

Kodiak

by Neal Fried and
Brigitta Windisch-Cole
Labor Economists

The big island where fishing is king

Alaska's biggest island, and the second largest in the nation, is Kodiak Island. With its surrounding islands, it is home of the Kodiak Island Borough, which encompasses 6,463 square miles of land, an area larger than the state of Connecticut. The Borough has 1,274 miles of coast, and many fjords, peninsulas and capes.

The area is steeped in Alaska history and has a rich cultural heritage. For thousands of years it has been home of the Alutiiq people, who developed a rich subsistence economy. Russian fur trappers settled in Kodiak in 1792 and made it the Russian territorial capital. Otter pelts were the primary attraction for the Russians and this was still true in 1867 when the U.S. purchased Alaska. But shortly thereafter, a new resource began to dominate the Island's economy—fish.

Fishing is king, but there are other players

Kodiak quickly became home to one of Alaska's largest fisheries after its first fish processing plant was built in 1882. Fisheries have dominated the Island's economy ever since. While its commercial fisheries wield immense influence and the fisheries weave a common thread throughout most of the rest of its economy, there are other important market forces. The Kodiak Coast Guard Station, intricately linked to the fisheries of Kodiak and the rest of the state, plays a huge role in the Island's economy. Even if Kodiak is not generally on the beaten path of

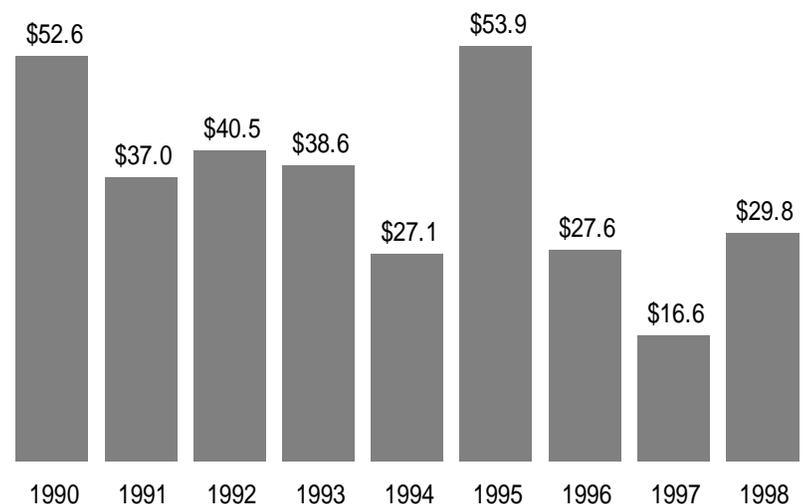
organized tours, it does have a thriving visitor sector. Logging also plays a role in its economy and a rocket launch facility is taking shape. Apart from the cash economy, abundant subsistence resources also play an important role for many Kodiak households.

Kodiak has more fish processors and harvesters than anywhere else

For many years, Kodiak was ranked as one of the busiest seafood ports in Alaska and the nation. In 1988, Kodiak relinquished its place as Alaska's

Kodiak's Salmon Fishery **1** Proceeds have waned

Harvest value in millions of dollars



Source: Commercial Fisheries Entry Commission, 1990-1997;
Alaska Department of Fish and Game 1998 Harvest Value Estimate

top-ranked seaport to Dutch Harbor, but still claims the runner-up position. In 1998, Kodiak's 357.8 million pounds of seafood landings valued at \$78.7 million put it third on the national register both in volume and value.

While salmon is nearly always one of the leading fisheries in Kodiak, it does not define the fishing industry here as it so often does elsewhere in the state. From year to year, Kodiak's dominant fishery can change. It could be king crab or salmon and then be replaced by groundfish. In spite of closed crab and shrimp harvests, Kodiak has the most diversified fishery in the state. This is the Island's deep-rooted strength. Kodiak's staying power lies in the diversity which has given it a less volatile economy than that of many other fish-based communities.

Groundfish, halibut, sablefish, cod, salmon, herring, and scallops are all harvested in the Gulf

of Alaska. Even diving for sea cucumbers has become a commercial fishing activity. Island residents fish in other Alaska waters as well. They participate in at least 27 different types of fisheries. Kodiak is home to Alaska's largest long-line, groundfish, and crab fleets, and more residents live off the fishing industry than anywhere else in the state. The commercial salmon fishery, an institution nearly 150 years old in Kodiak, continues to attract new participants. Many fishers in Kodiak work in more than one fishery. It is not unusual for a commercial fisher to target herring, salmon, groundfish, halibut and other species, or some combination thereof, during the course of a year. Over the years, more fishers have diversified their harvests because fluctuations in prices and species availability make reliance on a single fishery risky.

