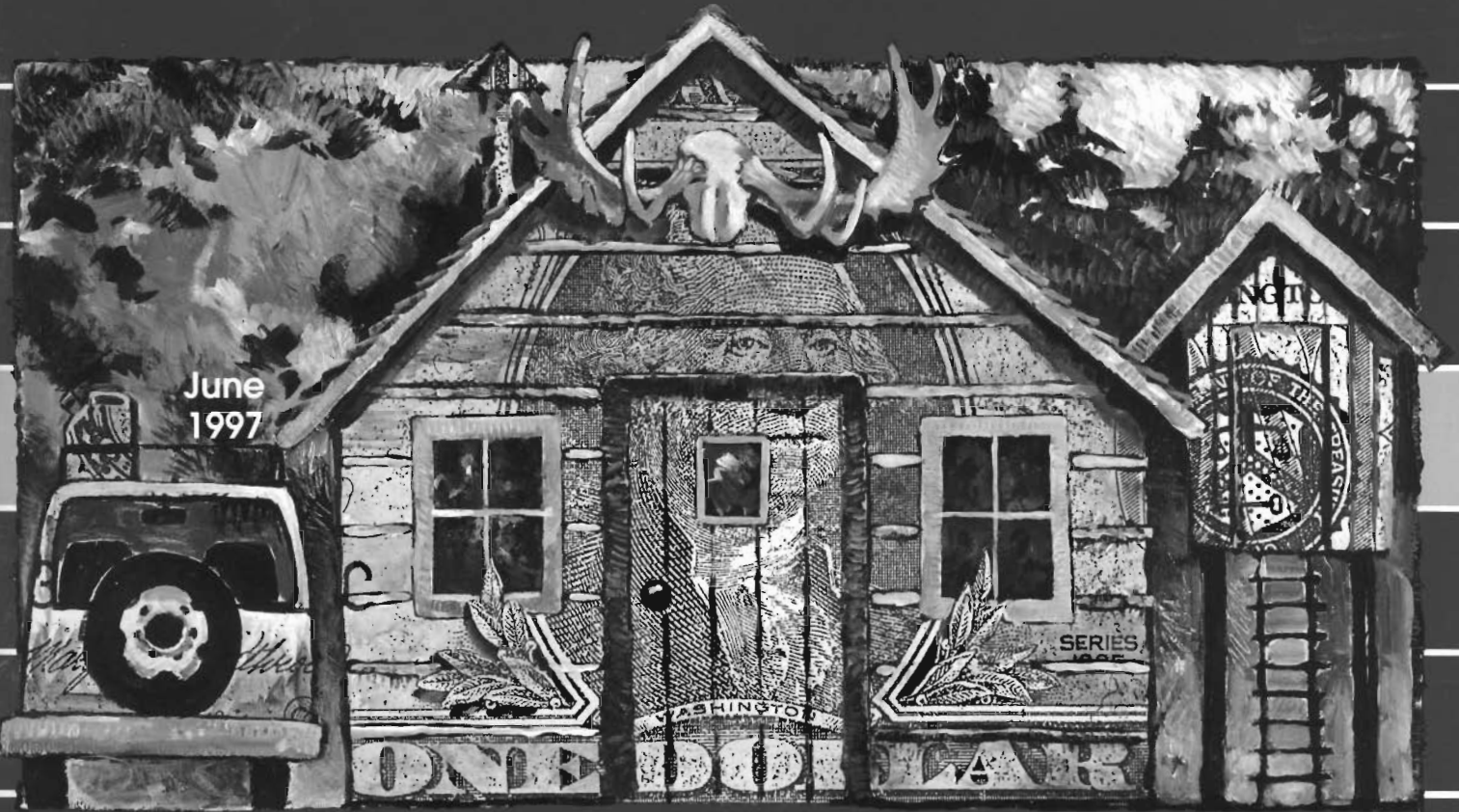


ALASKA ECONOMIC

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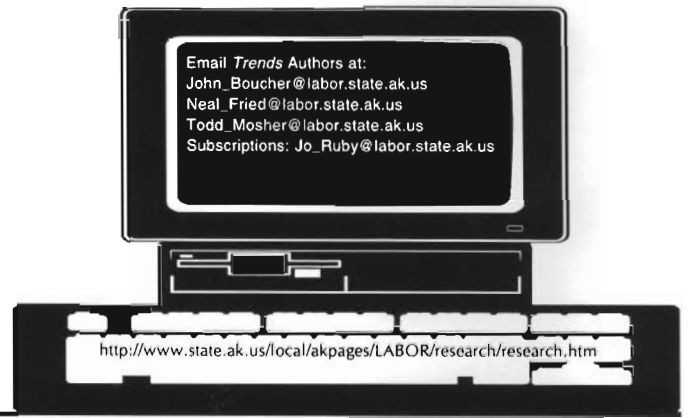
Measuring Alaska's Cost of Living

Summer of 1996 New Hires Report
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Alaska's Employment Scene
Services Keeps Employment Growing

ALASKA DEPARTMENT OF LABOR • TONY KNOWLES, GOVERNOR

ALASKA ECONOMIC TRENDS



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Measuring Alaska's Cost of Living

By John Boucher

How expensive is it to live in Alaska? How much has Alaska's cost of living increased? These are two of the most frequently asked questions of the Alaska Department of Labor's Research and Analysis Section. In answer to these questions, this article provides some of the latest cost-of-living measurements available for Alaska and explains the uses and limitations of these data.

survey simulates. All surveys give a list of the items in the market basket and define the type of consumer(s) the market basket represents. For example, the Consumer Price Index for All Urban Consumers (CPI-U) is designed to represent consumption patterns of 80 percent of all urban consumers in the nation. The other surveys in this article have a narrower focus.

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A measure of inflation or cost differentials?

Two types of cost-of-living measurements are available for Alaska. If you are interested in how prices have changed in a particular place, commonly referred to as the inflation rate, you should use the Consumer Price Index (CPI). If you're interested in cost differences between two places—"Is it more expensive to live in Fairbanks than in Seattle?"—then a cost-of-living measurement like the American Chamber of Commerce Researchers Association (ACCRA) index or the Runzheimer International study would best suit your needs.

The CPI—the nation's inflation measure

The majority of requests for Alaska's cost of living ask about the inflation rate. The Consumer Price Index (CPI) is a national survey designed to answer questions about price changes. The CPI information is often used to adjust rents, wages or other monetary payments for the effects of inflation.

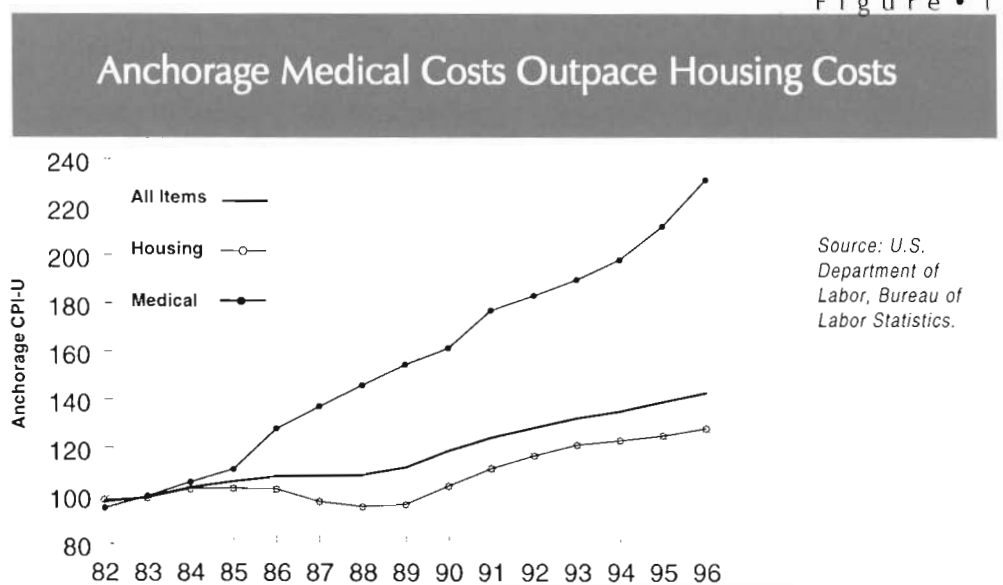
To produce the CPI, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) gathers prices in 85 metropolitan areas throughout the country. Because Anchorage is the only city in Alaska surveyed, the Anchorage CPI is the only "Alaskan" inflation measure. Unfortunately, Anchorage's inflation rate may not reflect price changes in every area of the state. In general, however,

Be aware of the method and the market basket

Since pricing every item available to purchase is too expensive, cost-of-living surveys track prices of a sample of items from common expenditure categories, such as housing expenses, medical expenses, and food expenses. This sample of items is called the survey's market basket. Most surveys gear their market baskets toward a "typical" consumer.

When using a cost-of-living survey, it's a good idea to know what the survey's market basket is, and whose buying habits the

Figure • 1



Source: U.S. Department of Labor, Bureau of Labor Statistics.

Anchorage price trends reflect changes in the cost of living for most Alaskans. If the Anchorage CPI doesn't adequately measure inflation in your area, you can choose a different area to measure inflation. Some users prefer to use Seattle's CPI, for example. But as a matter of practice, most Alaskan users prefer to use the Anchorage CPI rather than another area's CPI.

From an official standpoint, the BLS recommends using the national CPI-U (U.S. City Average) to adjust for the effects of inflation. The BLS recommends this because the smaller size of the local area samples makes them more prone to measurement errors. When you compare the Anchorage and the U.S. City CPIs since 1960, inflation has been significantly lower in Anchorage during the

last 30 years than it has been in the rest of the nation. (See Table 1.) This is predominantly due to the difference in the rate of inflation for housing costs in Anchorage compared to the other areas in the CPI survey.

Housing key to Anchorage inflation rate

Analyzing inflation rates among expenditure categories can help clarify how different parts of the market basket affect the overall CPI. (See Table 2.) For example, since the early 1980s medical care costs have risen more rapidly than the overall Anchorage CPI, while housing costs have tended to lag behind the overall rate of inflation. (See Figure 1.)

Figure • 2

Housing Nearly 40% of Anchorage CPI-U

Relative Importance of the Components of the Anchorage CPI-U, December 1995

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Subtotals may not add due to rounding.

