

The background of the cover is a photograph of an offshore oil platform at sunset. The sky is a mix of orange, red, and grey, with the sun low on the horizon. The platform's complex structure of pipes, ladders, and walkways is silhouetted against the bright sky. A large, stylized arrow graphic, colored in shades of brown and grey, points from the left towards the right, partially overlapping the title text.

# ALASKA ECONOMIC TRENDS

March 2005

## *The Northern Region*

Alaska Department of Labor  
and Workforce Development

Frank H. Murkowski  
Governor of Alaska

# ALASKA ECONOMIC TRENDS

March 2005  
Volume 25  
Number 3

<http://almis.labor.state.ak.us>

ISSN 0160-3345

**Frank H. Murkowski, Governor of Alaska**  
**Greg O'Claray, Commissioner**  
**Alaska Department of Labor**  
**and Workforce Development**

*Joanne Erskine, Editor*

*Cover design by Sam Dapcevich*

*Alaska Economic Trends* is a monthly publication dealing with a variety of economic-related issues in the state.

*Alaska Economic Trends* is funded by the Employment Security Division and published by the Alaska Department of Labor and Workforce Development, P.O. Box 21149, Juneau, Alaska 99802-1149.

Printed and distributed by Assets, Inc., a vocational training and employment program, at a cost of \$1.46 per copy.

To contact us for more information, to subscribe, or for mailing list changes or back copies, email [trends@labor.state.ak.us](mailto:trends@labor.state.ak.us)

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**Email *Trends* authors at: [trends@labor.state.ak.us](mailto:trends@labor.state.ak.us)**

March *Trends* authors are staff with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor and Workforce Development.

**Subscriptions:**  
**[trends@labor.state.ak.us](mailto:trends@labor.state.ak.us)**  
**(907) 465-4500**

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## The Northern Region: An essential role in the history and future of Alaska

by Governor Frank H. Murkowski

This month *Alaska Economic Trends* explores a major geographic area of our state that has contributed much to the character of Alaska and Alaskans – yet remains a mystery to many: *the Northern Region*.

The region is huge: more than 146,000 square miles; roughly a quarter of the entire land area of Alaska. The land is vast but the population is sparse. *Trends* Economists Brigitta Windisch-Cole and Neal Fried report that the region's total population is about 24,000 individuals, less than four percent of Alaska's estimated total population of 655,435.

Three-fourths of Northern Region inhabitants are indigenous people, predominantly Inupiat Eskimos. By contrast, Alaska Natives comprise about 16 percent of the general state population.

One aspect of the Northern Region *is* familiar to most readers: the North Slope and Prudhoe Bay. This resource-rich landscape has provided much of the nearly \$30 billion Alaska Permanent Fund and fueled great changes in the fabric of the state.

Some of the initial oil developments at Prudhoe Bay have declined in recent years; however, we have only begun to explore the vast additional resource opportunities beneath our Northern Region lands and coastal waters.

These resources will continue to be of paramount importance in achieving our top goal: an Alaska on a solid foundation of dependable resource development activity; an Alaska with good family-wage jobs, strong schools and prosperous communities.

Soon after the election I asked cabinet members to challenge themselves; to look in the mirror and ask the question: "How can we do a better job of meeting our responsibilities to Alaska and Alaskans?"

The cabinet answered my challenge and the answers included a Northern Region perspective.

At the Alaska Department of Labor and Workforce Development, changes include a new full-service job center in Barrow, expanding the Alaska Job Center Network to 24 statewide locations. Commissioner Greg O'Claray is determined to turn the department into "the biggest hiring hall in Alaska."

At the Alaska Department of Transportation and Public Facilities, Commissioner Mike Barton and his team are planning new land connectors emphasizing resource roads in the Northern Region.

Much attention focuses on the proposed natural gas pipeline and the jobs and opportunities it will bring to the Northern Region. And we have additional important Northern Region access priorities.

- Bullen Point, east of Prudhoe Bay toward the Arctic National Wildlife Refuge, will provide access to state oil and gas lands.
- Foothills Road West would proceed west from Pump Station 2 of the trans-Alaska oil pipeline for 25-50 miles into the upper Kuparuk River area, accessing state oil and gas lease lands in the Brooks Range foothills.
- The state is working with NANA and Teck Cominco on a DeLong Mountain terminal port expansion, dredging a channel and expanding the port to allow ore ships to come directly into port. Currently ore from the Red Dog mine must be transferred to the ore ships in deep water by a barge.
- Construction has started on the Nome Glacier Creek Road realignment.

The Northern Region has been inhabited for more than 10,000 years. *Trends* authors Windisch-Cole and Fried note that the median age is just under 26 years, nearly eight years younger than the statewide median of 33.

Too many of these young Alaskans are pulling up stakes, often never to return. We must strengthen economic and educational opportunities to persuade our future leaders to stay in Alaska or return home.

Nancy was born in Nome and we return to the north country often. Yet the majesty of the far north never fails to take my breath away when our aircraft climbs over the Brooks Range. As we approach the coast and the Arctic Ocean, the coastal plain stretches so far to the horizon that one can see the curvature of the Earth. ...A setting that renews and reaffirms our commitment to the highest principles of wise use of Alaska's wealth of resources.

Alaska's motto has been "North to the Future." When we focus on Alaska's Northern Region, "The North *IS* the Future."

## A vast landscape with few people, and an economy of oil, mining, government, and subsistence

**A**laska's Northern Region covers more than 146 thousand square miles or approximately a quarter of all the land area of Alaska. This huge piece of real estate contains only 24,000 individuals, or less than four percent of the state's population. Its inventory of natural resources includes the nation's largest oil fields, a resource that has generated more wealth for the state than any other single source. It was the site of the state's largest gold rush, and currently is home to the world's largest zinc mine. Geographically, it includes the North Slope and Northwest Arctic Boroughs and the Nome Census Area with a total of 35 communities. Only three of these communities have more than a thousand residents.

### A very young population

In spite of a relatively high birth rate, the region's population grew by only 1.5 percent per year in the 1990s— just a bit faster than the rest of the state. Since then, out-migration, mostly to larger urban areas, has slowed population growth. The only reason the region's overall population has continued to grow is its high rate of natural increase—births. Here, the demographic similarities between the rest of the state and the Northern Region end. While Alaska Natives comprised 16 percent of the state's population in 2003, 75 percent of the region's inhabitants are indigenous people, nearly all Inupiat Eskimos. No other region in the state has a higher concentration of Alaska Natives. The balance of the population is largely white, along with a small Asian presence.

The Northern region has been inhabited for more than 10,000 years. Now it is home to one of the youngest populations in the state. The region's median age in 2003 was 25.5 years, nearly 8 years younger than the statewide median

of 33. Northwest Arctic Borough's median age was 23 in 2003 (see Exhibit 1) the second youngest in the state, while the Nome Census Area and the North Slope Borough were fourth and fifth respectively. Another manifestation of the region's youth is the size of its school-aged population. More than 29 percent of the population is of school age versus 22 percent statewide.

### THE NORTH SLOPE BOROUGH

The North Slope Borough is the largest and least inhabited area in the Northern Region. Yet it has the largest economy; it is host to the production center for the state's most important industry—oil. In more than 27 years of oil and gas extraction no community has developed adjacent to the production sites. The North Slope oil fields remain industrial work sites that provided over 6,200 jobs in 2003. But this workforce was predominately non-local, with most workers living elsewhere in Alaska or even out of state. More than two thirds of all jobs in the North Slope Borough are directly linked to the oil industry or to its support industries. (See Exhibit 2.) Although the North Slope Borough relies on oil revenues, most local residents pursue a traditional and community based economic life. This discussion will focus on those activities.

### The Arctic is remote and its climate is harsh

The North Slope Borough encompasses nearly 87,861 square miles. Its natural border in the north is the Arctic Ocean and its southern boundary is south of the Brooks Range. The entire landmass lies north of the Arctic Circle. Barrow, the regional hub, is the area's largest community with 4,351 inhabitants. Most of the remaining population lives in seven other communities, all but one of

which are organized as cities. Point Lay remains a traditional village without a city government. The City of Point Hope, with a population of 726 is the Borough's second largest community, and Atkasuk is the smallest with 218 residents. Six communities lie on the 2,000 mile-long coastline. Only two villages, Atkasuk and Anaktuvuk Pass, have interior locations. The geographic sites of the communities are undoubtedly related to the historic natural abundance of subsistence resources.