Salmon remains the Island's economic backbone

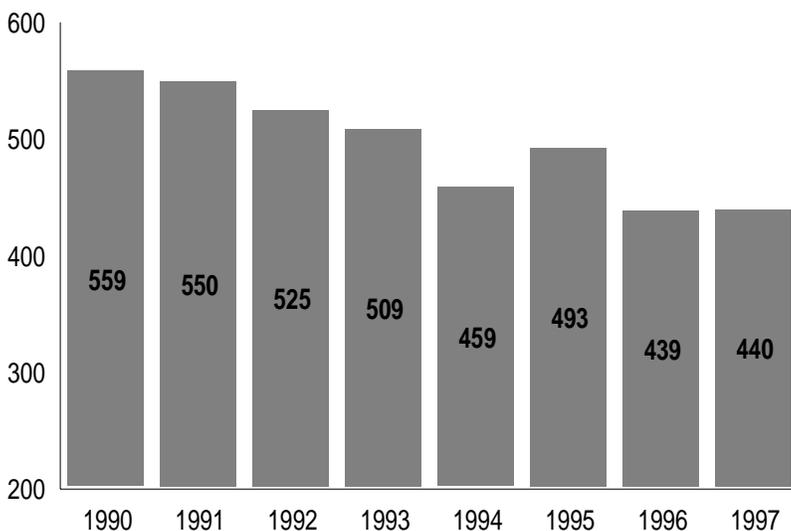
Uncertainties have always been a part of the seafood industry. Fish harvests in Kodiak have fluctuated wildly over the years. In past decades, however, the success of the salmon fishery depended to a large degree on the availability of the resource, rather than on other factors. Now changing market conditions plague the industry.

During the past decade, farmed salmon has become Alaska wild salmon's fiercest competitor. Demand has also suffered because of the prolonged economic crisis in Asia. Oversupply and poor prices have hit Kodiak's salmon fishers, and the salmon harvest value has shrunk considerably. (See Exhibit 1.) In 1997, Kodiak area fishers harvested 57.8 million pounds of salmon valued at \$16.6 million. If that same harvest had been delivered in 1986 (assuming a similar salmon species harvest mix), it would have been worth more than \$28 million.

Prices started to recover in 1998. That same year, Kodiak fishers delivered a 100-million-pound-

2 Salmon Fishery Participation Is down in Kodiak

Number of salmon permits fished



Source: Commercial Fisheries Entry Commission

plus catch. Its harvest value was \$30 million. The 1999 fishing season has begun on a positive note. At season start-up, processors reported low inventories of red salmon and prices were up from year-ago levels. Confidence among fishers has rebounded as well, and over 520 Kodiak salmon permit holders renewed their permits this year.

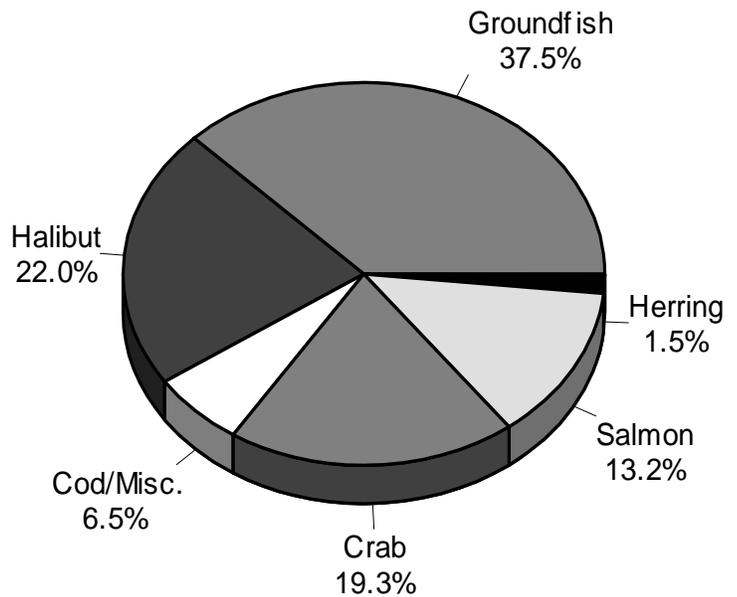
Without doubt, Kodiak's salmon harvest still has the highest number of participants of all its fisheries, although interest has abated some in recent years. Nearly 560 permits were fished in 1990 compared to only 440 in 1997. (See Exhibit 2.) Fishing effort has dropped off, in particular, among Kodiak's salmon fleet because of weak prices. Only 68 percent of the fleet participated in the 1997 harvest.