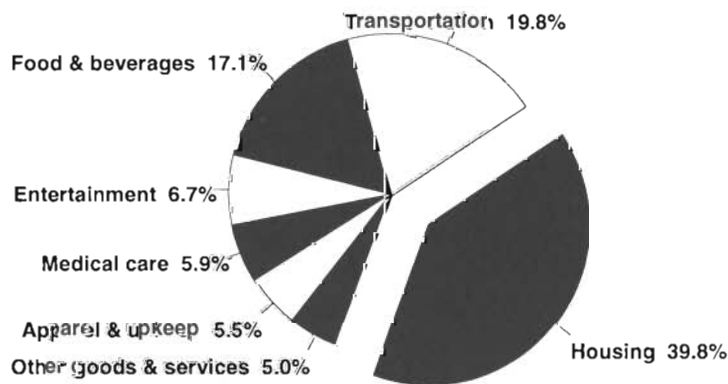
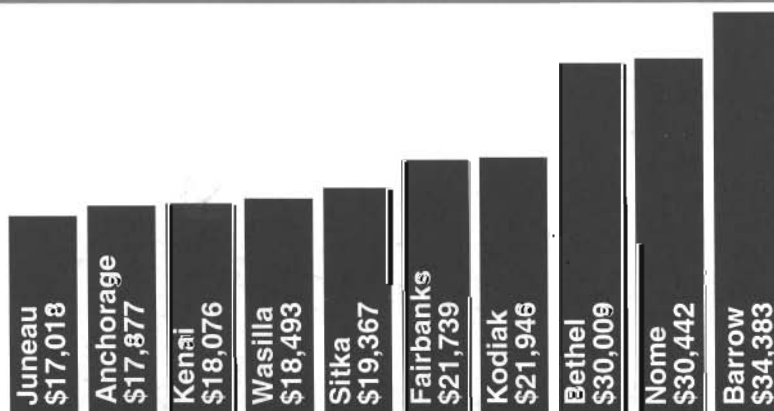


Figure • 3

Construction Materials Cost More In Rural Alaska

Urban & Rural Residential Construction Materials Costs, 1997

Source: Alaska Housing Indicators, Spring 1997, Alaska Housing Finance Corporation, Alaska Department of Labor, Research and Analysis Section.



While medical care costs have shot up in recent years, overall inflation has not followed. That's because the average consumer spends a much smaller amount on medical care than on housing. When the CPI is calculated, each commodity group is given a weight, or its contribution to the overall cost of living. Medical care costs, for example, accounted for 5.9% of the total cost of living in the December 1995 index. Housing costs, on the other hand, accounted for 39.8% of the Anchorage CPI during the same period. (See Figure 2.)

The strong influence that housing costs have on the overall Anchorage CPI has been particularly noticeable during the last 10 years. From 1986 to 1988, falling housing costs offset increases in other components of the CPI, resulting in low inflation during these three years. The increase in inflation in An-

chorage during the early 1990s was largely due to a tightening housing market. When the housing component jumped from a 0.9% increase in 1989 to a 7.9% increase in 1990, Anchorage inflation followed suit, going from a 2.9% to a 6.2% increase. From 1990 to 1993, a tighter housing market propelled Anchorage's inflation rate above the rest of the nation's. Recently, Anchorage's housing market has cooled off and inflation has followed suit.

The housing component is unique in the CPI, especially in regard to homeownership costs. The CPI uses a method called *rental equivalency* which assumes that the consumer has just purchased or rented a home. To gauge housing expenditures, this method can have some shortcomings. In areas where housing prices and/or rents are changing rapidly, the inflation rate for the housing portion of the CPI could be exaggerated for homeowners who have a long-term, fixed-rate mortgage. This is because their monthly house payments tend not to fluctuate to the extent that house prices and rents do. For this reason, the overall CPI figures can understate inflation for homeowners during periods of rapidly declining house prices. The opposite is true during a period of rapidly increasing house prices and rents. To measure inflation without the housing component, BLS publishes a special index which excludes housing-related costs—the All Items Less Shelter Index. (See Table 2.) When comparing the national All Items Less Shelter Index to the Anchorage All Items Less Shelter Index, there is a much smaller difference in the rate of inflation for Anchorage consumers over the long term than is indicated by comparing the All-Items Indexes.

CPI measures inflation— not costs between locations

Users of the CPI should be aware of a common misinterpretation of this index. It occurs when users compare CPI numbers among areas. For example, at 142.7, the annual average Anchorage CPI for 1996 is lower than the United States average of 156.9. This does not mean that Anchorage has a lower cost of living than the rest of the United States. The CPI measures inflation, not

costs. The lower Anchorage CPI for 1996 means that Anchorage prices have not risen as quickly as prices in the rest of the U.S. since the early 1980s. (The base period, or when the two indexes equaled 100, is 1982-84.)

Debate rages over upward bias in the CPI

In federal fiscal year 1996, each one-percent increase in the CPI was estimated to have resulted in a \$5.7 billion increase in federal expenditures and a \$2.5 billion decline in revenues. Because of its role in influencing federal revenues and expenditures, the methodology that the CPI uses to measure inflation has come under an increasing amount of public scrutiny. In 1995, the U.S. Senate Finance Committee appointed an advisory commission, the Boskin commission, to study recommendations for making methodological improvements to the CPI.

In December of 1996, the Senate Finance Committee received the report, and one of the topics that generated the most discussion was whether or not a significant upward bias was present in the current method used for calculating the CPI. The commission's report suggested that there was as much as a 1.1% per year overall upward bias in the CPI methodology. The report claimed that four-tenths (0.4) of the bias was due to the way that the CPI treats consumers' substitution of goods and services. The balance of the bias, seven-tenths (0.7), was deemed to be due to how the CPI methodology accounts for the change in the quality of goods and services that consumers buy, changes in how and where those goods and services are sold, and the emergence of new goods and services.

While the subject of bias in the CPI is much too involved to discuss here, several things are worth noting that could affect expectations for the future performance of the CPI. There appears to be consensus that a revision to the CPI will likely occur. The revision will result in a lower rate of increase in the CPI than the current methodology would otherwise produce. However, the extent and necessity of the various potential adjustments to the CPI are far from being decided.

Table • 1

**Consumer Price Index - All Urban Consumers* (CPI-U)
U.S. City Average- All Items & Anchorage, Alaska-
All Items , 1960-1996 Annual Averages**

Year	U.S. Average	Percent Change from Previous Year	Anchorage Average	Percent Change from Previous Year
1960	29.6		34.0	
1961	29.9	1.0	34.5	1.5
1962	30.2	1.0	34.7	0.6
1963	30.6	1.3	34.8	0.3
1964	31.0	1.3	35.0	0.6
1965	31.5	1.6	35.3	0.9
1966	32.4	2.9	36.3	2.8
1967	33.4	3.1	37.2	2.5
1968	34.8	4.2	38.1	2.4
1969	36.7	5.5	39.6	3.9
1970	38.8	5.7	41.1	3.8
1971	40.5	4.4	42.3	2.9
1972	41.8	3.2	43.4	2.6
1973	44.4	6.2	45.3	4.4
1974	49.3	11.0	50.2	10.8
1975	53.8	9.1	57.1	13.7
1976	56.9	5.8	61.5	7.7
1977	60.6	6.5	65.6	6.7
1978	65.2	7.6	70.2	7.0
1979	72.6	11.3	77.6	10.5
1980	82.4	13.5	85.5	10.2
1981	90.9	10.3	92.4	8.1
1982	96.5	6.2	97.4	5.4
1983	99.6	3.2	99.2	1.8
1984	103.9	4.3	103.3	4.1
1985	107.6	3.6	105.8	2.4
1986	109.6	1.9	107.8	1.9
1987	113.6	3.6	108.2	0.4
1988	118.3	4.1	108.6	0.4
1989	124.0	4.8	111.7	2.9
1990	130.7	5.4	118.6	6.2
1991	136.2	4.2	124.0	4.6
1992	140.3	3.0	128.2	3.4
1993	144.5	3.0	132.2	3.1
1994	148.2	2.6	135.0	2.1
1995	152.4	2.8	138.9	2.9
1996	156.9	3.0	142.7	2.7
<i>*not seasonally adjusted</i>				
Source:	2nd half '90	5.8	120.4	7.0
U.S. Department of	2nd half '91	3.5	124.7	3.6
Labor, Bureau of	2nd half '92	3.1	129.1	3.5
Labor Statistics.	2nd half '93	2.8	132.8	2.9
	2nd half '94	2.8	135.8	2.3
	2nd half '95	2.7	139.5	2.7
	2nd half '96	3.0	143.7	3.0

1982-84=100

On another note, the BLS is in the process of doing its decennial revision of the CPI methodology, and some of the changes that were suggested by the Boskin commission will be incorporated into what is being referred to as the 1998 revision of the CPI methodology.

Some place-to-place comparisons—each with different results

Different studies are available to compare living costs between places. Due primarily to methodology differences, each survey shows a different result when comparing living costs between locations.

One available cost-of-living measurement is the University of Alaska's Cost of Food at Home for a Week study. It measures the cost to feed various-sized families in different locations in Alaska. The food basket provides a minimum level of nutrition to an individual or family at the lowest possible cost. The report also contains comparative information on some utility and fuel costs. One of its strengths is wide geographic coverage of Alaska over a relatively long period of time. For many years, the Cost of Food at Home study has provided a comparative measure for Alaskan locations that no other cost survey covers. Its primary weakness is that it only measures a limited number of food items and some utility costs. Food and utility costs alone can't provide a complete cost-of-living differential measurement.