The landscape north of the Brooks Range is a vast flat area with little vegetation that turns, during the few summer months, from frozen tundra into marshlands. No road system connects the villages, and marine passage is limited to a few months in summer. The area's harsh climate and the changing ground conditions further restrict long distance surface travel. Recreational vehicles are used within the villages and their immediate surroundings. Due to these limitations, air is the mode of transportation most utilized between the villages and Barrow. A single long distance road, the Dalton Highway, connects the area's largest oil field, Prudhoe Bay, to Alaska's road system, but does not connect the population centers with the rest of the state.

### Population growth has stalled

During the 1970s population growth in the North Slope Borough averaged 2.0 percent annually and accelerated to 3.5 percent in the 1980s. In the 1990s, growth fell to 2.1 percent but since 2000 it declined by 0.9 percent. In recent years out-migration has exceeded natural increase. Whether the drop in population relates to diminished economic opportunities or reflects a general rural to urban migration pattern cannot be determined with certainty. Moreover, the population trend of the last four years may be temporary and might well reverse itself. Currently, the Borough has 7,104 residents.

The North Slope Borough's population is predominately of Inupiat Eskimo descent. In 2003, 68.6 percent of the population was Native American and 18.1 percent was white. Multi-racial backgrounds accounted for 6.1 percent of residents and the remaining 7.3 percent were Asians, Native Hawaiians/Pacific Islanders, or African Americans. (See Exhibit 1.) Barrow is the most racially diverse. In outlying villages, the percentage of indigenous people ranges between 75 and 90 percent.

## Northern Region's Three Areas

### A statistical snapshot

	Nome Census Area	Northwest Arctic Borough	North Slope Borough	Alaska
Area in square miles	23,012.6	35,862.5	87,860.5	570,373.6
Number of communities	16	11	8	
Population (2004)	9,403	7,306	7,104	655,435
Largest community	Nome	Kotzebue	Barrow	Anchorage
Percent of area population	36.9%	42.8%	61.2%	42.3%
<b>Race (2003)</b>				
American Indian/Alaska Native	75.7%	82.0%	68.6%	15.8%
White	19.3%	13.3%	18.1%	71.3%
African American	0.4%	0.3%	0.8%	3.6%
Asian	0.8%	0.9%	5.7%	4.1%
Native Hawaiian/Other Pacific Islander	0.0%	0.0%	0.8%	0.5%
2+ races	3.8%	3.4%	6.1%	4.7%
<b>Ethnicity</b>				
Hispanic	1.1%	0.9%	2.3%	4.1%
Median Age (2003)	26.5	23.0	26.6	33.0
Male/Female Ratio (2003)	110:100	107:100	109:100	106:100
<b>Educational Attainment (2000)</b>				
Less than High School	25.2%	28.0%	22.6%	11.6%
High School	38.1%	40.4%	35.1%	27.9%
Some College/Associate Degree	22.0%	18.9%	25.4%	35.8%
Bachelor's Degree +	14.7%	12.7%	17.0%	24.7%
<b>Labor force: (16+ population)</b>				
Participation (2000)	60.2%	63.4%	72.1%	71.3%
Unemployment Rate (2003)	15.2%	20.1%	13.8%	8.0%
Per capita income (2002)	\$24,156	\$25,208	\$35,905	\$32,799
Avg. Annual Earnings (2003)	\$29,580	\$39,600	\$65,556	\$37,356

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and U.S. Census Bureau and Bureau of Labor Statistics

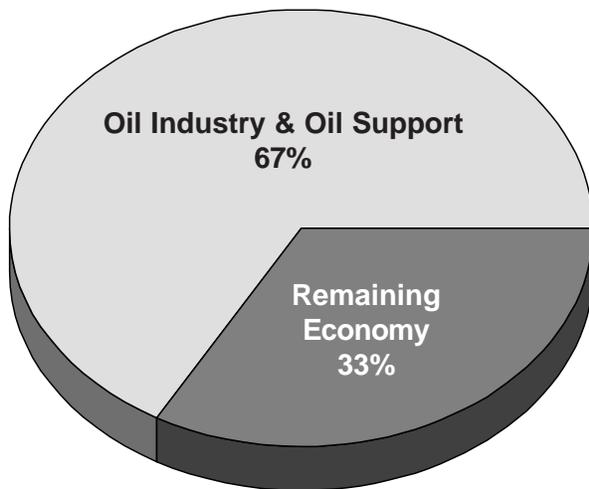
## Local public revenue depends on the oil industry

Nowhere else in Alaska does oil exert a stronger influence than on the North Slope. The finances of the North Slope Borough government depend predominately on tax revenues from oil properties. Approximately 96 percent of all local property tax collections come from oil producers. In 2003, property tax receipts were \$197.7 million, which represented more than 68 percent of the Borough's total income. Not all tax receipts are available to meet operating expenditures. In

2003, nearly 66 percent of the Borough's property tax income was reserved to service debt on general obligation bonds that were issued in previous years.

In recent years tax revenues have shrunk. Depletion of existing oil reservoirs has lowered the assessed value of the oil properties and has resulted in a significant decline in tax revenue. (See Exhibit 3.) In 2003, tax receipts were 16 percent lower than in 1993. New oil-related infrastructure such as a pipeline could boost local property values, but until new development occurs fiscal constraints will remain. North Slope Borough investment income generated from surpluses in earlier decades has also declined since 2001. National stock market performance and low interest rates are responsible.

## 2 Two Distinct Economies Coexist In the North Slope Borough

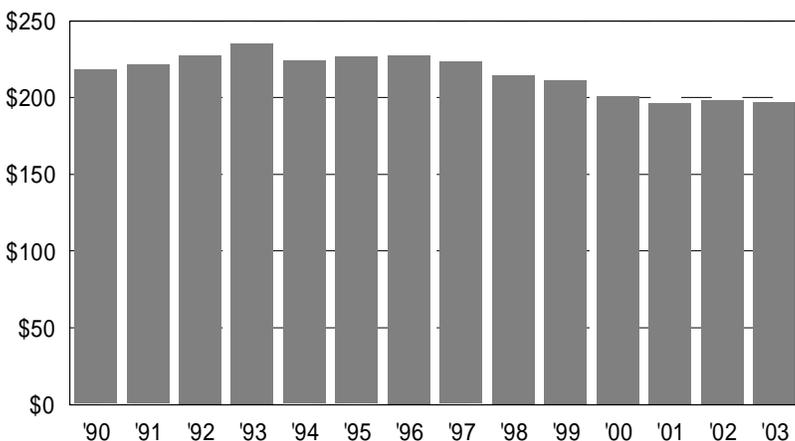


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Budget shortfalls have dictated tight expenditure controls. Since 2001, cutbacks at the Borough and its school district resulted in a nine percent reduction in staff. The privatization of services has also served to ease fiscal pressures. Despite downsizing, the two Borough entities still employed more than 40 percent of the non-oil-related wage and salary workforce in 2003. Moreover, these agencies' influence on the economy and employment reaches much further, when contracting activities with local tribal entities, other local government units, and private sector service providers are considered. Last year, the public sector, including school district and Borough staff, other local government units, tribal entities, and state and federal government, accounted for 61 percent of the community based labor market. (See Exhibit 4.)

## 3 Property Tax Collections NSB's main source of local public revenue

Property taxes in \$Millions



Source: North Slope Borough

## Non-oil private sector employment is small

In 2003, nearly 1,200 non-oil-related jobs in the North Slope Borough were provided by the private sector. Only three industry sectors had more than 200 employees on a monthly average basis. Retail was the largest industry and was present in all communities. The education and health care sector had the second largest share of employment, although only four business entities form this industry sector. (See Exhibit 4.) The Ilisagvik College, a private community college with a strong emphasis in vocational training, is the principal employer in the education field, with

147 employees. In the fall of 2004, 318 individuals were enrolled in classes. The Arctic Slope Native Association is the chief operator of health care and social services and manages the local hospital. (See Exhibit 5.) Both the college and Native Association are headquartered in Barrow. In the financial activities sector, Native corporations provide most of the jobs. Often, these corporations own other for profit businesses that operate in and outside the Borough. Their most significant organization is the Arctic Slope Regional Corporation (ASRC) that owns many businesses, most of which are headquartered outside the North Slope Borough. The majority of the North Slope indigenous population participates in the business success of ASRC owned subsidiaries, because they are shareholders of the organization.

