350.

Today, Sitka's population has grown to just over 9,000, recovering its 1993 high. The area's slowdown from the 2007-09 U.S. recession was small and short-lived, much like it was for the rest of the state, and 2012 brought record employment of 4,433.

The numbers from 2012 don't show surging growth, but given the increasing pace of retirement and seasonal industries, slow employment and population growth don't signify an unhealthy economy. Sitkans have a high quality of life — low utility rates and

unique access to health care, education, and recreation for a town of its size. Healthy earnings from fisheries have also helped shield the economy after the loss of the timber industry.

Sitka's unemployment rate was the fifth-lowest of any borough or census area in 2012 and was second-lowest in Southeast, after Juneau. Though Sitka's per capita income is slightly below the state average, it tops the U.S. average. Sitka residents also rely less on government transfer payments such as food and income assistance than other Alaskans.

## Fish brings in \$47 million a year

The National Oceanic and Atmospheric Administration — or NOAA — reports that Sitka is the ninth-largest port in the United States by value and the 14th largest by volume of seafood harvested.

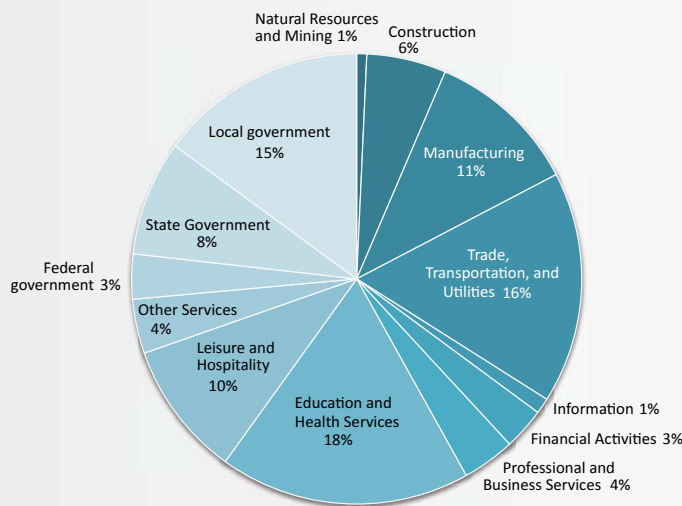
Seafood harvesters aren't reflected in regular employment data because most are self-employed,<sup>1</sup> but according to the U.S. Census Bureau's analysis of tax receipts, 596 of these "nonemployers" — the

<sup>1</sup>For more on fishing jobs and how they're counted, see the main article on page 4 of this issue.

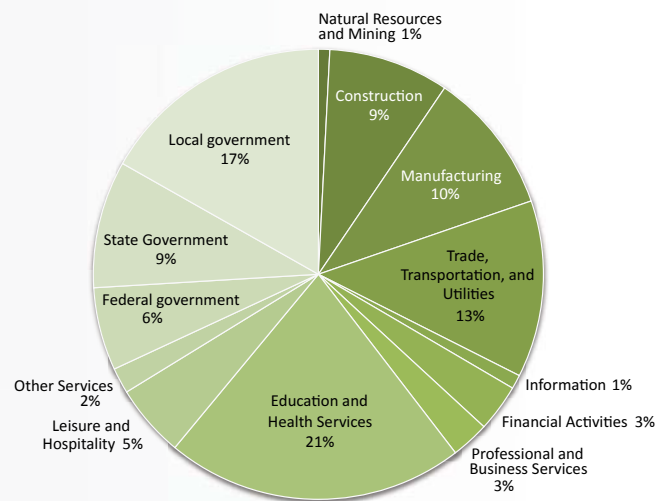
## 2 Sitka's Range of Industries

Percentages of jobs and wages, 2012

**Employment**



**Wages**



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

Census term for businesses without employees — in Sitka's fishing industry reported \$47 million in receipts in 2012. This was about 9 percent of the state total for self-employed fishermen's earnings, another indicator of the major role fishing plays in Sitka.