Selected Components of the CPI-U, U.S. City Average & Anchorage, Alaska 1983-1995 Annual Averages

Year	All Items Less Shelter				Housing			
	U.S. Average	Percent Change from Previous Year	Anchorage Average	Percent Change from Previous Year	U.S. Average	Percent Change from Previous Year	Anchorage Average	Percent Change from Previous Year
1983	99.8	3.7	99.9	3.7	99.5	2.7	99.0	0.8
1984	103.9	4.1	103.8	3.9	103.6	4.1	102.7	3.7
1985	107.0	3.0	107.5	3.6	107.7	4.0	103.0	0.3
1986	108.0	0.9	111.2	3.4	110.9	3.0	102.6	-0.4
1987	111.6	3.3	115.1	3.5	114.2	3.0	97.5	-5.0
1988	115.9	3.9	117.8	2.3	118.5	3.8	95.4	-2.2
1989	121.6	4.9	122.3	3.8	123.0	3.8	96.3	0.9
1990	128.2	5.4	128.0	4.7	128.5	4.5	103.9	7.9
1991	133.5	4.1	131.9	3.0	133.6	4.0	111.2	7.0
1992	137.3	2.8	134.6	2.0	137.5	2.9	116.6	4.9
1993	141.4	3.0	137.9	2.5	141.2	2.7	121.1	3.9
1994	144.8	2.4	140.3	1.7	144.8	2.5	122.9	1.5
1995	148.6	2.6	144.6	3.1	148.5	2.6	124.9	1.6
1996	152.8	2.8	148.4	2.6	152.8	2.9	127.9	2.4
	Transportation				Food & Beverages			
1983	99.3	2.4	98.5	1.8	99.5	2.3	99.7	2.6
1984	103.7	4.4	104.6	6.2	103.2	3.7	103.2	3.5
1985	106.4	2.6	108.2	3.4	105.6	2.3	106.2	2.9
1986	102.3	-3.9	107.8	-0.4	109.1	3.3	110.8	4.3
1987	105.4	3.0	111.3	3.2	113.5	4.0	113.1	2.1
1988	108.7	3.1	113.0	1.5	118.2	4.1	113.8	0.6
1989	114.1	5.0	116.7	3.3	124.9	5.7	117.2	3.0
1990	120.5	5.6	120.7	3.4	132.1	5.8	123.7	5.5
1991	123.8	2.7	121.7	0.8	136.8	3.6	127.7	3.2
1992	126.5	2.2	123.3	1.3	138.7	1.4	130.3	2.0
1993	130.4	3.1	128.8	4.5	141.6	2.1	131.2	0.7
1994	134.3	3.0	136.9	6.3	144.9	2.3	131.9	0.5
1995	139.1	3.6	143.8	5.0	148.9	2.8	138.5	5.0
1996	143.0	2.8	147.2	2.4	153.7	3.2	143.4	3.5
	Medical Care				Apparel & Upkeep			
1983	100.6	8.8	99.7	5.2	100.2	2.5	101.6	5.2
1984	106.8	6.2	105.5	5.8	102.1	1.9	101.7	0.1
1985	113.5	6.3	110.9	5.1	105.0	2.8	105.8	4.0
1986	122.0	7.5	127.8	15.2	105.9	0.9	109.0	3.0
1987	130.1	6.6	137.0	7.2	110.6	4.4	116.6	7.0
1988	138.6	6.5	145.8	6.4	115.4	4.3	119.1	2.1
1989	149.3	7.7	154.4	5.9	118.6	2.8	125.0	5.0
1990	162.8	9.0	161.2	4.4	124.1	4.6	127.7	2.2
1991	177.0	8.7	173.5	7.6	128.7	3.7	126.6	-0.9
1992	190.1	7.4	183.0	5.5	131.9	2.5	130.2	2.8
1993	201.4	5.9	189.6	3.6	133.7	1.4	131.2	0.8
1994	211.0	4.8	197.8	4.3	133.4	-0.2	128.9	-1.8
1995	220.5	4.5	211.6	7.0	132.0	-1.0	130.0	0.9
1996	228.2	3.5	231.1	9.2	131.7	-0.2	128.7	-1.0

Source:
U.S. Department of
Labor, Bureau of
Labor Statistics.

Table • 3

Cost of Food for a Week in 19 Alaskan Communities -December 1996

Community	Cost of Food, One Week	Percent of Anchorage
Anchorage	\$98.05	100
Bethel	144.14	147
Cordova	137.95	141
Delta	111.25	113
Dillingham	164.18	167
Fairbanks	101.92	104
Homer	114.20	116
Juneau	100.58	103
Kenai-Soldotna	109.84	112
Ketchikan	104.08	106
Kodiak	121.26	124
MatSu	106.54	109
Nome	175.49	179
Petersburg	105.45	108
Sitka	114.01	116
St. George	215.79	220
Tok	125.87	128
Unalaska	140.46	143
Wrangell	115.11	117

Comparing living costs among Alaskan communities is complicated by several factors. Some goods and services available in urban areas are not readily available in rural areas. The buying habits of urban residents can vary dramatically from rural residents, which can confuse cost-of-living comparisons. The contributions of subsistence to a household food budget can also complicate cost-of-living comparisons. The Cost of Food survey assumes that all foods are purchased in the local community—none is acquired through subsistence means or from merchants outside of the community.

Food costs are higher in rural Alaska

Table 3 shows food costs for a week for a family of four with elementary school children for 19 communities. The December 1996 figures showed that Anchorage had the lowest food costs of the areas surveyed, followed by Juneau, Fairbanks, and Ketchikan. The survey has consistently shown that larger cities in Alaska have food costs which are fairly comparable to those in Anchorage.

Overall, food costs tend to have three tiers in Alaska. The largest urban areas have the lowest

Table • 4

Cost of Food at Home for a Week in Eight Alaskan Cities 1978-1996

Mo./Yr.	Anchorage	Fairbanks	% of Anch.	Juneau	% of Anch.	Bethel	% of Anch.
9/78	\$76.67	\$84.15	109.8	\$73.72	96.2	\$114.05	148.8
9/79	82.18	89.39	108.8	74.88	91.1	129.16	157.2
9/80	88.44	90.54	102.4	85.92	97.2	130.87	148.0
9/81	86.69	98.47	113.6	93.95	108.4	138.66	159.9
9/82	77.30	92.09	119.1	99.98	129.3	125.50	162.4
9/83	81.66	83.79	102.6	88.62	108.5	128.30	157.1
9/84	84.22	91.26	108.4	91.66	108.8	136.54	162.1
9/85	89.06	90.08	101.1	106.61	119.7	138.13	155.1
9/86	87.25	90.61	103.9	87.65	100.5	137.96	158.1
9/87	88.90	85.12	95.7	88.24	99.3	140.81	158.4
9/88	90.99	94.74	104.1	92.95	102.2	137.57	151.2
9/89	93.80	94.33	100.6	96.73	103.1	140.65	149.9
9/90	98.73	103.49	104.8	100.86	102.2	146.92	148.8
9/91	102.84	114.65	111.5	104.21	101.3	152.49	148.3
9/92	100.46	92.31	91.9	102.62	102.2	142.51	141.9
9/93	97.89	93.42	95.4	103.70	105.9	147.84	151.0
9/94	91.32	94.96	104.0	104.09	114.0	133.47	146.2
9/95	89.30	93.26	104.4	99.38	111.3	140.68	157.5
9/96	101.43	96.65	95.3	96.93	95.6	148.70	146.6

food costs. Smaller communities on a major distribution system like a road or the Alaska Marine Highway tend to have slightly higher costs than the urban areas. The Cost of Food at Home survey has consistently shown that the highest food costs are found in isolated communities supplied primarily by air. In places such as Bethel, Dillingham and Nome, food costs are 50 to 75 percent higher than in Anchorage. Although the Cost of Food at Home survey does not extensively survey remote villages, they tend to have even higher costs than the regional centers that are only serviced by air.

The urban/rural cost differential in the Cost of Food at Home study presents an interesting contrast between Alaska and other areas of the United States. Other surveys show that in the Lower 48 large urban areas tend to have higher living costs, including food costs, than less populated areas. The opposite is true in Alaska. The cost of food and other basics such as fuel is higher in rural Alaskan communities than in the state's urban centers.

Another interesting point about this survey is that the multi-tiered structure of food costs in Alaska has not changed much since the late 1970s. Table 4 shows the difference in the cost of food between Anchorage and other Alaskan communities. It also

shows the changes in costs over time within several communities in the study. One interesting point is that many areas of the state that experienced a substantial increase in retail capacity are seeing their food costs decrease. Anchorage, Fairbanks, Juneau, Kenai and Tok all saw the cost of food at home decrease from 1991 to 1995.

ACCRA places Alaskan cities among most expensive

Another cost-of-living measure is provided by the American Chamber of Commerce Researchers Association (ACCRA). The ACCRA cost-of-living study compares costs for roughly 300 cities in the United States, including several in Alaska. The ACCRA study is intended to replicate the consumption patterns of a mid-management executive's household.

In the ACCRA study, a standardized list of 59 items is priced during a fixed period of time. The average price data for every urban area are then converted into an index number for each expenditure category. Because of the limited number of items priced, percentage differences among areas should not be treated as exact measures. Small

Table • 4

Cost of Food at Home for a Week in Eight Alaskan Cities 1978-1996 (continued)

Mo./Yr.	Nome	% of Anch.	Kodiak	% of Anch.	Kenai	% of Anch.	Tok	% of Anch.
9/78	\$118.85	155.0	-	-	\$82.48	107.6	-	-
9/79	128.67	156.6	-	-	100.41	122.2	-	-
9/80	131.14	148.3	\$99.42	112.4	120.84	136.6	\$108.82	123.0
9/81	150.27	173.3	-	-	-	-	114.80	132.4
9/82	149.04	192.8	-	-	-	-	-	-
9/83	130.14	159.4	104.94	128.5	86.98	106.5	-	-
9/84	142.07	168.7	115.97	137.7	87.97	104.5	121.66	144.5
9/85	152.41	171.1	108.17	121.5	91.47	102.7	116.19	130.5
9/86	142.04	162.8	105.49	120.9	92.78	106.3	124.18	142.3
9/87	147.96	166.4	104.39	117.4	96.95	109.1	117.51	132.2
9/88	147.69	162.3	116.68	128.2	95.53	105.0	119.69	131.5
9/89	-	-	124.61	132.8	104.20	111.1	139.43	148.6
9/90	155.48	157.5	154.55	156.5	103.21	104.5	131.03	132.7
9/91	150.29	146.1	127.96	124.4	111.88	108.8	143.45	139.5
9/92	158.08	157.4	124.61	124.0	109.60	109.1	132.94	132.3
9/93	145.94	149.1	125.19	127.9	111.61	114.0	136.96	139.9
9/94	140.22	153.5	123.99	135.8	105.51	115.5	140.78	154.2
9/95	148.55	166.3	123.04	137.8	102.48	114.8	122.89	137.6
9/96	162.61	160.3	125.71	123.9	105.01	103.5	142.46	140.5

Table • 5

ACCRA Cost-of-Living Index 3rd Quarter 1996 20 Highest Cost Urban Areas

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, 3rd Quarter 1996 (325 Urban Areas surveyed).