In 1997, 250 local residents delivered a salmon catch and 60 other salmon fishers from Kodiak netted their catch in other areas of the state. That same year, 125 Kodiak permit holders resided out of state. The remaining Kodiak permit holders lived in other parts of Alaska, many of them on the Kenai Peninsula. While Kodiak's salmon fishery made up only 13 percent of the 1997 resident gross earnings from fishing, it remains a strong influence on the local economy due to the number of participants. (See Exhibit 3.) However, the biggest portion of local fishing income is now earned by fishers who target the various groundfish species.

The groundfishery provides most income

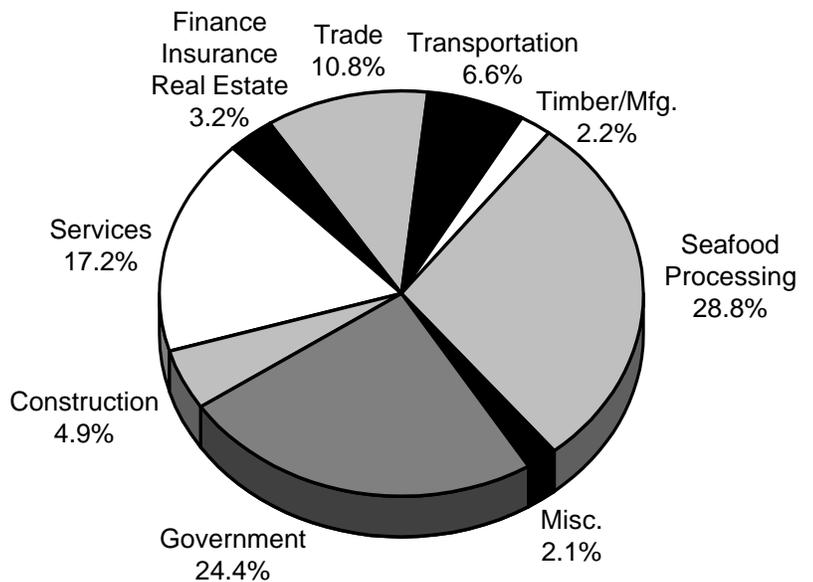
The groundfishery started to become important during the mid-1980s and has surpassed salmon as the main source of fishing income. Among all groundfish species, pollock and Pacific cod are the most important. In 1997, the fleet unloaded over 156 million pounds of these two species at the Port of Kodiak. Local residents earned roughly \$36 million from this fishery. The catch area stretched from the Gulf of Alaska to the Bering Sea.

Groundfish Earns Most Money For Kodiak fishers in 1997 **3**



Source: Commercial Fisheries Entry Commission

Seafood Issues Largest Payroll On Kodiak Island—1998 **4**



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

Halibut supplements many fishers' income

Prior to 1995, the halibut fishery was an open-entry derby fishery with few openings. Catch quotas were often filled within 24 hours of an opening. Then regulations changed and limited the number of participants. Today, halibut fishers fish individual quotas and may do so anytime between mid-March and mid-November. For many commercial fishers, halibut is only one of many fisheries they target because the harvest time is not tied to a specific date. Healthy domestic markets have kept harvest prices up, although they can change during the progress of a season. The halibut fishery is an important part of fishing income for many, and it ranked second (after groundfish) in 1997.

Crab has seen better days

Kodiak's crab fishers have not set their king crab pots in home waters since the 1982/1983 season. During the 1990s, other crab harvests around Kodiak were also modest. In 1998, for example, only eight vessels participated in a small dungeness crab harvest that netted about half a million dollars. Yet Kodiak crab boats earned over \$18 million in 1997 from fishing for crab in the Bering Sea. Although Kodiak's crab heydays have passed, it still is home to Alaska's largest crab fleet. In 1997, a total of 197 boats from Kodiak fished for crab in the main three harvests.