### The Arctic Slope Regional Corporation is a “big time” player

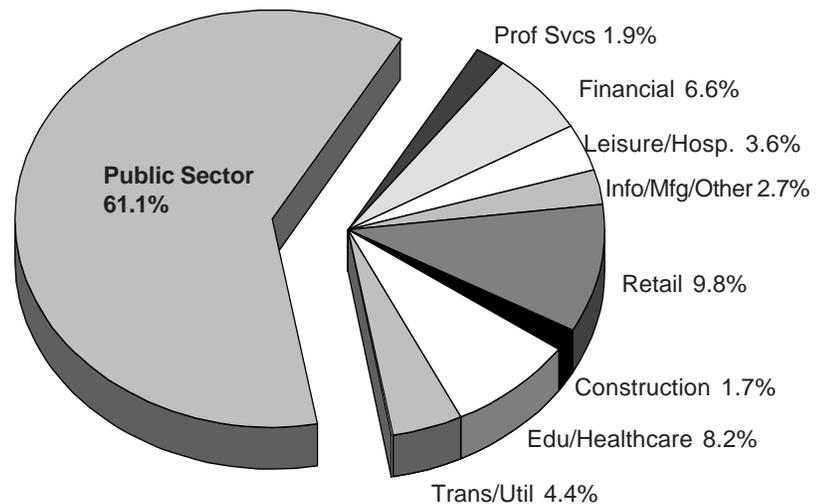
During 33 years of operation the ASRC has become an economic powerhouse in the state of Alaska. In its annual report of 2003, the organization posted \$1.09 billion in combined revenue from its nine first tier subsidiaries. Some of these subsidiaries are units that control a large number of individual businesses, each operating under a different name. Their business involvement is well diversified and far-reaching. Some businesses operate out of state and even abroad. The overall service repertoire ranges from energy services to tourism.

According to ASRC’s financial report of 2003, equity for the approximately 9,000 shareholders of the organization has grown by 163 percent between 1993 and 2003 and was recorded to be \$247 million. Over this decade the organization distributed more than \$154.7 million, 92 percent of it to shareholders. The remaining balance was paid in nearly equal parts to the Elders Trust Fund and to the Arctic Education Foundation. In addition to commercial properties, the ASRC has vast land holdings with untapped resources. The village corporations in the region own land in the vicinity of their community and are also involved in businesses operations.

### Income is high

In 2003 average annual earnings for the entire North Slope was \$65,556 or 76 percent above

## Public Sector Dominates In North Slope Borough (oil excluded) 4



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

## The Largest Employers In the North Slope Borough—2003 5

Rank	Company/Organization	Average Monthly Employment
1	Alaska Petroleum Contractors	969
2	BP Alaska	934
3	North Slope Borough	884
4	North Slope Borough School District	575
5	VECO	548
6	Doyon Universal Services	540
7	Nabors Drilling	463
8	ConocoPhillips	391
9	NANA Management Services	304
10	Udelhoven Oilfield System	261
11	Halliburton Services	257
12	Schlumberger	241
13	Doyon Drilling	203
14	Peak Oilfield Services	179
15	Ilisagvik College	147
16	Arctic Slope Native Association	131
17	Alaska Commercial Company	115
18	Tikigaq Corporation	107
19	Houston Contracting	87
20	Norcon	86

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

the Alaska average. After factoring out all oil industry associated wages, North Slope average annual earnings still ranked as the highest in the state at \$42,664, which exceeded the Alaska average by 14 percent. Personal per capita income that captures income from all sources placed North Slope Borough income as the sixth highest in the state in 2002. Areas that ranked higher on the state's per capita income scale had populations with a much higher median age. Per-capita income on the North Slope is diluted by the relatively high percentage of dependent children. While the North Slope Borough places high on income statistics, it also copes with one of the highest costs of living in the state.

### Cost of living is also very high

The Cooperative Extension Service of the University of Alaska Fairbanks (UAF) surveys food prices in 24 locations in the state. In June 2004, it listed Nuiqsut and Barrow as the second and fourth most expensive places for weekly food costs for a family with two school age children. Food items were more than 2.3 times higher in Nuiqsut and 2.1 times higher in Barrow than in Anchorage. These food costs do not take into account Native peoples' reliance on subsistence foods. According to a spring 2004 construction cost survey, conducted for the Alaska Housing Finance Corporation, Barrow bears the highest material costs among eleven surveyed Alaska locations. A basic construction market basket that

does not include doors or windows was quoted to cost \$37,873, exceeding the Anchorage price by 114 percent. Transportation costs account for most of the price differential. Airfares are also among the highest in the state because of the distance and the costs involved with service to remote locations.

### Subsistence stretches the food budget

According to Ronald H. Brower Sr. of Barrow, "Subsistence means more than mere survival or a minimum standard of living. Subsistence is a way of life that includes vital economic, social, cultural and spiritual dimensions. Harvesting of renewable resources provide the Inupiat with nutritious food, proper clothing, fuel, shelter, equipment, and income. It is a way of life that requires learning special skills, knowledge, and using one's resourcefulness."

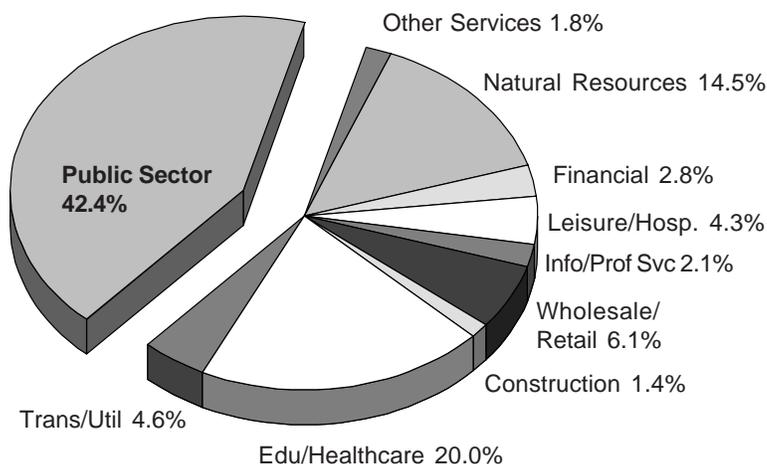
In the North Slope Borough, sea mammals, game, fowl, and fish are intensely used subsistence species that help defray costs of living. Subsistence use differs in the various North Slope locations in accordance with natural abundance. These resources are considered a common good and according to tradition are often shared among the resident population. Ceremonial sharing can be best observed after successful whaling hunts, which take place in spring and fall.

Harvests, after the whaling captain's and crew's take, are distributed in the community at three events. During Nalukataq, a whale harvest festival, the community receives one-third of the harvest proceeds. The remaining portion is stored to be divided at Thanksgiving and Christmas. One bowhead whale weighs about 50 tons on average and long-standing traditions are associated with its pursuit. Not all residents qualify to hunt whale; it takes long experience and special knowledge to become a whaling captain. According to the Alaska Whaling Commission, 103 whaling captains are certified. Each captain has a crew of about seven. During the 2004 season the harvesters claimed 46 strikes and fulfilled the quota of five North Slope whaling villages.

### THE NORTHWEST ARCTIC BOROUGH

The Northwest Arctic Borough is the state's second largest borough, surpassed in size only by the North Slope Borough. Its employment is the

## 6 Most Jobs are in Government In Northwest Arctic Borough—2003



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

smallest of the three areas in the Northern region. The borough was formed in 1986 and contains only eleven communities scattered over nearly 36,000 square miles.

Most residents are Inupiat Eskimos, who share a common language, similar customs, and a traditional subsistence lifestyle. Most villages are strung along one of the area's four major rivers, all of which converge on the coast near Kotzebue. This city is the Borough's largest community and the area's trade center. Nearly all goods and services pass through Kotzebue on their way to the outlying communities.

In 2004, the Borough's total resident population was only 7,306. The eleven communities ranged in size from Kotzebue with 3,130 to Kobuk with only 128. Some of these villages evolved from traditional hunting camps or winter settlements and have been inhabited for thousands of years. Others developed around churches, trading posts, schools, and mining camps. All but the village of Noatak are incorporated as cities.

The Borough is compact in both an economic and social sense. All key institutions, the Northwest Arctic Native Association (NANA) - the area's regional corporation, the Northwest Arctic Borough School District, the Borough and Maniilaq, a health and social service provider, share virtually identical boundaries.

The only means of year-round access to the rest of the state is by air. No roads connect the Borough's eleven communities. In winter some communities are linked by snow machine routes and during the summer open water allows some travel by boat.

### Public sector is big, but private for-profit and nonprofits are also sizeable

Like elsewhere in rural Alaska, the public sector is an important component of the economy. Exhibit 6 illustrates that more than forty percent of employment in the Borough is accounted for by the public sector. (See Exhibit 6.) Nearly 30 percent of all personal income comes from transfer payments.

The single largest employer in the Borough is the Northwest Arctic School District—not surprising since school districts are large employers in all

areas of the state. (See Exhibit 7.) Other large public sector employers include the City of Kotzebue and federal and state governments.