City	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
New York, NY	234.5	144.6	465.5	173.4	123.6	206.9	132.2
Kodiak, AK	147.0	144.7	156.4	181.7	119.9	161.4	136.4
Salinas-Monterey, CA	143.6	112.8	212.7	100.4	128.6	160.6	111.5
Boston, MA	142.5	115.0	206.6	137.2	120.3	136.2	110.0
Juneau, AK	137.8	120.8	156.6	168.7	112.4	161.5	125.1
Fairbanks, AK	129.7	122.1	138.2	156.0	117.7	166.9	116.4
Philadelphia, PA	125.5	112.7	140.1	199.9	117.4	99.3	108.3
Washington, DC	125.4	109.0	158.7	94.2	125.3	120.9	113.5
Anchorage, AK	124.8	121.9	133.8	84.0	109.7	173.5	123.6
New Haven, CT	123.0	128.0	133.1	159.6	107.4	128.2	106.5
San Diego, CA	121.9	113.4	152.2	100.9	131.0	120.0	103.4
Los Angeles-Long Beach, CA	119.7	117.1	132.0	116.0	116.2	137.5	109.1
Burlington/Chittenden Co., VT	118.2	107.5	135.2	128.9	101.6	119.9	110.5
Providence, RI	116.0	101.5	134.9	134.3	109.7	118.6	103.9
Hilton Head Island, SC	115.4	98.6	142.9	92.9	97.1	102.9	113.0
Seattle, WA	115.0	110.6	124.6	78.4	112.8	147.1	112.6
Glenwood Springs, CO	115.0	107.8	143.7	85.1	111.4	108.1	103.6
Los Alamos, NM	114.7	99.1	144.2	84.6	114.6	113.5	104.8
Chapel Hill, NC	114.5	98.1	137.9	112.3	101.4	111.2	107.3
Oakland County, MI	113.4	110.6	137.5	86.2	102.2	118.8	103.1

Ranking of Alaska Cities by Category

Anchorage, AK	9	5	21	260	37	2	4
Fairbanks, AK	6	3	12	6	12	3	5
Juneau, AK	5	4	5	4	26	4	3
Kodiak, AK	2	1	6	2	8	5	1

differences should not be construed as significant, or even as a correct indication of which area is the most expensive. Aside from the limited number of items priced, the ACCRA index also does not take state and local taxes into account. This is in part due to the difficulty in reliably measuring an area's tax burden.

Four Alaska cities were included in the most recently published ACCRA study (Third Quarter 1996)—Anchorage, Fairbanks, Juneau and Kodiak. The Third Quarter 1996 ACCRA data show that the Alaskan cities are among the 10 highest cost areas surveyed. (See Table 5.) Anchorage had the lowest index of the Alaskan cities in the ACCRA study; however, the difference between Anchorage and Fairbanks was relatively small. According to the index, Anchorage, Fairbanks and Juneau all have a cost of living roughly 25-35 percent higher

than the all-cities' average. Kodiak was nearly 50 percent higher than the all-cities' average.

The four Alaska cities in the ACCRA study were among the highest cost cities surveyed for several of the six major components of the ACCRA index. Kodiak had the highest index for miscellaneous goods and services costs and for groceries; it was the second highest cost area for utilities.

ACCRA points to a smaller difference in housing costs

Housing costs have always been thought of as exceptionally high in Alaska. Although they are high, the ACCRA housing index shows that some areas in the nation, particularly large urban areas, have comparable or much higher housing costs. Generally, the lowest rankings for Alaska's cities

ACCRA Cost-of-Living Index for Selected Cities- 3rd Quarter 1996

Region City	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
West							
Anchorage, AK	124.8	121.9	133.8	84.0	109.7	173.5	123.6
Fairbanks, AK	129.7	122.1	138.2	156.0	117.7	166.9	116.4
Juneau, AK	137.8	120.8	156.6	168.7	112.4	161.5	125.1
Kodiak, AK	147.0	144.7	156.4	181.7	119.9	161.4	136.4
Boise, ID	103.1	101.4	108.6	67.5	100.0	116.6	106.3
Las Vegas, NV	104.7	110.9	106.8	75.7	116.9	119.2	101.1
Portland, OR	109.1	99.7	121.7	89.2	112.8	124.0	104.1
San Diego, CA	121.9	113.4	152.2	100.9	131.0	120.0	103.4
Seattle, WA	115.0	110.6	124.6	78.4	112.8	147.1	112.6
Southwest/Mountain							
Dallas, TX	98.9	96.7	94.9	99.9	105.0	107.9	99.8
Denver, CO	103.4	97.6	117.4	77.5	107.5	120.7	96.5
Phoenix, AZ	103.3	104.5	97.9	106.6	118.3	117.7	99.7
Santa Fe, NM	107.4	99.5	125.8	86.8	104.3	111.8	100.7
Midwest							
Milwaukee, WI	105.4	102.1	120.8	82.5	104.3	102.1	100.3
Oklahoma City, OK	90.0	89.6	77.1	92.7	92.4	94.5	98.9
Omaha, NE	92.0	92.9	92.0	86.7	102.7	88.9	90.6
Southeast							
Atlanta, GA	99.2	101.6	95.0	105.3	98.2	109.6	98.4
Nashville, TN	94.2	97.1	91.3	91.1	96.8	95.1	95.1
Birmingham, AL	98.4	97.3	98.5	98.6	96.3	99.5	99.3
Miami, FL	107.7	103.6	111.5	107.1	114.1	123.4	101.9
Raleigh, NC	103.0	100.9	108.2	112.3	93.7	104.7	99.5
Atlantic/New England							
Boston, MA	142.5	115.0	206.6	137.2	120.3	136.2	110.0
New York, NY	234.5	144.6	465.5	173.4	123.6	206.9	132.2
Philadelphia, PA	127.4	115.5	144.6	193.7	118.8	99.1	110.0

Source: American Chamber of Commerce Researchers Association, *Urban Area Index Data, 3rd Quarter 1996* (325 Urban Areas surveyed).

were in the ACCRA transportation index. The Anchorage utilities index was lower than one-third of the cities in the ACCRA study.

Comparative figures for Alaskan cities and other cities around the nation are presented in Tables 6 and 7. Table 6 shows the ACCRA cost-of-living indexes, while Table 7 contains prices for some of the goods and services in the ACCRA study.

The ACCRA cost-of-living study is designed for spending patterns found in major American urban centers. The data collected in the pricing survey attempt to match the items found in urban areas. This process tends to ignore spending patterns found in atypical areas. For example, the transpor-

tation costs in the ACCRA study include items such as bus fare, the price of a gallon of gasoline, and automobile wheel balancing. This is problematic for Alaskan communities because air transportation is a more common, and more expensive, mode of travel.

Runzheimer study shows smaller cost-of-living differential

A slightly different approach to calculating living cost differences among cities is taken in the Runzheimer Living Cost Standards survey. Runzheimer International, a private research firm contracted by the Alaska Department of Labor's (AK-DOL) Workers' Compensation Division, looked at

Table • 7

Average Price for Selected Goods & Services in Selected U.S. Cities 3rd Quarter 1996

<i>n/a - Not available</i>		1 lb.	1/2 gal.	1 doz.		2 BR	House	Total	
	Region City	Ground Beef	Whole Milk	Grade A Lg. Eggs	1 lb. Coffee	Apt. Rent (Unfurn. & excl. utils)	Purchase Price	Energy Cost	1 gal. Gas
<i>1/ All cities mean is the arithmetic mean price of all 325 cities in the 3rd quarter 1996 survey.</i>	West								
	Anchorage, AK	\$1.42	\$2.21	\$1.49	\$3.19	\$774	\$175,059	\$88	\$1.34
	Fairbanks, AK	1.03	1.90	1.48	3.19	786	178,699	170	1.41
	Juneau, AK	1.37	1.98	1.19	3.26	984	199,425	188	1.44
	Kodiak, AK	1.68	2.39	1.70	3.67	1,050	195,000	197	1.69
	Boise, ID	1.21	1.31	0.93	3.06	724	135,666	66	1.35
	Las Vegas, NV	1.56	1.55	1.58	2.95	716	133,833	81	1.45
	Portland, OR	1.15	1.43	1.01	3.38	642	164,100	85	1.47
	San Diego, CA	1.45	1.94	1.95	3.07	770	206,864	107	1.50
	Seattle, WA	1.41	1.71	1.19	2.91	663	170,784	80	1.45
<i>Source: American Chamber of Commerce Researchers Association, Cost of Living Index, Average Price Data. (325 Urban Areas surveyed.) 3rd quarter 1996.</i>	Southwest/Mountain								
	Dallas, TX	1.42	1.64	0.94	2.67	720	114,321	105	1.23
	Denver, CO	1.15	1.58	0.88	3.07	703	154,460	75	1.19
	Phoenix, AZ	1.24	1.67	0.98	3.07	628	124,909	111	1.40
	Santa Fe, NM	1.19	1.38	0.89	2.81	700	166,625	86	1.34
	Midwest								
	Milwaukee, WI	1.57	1.50	0.83	2.58	680	157,290	85	1.28
	Oklahoma City, OK	0.95	1.43	0.87	2.70	506	98,620	93	1.10
	Omaha, NE	1.04	1.52	0.93	2.55	482	123,567	85	1.25
	Southeast								
	Atlanta, GA	1.82	1.46	0.93	2.76	567	128,400	93	1.10
	Nashville, TN	1.21	1.48	0.94	2.55	544	118,799	93	1.23
	Birmingham, AL	1.37	1.72	0.90	2.21	565	129,900	99	1.17
	Miami, FL	1.61	1.75	0.95	2.33	753	140,000	114	1.29
	Raleigh, NC	1.71	1.69	1.11	2.47	626	142,308	116	1.20
	Northeast/Atlantic								
	Boston, MA	1.59	1.40	1.16	3.11	1,016	272,592	144	1.32
	New York, NY	2.19	1.79	1.54	3.99	2,940	592,000	186	1.39
	Philadelphia, PA	1.89	1.32	1.16	3.40	721	192,490	223	1.32
	ALL CITIES MEAN 1/	1.34	1.53	1.00	2.71	556	131,626	103	1.25

the comparative income necessary to maintain a certain standard of living in different areas of the country as of December 1996. Runzheimer's approach takes into account certain elements left out of the ACCRA cost-of-living measure, such as an area's tax rates.

In the AKDOL Runzheimer study, a "base" family was created—two parents and two children. They own their home, a recently purchased 1,500-square-foot, single-family home with three bedrooms and 1.5 baths. They drive one automo-

bile, a 1993 Ford Tempo, approximately 16,000 miles annually. This family has an income of \$32,000 in Standard City, a fictitious city which has costs close to the median of all the cities in the survey. The standard of living attainable in Standard City was then priced in each of the surveyed areas.