Black cod prices rise but herring's fall

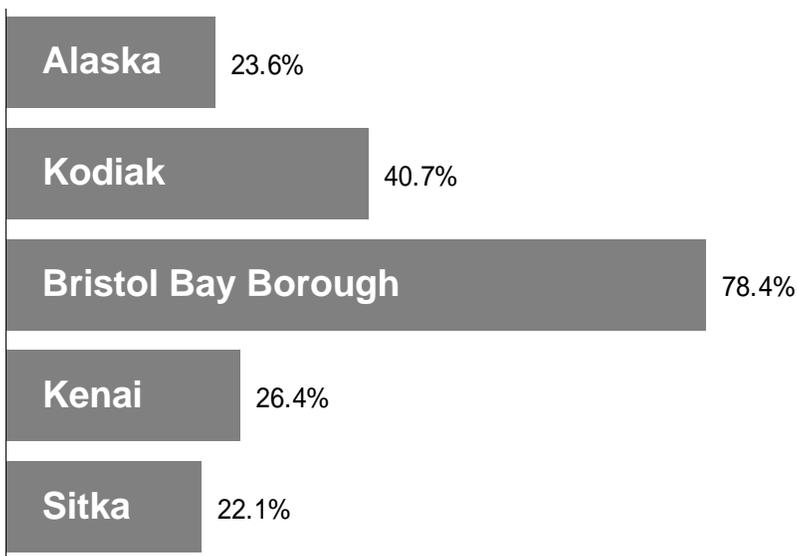
Black cod, or sablefish, has become one of the priciest fish. In May of 1999, processors were paying \$3.00 per pound. In 1997, Kodiak fishers earned \$5 million from sablefish alone. Much of the product is exported to Japan but some is also sold domestically. The herring fishery has not enjoyed the success of sablefish or groundfish of recent years. In 1995, for example, herring fishers were paid over \$2,000 per ton of fish and last year only about \$200-\$300. Catch quotas have also fallen.

Seafood processors add value to Kodiak's harvests

In 1998, Kodiak's seafood industry paid out \$45 million in payroll, making it the single biggest contributor in wages in Kodiak. (See Exhibit 4.) For many years, seafood processing workers have been coming to Kodiak to help clean, freeze, and pack fish in cans. During peak seasons, an army of seafood workers is needed to process the harvest. Over 40 percent of Kodiak's workforce are nonresidents and many of these workers are seasonal seafood processing workers. (See Exhibit 5.) However, unlike most other seafood processing centers in the state, Kodiak has a very large

5 2,500 Nonresidents Employed In Kodiak Island Borough

Percent Nonresidents



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

resident workforce. In fact, it is home to the biggest resident processing work force in the state. In 1998, approximately 60 percent of those seafood processors were residents.

When groundfish became a major fishery in the mid-1980s, more seafood processors became local residents because seafood processing could support near year-round employment. Multiple and diversified harvests provided for work. Groundfish processing also requires more involved processing because the seafood companies prepare market-ready filets, fish paste (surimi) and other value-added specialized food products. Such processing operations are labor intensive, stretching the duration of employment for workers beyond the harvest season. The high employment months in seafood processing are still the summer months because of concurrent salmon, flatfish, and groundfish harvests. Summer employment levels often exceed 2,000 jobs. And during the past two summer seasons, labor shortages have become commonplace.

Because Kodiak is home to the state's most diverse fishery and largest number of processors, the University of Alaska established its Fishery Industrial Technology Center on the Island. Its mission is to assist the seafood industry with research and development of new processing techniques. Scientists work closely with the industry to perfect, improve and teach improved methods of processing. The institute also conducts research on behalf of the harvesters.

In 1998, the Kodiak Fisheries Research Center, a \$20 million facility equipped with laboratories and offices, was completed. State and federal government research groups conduct their work here.

The Coast Guard is a big player

Since 1938, the military has played a role in the Island's economy. In 1972, both the Navy's and the Army's World War II installations were

Kodiak's Wage and Salary Employment By industry, 1990-1998

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	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total Employment	5,742	5,711	5,318	5,320	5,811	6,090	6,308	6,193	5,733
Construction	158	161	164	142	154	186	158	139	154
Manufacturing	2,062	2,091	1,810	1,885	2,260	2,350	2,584	2,509	1,964
Seafood	1,923	1,961	1,631	1,733	2,092	2,138	2,369	2,299	1,870
Timber	100	100	147	126	142	179	187	180	61
Trans/Comm/Utilities	319	320	339	323	301	343	303	299	297
Trade	921	931	851	828	841	960	883	842	840
Wholesale Trade	36	41	45	68	72	91	68	69	69
Retail Trade	886	890	806	759	769	870	815	773	771
Finance/Insur/Real Estate	111	112	136	135	148	141	145	155	162
Services/Misc.	1,021	958	845	828	894	934	999	1,028	1,126
Ag., Forestry, & Fishing	30	21	52	62	99	85	95	70	69
Government	1,120	1,116	1,120	1,115	1,117	1,092	1,140	1,150	1,121
Federal	162	165	174	171	166	162	158	172	170
State	285	275	277	263	252	248	251	252	242
Local	673	677	669	681	695	682	731	726	709

Totals may not add due to rounding

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

converted to one of the nation's largest Coast Guard stations. The station provides search and rescue and fishery enforcement efforts for an area covering all of the Gulf of Alaska, the Bering and Chukchi Seas, and out to the end of the Aleutian Islands.