The direct role of the public sector as the largest employer group has declined over the past decade. In 1989, more than half of all wage and salary employment in the Borough was in the public sector. Some of this change occurred as a number of federal and state programs were privatized, usually in the form of local nonprofit organizations. A good example of this is the area's second largest employer, the Maniilaq Association, a regional nonprofit corporation primarily funded through federal and state programs. Over the past six years, Maniilaq's employment has grown by more than fifty percent or nearly 200 employees. This organization provides comprehensive health, social services, public assistance, and training programs to the residents of the region. It also operates the newly constructed 25-bed hospital in Kotzebue.

Since 1999 employment in the Borough has grown by nearly thirty percent or by 657 jobs. This is a better overall record than the other areas in the Northern Region, and even statewide, but wage and salary employment growth has stagnated since 2000 with some industries losing ground and others making gains. (See Exhibit 8.) The strongest growth has been in health care and social assistance, an industry whose dynamism has been exhibited statewide. The availability of additional federal funds is probably responsible for most of this growth. The expansion of Maniilaq is a good example. Local government has also added jobs, most of them attributed to tribal governments.

## The Largest Employers In the Northwest Arctic Borough—2003

Rank	Company/Organization	Average Monthly Employment
1	Northwest Arctic Borough School District	608
2	Maniilaq Association	565
3	Teck Cominco Alaska	412
4	City of Kotzebue	68
5	NANA Management Services	64
6	Alaska Commerical Company	58
7	Kotzebue IRA Council	46
8	Kikiktagruk Inupiat Corporation	42
9	Selawik City Council	34
10	Otz Telephone Cooperative	33

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

Although visitor related industries such as leisure and hospitality and transportation have not grown in recent years, the visitor industry has become more important to the region over the past decade. The Borough has actively encouraged a crafts industry to develop in the villages. It has created an art purchase and marketing program that buys directly from the artists throughout the year and sells the artwork directly or through retailers.

Kotzebue is the gateway to four major National Park systems, the Noatak National Preserve, the Kobuk Valley National Park, the Cape Krusenstern National Monument, and the Selawik National Wildlife Refuge. In 2003, the National Park Service tallied nearly 26,000 visits to the parks. One of the big employers in the visitor industry is Kikiktagruk Inupiat Corporation, Kotzebue's village corporation. Kikiktagruk is the eighth largest employer in the Borough and the sixth largest private sector entity. The company is involved in construction, real estate, retail, and a variety of other ventures. All the rest of the area's village corporations have merged with NANA, which has become the most significant corporation in the private sector.

NANA Management Services is the fifth largest employer in the Borough. It operates the Nullaguik Hotel and the Tour Arctic Corporation in Kotzebue. NANA also operates more than a dozen subsidiaries outside the region, including, for example, three hotels in Anchorage and one in Fairbanks. Although these ventures do not create jobs in the area, they do recruit and train shareholders for employment both inside and outside the Borough. NANA's single biggest private sector business venture is the Red Dog Mine, which opened in 1990 ninety miles north of Kotzebue.

## Red Dog changes the economic picture of the Borough

The Red Dog Mine is a NANA joint venture with Teck Cominco, the world's largest zinc concentrate producer. The ore deposits are owned by NANA and leased to Cominco, which owns and operates the mine, including its shipping facilities. The mine is one of the principal employers in the Northwest Arctic Borough; it exerts a strong influence on the area's economy. Approximately 56 percent of the mine's workers and contractors

## 8 Employment by Industry Northwest Arctic Borough—2003

Average Monthly Employment	2000	2001	2002	2003	Change 2000-2003	Percent Change 2000-2003
<b>Total Wage and Salary Employment</b>	2,885	2,977	2,998	2,877	(8)	-0.3%
Agriculture, Forestry, Fishing						
Natural Resources	515	618	457	416	(99)	-19.2%
Mining	515	618	457	416	(99)	-19.2%
Construction	33	40	54	39	6	18.2%
Manufacturing	-	-	2	-	-	
Trade, Transportation, Utilities	378	355	343	309	(69)	-18.3%
Wholesale/Retail	185	171	158	176	(9)	-4.9%
Transportation, Warehousing, Utilities	193	184	185	133	(60)	-31.1%
Information	46	49	47	50	4	8.7%
Financial Activities	128	134	111	81	(47)	-36.7%
Professional Services	11	12	11	9	(2)	-18.2%
Educational & Healthcare Services	459	509	545	574	115	25.1%
Healthcare/Social Assistance	459	509	545	574	115	25.1%
Leisure & Hospitality	136	88	100	123	(13)	-9.6%
Accommodations & Eating and Drinking	93	61	66	97	4	4.3%
Accommodations	56	25	19	64	8	14.3%
Eating and Drinking	37	36	47	33	(4)	-10.8%
Other Services	55	53	54	52	(3)	-5.5%
Government	1,123	1,119	1,275	1,218	95	8.5%
Federal Government	60	59	57	56	(4)	-6.7%
State Government	53	52	56	62	9	17.0%
Local Government*	1,010	1,008	1,162	1,100	90	8.9%

\* Adjusted for Alaska Native tribal employment

Note: Totals may not sum due to rounding

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

are NANA shareholders, and according to Borough figures, approximately 140 of the workers live in communities in the Borough. The mine's workforce represents approximately 17 percent of the Borough's wage and salary employment. Even more impressive are the wages generated by the mine. According to NANA, in 2003, the mine's payroll was \$45.5 million, by far the highest in the Borough. Teck Cominco also provides the Borough with its largest source of revenues through payments in lieu of taxes, totaling \$5.9 million in 2003.

When the Red Dog Mine opened in 1990, employment in the Northwest Arctic Borough and in Alaska's mining industry soared. This was more than a large regional project; it represented the opening of the first large-scale mining operation in the state in several decades. Even today it remains the state's largest operating mine. Prior to Red Dog's opening, wages in the Borough were well below the statewide average, but just one year after it became operational, the local average wage rose above that of the state's. In 2003, the Borough's average annual wage was \$39,600 versus \$37,356 statewide, and nearly all of this premium can be attributed to the mine. According to Teck Cominco, the average annual wage at the Red Dog mine is \$73,900. Not only are these good-paying jobs but they represent stable year-round employment, a scarce commodity nearly everywhere in rural Alaska. Most of the mine's employees work a two-week on and one week off schedule.

In recent years total employment has declined slightly as operations have become more efficient. A surge in zinc prices towards the end of 2003 helped ensure a profitable year following two years of sizeable losses. Zinc and lead prices have continued to climb which bodes well for the profitability of the mine. Other large deposits of zinc, lead, and other minerals have been identified close to the existing mine, and these could help to prolong its life.

### **Unemployment rates are higher— incomes are lower**

Although there are some good jobs in the Borough, high unemployment, low incomes, and higher rates of poverty prevail in most communities. Several economic and social indicators help illustrate this picture. For example, the 2002 per

capita income of \$25,208 ranked 20<sup>th</sup> out of 27 labor areas in the state. This is just 77 percent of the statewide average of \$32,799.

Part of the difference is due to demographics. Because such a large share of the population is under 18, a greater proportion are too young to work. The more telling explanation for this disparity, however, is that fewer local employment opportunities exist, especially year-round opportunities. For the past two years the unemployment rate in the Northwest Arctic Borough has been among the highest in the state. In 2003 it was 20.1% and it will attain a similar level in 2004. Another revealing statistic is the percentage of local labor force participation. Statewide, 71 percent of the over 16 population is active in the labor market versus 63 percent in the Borough. Not surprisingly, incomes and job opportunities are far more plentiful in Kotzebue than elsewhere in the area.

Incomes are lower and job opportunities are scarcer in the ten smaller communities. In some of these the only year-round jobs are those offered by the school district, the city, the local store and occasionally by health providers or transportation firms. In some communities, a third of the population lives in poverty, with per capita incomes at half the level of Kotzebue's or the overall Borough's. The fact that costs of living tend to be higher in communities characterized by lower incomes exacerbates the problem. To a certain extent, subsistence harvesting offsets low incomes and lack of employment opportunities. Still, given the demographics of the area, there is growing pressure to provide more economic opportunities as more young residents reach working age.

### **Subsistence remains important**

While the area offers some opportunities in mining and other wage and income employment, subsistence activity represents an important source of non-cash income. To some extent, subsistence harvesting helps offset unemployment and the high cost of living. Caribou, sheefish, salmon, seal, and moose are the most important subsistence resources, but small game and berries also contribute. The Western Arctic caribou herd, one of the largest in North America with nearly a half million animals, migrates through the area. According to the Alaska Department of Fish and

Game, more than 90 percent of the area's households consume wild fish and game. In 2003, the average resident consumed 516 pounds of wild food, one of the highest amounts in the state.