Salmon is critical to the area, both from a commercial perspective and a history of subsistence. According to Alaska Department of Fish and Game reports, Sitka permit holders received an estimated \$16 million in gross ex-vessel<sup>2</sup> value from salmon in 2012, and adding high-value sablefish, halibut, and other seafood harvests brings the total to \$41 million.

Natives historically harvested herring roe on the branches of hemlock trees (see the photo on page 18), and today, commercial herring openers in the spring are one of the most iconic derby fisheries in the world, even having been featured on reality television.

Other natural resources have also spurred fledgling businesses such as a tribal-run tannery, sea salt manufacturing, and bulk water sales.

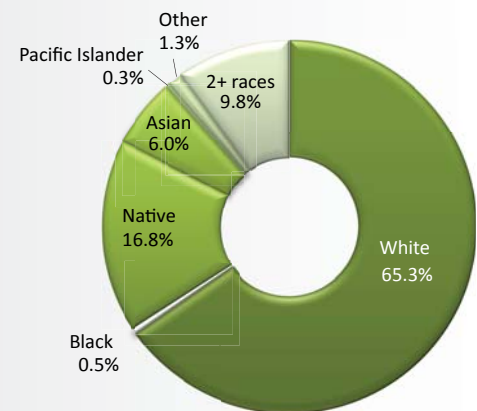
### Manufacturing mainly processing

Seafood processing has ramped up in recent years

<sup>2</sup>Ex-vessel is the price for fish at the dock, before processing.

## 3 Sitka's Racial Makeup

2012



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

with the added capacity from the opening of the Silver Bay plant in 2007. July processing employment had peaked at about 400 until that year, then reached a record 1,100 jobs in 2011. In that stellar fishing year, Sitka plants processed a net 87.8 million pounds of seafood with a wholesale value of \$170.8 million.

High plant numbers are helping drive the last four years of job growth shown in Exhibit 1. Although





Above, this photo shows Sitka with a herring fleet in the harbor. Photo by Flickr user BackwaterSurfer

the numbers have yet to be finalized, 2013 appears to have been a similarly epic year for salmon throughout Southeast.

Though the majority of manufacturing jobs are in seafood, Sitka also has a well-established ship-building firm and a brewery that distributes outside the area.

## Tourism in Sitka

Tourism is a well-supported primary industry in the community, and cruise passengers have typically been shuttled into downtown to see its myriad historic and educational sites. A private entity recently built a new mooring facility just north of town and hopes to attract ships in future tourism seasons.

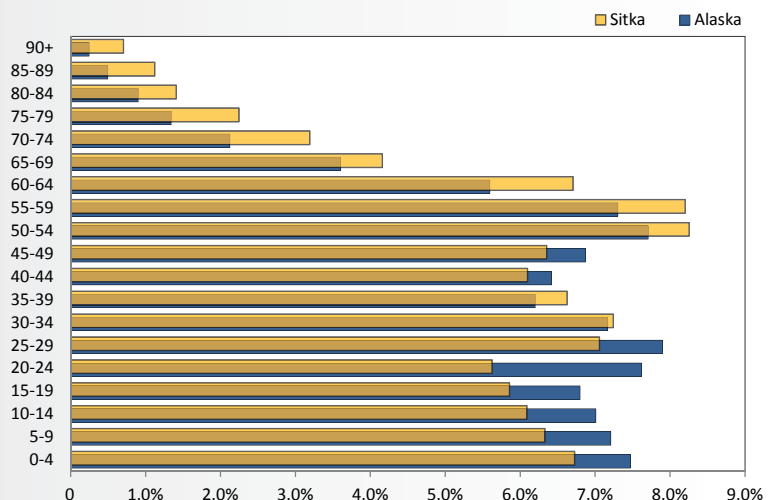
Several hotels and restaurants in the downtown area cater to fly-in visitors and locals. These leisure and hospitality employers provide 10 percent of local jobs but only 5 percent of wages. (See Exhibit 2.) These types of jobs are often part-time, lower paying, and seasonal.