In 1998, there were 2,294 Coast Guard personnel and dependents on the Island comprising 16.6% of its population. The only community in the state with a larger concentration of military is Fairbanks. The payroll for the uniformed Coast Guard was \$41 million in 1998. Only the fish processing industry enjoys a bigger payroll. A

majority of Coast Guard personnel live on base, which is largely a self-contained community. The multiplier effect of personnel expenditures is considerably smaller than if they lived off base. In addition to the uniformed personnel, there is a group of approximately 100 civilians and private contract personnel working at the station, but they live off base. Kodiak Station also provides business opportunities for local contractors and businesses. In 1999, the Coast Guard will spend more than \$15 million on construction. These expenditures stimulate the economy. Moreover, the station's presence helps provide stability to an economy that could otherwise be very volatile.

7 Kodiak's Largest Employers 1998

Rank	Name of Company/Organization	1998 Annual Average Employment	Business Activity
1	International Seafoods of Alaska	487	Seafood Processing
2	Tyson Foods (now Trident)	473	Seafood Processing
3	Ocean Beauty Seafoods	402	Seafood Processing
4	Kodiak Island Borough School District	394	Local Government
5	North Pacific Processors	225	Seafood Processing
6	Sisters of Providence (Kodiak Island Hospital)	168	Hospital
7	Polar Equipment (Cook Inlet Processors)	200	Seafood Processing
8	City of Kodiak	163	Local Government
9	Safeway Stores	155	Grocery
10	Western Alaska Fisheries	117	Seafood Processing
11	Space Mark	105	Facilities Management
12	Kodiak Area Native Association	102	Health Care/Education
13	Alaska Department of Fish and Game	74	State Government
14	US Department of Transportation (FAA)	72	Federal Government
15	University of Alaska	65	State Government
16	Alaska Commercial Company	61	General Merchandise
17	Ki Enterprises (McDonalds)	54	Eating Establishment
18	Kodiak Electric Association	49	Utility
19	Ocean Peace	48	Seafood Processing
20	Kodiak Island Borough	45	Local Government

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

A variety of visitors come to Kodiak

Kodiak's visitor sector is based on sport fishing, hunting, wildlife viewing, cultural education, hiking, and other outdoor experiences. Many visitors are attracted by its sheer beauty. Kodiak is often referred to as the Emerald Isle because it is so lush and green. As in most parts of the state, the visitor industry is very seasonal, with three-quarters of the visitors arriving during the summer and early fall. Kodiak's visitor season starts a bit later than in the rest of the state, but it lasts longer because of the late runs of salmon and the fall hunting season. According to the Kodiak Visitors and Convention Bureau, visitors spend approximately \$16 million per year, and there are indicators the industry is continuing to grow. For example, charter boat revenue figures compiled by the City of Kodiak doubled between 1995 and 1998. And according to relatively recent data collected by the Alaska Visitor Statistics Programs, visitors to Kodiak stay longer and spend more than the average tourist in the state.

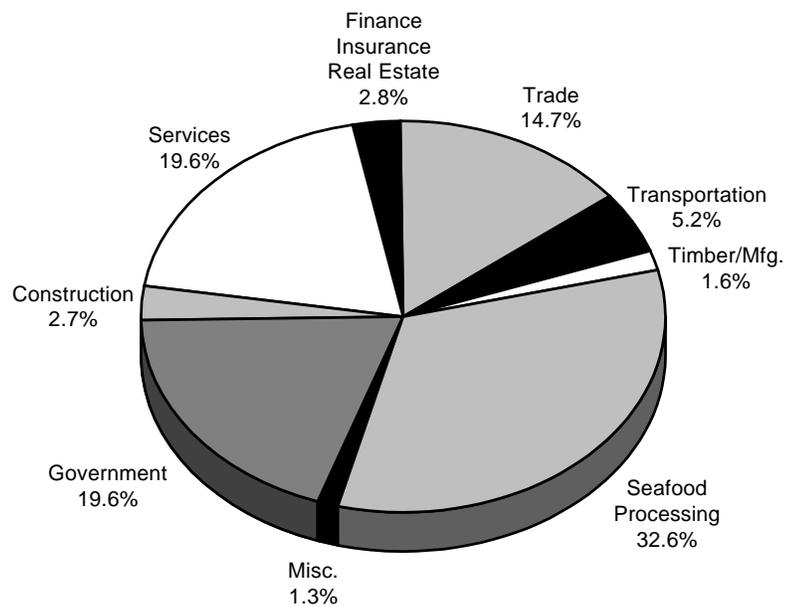
Timber has been affected by a weak market