In addition to providing a subsistence food, salmon runs support a small commercial fishery in the Kotzebue area. Most of the harvest consists of chum salmon, and in recent years low catches and low prices have hurt this fishery. In 2004 the catch improved considerably—nearly double the average catch but prices remained low. The total ex-vessel value of this fishery for all 43 permit holders was \$63,225.

## THE NOME CENSUS AREA

The Nome census area is the smallest land division within the Northern Region, although it covers an area nearly as large as the state of West Virginia. Its rich aboriginal heritage and early 20<sup>th</sup> century gold rush history make it unique, and its residents still maintain that “there is no place like Nome”.

Since 1973 the City of Nome has celebrated the finish of the Iditarod, a 1,100-mile dog sled race commemorating delivery of the anti-diphtheria serum that stopped the devastating epidemic of 1925. The course of the modern race has been altered from the historic Nenana to Nome run and instead follows interior trails from Wasilla to Nome. The race has become an annual Alaska event that enjoys international recognition; even mushers from overseas enter this competition. The Iditarod, the area's history, and its unique geographic position—a handshake away from Russia—have contributed to the Nome Census Area's growing reputation as a visitor destination.

### Nome area communities are small

Most communities are accessible by air and sea. Although the area has more than 200 miles of road, only one community, Teller, is connected with Nome. All other roads and even old rail beds lead to historic gold mining sites, most of which have been depleted and abandoned. In some locations overland travel is possible with all-terrain vehicles in summer and snow machines and dogsled in winter.

Most communities developed in the coastal region along the shores of Norton Sound and the Seward Peninsula. Four settlements are island

communities: Gambell and Savoonga are villages on St. Lawrence Island; the City of Diomedé, also called Inalik, is the area's smallest community and is located on Little Diomedé; Shismareff lies five miles offshore in the Chukchi Sea, which surrounds the northern edge of the Seward Peninsula. Little Diomedé's fame is based on its geographic location just a few miles away from the international border. The close-by and inhabited island of Big Diomedé is Russian property. Except for Nome, the area's communities are small and populations vary between a high of 728 in Unalakleet and a low of 141 in Diomedé City. The City of Nome has 3,473 residents.

### A vibrant population history

At the turn of the twentieth century gold was discovered at several sites in the Nome census area. These finds brought floods of prospectors, traders, entertainers, and other entrepreneurs to the region. At the height of the rush Nome had a population of 20,000, while Council claimed 15,000 inhabitants, and Teller was a town of about 5,000. But the prosperity lasted only a few years. Population fell off sharply after the easy access gold reserves were depleted. It dwindled further in 1918 during an influenza epidemic and again in 1925 during a catastrophic outbreak of diphtheria. By 1929, population in the City of Nome had shrunk to 1,213 people and hardly anyone remained in Teller or Council. Population growth in Nome and the villages resumed thereafter and by 1960 the U.S. Census Bureau recorded a count of 6,091 residents in the census area. The current estimate of population is 9,403.

In 2003, nearly 76 percent of the population were Alaska Natives mainly of Yup'ik and Inupiat Eskimo descent. More than 19 percent of all residents were white and nearly four percent were people of mixed race. The remaining group was either African American, Asian, Hawaiian, or other Pacific Islanders. (See Exhibit 1.) In 2000, a large majority of the white population resided in Nome, accounting for 38 percent of the city's inhabitants. In villages, the populations were predominantly Alaska Natives. Inupiat Eskimos reside primarily on the Seward Peninsula and on Little Diomedé Island. Central Yup'ik people inhabit mainly the villages south of Unalakleet and Siberian Yup'ik live on St. Lawrence Island.

## Gold is still an economic driver in the Nome Census Area

Gold has always been a focus in Nome's economy, despite its cyclical production record. Historical mining records show nearly 6.8 million troy ounces of gold were found in Nome's eight mining districts between 1880 and 1993. Most gold was picked from Nome's beaches or mined more than 100 years ago. Production fell off sharply after the gold rush days but local independent placer miners, mostly family operations, have continued the tradition through the years.

Occasionally larger mine operators have re-entered the area, boosted employment for a few years, and retreated when low gold prices undermined profits. The last big production push occurred in the 1990s but came to a halt in 1998 when low gold prices forced Alaska Gold to suspend its large-scale placer operation.

Currently, new interest is surfacing because gold prices have been rebounding. NovaGold Resources has identified two deposits holding one million ounces of gold. Their discoveries are located close to existing infrastructure and the City of Nome. The mining company hopes to produce 100,000 ounces per year starting in 2006. This project would give local employment a big boost.

## A seafood industry has emerged

Fish remain an important ingredient in Nome's economy. They not only provide a subsistence resource but also play a part in the cash economy. In spite of the area's northern location it has a wide range of fisheries. Local fishers target salmon, herring, crab, and halibut in the Norton Sound area and in the adjacent Bering Sea. While important to the local economy, these fisheries are small compared to harvests taken on other Alaska fishing grounds. In 2003, local fishermen earned \$828,498, which was only one tenth of a percentage point of Alaska's total harvest value. Most recently commercial fishing has improved and it appears that earnings from the 2004 season will be higher than in 2003 due to a slight rebound in salmon prices and improved volume.

In addition to these local activities, most communities in the Nome Census Area benefit

## Employment by Industry Nome Census Area—2003

### Average Monthly Employment

	2000	2001	2002	2003	Change 2000-2003	Percent Change 2000-2003
<b>Total Wage and Salary Employment</b>	3,481	3,515	3,702	3,745	264	7.6%
Agriculture, Forestry & Fishing	3	3	1	0	(3)	-100.0%
Natural Resources	5	7	5	5	-	0.0%
Mining	5	7	5	5	-	0.0%
Construction	38	31	32	79	41	107.9%
Manufacturing	27	28	22	9	(18)	-66.7%
Trade, Transportation, Utilities	603	588	602	608	5	0.8%
Wholesale/Retail	308	282	281	278	(30)	-9.7%
Transportation, Warehousing, Utilities	295	306	321	330	35	11.9%
Information	24	18	18	16	(8)	-33.3%
Financial Activities	277	274	267	294	17	6.1%
Professional Services	33	32	33	20	(13)	-39.4%
Educational & Healthcare Services	633	661	695	700	67	10.6%
Healthcare/Social Assistance	633	661	695	700	67	10.6%
Leisure & Hospitality	206	197	208	208	2	1.0%
Accommodations & Eating and Drinking	149	137	141	152	3	2.0%
Accommodations	33	27	29	27	(6)	-18.2%
Eating and Drinking	116	110	112	125	9	7.8%
Other Services	69	82	80	84	15	21.7%
Government	1,563	1,595	1,742	1,720	157	10.0%
Federal Government	81	76	75	77	(4)	-4.9%
State Government	198	205	215	219	21	10.6%
Local Government*	1,284	1,314	1,451	1,425	141	11.0%

\* Adjusted for Alaska Native tribal employment

Note: Totals may not sum due to rounding

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

from the high seas fisheries that take place in the distant open waters of the Bering Sea. Since 1992, a local community development quota (CDQ) has been in place for Norton Sound and coastal Seward Peninsula communities. Every year a portion of the Total Allowable Catch is reserved for Nome and fourteen villages. The Norton Sound Economic Development Corporation (NSEDC) manages the fishing quota and partners with Glacier Fish Company, a seafood-processing firm that markets and sells products from its Seattle headquarters. NSEDC also contracts with other processors.

During the first three quarters of 2004 the contract fishery landed 32,803 metric tons of pollock, 2,345 metric tons of cod, 297 metric tons of mackerel, 311,570 pounds of snow crab, and 144,244 pounds of halibut. Profits from the CDQ fishery are reinvested in the seafood industry and are used for community development projects and educational programs. The CDQ fishery has created jobs in the region, in Anchorage, and on Bering Sea catcher/processor boats. According to NSEDC, 232 workers earned a payroll of approximately \$1.8 million during the third quarter of 2004.

### The visitor industry holds promises

The visitor industry has also shown potential in the Nome census area. Although the area lies

distant from Alaska's most-traveled routes, niche markets have developed. Ecological and cultural tourism, adventure travel, the Iditarod race, and Nome as a gateway to Siberia are major attractions. Bird watching has also become an important lure not only to Nome but also to the outlying villages. Recently, a new hotel in Nome has expanded visitor capacity.