## A niche for health care

While fishing and tourism bring in money from outside, health care and education organizations

## 4 Sitkans Older Than Alaskans

On average, percents by age group, 2012



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

generate significant wages and jobs in the area. In an unusual mix of public and private facilities, Sitka has made a small-town niche for these services, which provide higher average wages than Sitka's rural Southeast counterparts.

The regional Native hospital SEARHC, Sitka's

largest employer, is a major contributor to the 18 percent of private health care jobs and 21 percent of the industry's private wages. (See Exhibit 2.)

Another major health care contributor is the state-run Sitka Pioneers' Home, which houses 75 of Alaska's elders. The Pioneers' Home also affects Sitka's overall age distribution, which is four years older than the state median. (See Exhibit 4.)

## A legacy of education

The community remains focused on education despite the 2007 closure of Sheldon Jackson College, which opened in 1878 and was once the only institution of higher learning in the territory. The college campus was transferred to the Sitka Fine Arts Camp, drawing artists who perform and offer workshops for all ages.

The fine arts camp is one of the two private education organizations that create jobs and bring worldwide talent to Sitka. The other, the Sitka Sound Science Center, hosts students from several outside universities for their field courses in marine science.

The two state-run educational institutions are the Alaska State Trooper Academy and Mount Edge-



Above, harvested Sitka herring roe attached to hemlock branches. Photo by [juneautek.com](http://juneautek.com)

cumbe High School. The trooper academy offers instruction in criminal investigation, police procedure, laws, physical skills, and the training of village public safety officers, troopers, and wildlife officers. Mount Edgecumbe, the state-run boarding school, serves students from all over Alaska and is the largest school in Sitka by enrollment. These organizations add state jobs, but also employment for housing, catering, and maintenance contractors.

The University of Alaska Southeast also has a branch in Sitka, with 80 to 90 jobs during the school year and enrollment of 1,160 in spring 2012.

Education and health made up a third of all employment in 2012 when private and government jobs were combined, and many of those were year-round positions. This is reflected in the high proportions of nurses and teachers shown in Exhibit 5.

## Government's share of jobs

Sitka's government employment is similar to that of the state as a whole, accounting for 26 percent of payroll jobs in 2012 when schools, hospitals, and tribes are included. There are small offices at the trooper academy (Department of Corrections), Department of Fish and Game, Department of Health and Social Services, and Indian Health Service.

Sitka's federal employment has declined, which is also similar to the rest of the state. Federal jobs in Sitka peaked at 210 in 2004 with many seasonal forestry jobs, and has been reduced by about 25 percent since then, shrinking the overall government share of jobs and wages.

## 5 Seafood Processing Tops Occupations Sitka, total workers and wages in 2012

Occupations	Workers	Wages
Meat, Poultry, and Fish Cutters and Trimmers	617	\$5,378,616
Retail Salespersons	297	\$2,832,517
Waiters and Waitresses	200	\$1,348,616
Cashiers	192	\$1,739,710
Registered Nurses	184	ND
Construction Laborers	165	\$2,352,802
Teachers and Instructors, All Other	160	ND
Nursing Assistants	133	\$3,398,125
Janitors/Cleaners, Exc Maids and Housekeeping Cleaners	132	\$2,097,355
Combined Food Prep and Serving Workers, Incl Fast Food	122	\$677,956
Fishers and Related Fishing Workers	115	\$1,835,922
Secondary Teachers, Exc Spec and Career/Tech Ed	108	ND
Maids and Housekeeping Cleaners	106	\$703,438
Office and Administrative Support Workers, All Other	95	\$1,731,100
Bartenders	91	\$669,525
Recreation Workers	87	ND
General and Operations Managers	85	\$4,293,660
Stock Clerks and Order Fillers	85	ND
Bookkeeping, Accounting, and Auditing Clerks	83	\$2,106,586
Social Workers, All Other	79	\$1,824,066

Notes: This table counts workers by occupation regardless of seasonality or longevity of their employment. It excludes federal workers. ND means wages are suppressed to protect the confidentiality of an employer or its workers.

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