Through 1997, logging's presence on the Island increased steadily. After Southeast Alaska, Kodiak was the state's second largest timber producer, and logging firms were among the Island's largest employers. Annual average employment peaked at 187 in 1996 and harvest value peaked at \$48.8 million in 1993. Nearly all of the logging takes place on Afognak Island and Chiniak on Native corporation lands. Most of these logs were shipped in the round to Asian markets. In 1998, due to the recession in much of Asia, demand fell dramatically and employment fell by two thirds. Once the logging market begins to recover, however, employment will likely rebound.

The rocket launch pad will bring visitors to Kodiak

In 1998, work began on the new Kodiak Launch Complex costing more than \$38 million. The site is approximately 25 miles southwest of the City of Kodiak. The mission of this spaceport is to launch telecommunications, remote sensing and space science payloads into orbit. The first NASA launch will take place in August 2000. This year, scientists and technicians are in Kodiak to conduct a dress rehearsal for the \$60 million NASA project. At present, the Kodiak Launch Complex employs only a few maintenance and administrative personnel. But during launches, Kodiak will be home to large numbers of scientists and technicians.

Wage and Salary Employment Kodiak 1998



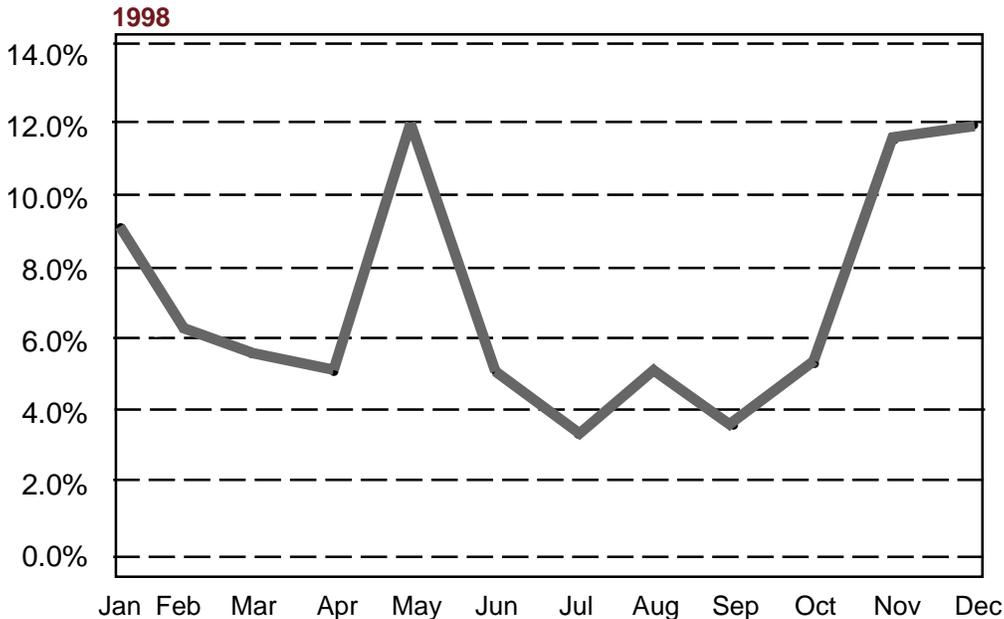
Source: Department of Labor and Workforce Development, Research and Analysis Section