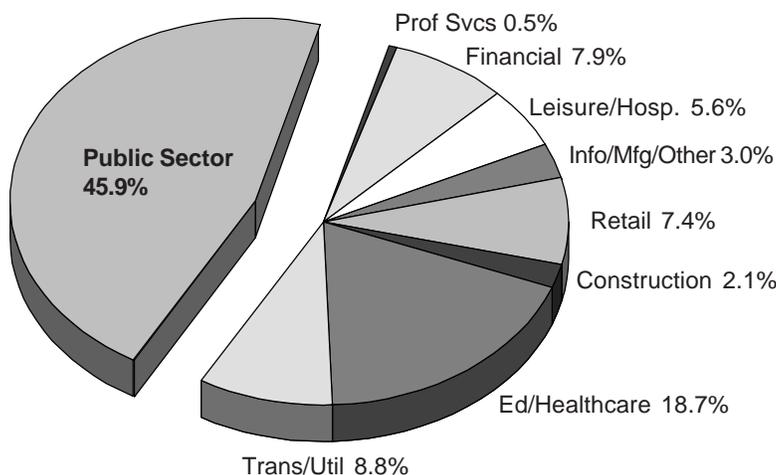
### Employment trends slightly upwards

Since 2000, overall employment in the area has grown by 7.6 percent. (See Exhibit 9.) At first glance it would appear that the public sector has added most of the jobs. This growth, however, must be attributed in part to shifts in industry classification. Businesses owned by federally recognized tribes became public entities in 2000 and this transition moved employment from the private to the public sector. In spite of this technical shift, private sector employment has gained ground; the construction, healthcare including social services, and transportation industries have all added jobs. Recent construction, including a \$39 million harbor improvement project and a new stretch of road, has created employment opportunities in the City of Nome.

Government remains the largest employer accounting for 46 percent of all wage and salary employment. (See Exhibit 10.) Other important area employers are Native corporations. The largest private sector employer is the Norton Sound Health Corporation, a non-profit health care provider, and the second largest is Kawerak, a provider of social and educational services for Alaska's Native population. (See Exhibit 11.) Nome's regional corporation, the Bering Strait Native Corporation, operates a few businesses in Nome such as the Aurora Inn and Stampede Car Rentals. Outside the Nome area, the Bering Strait Native Corporation owns construction firms and several services support companies, which contract with the federal government on military bases in Anchorage, North Carolina, Georgia and Texas. The corporation is also the largest landowner in the area and holds most subsurface rights on its property. Nome's local Native corporation is the Sitnasuak Native Corporation, which owns three local businesses and more than 161,000 acres of land.

Most jobs are located in the City of Nome, which accounted for 55 percent of all census area wage

## 10 Government is Largest Employer In Nome Census Area—2003



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

and salary jobs in 2003. The City of Nome is the area's largest freight distribution point and commercial center. It also is the headquarters for several Native corporations. The second largest labor area is Unalakleet, including Stebbins and St. Michael, which accounts for 14 percent of the area's total payroll jobs. In other communities employment opportunities are scarce and the majority of the population relies primarily on subsistence.

### Subsistence resources offer vast variety

Sea mammals, fish, crab, moose, caribou, musk oxen, fowl, and other small game animals are targeted subsistence species, which help to fill larders and defray food costs. In the City of Nome, the prices of store-bought food items, according to a University of Alaska Fairbanks June 2004 survey, were 60 percent above the Anchorage level. In the outlying villages, grocery prices are even higher because of additional transportation costs. Therefore, subsistence remains vital to basic wellbeing.

### Nome income figures are on the low side

A dependence on subsistence, government transfers, and a small cash economy is a characteristic of many rural Alaska locations and the Nome Census Area is no exception. In fact, the census area's wage and salary earnings were the lowest among the Northern Region areas.

In 2003, Nome Census Area wage and salary earnings averaged \$29,580 – 21 percent below the Alaska average. (See Exhibit 1.) Personal income statistics further confirmed that the "average" individual in the Nome census area relied on meager financial resources. Personal per capita income registered at \$24,156 in 2002, which was 26 percent below the Alaska average and the sixth lowest in the state. Approximately 30 percent of Nome's personal income derived from transfer payments, which are payments from government to individuals and businesses. Unlike the North Slope and Northwest Arctic boroughs, with their oil and zinc extractions, Nome currently lacks an industry that would improve its economic position. A resurgence of gold mining activity is the most likely possibility of changing Nome's economic equation.

## Summary

Many common threads tie this region together. Subsistence is important to all of the areas both from a cultural and economic standpoint. The vast majority of the Northern Region's population is Inupiat Eskimo. Much of its cash wealth is extracted from the ground, in form of either metals or oil. Government and nonprofit agencies are the region's largest employers. Unemployment is high and incomes generally tend to be low, while population is significantly younger than the state's overall population.

## The Largest Employers In the Nome Census Area—2003



Average  
Monthly  
Employment

Rank	Company/Organization	Average Monthly Employment
1	Bering Strait School District	569
2	Norton Sound Health Corporation	428
3	Kawerak	217
4	Nome Public Schools	105
5	Arctic Transportation Services	94
6	Bering Strait Regional Housing Authority	62
7	City of Nome	61
8	Alaska Commercial Company	59
9	Bering Air	51
10	Alaska Department of Transportation	45
11	Stebbins City Council	44
12	Alaska Department of Corrections	40
13	MJW	38
14	Cape Smythe Air Services	36
15	City of St. Michael	36

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

# Unemployment Rate Model Changes

by  
Brynn Keith  
Economist

## New calculation procedures improve accuracy



Working cooperatively with the U.S. Bureau of Labor Statistics, (BLS) the Alaska Department of Labor and Workforce Development's Research and Analysis Section (DOLWD/R&A) is changing the way monthly unemployment rate<sup>1</sup> estimates are calculated. The change will take place with the January 2005 estimates to be released in early March 2005. The new methodology is the product of intensive research and testing. It will result in:

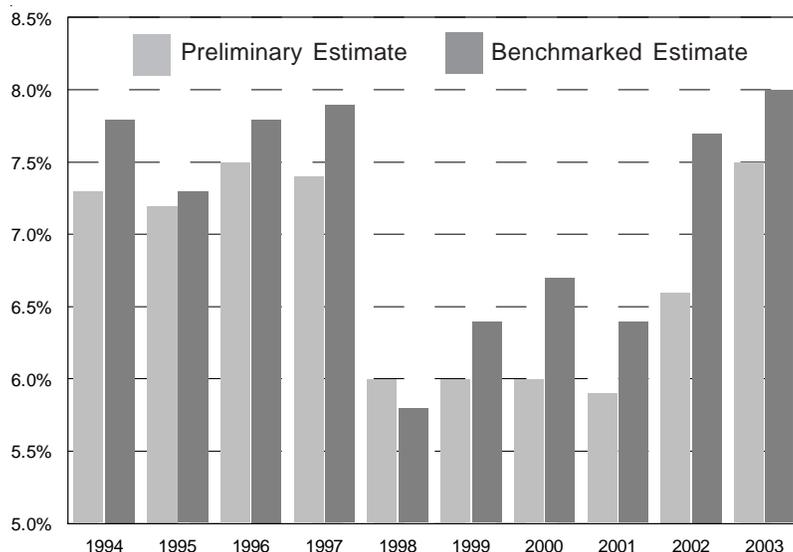
- More accurate estimates due to the use of enhanced procedures
- Improved ability to capture shocks to the economy (e.g., turns in the business cycle, terrorist attacks) due to "real-time benchmarking"<sup>2</sup>
- Improved over-the-year comparisons and analysis
- Smaller end-of-year revisions

## History

The unemployment rate is probably the best-known measure of the labor market. It measures unutilized labor supply and is useful in the study of the economic cycle. For more than thirty years, DOLWD/R&A has participated in a BLS federal-state cooperative statistical program to produce Alaska statewide and substate unemployment rates. The methodologies used to produce the estimates are both consistent from state to state and comparable to the official concepts and measures of the Current Population Survey (CPS), the official survey instrument for measuring unemployment within the U.S. The size of the CPS sample, however, is too small to yield reliable monthly estimates at the state and local level. Consequently, unemployment rates for states and sub-state areas must be developed using other means.

Since 1989, Alaska unemployment rate estimates have been derived indirectly through BLS-

## 1 Benchmark Revisions To Alaska Unemployment Rate



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section and U.S. Bureau of Labor Statistics

designed time series models that rely on historical relationships among monthly household survey data, wage and salary employment and unemployment insurance claims. Because of the potential for bias in the models, and to ensure comparability in the estimates across all states, the monthly estimates were annually benchmarked to the state CPS annual averages. This method was historical in that the correction was performed retrospectively, at the end of the calendar year, after 12 months of preliminary estimates had already been produced and published. In nine of the last ten years, the annual benchmark resulted in an upward revision in Alaska's rate. (See Exhibit 1.)