The AKDOL Runzheimer survey shows that Anchorage, Fairbanks and Juneau have a moderately higher cost of living than the other areas surveyed. The cost of living in these three Alaska

taxation component. The Runzheimer study indicates that the portion of income that goes to taxes in Alaska is about 12 to 13 percent below the average in Standard City. This is the main reason why the Runzheimer index does not show Anchorage's, Fairbanks' and Juneau's living costs as high as the cost of purchasing goods and services would indicate. Another factor to remember is that Runzheimer does not take into account a program like Alaska's Permanent Fund Dividend (PFD). If every member of the fictitious Runzheimer family received an Alaska PFD check, that would add about \$4,000 to the household's pre-tax income. This would amount to a significant boost in the overall income in this fictional Alaskan household.

Construction costs somewhat follow other surveys

In early 1997, the Alaska Department of Labor's Research and Analysis Section conducted the fifth annual survey of the cost of a market basket of construction materials. The survey, commissioned by the Alaska Housing Finance Corporation (AHFC), was intended to measure the cost of acquiring building materials necessary to construct a single-family residence at various locations in Alaska. The construction materials priced represent approximately 30 percent of the total dollar value of a materials list for constructing a model single-family residence.

Construction materials costs at 10 Alaskan locations were measured, with some of the same patterns evident in other surveys showing in the results. (See Figure 3.) Like the other surveys, rural locations tended to have the highest costs. One notable difference about this survey is that Juneau showed the lowest cost for construction materials. No other survey showed Juneau to have the lowest costs for any items priced.

Summary: No one answer to cost-of-living question

When looking at cost-of-living information, first decide what type of comparison needs to be made. Are you interested in how prices have changed

Region City	Hospital Room	Office Visit Doctor	McDonald's Quarter pounder w/cheese	Mens' Levi's 501/505
West				
Anchorage, AK	\$684	\$81.33	\$2.53	\$36.79
Fairbanks, AK	503	78.33	2.30	37.33
Juneau, AK	390	67.60	2.60	38.66
Kodiak, AK	400	65.00	2.80	32.29
Boise, ID	448	53.20	1.99	31.39
Las Vegas, NV	339	51.00	2.00	30.79
Portland, OR	485	55.80	1.97	29.99
San Diego, CA	632	47.50	1.98	31.59
Seattle, WA	569	60.91	2.09	43.99
Southwest/Mountain				
Dallas, TX	436	48.20	1.98	32.22
Denver, CO	493	58.80	2.06	31.66
Phoenix, AZ	472	55.20	2.00	33.49
Santa Fe, NM	305	49.20	2.09	36.25
Midwest				
Milwaukee, WI	390	53.20	1.85	31.79
Oklahoma City, OK	275	45.30	1.79	30.88
Omaha, NE	290	39.60	1.93	30.66
Southeast				
Atlanta, GA	319	55.33	1.99	31.79
Nashville, TN	260	53.13	1.89	33.00
Birmingham, AL	450	45.50	1.89	30.79
Miami, FL	571	62.00	2.07	30.09
Raleigh, NC	323	54.22	1.94	32.41
Northeast/Atlantic				
Boston, MA	631	64.60	2.13	37.39
New York, NY	1,324	96.00	2.85	37.78
Philadelphia, PA	445	40.00	1.96	34.50
ALL CITIES MEAN 1/	381	46.47	1.97	32.92

locations ranges from 4.3% to 16.7% above Standard City. (See Table 8.) For comparison purposes, many of the cities which appear in the ACCRA data in Tables 6 and 7 are included in the Runzheimer data in Table 8.

Lower taxes contribute to lower living costs

The component indexes of the Alaskan cities in the Runzheimer study range from 10 to 20 percent above the average cost of living, except for the

Table • 8

Runzheimer International Living Cost Standards December 1996

Region City	Total Costs	% of Standard City	Taxation	% of Standard City	Trans- portation	% of Standard City	Housing	% of Standard City	Misc Goods & Services, Other	% of Standard City
West										
State of Alaska, Composite	\$34,825	108.8	\$6,291	88.8	\$4,021	110.2	\$13,185	119.7	\$11,328	110.4
Anchorage, AK	33,385	104.3	6,499	91.8	4,112	112.7	11,695	106.2	11,079	108.0
Fairbanks, AK	33,756	105.5	6,197	87.5	4,036	110.6	11,955	108.6	11,568	112.8
Juneau, AK	37,331	116.7	6,175	87.2	3,914	107.3	15,904	144.4	11,338	110.5
Boise, ID	30,777	96.2	6,750	95.3	3,446	94.5	10,831	98.4	9,750	95.0
Las Vegas, NV	31,096	97.2	6,100	86.1	4,319	118.4	10,623	96.5	10,054	98.0
Portland, OR	32,313	101.0	6,986	98.6	2,681	73.5	12,362	112.3	10,284	100.3
San Diego, CA	36,933	115.4	6,671	94.2	3,944	108.1	15,716	142.7	10,602	103.4
Seattle, WA	34,551	108.0	6,680	94.3	3,994	109.5	13,675	124.2	10,202	99.5
Southwest/Mountain										
Dallas, TX	29,697	92.8	7,288	102.9	3,891	106.7	8,304	75.4	10,214	99.6
Denver, CO	31,634	98.9	6,309	89.1	4,109	112.6	11,095	100.8	10,121	98.7
Phoenix, AZ	30,741	96.1	6,506	91.9	4,171	114.3	9,940	90.3	10,124	98.7
Santa Fe, NM	34,210	106.9	5,625	79.4	3,672	100.7	15,134	137.4	9,779	95.3
Midwest										
Milwaukee, WI	34,191	106.8	8,648	122.1	3,522	96.5	12,189	110.7	9,832	95.8
Oklahoma City, OK	29,101	90.9	7,122	100.6	3,589	98.4	8,353	75.9	10,037	97.8
Omaha, NE	31,402	98.1	7,900	111.5	3,524	96.6	10,271	93.3	9,707	94.6
Southeast										
Birmingham, AL	32,288	100.9	6,957	98.2	3,372	92.4	12,056	109.5	9,903	96.5
Miami, FL	30,281	94.6	6,827	96.4	4,102	112.4	9,406	85.4	9,946	97.0
Nashville, TN	29,652	92.7	6,298	88.9	3,249	89.1	10,215	92.8	9,890	96.4
Raleigh, NC	31,463	98.3	7,723	109.0	2,975	81.6	10,412	94.6	10,353	100.9
Atlantic/New England										
Boston, MA	38,576	120.6	7,753	109.5	4,704	128.9	15,541	141.1	10,578	103.1
New York, NY	41,035	128.2	7,091	100.1	4,309	118.1	17,893	162.5	11,742	114.5
Philadelphia, PA	36,564	114.3	8,748	123.5	4,214	115.5	12,770	116.0	10,832	105.6
STANDARD CITY, USA	32,000	—	7,083	—	3,648	—	11,011	—	10,258	—

Source:
Runzheimer's Living
Cost Index,
December 1996.

overtime, or how costs differ between places? The answer narrows the field of appropriate cost-of-living surveys.

Next, decide on the suitability of different surveys. Some surveys look at subsets of the total cost-of-living package, such as the Cost of Food at Home survey or the AHFC construction cost survey. Some surveys might look at a population unlike the one being studied. The ACCRA survey's mid-management family does not reflect the cost of living for poverty income families.

In Alaska, particularly in smaller communities, survey choices are few. Only the Cost of Food at Home and the construction costs surveys conduct-

ed for the Alaska Housing Finance Corporation include much more than the three largest Alaska cities. These surveys have their limitations in the scope or appropriateness of the goods priced. For this reason, users might be forced to use an index which only approximates cost-of-living differences.

Given their limitations, most cost-of-living indexes involve a compromise answer. Still, the indexes in this article provide baseline information to help answer these questions. When used with care, the information can help you compare how far your dollar will go.

Hard Rock Mining and Services Hiring Brisk

by Todd Mosher

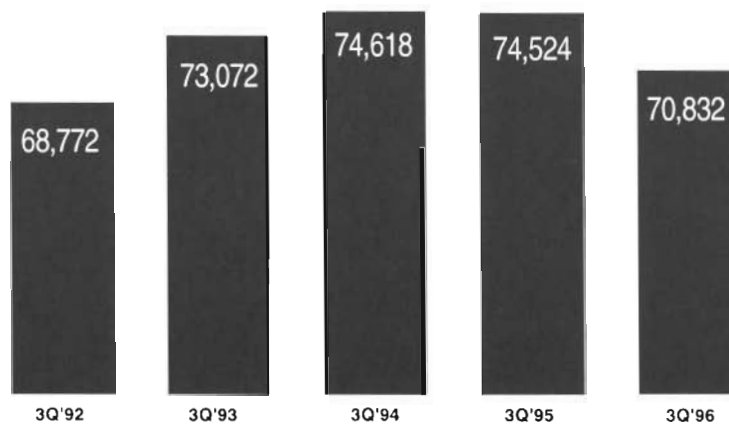
The Alaska New Hires Quarterly Report measures the number of job opportunities created by business expansions, business start-ups, and job turnover. The report assists employment security personnel and the job-seekers they serve as they develop strategies for job placement in Alaska's economy. A *new hire* is defined as an employee who was not working for the employer in any of the four previous quarters. New hires data include job turnover, and readers are, therefore, cautioned against drawing broad conclusions about job growth trends based solely on quarterly new hires data.

Strength of '94 and '95 spring and summer hiring loses steam

Summer quarter, which includes the months July through September, has been the peak quarter for Alaska new hires since data have been collected. From 1993 through 1995, summer new hires had been growing steadily, but hiring last summer was at its lowest level since 1992. (See Figure 1.) In the summer of 1996, there were 70,832 Alaska new hires, up by 930, or 1.3%, from the spring quarter, but down by 3,692, or 5.0%, from the summer of 1995. (See Table 1.)

Last summer's hiring was slowed by employment declines in Alaska's resource industries, especially seafood processing and timber. Construction and oil industry new hires also were down considerably from the previous summer, mirroring year-to-year employment losses. In addition, fewer people were newly hired by more than one employer. In the summer of 1996,

Figure • 1
Summer Quarter New Hires, Alaska, 1992-1996



A *new hire* is defined as an employee who was hired by the firm in the report quarter and had not been employed by the firm during any of the previous four quarters. New hires figures include turnover and should not be used to assess job growth.

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

7,561 workers were new to the payrolls of two or more employers, compared to 8,365 in the summer of 1995.