9 The Unemployment Rate Dips and Bounces Displaying great volatility in Kodiak

Beyond the Island's basic sectors

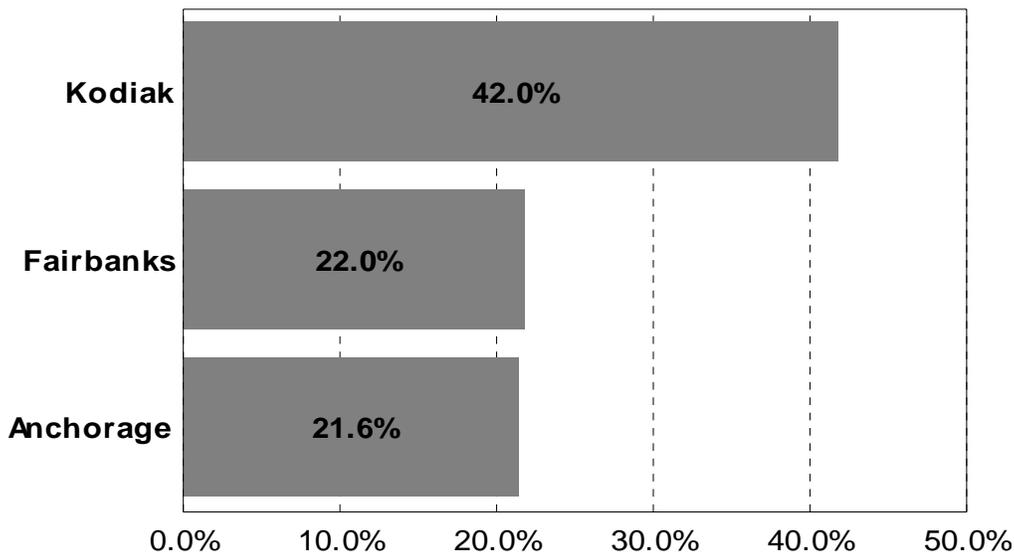
Not all Kodiak residents are employed in fishing, timber, the Coast Guard, or the visitor sector. There are plenty of other jobs that provide services to these industries and the population. For example, retail trade employed nearly 800 people in Kodiak in 1998. (See Exhibit 6.) Three of Kodiak's 20 largest employers are retailers. (See Exhibit 7.) The "big" economic event of 1999 is the opening of a Wal-Mart. In June, with great fanfare, Wal-Mart opened with a workforce of 140. This will mean retail employment will likely crest the 900 mark in 1999. There is little doubt there will be fallout from existing retailers that will lose business to this new arrival. However, when the dust settles, the retail workforce will no doubt show a significant net increase. There are no data yet to measure the impact this national retailer is having on Kodiak's economy. In future years it will be possible to draw some pretty clear conclusions about this experience, given the nature of the area's economy and its physical isolation.

Only the seafood processing industry employs more wage and salary workers than the Island's services industry. Services have enjoyed steady growth over the past six years.



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

10 The Cost of Living in Kodiak As shown in ACCRA survey Percent above national average 1st quarter 1999



Source: American Chamber of Commerce Researchers Association (ACCRA)

Some of the larger players include hotels and health care and social services organizations. Two large service industry employers are among the 20 largest employers in Kodiak—the Kodiak Island Hospital and the Kodiak Area Native Association. (See Exhibit 7.)

The public sector is also a relatively large employer on the Island. (See Exhibit 8.) Besides the uniformed Coast Guard, there is a sizable group of civilian federal employees employed by the FAA, the Park Service and other federal agencies. The Alaska Department of Fish and Game is the biggest player at the state level. Local government's largest employer is the Kodiak Island Borough School District, the Island's fourth largest employer.

Kodiak's unemployment rate—most volatile in the state

There is not another area in the state where the unemployment rate fluctuates so markedly from one month to another (See Exhibit 9.). It is not at all unusual for the unemployment rate to fall dramatically from winter/spring months to the summer months in communities throughout Alaska, and Kodiak is no exception. However, because Kodiak is also home to major winter, spring and fall fisheries, its unemployment rate can, for example, fall three points from January to February because of the opening of the pollock season.

In 1998, Kodiak's unemployment rate was 7.0% versus 5.8% statewide. In spite of its higher jobless rate and its large resident fish processing workforce, Kodiak is, as in past years, experiencing severe shortages of fish processing workers. As elsewhere in the state, it has always depended on nonresident workers to fill the gap during the peak seasons. However, wages for processing workers tend to be low and the nation is enjoying near record low unemployment. That is why the industry is having a difficult time attracting enough workers.

It costs more to live in Kodiak

There are no flawless methods to measure the cost-of-living differential between communities, but all the evidence paints Kodiak as a high cost area when compared to railbelt communities in Alaska and to cities elsewhere in the nation. For example, the University of Alaska's *Food at Home for a Week Survey* estimates that food costs run approximately 30 percent higher in Kodiak than in Anchorage. However, when food costs are compared to rural communities, Kodiak's are lower than most of rural Alaska and a number of other communities such as Cordova. The American Chamber of Commerce Researchers Association (ACCRA) provides a broader cost-of-living study that compares costs of roughly 300 cities in the U.S., including the city of Kodiak. According to the ACCRA's first quarter 1999

Population of Communities Kodiak Island Borough **11**

	1990	1998	Annual Average Growth Rate
Kodiak Island Borough	13,309	13,848	0.5%
Akhiok city	77	109	4.4%
Chiniak	69	75	1.0%
Karluk	71	48	-4.8%
Kodiak city	6,365	6,859	0.9%
Larsen Bay city	147	127	-1.8%
Old Harbor city	284	297	0.6%
Ouzinkie	209	252	2.4%
Port Lions city	222	242	1.1%
Womens Bay	620	674	1.0%
Kodiak Station	2,025	1,703	-2.1%
Remainder of Borough	3,220	3,462	0.9%