Exhibit 2 presents Alaska's 2003 statewide monthly unemployment rates, the model-generated preliminary estimates and the benchmarked rate as scaled to reflect the annual average CPS rate. In all 12 months, benchmarking to the CPS resulted in an increase in the rate. Because of these revisions, comparisons between previous year benchmarked data and current year preliminary estimates were unreliable. Real-time benchmarking should significantly improve the validity of over-the-year comparisons.

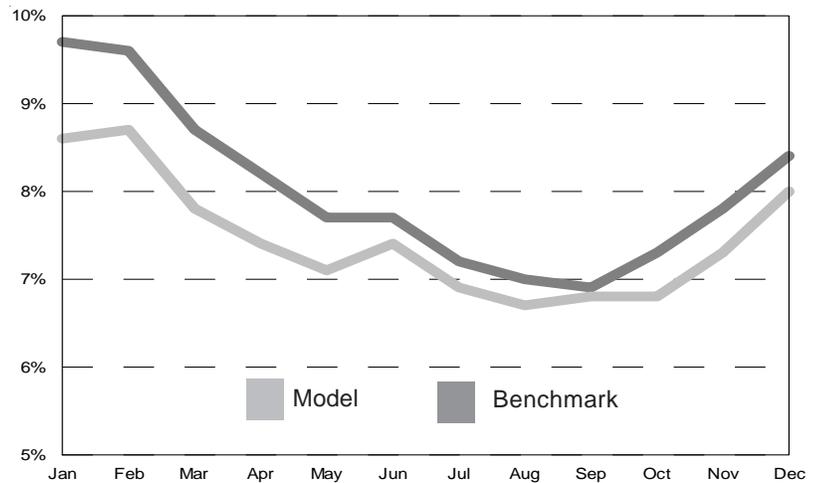
During 2004, the states prepared monthly estimates using both the established and proposed methodologies. The 2004 dual estimation rates are illustrated in Exhibit 3. Although in all cases the new model resulted in different rates, the differences varied by month. The new estimates differ because of the improved modeling approach and the use of real-time benchmarking to monthly national estimates.

All monthly historical data for 1978-2004 will be replaced with re-estimated series. Estimates for 1976-1977 will also be added to the series. More information on the methodological change is available from the website of the Bureau of Labor Statistics, Division of Local Area Unemployment Statistics at <http://www.bls.gov/lau/lauschanges2005.htm>. Or contact Brynn Keith at [brynn\\_keith@labor.state.ak.us](mailto:brynn_keith@labor.state.ak.us).

<sup>1</sup> The unemployment rate is the number of unemployed people as a percentage of the civilian labor force, which consists of all employed and unemployed people ages 16 and higher. The Bureau of Labor Statistics classifies people as *employed* if they performed any work for pay or profit during the reference week (the week including the 12th day of the month) or held a job but were temporarily absent because of illness, vacation, inclement weather, a labor dispute, or personal reasons. To be counted as *unemployed*, people must not have been employed during the reference week, must have been available to work during that week, and must have either made some specific effort to find work during the previous four weeks or been laid off from their job and expecting to be recalled. People without jobs who fail to meet those conditions are classified as *not in the labor force*.

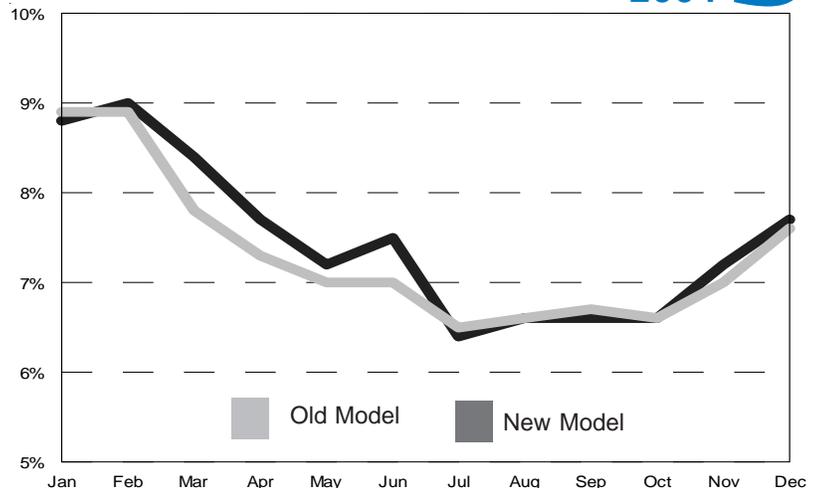
<sup>2</sup> A benchmark is a reliable total to which less reliable estimates are controlled. In the new model, the reliable control total (benchmark) is the monthly Current Population Survey national estimate. Real-time benchmarking means that the adjustment to the reliable total (benchmarking) occurs as part of the monthly estimation (in real time). The previous method used a State benchmark that is the CPS annual average of employment.

## 2003 Unemployment Rates Model and Benchmark



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section and U.S. Bureau of Labor Statistics

## Old and New Model Rates 2004



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section and U.S. Bureau of Labor Statistics

# Alaska Unemployment Rates are Naturally Higher

## Alaska Employment Scene

by  
Dan Robinson  
Economist

The nature of state's economy generates higher rates

**A**laska ended the year with a seasonally adjusted December unemployment rate of 7.3 percent. The national rate was almost two percentage points lower at 5.4 percent. In fact, over the last decade the national rate has been consistently one to three percentage points lower than Alaska's. (See Exhibit 1.) Although it appears that Alaska's rates declined in 2004, year-end revisions will probably result in final 2004 rates of about the same level as 2003. The new method of calculating unemployment rates should reduce the magnitude of future revisions. (See the *Unemployment Rate Model Changes* article in this issue.)

Another procedural note is that the rates discussed in this article and shown in Exhibit 1 are seasonally adjusted, while those discussed elsewhere in Trends are not. Unadjusted rates are not very useful when comparing different areas because seasonal fluctuations are not the same.

The lower unemployment rates shown for the U.S. in Exhibit 1 do not necessarily mean Alaska's economy is worse off than the nation's. Unemployment rates can be ambiguous measures of economic health, and Alaska's higher rates in the last decade say more about the nature of the state's economy than they do about relative economic health.

Economists have theorized for years about the optimal rate of unemployment. At least some unemployment is considered normal and healthy for free-market economies since people between jobs are unemployed but not in any long-term sense. This short-term "frictional unemployment" is a result of the time it takes for workers and employers to find each other as they constantly search for mutually beneficial matches. In the United States, an unemployment rate of two percent is often referred to as the "base rate," or the rate that equates to full employment.

Most economists agree that there is a connection between unemployment rates and inflation and that full employment does not come without costs. Very low unemployment rates tend to cause higher prices because workers are able to demand higher wages from their employers, who then tend to pass on their increased costs to consumers. As a result, policy makers generally have been willing to accept something less than full employment in exchange for keeping inflation under control.

As opposed to frictional unemployment, "structural unemployment" results when there is a mismatch between workers and jobs. Sometimes the mismatch occurs because the available workforce does not have the skills necessary for the available

job openings in the area, and sometimes the mismatch occurs when the available jobs are in a different geographical location than the available workers.

Alaska tends to have higher frictional and structural unemployment than the nation as a whole. The high degree of seasonality in many Alaska industries creates frictional unemployment as a large number of workers move in and out of jobs that last only part of the year. The temporary nature of these jobs means that the search for a match between employer and worker occurs more often—at least once a year—than would be the case in less seasonal industries.

Higher rates of structural unemployment are mostly due to geographic mismatches between employment opportunities and available workers in Alaska's seasonal economy. For example, the seafood processing industry generates a significant amount of employment opportunity in some of Alaska's least populated areas. To compensate for the mismatch between available workers and job opportunities, seafood processors must bring workers to their work sites. It is no coincidence that these are also the industries with the highest percentage of nonresident workers.

The technical nature of many jobs in Alaska's oil and gas extraction industry also tends to generate more than the typical amount of structural unemployment because of the specialized skills required for those jobs and the isolated, sparsely populated work locations. Few Alaskans had the specialized skills required for many of the jobs in the oil industry when the Prudhoe Bay oil fields were first discovered and developed. Many oil industry jobs continue to be filled by non-Alaskans because of this mismatch in skills.