Hard rock mining and services new hires going strong

Non-oil mining added 520 new hires to its payrolls in the summer of 1996, up by 147, or 39.4%, from the previous summer. All told, over the spring and summer of 1996, there were 991 non-oil mining new hires, an increase of 211 new hires compared to the same period in 1995. The hiring growth was fueled by a 30 percent growth in hard rock mining employment in 1996. Services hiring has continued to show year-to-year growth since 1992, the first year of the new hires series. In 1996, summer new hires in the services industry were 1.3% higher than in 1995. Some of the strength in hiring was in amusement and recreation services and other seasonal jobs, but hiring was also stronger than usual in health care services, social services, and business services.

Todd Mosher is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. Todd is located in Juneau.

Anchorage hiring healthier than in rest of state

Anchorage new hire numbers were still healthy in the summer of 1996, down by only about one percent from the summer of 1995, which was an exceptionally strong summer. However, all other regions of the state saw summer new hires numbers shrink anywhere from 3.7% to 10.7% compared to the previous summer. Over-supply of salmon inventories slowed demand for seafood processing workers during the spring and summer months in the Southwest and Gulf Coast regions, while closure of the Pelican processing plant and layoffs in the timber industry put a damper on new hires in the Southeast region of the state. In the Interior region of the state, tourism-related hiring was strong in the spring quarter, but tailed off considerably in the summer months. Following a promising jump in tourists in the spring, the Interior region reported drive-in traffic down in the mid-summer compared to

1995. This led to a greater than usual spring-to-summer slow down in tourism-related hiring.

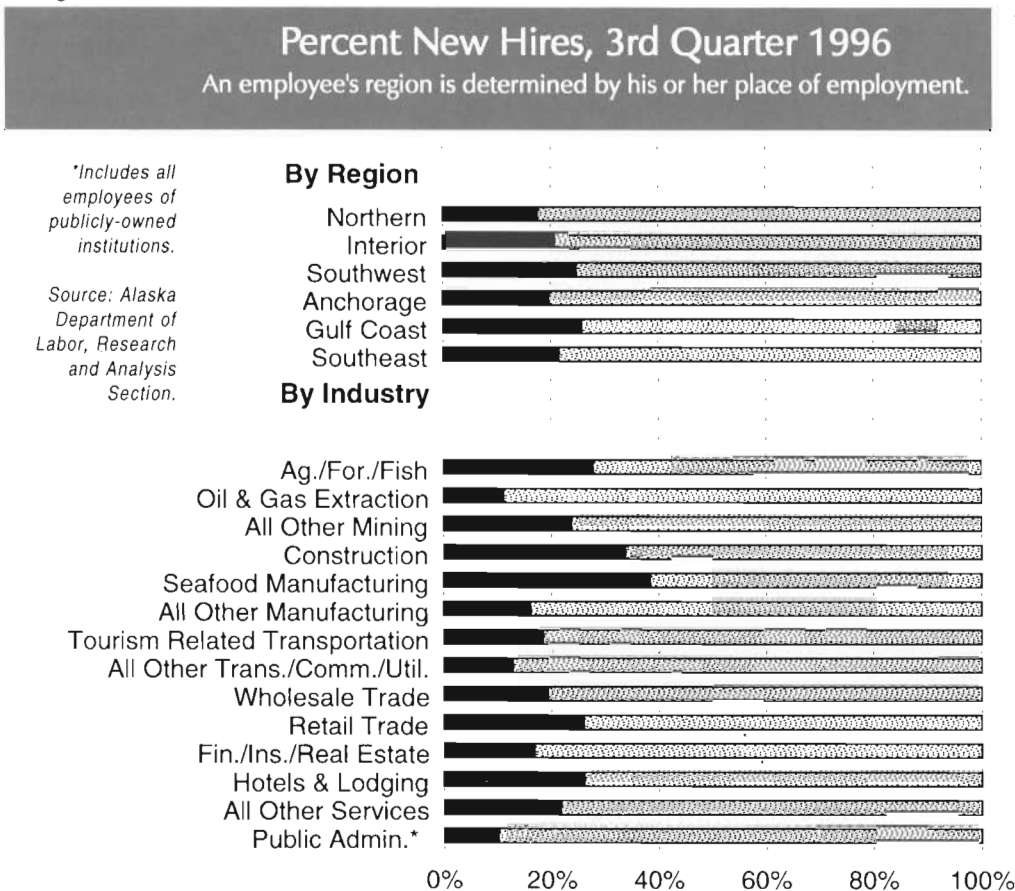
Resident hires account for over three-fifths of summer's new hires

Nearly 62 percent of last summer's new hires received an Alaska Permanent Fund Dividend (PFD) in 1995 and/or 1996. (See Figure 3.) Alaskans must show that they have resided in Alaska for a full calendar year to qualify for the dividend, so this implies that over three-fifths of new hires in the summer of 1996 were Alaska residents. This is up from the previous summer, when 60.5% of new hires had received a PFD in 1994 and/or 1995.

Compared to the summer of 1995, the share of resident new hires, as defined above, was up for most industries. Non-oil mining was the only industry that showed a year-to-year decline in the percentage of new hires that received a PFD, moving from about 68 percent in summer 1995 to about 61 percent in summer 1996. However, this industry was booming last summer, and had substantial gains in both resident and nonresident new hires compared to the previous summer.

Using the PFD criteria stated above, the industry with the lowest share of resident new hires in the summer of 1996 was seafood processing; only 25.3% of

Figure • 2



Methodology

The new hires series is produced by matching Occupational Data Base files, Alaska Department of Labor wage files, and Permanent Fund Dividend files keyed on employer numbers and employee social security numbers. This match is made for the report quarter and the four previous quarters. Each employer's full listing of employees is considered for the report quarter. If an employee worked for the employer in any of the previous four quarters, he or she is considered continuously employed or a seasonal rehire and is excluded from the new hires subset; otherwise, the employee is defined as a new hire for that employer. Data are unavailable for federal workers and the self-employed.

A worker can be counted as a new hire for more than one employer during the report quarter, but not more than once for the same employer. This method purposely treats the turnover of an existing job as a new hire. The new hires series is designed to measure job opportunities provided by the combined effect of turnover and job growth.

An employee's region is set by his or her actual place of employment, unless that information is not provided by the employer. Historically, employers do not report place of employment information for about 10 percent of all employees. In that case, the employee's region is determined by the location of the employer.

seafood processing new hires were Alaska PFD recipients. This was, however, over six percentage points improvement from the previous summer, although total new hires in the seafood processing industry were down for both PFD recipients and non-recipients. The industries with the highest share of resident new hires in the summer of 1996 were finance, insurance, and real estate; and public administration. About three out of every four new hires in these industries were PFD recipients in 1995 and/or 1996.

Alaska New Hires 3rd Quarter 1996

	3rd Qtr 96	Change from 2nd Qtr 96	Change from 3rd Qtr 95
Total New Hires:	70,832	930	-3,692
By Region			
Northern	3,835	931	-461
Interior	9,624	-1,589	-899
Southwest	6,479	889	-733
Anchorage	29,189	-775	-291
Gulf Coast	10,196	1,155	-390
Southeast	10,091	-156	-888
Offshore	953	357	128
Outside	406	60	-114
Unknown	59	58	-44
By Industry			
Ag./Forestry/Fishing	728	-315	-49
Mining	1,662	271	-411
Oil & Gas Extraction	1,142	222	-558
All Other	520	49	147
Construction	8,142	648	-910
Manufacturing	10,393	3,924	-779
Seafood Processing	9,089	4,266	-160
All Other	1,304	-342	-619
Trans./Comm./Util.	4,183	-1,678	-619
Tourism Related ¹	1,228	-833	114
All Other	2,955	-845	-733
Wholesale Trade	2,065	107	-369
Retail Trade	16,999	-1,788	-518
Fin./Ins./Real Estate	2,224	136	-6
Services	18,190	-768	241
Hotels & Lodging	2,731	-1,353	-51
All Other	15,459	625	292
Public Administration*	6,246	353	-270

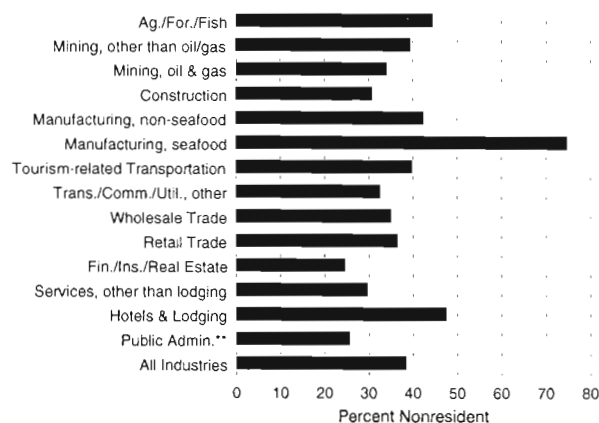
¹ These categories include local passenger transportation, water transportation, nonscheduled air transportation, travel agencies and other travel arrangers. Not all of the employment in these industries is attributable to tourism, but all of these categories are heavily influenced by tourism in most regions.

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

Figure • 3

Alaska New Hires 3rd Quarter 1996

Percent Nonresidents*



*Did not receive an Alaska Permanent Fund Dividend in 1996 and did not receive a PFD in 1995. May include some individuals that have recently established or re-established residency.
**Includes all employees of publicly-owned institutions.

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

Services Keeps Employment Growing

Employment up during the first quarter

Neal Fried is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. Neal is located in Anchorage.

Alaska's first-quarter industry employment numbers are now in, and they continue to chalk up gains. Employment for the first quarter of this year compared to the first quarter of last year is up by over 2,000 jobs, or by nearly one percent. If this trend continues, Alaska might enjoy a bit more growth in 1997 than it did last year. The labor force story is similar. For the third straight month, the unemployment rate has come in below year-ago levels. March's unemployment rate of 8.8% compares to 8.9% for March of last year. (See Table 4.)

More industries reap gains than losses

As of March, employment in only a few of the state's industries was running in the red. (See Table 1.) The biggest over-the-year loss is in the oil industry's share of the mining industry. Part of this loss is attributable to the delay of the Northstar project. A legal suit is responsible for this delay, which resulted in at least 100 workers

being let go. Oil industry employment could recover some of this lost ground later in the year as work begins on a growing list of new oil prospects.