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

12 A Snapshot of the Kodiak Island Borough

Current statistics and census information

	Alaska	Kodiak
Population (1998)	621,400	6,844
The population is younger with more persons per household		
Median age (1998)	32.4	31.7
Persons per household (1998)	2.71	2.97
...and there are more children (1998)		
Percent under 5 years old	8.4	9.5
Percent school age population (5 to 17)	23.3	23.5
Percent adult workforce population (18 to 64)	63.1	62.6
Percent seniors (65 years & over)	5.3	4.4
....and fewer women		
Percent female (1998)	47.7	46.0
Demographics of the region (1998)		
Percent Native American	16.8	16.9
Percent White	73.9	60.8
Percent African American	4.4	1.9
Percent Asian/Pacific Islander	4.9	20.4
Percent Hispanic	4.6	7.7
More workers are unemployed (1998)		
Percent of all 16 years+ in labor force (estimate)	71.2%	74.8%
Percent unemployed	5.8%	7.0%
Income measured:		
Personal per capita income (1997)	\$24,983	\$22,032
Personal Income—Average Annual Percentage Change, 1990-97	3.8%	1.5%
Wage and salary employment (annual average 1998)	\$33,420	\$27,197
Educational Attainment (1990)		
Percent high school graduate or higher	86.6%	84.7%
Percent bachelor's degree or higher	23.0%	21.5%

data, Kodiak's cost of living runs considerably above the national average and the few communities measured in Alaska. (See Exhibit 10.) The ACCRA survey tends to overstate the cost differential. One important factor that is not included in the survey is taxes. Given Alaska's relatively low state and local tax burden, the difference between Kodiak and lower 48 communities would narrow somewhat.

Kodiak's people

In 1998, the borough was home to 13,848 residents spread out across ten communities and other places on the Island. (See Exhibit 11.) Six of these communities are accessible only by plane or boat. The City of Kodiak is home to nearly half of the borough's population. Most of the remaining population of the Borough is clustered close to the City of Kodiak. The smallest community on the Island is Karluk, with a population of 48. These numbers are a count of Kodiak residents which, of course, only tells part of Kodiak's population story. There is no estimate of the area's nonresident population, but during the summer and certain fishing seasons, Kodiak's population swells. As with employment, Kodiak's year-round population has grown very slowly during the 1990s—a third as fast as the rest of the state. This can probably be best

explained by a relatively sluggish economy during this same period.

Beneath these almost stagnant population figures exists a more dynamic population picture in Kodiak. Its population is among one of the most diverse in the state—16.9% of the Island's population is Alaska Native, 20.4% is Asian/Pacific Islander and 7.7% is Hispanic. (See Exhibit 12.) The latter two groups represent dynamic and growing slices of the Kodiak population. In fact, Kodiak is home to the single largest concentration of Asian/Pacific Islanders in the state. One of the primary explanations for their considerable presence is the strong historical association the Filipino population has had with the seafood processing industry. Although their population nearly doubled in the 1990s, they have been part of Kodiak's population for a long time and, therefore, they are also represented in all parts of Kodiak's labor market. The Hispanic population is smaller but it, too, has grown faster than the overall population. Most of the Alaska Natives in Kodiak are Alutiiq, one of six Eskimo groups in Alaska. The Island's share of Alaska Natives inched up slightly in the 1990s after losing ground in previous decades. Most of Kodiak's rural communities such as Old Harbor, Larson Bay, Ouzinkie and Akhiok are predominantly Alaska Native.

The median age of Kodiak's population is 31.7 years, which is a bit younger than the statewide average. The population distribution by age is not much different from the statewide picture, but the distribution of the sexes is different. In Kodiak there are 117 men per 100 women compared to 108 men per 100 women statewide. The large Coast Guard station and male predominance in the fishing fleet help explain most of this difference.

Summary—A richly diverse island

Although one or more fisheries are often experiencing some sort of stress, the incredible diversity of Kodiak's fishery—the harvesting, subsistence and processing—continues to sustain the area's economy at healthy levels. This should continue into the foreseeable future. The Coast Guard's massive presence helps even out the seasonality in the area's economy and provides Kodiak with additional stability. The visitor industry not only supplements the economy but also is a source of growth. And the new rocket launch facility could steer Kodiak's economy in a whole new direction.