It is uncertain what Alaska's optimal unemployment rate might be, but because of the state's unique economy, it is at some level higher

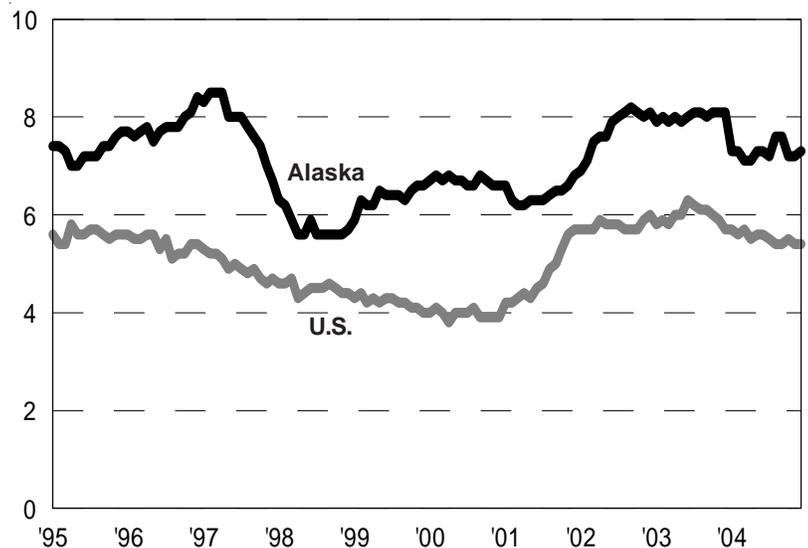
than the optimal rate for the nation. As is often the case with economic questions, the answer is certainly dependent on a variety of factors, not the least of which is the relative health of the broader U.S. economy.

In the late 1990s when the U.S. economy was thriving and high paying employment opportunities seemed plentiful in the lower 48, Alaska's unemployment rate dropped below six percent and set historical records. The state's job market had not changed significantly from its long-running pattern of modest growth, but the national economy was luring workers out of the state. At the time anecdotal evidence showed employers feeling the pinch of a very tight labor market. The pool of available workers had shrunk dramatically because of opportunities elsewhere.

Similarly, extremely low unemployment rates can hint at economic weakness. In 2002, South

*(continued on page 22)*

## Unemployment Rates U.S. and Alaska 1995—2004



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section and U.S. Bureau of Labor Statistics





# 4 Unemployment Rates

## By region and census area

	preliminary	revised	
Not Seasonally Adjusted	12/04	11/04	12/03
<b>United States</b>	<b>5.1</b>	<b>5.2</b>	<b>5.4</b>
<b>Alaska Statewide</b>	<b>7.6</b>	<b>7.0</b>	<b>8.4</b>
<b>Anchorage/Mat-Su Region</b>	<b>5.6</b>	<b>5.4</b>	<b>6.3</b>
Municipality of Anchorage	5.1	4.9	5.6
Mat-Su Borough	7.8	7.4	9.2
<b>Gulf Coast Region</b>	<b>13.0</b>	<b>11.2</b>	<b>14.4</b>
Kenai Peninsula Borough	11.8	10.4	13.8
Kodiak Island Borough	16.5	13.3	17.4
Valdez-Cordova	13.0	12.0	12.9
<b>Interior Region</b>	<b>7.2</b>	<b>6.6</b>	<b>8.2</b>
Denali Borough	12.7	11.7	17.0
Fairbanks North Star Borough	6.2	5.6	7.1
Southeast Fairbanks	14.1	12.6	14.5
Yukon-Koyukuk	16.0	16.2	17.6
<b>Northern Region</b>	<b>14.2</b>	<b>13.9</b>	<b>15.0</b>
Nome	15.7	13.5	14.5
North Slope Borough	10.9	11.8	13.8
Northwest Arctic Borough	16.4	17.6	17.3
<b>Southeast Region</b>	<b>9.0</b>	<b>7.8</b>	<b>9.9</b>
Haines Borough	12.0	11.5	15.1
Juneau Borough	6.4	5.8	7.1
Ketchikan Gateway Borough	9.8	8.6	9.6
Prince of Wales-Outer Ketchikan	13.9	11.5	16.0
Sitka Borough	7.3	6.6	9.2
Skagway-Hoonah-Angoon	15.9	15.2	16.6
Wrangell-Petersburg	12.4	8.3	14.1
Yakutat Borough	24.4	19.2	17.4
<b>Southwest Region</b>	<b>16.7</b>	<b>14.4</b>	<b>15.4</b>
Aleutians East Borough	9.6	4.9	8.2
Aleutians West	17.7	13.1	12.1
Bethel	15.8	14.7	16.2
Bristol Bay Borough	12.2	11.2	15.1
Dillingham	14.9	11.9	13.1
Lake & Peninsula Borough	19.7	19.8	21.3
Wade Hampton	25.0	23.7	23.3
<b>Seasonally Adjusted</b>			
United States	5.4	5.4	5.7
Alaska Statewide	7.3	7.2	8.1

(continued from page 19)

Dakota's unemployment rate declined to a remarkable 3.1 percent, but during that same year the state lost jobs. The combination of a low unemployment rate and declining jobs suggests that many of those who lost their jobs left the state rather than wait for the economy to turn around and create new job opportunities.

In other states, such as Oregon and Washington, significant job losses led to higher unemployment rates as the workers who lost their jobs stayed in these respective states, possibly because they believed that job growth would return after the business cycle ran its course.

## Preliminary December 2004 estimates show growth

At the end of the calendar year, preliminary employment estimates indicate that the state added a seventeenth consecutive year of employment growth. Health care and construction were the dominant performers as they had been throughout 2004.

Regionally, Fairbanks' 1.6 percent over-the-year growth rate led the state, with the combined Anchorage/Mat-Su area also showing relatively strong growth of 1.5 percent. The Southeast, Southwest, and Northern regions were all down slightly from December 2003.

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

### 2003 Benchmark

Comparisons with previous year's numbers are of very limited use because of the magnitude of year-end revisions. The current, official definition of unemployment excludes anyone who has not actively sought work in the four-week period up to and including the week that includes the 12th of the reference month. Many individuals do not meet the official definition of unemployed because they have not conducted an active job search, due to the scarcity of employment opportunities in rural Alaska.

# 5 Hours and Earnings

## For selected industries

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	12/04	11/04	12/03	12/04	11/04	12/03	12/04	11/04	12/03
Mining	\$1,349.78	\$1,372.33	\$1,216.47	46.4	49.4	41.0	\$29.09	\$27.78	\$29.67
Construction	1,184.21	1,088.14	1,083.12	39.5	38.1	38.3	29.98	28.56	28.28
Manufacturing	470.38	390.39	538.98	35.5	33.8	39.0	13.25	11.55	13.82
Seafood Processing	304.72	261.71	523.09	26.0	24.3	44.9	11.72	10.77	11.65
Trade, Transport, Utilities	502.59	523.56	527.41	32.3	32.6	33.7	15.56	16.06	15.65
Retail Trade	439.26	439.68	437.40	31.9	32.0	32.4	13.77	13.74	13.50
Financial Activities	699.50	689.16	721.41	35.4	34.1	34.6	19.76	20.21	20.85

Average hours and earnings estimates are based on data for full-time and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing). Averages are for gross earnings and hours paid, including overtime pay and hours.

Benchmark: March 2003

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

# Employer Resources

The State Training and Employment Program (STEP) is funded by a small set-aside of Unemployment Insurance (UI) Trust Fund contributions. The primary purpose of the program is to reduce current and future claims against UI benefits via investment in job training. The program is aimed at fostering growth of businesses through the development of a skilled workforce and contained employer UI costs. Training may address the needs of a specific industry experiencing rapid growth, or it may be customized to the needs of a particular employer. STEP services are available to individuals through the Alaska Job Center Network or through training grants under the Division of Business Partnerships. STEP grants are available on line twice a year, typically in mid-February and mid-October, at: [www.labor.state.ak.us/bp/step.htm](http://www.labor.state.ak.us/bp/step.htm)



## Success Story

STEP and Carlile Transportation Systems share the high cost of commercial driver training to meet the demand for licensed truck drivers in the state. A STEP grant paid the employer-selected student employees' tuition and daily food allowance while Carlile paid the travel and housing costs for students to attend the Northern Industrial Training Center in Palmer where they earned their Commercial Driver's License-A (CDL-A). Carlile continued to pay employees' wages for 8 weeks as long as students maintained a B grade point average. Once the CDL-A license was issued, students were put on the road in one of Carlile's best trucks for an additional 80 hours behind the wheel to become full-fledged long haul drivers for Carlile. The drivers earn much more than they did before training. Carlile has a new crew of several badly needed, highly skilled professional drivers on their payroll, and several unemployed Alaskans have the opportunity to apply for one of Carlile's vacated positions.

Everybody wins.



*Krista Crum, recruitment manager, Northern Industrial Training Center, Palmer, Alaska.*