The only other industry with over-the-year job losses greater than 100 in March was the timber industry, which includes both lumber and wood products and pulp mills. Unlike the oil industry, these losses will grow. In late March, Ketchikan Pulp Mill permanently closed its pulp mill, and 475 of its employees began losing their jobs. Because the closure fell at the end of the month, this loss will begin to show in unemployment numbers for April or May. The federal government also recorded job losses in March, but only marginally. After three years of steep losses, this trend appears to be moderating. (See Figure 1.)

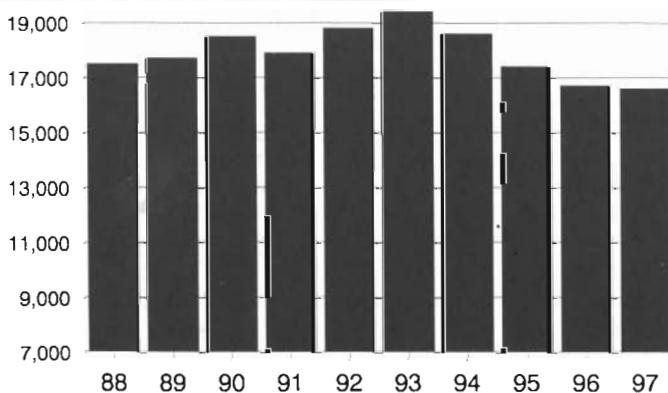
All other major industry categories in March were either unchanged from 1996 levels or adding employment to their ranks. The non-oil-related sector of mining continues to enjoy strong over-the-year gains. Seafood processing employment gains were positive in March. A large opilio crab harvest and the continuation of the ground fishery accounted for the 500-job gain in seafood processing. Nearly all these gains came in Southwest Alaska.

Transportation's numbers are turning positive because of growth in Alaska's regional carriers and strong growth in the international air cargo industry. For example, United Airlines'

Figure • 1

Federal Employment Begins to Stabilize

Federal Government Employment- March 1988-97



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

workforce grew from 66 to 106 in March, when it initiated a new trans-Pacific air freight service that is home based in Anchorage. Growth in communications employment is also on the rise as the communication revolution marches on and new competition continues to enter the market. For example, Anchorage Telephone Utilities (ATU) recently entered the long distance and cable TV arenas, and most other firms in the communications business are jumping into the fray with expanded services.

Retail trade is still enjoying some modest growth in building supplies, as well as in eating and drinking and specialty retailers. The industry responsible for the lion's share of the job growth remains the services industry.

Services remains the job machine

For the past two years, Alaska's services industry has kept Alaska's job picture in the black. Over-the-year employment growth in this industry stood at 1,500 in March. There are several reasons for its big contribution to employment growth. The primary reason is that the services industry is Alaska's largest private sector industry. Only the combined employment of all levels of government is larger. On top of its sheer size, services enjoys an impressive growth record. Since 1990, services industry employment has grown 3.5% per year versus 1.2% for total employment. (See Figure 2.)

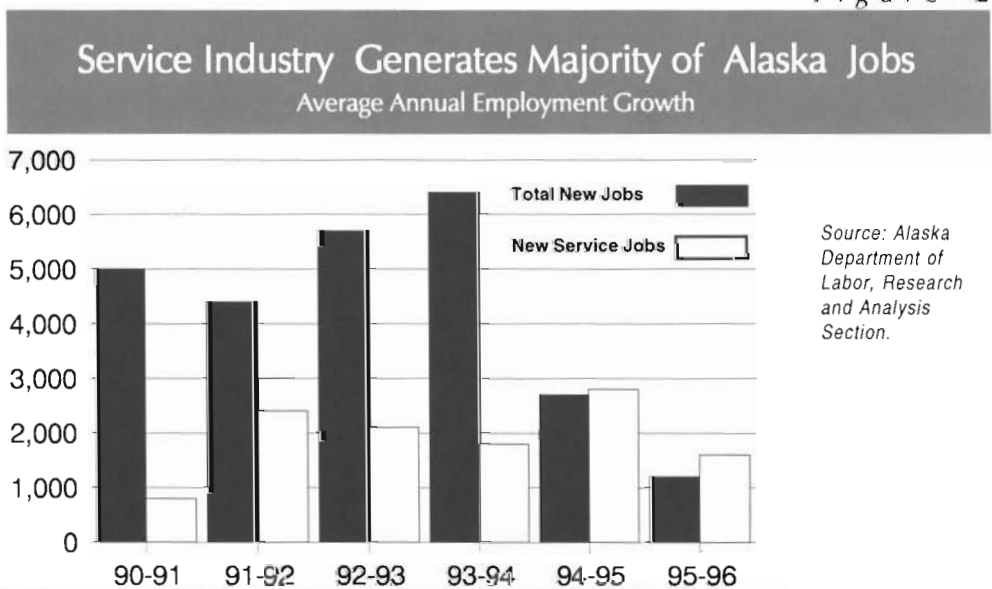
Unlike industries such as transportation, retail, construction, and government, the services industry is difficult to define. It is an eclectic collection of businesses as diverse as accounting firms, movie houses, hotels, temporary help agencies, hospitals and private associations, to name a few. No single economic force drives the growth of this disparate collection of employers. Growth in income, population and chang-

ing demographics plays a role—so do changes in the ways companies and government conduct business. New lifestyle choices and societal shifts also have their effects. Other reasons for services growth are more straight forward.

A boon to the services industry occurred with the rise of the contingent workforce and the move by many businesses to contract out work. Losses in the oil industry, banking, transportation, the public sector and other industries often translate into gains for the services industry. One of the biggest beneficiaries of this trend, and among the largest and most dynamic segments of the services industry, is business services. In March, business services generated 7,800 jobs. Business services includes personnel supply services, security services, computer and data processing and others. On an annual average basis, the number of jobs in business services grew from 6,800 in 1990 to 8,000 in 1996. The privatization of public services is boosting many segments of the services industry, including engineering and management services, business services, social services and health care.

Health care is the largest single slice of the services industry. Since 1990, health care services employment has grown by 3,200 jobs. An aging population and new technology for diagnoses and treatment keep this industry's employ-

Figure • 2



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

Table • 1

Nonagricultural Wage and Salary Employment by Place of Work

Alaska	p/	r/	Changes from			Municipality of Anchorage	p/	r/	Changes from		
	3/97	2/97	3/96	2/97	3/96		3/97	2/97	3/96	2/97	3/96
Total Nonag. Wage & Salary	253,600	250,700	251,700	2,900	1,900	Total Nonag. Wage & Salary	117,800	117,100	116,700	700	1,100
Goods-producing	34,600	33,100	35,200	1,500	-600	Goods-producing	9,000	9,000	9,300	0	-300
Service-producing	219,000	217,600	216,500	1,400	2,500	Service-producing	108,800	108,100	107,400	700	1,400
Mining	9,200	9,000	10,100	200	-900	Mining	2,400	2,400	2,700	0	-300
Construction	9,300	9,200	9,300	100	0	Construction	4,700	4,800	4,700	-100	0
Manufacturing	16,100	14,900	15,800	1,200	300	Manufacturing	1,900	1,800	1,900	100	0
Durable Goods	2,700	2,100	2,800	600	-100	Transportation	11,500	11,300	11,500	200	0
Lumber & Wood Products	1,700	1,200	1,800	500	-100	Air Transportation	4,700	4,600	4,400	100	300
Nondurable Goods	13,400	12,800	13,000	600	400	Communications	2,400	2,300	2,200	100	200
Seafood Processing	10,400	9,800	9,900	600	500	Trade	28,500	28,600	28,400	-100	100
Pulp Mills	400	500	500	-100	-100	Wholesale Trade	6,400	6,400	6,400	0	0
Transportation	21,500	21,300	21,100	200	400	Retail Trade	22,100	22,200	22,000	-100	100
Trucking & Warehousing	2,600	2,500	2,700	100	-100	Gen. Merch. & Apparel	4,000	4,100	4,100	-100	-100
Water Transportation	1,500	1,700	1,600	-200	-100	Food Stores	2,700	2,700	2,700	0	0
Air Transportation	7,300	7,200	6,900	100	400	Eating & Drinking Places	8,000	7,900	7,900	100	100
Communications	3,800	3,800	3,700	0	100	Finance-Ins. & Real Estate	7,000	7,000	7,100	0	-100
Trade	50,900	50,600	50,300	300	600	Services & Misc.	33,500	32,900	32,500	600	1,000
Wholesale Trade	8,500	8,400	8,400	100	100	Hotels & Lodging Places	2,400	2,400	2,300	0	100
Retail Trade	42,400	42,200	41,900	200	500	Business Services	5,900	5,700	5,600	200	300
Gen. Merch. & Apparel	8,000	8,100	8,100	-100	-100	Health Services	7,300	7,300	6,900	0	400
Food Stores	6,500	6,500	6,600	0	-100	Engineering & Mngmt. Serv.	4,900	4,900	5,100	0	-200
Eating & Drinking Places	13,900	13,700	13,700	200	200	Government	28,300	28,300	27,900	0	400
Finance-Ins. & Real Estate	11,400	11,400	11,400	0	0	Federal	9,800	9,800	9,800	0	0
Services & Misc.	61,100	60,200	59,600	900	1,500	State	8,400	8,400	8,300	0	100
Hotels & Lodging Places	5,000	4,800	4,900	200	100	Local	10,100	10,100	9,800	0	300
Business Services	7,800	7,600	7,600	200	200						
Health Services	14,100	14,000	13,500	100	600						
Engineering & Mngmt. Serv.	7,300	7,200	7,300	100	0						
Government	74,100	74,100	74,100	0	0						
Federal	16,600	16,600	16,700	0	-100						
State	22,100	22,100	22,100	0	0						
Local	35,400	35,400	35,300	0	100						

Table • 2

Alaska Hours and Earnings for Selected Industries

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	p/	r/		p/	r/		p/	r/	
	3/97	2/97	3/96	3/97	2/97	3/96	3/97	2/97	3/96
Mining	\$1,309.07	\$1,317.83	\$1,247.35	50.7	51.7	51.1	\$25.82	\$25.49	\$24.41
Construction	1,026.94	989.67	1,028.23	40.8	40.1	41.9	25.17	24.68	24.54
Manufacturing	606.02	538.20	512.55	60.3	51.7	51.0	10.05	10.41	10.05
Seafood Processing	551.89	469.24	436.89	67.8	55.4	56.3	8.14	8.47	7.76
Trans., Comm. & Utilities	665.76	651.46	659.61	35.3	35.1	33.5	18.86	18.56	19.69
Trade	418.66	410.85	414.16	33.6	33.0	33.4	12.46	12.45	12.40
Wholesale	617.09	625.72	619.92	38.4	38.2	36.9	16.07	16.38	16.80
Retail	378.49	368.96	371.97	32.6	32.0	32.6	11.61	11.53	11.41
Finance-Ins. & R.E.	523.34	504.08	491.11	36.7	35.7	35.9	14.26	14.12	13.68

Notes to Tables 1-3:

Tables 1&2- Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Table 3- Prepared in part with funding from the Employment Security Division.

p/ denotes preliminary estimates.

r/ denotes revised estimates.

Government includes employees of public school systems and the University of Alaska.

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

Nonagricultural Wage and Salary Employment by Place of Work

Southeast Region	p/	r/	Changes from		
	3/97	2/97	3/96	2/97	3/96
Total Nonag. Wage & Salary	33,150	32,450	32,800	700	350
Goods-producing	4,400	3,800	4,500	600	-100
Service-producing	28,750	28,650	28,300	100	450
Mining	350	350	250	0	100
Construction	1,400	1,300	1,400	100	0
Manufacturing	2,650	2,150	2,850	500	-200
Durable Goods	1,200	800	1,300	400	-100
Lumber & Wood Products	1,050	650	1,150	400	-100
Nondurable Goods	1,450	1,350	1,550	100	-100
Seafood Processing	750	650	750	100	0
Pulp Mills	450	450	550	0	-100
Transportation	2,350	2,300	2,350	50	0
Trade	5,950	5,900	5,800	50	150
Wholesale Trade	500	450	450	50	50
Retail Trade	5,450	5,450	5,350	0	100
Finance-Ins. & Real Estate	1,350	1,350	1,300	0	50
Services & Misc.	6,400	6,350	6,200	50	200
Government	12,700	12,750	12,650	-50	50
Federal	1,800	1,800	1,800	0	0
State	5,450	5,450	5,500	0	-50
Local	5,450	5,500	5,350	-50	100

Anchorage/Mat-Su Region

Total Nonag. Wage & Salary	127,800	127,150	126,500	650	1,300
Goods-producing	9,500	9,600	9,700	-100	-200
Service-producing	118,300	117,550	116,800	750	1,500
Mining	2,400	2,400	2,650	0	-250
Construction	5,150	5,250	5,100	-100	50
Manufacturing	1,950	1,950	1,950	0	0
Transportation	12,350	12,200	12,200	150	150
Trade	31,100	31,050	30,850	50	250
Finance-Ins. & Real Estate	7,450	7,500	7,550	-50	-100
Services & Misc.	36,100	35,500	35,000	600	1,100
Government	31,300	31,300	31,200	0	100
Federal	9,950	9,950	9,950	0	0
State	9,250	9,200	9,150	50	100
Local	12,100	12,150	12,100	-50	0

Gulf Coast Region

Total Nonag. Wage & Salary	24,750	24,100	24,950	650	-200
Goods-producing	5,800	5,450	6,050	350	-250
Service-producing	18,950	18,650	18,900	300	50
Mining	900	850	950	50	-50
Construction	800	800	900	0	-100
Manufacturing	4,100	3,800	4,200	300	-100
Seafood Processing	2,800	2,650	2,900	150	-100
Transportation	2,050	2,000	2,050	50	0
Trade	4,350	4,300	4,400	50	-50
Wholesale Trade	500	500	500	0	0
Retail Trade	3,850	3,800	3,900	50	-50
Finance-Ins. & Real Estate	650	650	650	0	0
Services & Misc.	5,000	4,800	4,900	200	100
Government	6,900	6,900	6,900	0	0
Federal	600	600	600	0	0
State	1,700	1,700	1,750	0	-50
Local	4,600	4,600	4,550	0	50

Interior Region	p/	r/	Changes from:		
	3/97	2/97	3/96	2/97	3/96
Total Nonag. Wage & Salary	34,250	33,950	33,850	300	400
Goods-producing	2,950	3,000	2,750	-50	200
Service-producing	31,300	30,950	31,100	350	200
Mining	1,000	1,050	900	-50	100
Construction	1,450	1,450	1,400	0	50
Manufacturing	500	500	450	0	50
Transportation	2,600	2,500	2,500	100	100
Trade	6,700	6,550	6,550	150	150
Finance-Ins. & Real Estate	1,000	1,000	1,000	0	0
Services & Misc.	8,050	7,900	8,000	150	50
Government	12,950	13,000	13,050	-50	-100
Federal	3,550	3,550	3,650	0	-100
State	4,850	4,850	4,850	0	0
Local	4,550	4,600	4,550	-50	0

Fairbanks North Star Borough

Total Nonag. Wage & Salary	30,050	29,900	29,650	150	400
Goods-producing	2,500	2,550	2,400	-50	100
Service-producing	27,550	27,350	27,250	200	300
Mining	900	900	750	0	150
Construction	1,150	1,200	1,200	-50	-50
Manufacturing	450	450	450	0	0
Transportation	2,250	2,200	2,100	50	150
Trucking & Warehousing	550	550	550	0	0
Air Transportation	600	600	600	0	0
Communications	250	300	250	-50	0
Trade	6,200	6,100	6,050	100	150
Wholesale Trade	750	700	700	50	50
Retail Trade	5,450	5,400	5,350	50	100
Gen. Merch. & Apparel	1,000	1,000	1,100	0	-100
Food Stores	700	700	700	0	0
Eating & Drinking Places	1,850	1,800	1,850	50	0
Finance-Ins. & Real Estate	950	950	950	0	0
Services & Misc.	7,400	7,300	7,400	100	0
Government	10,750	10,800	10,750	-50	0
Federal	3,050	3,050	3,100	0	-50
State	4,650	4,650	4,650	0	0
Local	3,050	3,100	3,000	-50	50

Southwest Region

Total Nonag. Wage & Salary	18,700	18,400	18,050	300	650
Goods-producing	6,950	6,600	6,400	350	550
Service-producing	11,750	11,800	11,650	-50	100
Seafood Processing	6,750	6,400	6,200	350	550
Government	5,450	5,400	5,550	50	-100
Federal	450	450	450	0	0
State	500	500	500	0	0
Local	4,500	4,450	4,600	50	-100

Northern Region

Total Nonag. Wage & Salary	14,750	14,450	15,550	300	-800
Goods-producing	5,000	4,750	5,750	250	-750
Service-producing	9,750	9,700	9,800	50	-50
Mining	4,550	4,400	5,300	150	-750
Government	4,650	4,700	4,750	-50	-100
Federal	200	200	200	0	0
State	300	300	300	0	0
Local	4,150	4,200	4,250	-50	-100

Table • 4

Unemployment Rates by Region & Census Area

	Percent Unemployed			
	Not Seasonally Adjusted	p/ 3/97	r/ 2/97	3/96
<i>p/ denotes preliminary estimates</i>	United States	5.5	5.7	5.8
<i>r/ denotes revised estimates</i>	Alaska Statewide	8.8	9.4	8.9
<i>Benchmark: March 1996</i>	Anch.-MatSu Region	7.3	7.5	7.0
	Municipality of Anchorage	6.2	6.4	5.9
	MatSu Borough	13.0	12.9	12.7
	Gulf Coast Region	13.6	15.3	13.4
	Kenai Peninsula Borough	16.2	18.4	16.0
<i>Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor.</i>	Kodiak Island Borough	5.5	6.7	5.5
	Valdez-Cordova	13.2	13.9	13.2
	Interior Region	10.0	10.8	10.6
	Denali Borough	16.5	18.0	14.7
	Fairbanks North Star Borough	9.0	9.7	9.5
	Southwest Fairbanks	15.1	17.0	17.7
	Yukon-Koyukuk	20.2	21.6	21.0
	Northern Region	10.8	10.8	11.7
	Nome	12.0	11.3	14.4
	North Slope Borough	5.0	4.9	4.5
	Northwest Arctic Borough	17.5	18.4	17.9
	Southeast Region	9.7	11.1	10.2
	Haines Borough	15.5	19.1	16.0
	Juneau Borough	7.8	8.2	7.5
	Ketchikan Gateway Borough	9.5	11.6	10.9
	Prince of Wales-Outer Ketchikan	17.0	20.1	15.7
	Sitka Borough	8.3	8.6	8.3
	Skagway-Hoonah-Angoon	7.9	10.9	9.7
	Wrangell-Petersburg	13.3	15.7	16.6
	Yakutat Borough	7.3	8.1	9.4
	Southwest Region	7.0	6.5	8.0
	Aleutians East Borough	1.7	1.9	1.6
	Aleutians West	3.2	3.4	2.9
	Bethel	8.4	7.4	11.0
	Bristol Bay Borough	10.6	11.3	10.0
	Dillingham	6.5	7.1	9.9
	Lake & Peninsula Borough	6.4	6.7	8.4
	Wade Hampton	11.7	10.5	9.0
	Seasonally Adjusted			
	United States	5.2	5.3	5.5
	Alaska Statewide	7.8	7.6	7.9

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

ment growing. Growth in the visitor industry has brought employment gains in hotel and lodging and entertainment services. One of the few segments of the services industry to lose ground in recent years is legal services. The end of oil spill litigation and increased use of mediation services have in part contributed to the decline.

Summary

With the exception of the oil and timber industries and, to a lesser degree, the federal government, employment numbers for major industries in Alaska during March either remained stable from last year or were growing. Industries showing employment gains for the month included non-oil-related mining, seafood processing, air transportation and communications. The biggest contributor to Alaska's employment growth was the services industry, the state's largest private sector employer, with substantial gains specifically shown in business services and health care.

Alaska Employment Service

Anchorage: Phone 269-4800

Bethel: Phone 543-2210

Dillingham: Phone 842-5579

Eagle River: Phone 694-6904/07

Mat-Su: Phone 376-2407/08

Fairbanks: Phone 451-2871

Glennallen: Phone 822-3350

Kotzebue: Phone 442-3280

Nome: Phone 443-2626/2460

Tok: Phone 883-5629

Valdez: Phone 835-4910

Kenai: Phone 283-4304/4377/4319

Homer: Phone 235-7791

Kodiak: Phone 486-3105

Seward: Phone 224-5276

Juneau: Phone 465-4562

Petersburg: Phone 772-3791

Sitka: Phone 747-3347/3423/6921

Ketchikan: Phone 225-3181/82/83



The Alaska Department of Labor shall foster and promote the welfare of the wage earners of the state and improve their working conditions and advance their opportunities for profitable employment.