

ALASKA ECONOMIC

# TRENDS



## FEDERAL AGENCIES PROMINENT DESPITE DOWNSIZING

September  
1996

DEFENSE: STILL ONE OF ALASKA'S  
BIGGEST EXPORTS

TIMBER DEBATE BURNS THROUGH  
SOUTHEAST

ALASKA DEPARTMENT OF LABOR • TONY KNOWLES, GOVERNOR

# ALASKA ECONOMIC TRENDS



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# Federal Agencies Prominent Despite Downsizing

by John Boucher and Kristen Tromble

The federal government (including uniformed military personnel) has been the largest employer in Alaska since the military build-up associated with World War II. As late as 1970, it provided almost one in every five civilian wage and salary jobs. As oil and other industries rose to prominence in the 1970s, federal government's share of employment declined. However, despite recent downsizing, the federal government (including the military) is still the largest single employer in Alaska's job base. In all, more than 37,000 individuals had federal government jobs in Alaska in 1995.

Although uniformed military and civilian employees supporting military functions represent 72% of the federal presence in Alaska, civilian agencies make an important contribution to the state's economy. This article examines civilian federal agency employment in Alaska and gives a brief overview of future employment trends. For a discussion of the economic impact the military has on Alaska, see "Defense: Still One of Alaska's Biggest Exports," on page seven of this issue of *Alaska Economic Trends*.

In 1995, federal agency employment averaged 10,494, with a total payroll, including cost-of-living allowance (COLA), of \$483.2 million. This represented about 4.0% of the state's total wage and salary employment and 5.7% of the payroll. In measuring the civilian payroll's impact, it should be remembered that many civilian employees receive the 25% tax-free COLA for being located in Alaska. These employees have more disposable income to spend on local goods and services because of the federal COLA than other individuals of comparable income.

## Interior the largest department

Five agencies account for most of the federal employment in Alaska. In order from the largest they are: the Department of Interior, the Postal Service, the Department of Transportation, the Department of Agriculture and the Department of Health and Human Services. (See Table 1.)

The relative size of these five agencies gives insight into the unique federal presence in Alaska. Interior is the largest non-military department in Alaska because the federal government is the largest landowner in the state. Most agencies in Interior manage federal lands or their associated resources. Within Interior, prominent branches are: the Bureau of Land Management, the Fish and Wildlife Service, the National Park Service, the National Biological Survey, the Bureau of Indian Affairs, the Minerals Management Service and the U.S. Geological Survey. Except for the Bureau of Indian Affairs, the primary function of these bureaus is to manage or support the management of federal landholdings and resources in Alaska.

Alaska's second largest federal civilian employer is the Postal Service. This is no surprise, since the Postal Service is the largest federal employer in many states. However, Alaska's unique geographic characteristics contribute to a relatively large work force. Isolated areas of Alaska are more dependent on mail service than the average rural community. In Alaska's remote areas, it's not uncommon for residents to call up a grocer in a nearby town and have their groceries delivered through the mail.

The Department of Transportation's prominence is also related to Alaska's geographic characteristics. Alaska's large land area makes the airways a more common mode of transportation for goods and people than anywhere else in the country. In support of the air transportation sector, the Federal Aviation Administration (FAA) has a large contingent, accounting for most of the Department of Transportation's employment in Alaska. The FAA provides air traffic controllers to airfields, and is responsible for engineering, design and maintenance of Alaska's air navigational aids and traffic management systems. In addition, FAA personnel conduct inspections and certify the fitness of aircraft. The Coast Guard's civilian employees are also counted among the department's employees, but military personnel of the Coast Guard are excluded from the figures in Table 1.

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Like Transportation, the Department of Agriculture is dominated by one branch of the department. More than 90 percent of Agriculture's employees are in the Forest Service. Forest Service employees serve a similar function to Interior's in that many are land and resource managers. The difference is that the Forest Service's jurisdiction is restricted to the Tongass and Chugach National Forests.

Alaska's fifth largest civilian federal agency, the Department of Health and Human Services, is dominated by the Public Health Service (PHS). Demographics account for this department's large presence in the state. Through the Indian Health Service (IHS), this agency administers the health care needs of Alaska Natives, who comprise 15.7% of Alaska's total population. The IHS's largest facility is the Alaska Native Medical Center in Anchorage. In addition to this facility, the PHS may provide employees to numerous

privately-contracted Native hospitals and clinics around the state.

Outside of the largest five, a host of agencies comprises the balance of federal employment in Alaska. The biggest of the remaining agencies is the Department of Commerce, of which the National Oceanic and Atmospheric Administration (NOAA) is the major component. Within NOAA, the National Weather Service, which provides weather observations and forecasts, and the National Marine Fisheries Service, which manages ocean fisheries, are the primary agencies. The Department of Veterans Affairs, which operates a medium-sized veterans' clinic in Anchorage, is the seventh largest federal agency in Alaska. The Treasury Department, of which the Internal Revenue Service and Customs Bureau are the prominent arms, is the eighth largest civilian federal agency and also has a significant employee base in Alaska. Most other federal agencies have a relatively small presence.

## T a b l e • 1

### Federal Civilian Agency Employment 1980-1995 1/

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
US Dept of Interior	2,896	2,862	2,614	2,493	2,476	2,380	2,241	2,230	2,297	2,371
US Postal Service	1,476	1,328	1,425	1,628	1,893	1,979	2,169	2,240	2,216	2,186
Transportation 2/	2,342	2,465	2,380	2,341	2,326	1,631	1,576	1,632	1,625	1,661
US Dept of Agriculture	1,265	1,239	1,220	1,185	1,134	1,081	1,048	1,057	1,061	1,163
US Dept of Health & Human Services	1,681	1,666	1,374	1,359	1,402	1,422	1,248	1,158	1,137	1,114
US Dept of Commerce	808	600	578	577	500	437	406	396	397	415
Veterans Administration	115	146	101	113	127	136	139	151	162	183
US Treasury Dept 3/	295	276	278	303	321	308	333	371	406	389
US Dept of Justice	117	115	62	66	67	86	100	109	117	125
US Courts	0	0	58	54	55	59	63	71	72	72
General Services Administration	164	145	116	115	117	118	117	120	115	120
US Dept of Housing & Urban Development	66	62	57	51	43	47	49	60	69	75
US Dept of Energy	0	0	0	0	0	0	39	39	36	35
Environmental Protection Agency	0	0	0	0	0	0	0	0	0	0
Small Business Administration	33	28	25	26	29	30	30	30	29	30
US Dept of Labor	22	20	11	13	13	13	14	14	16	19
Federal Communications Commission	15	13	9	9	11	10	13	13	13	13
Corp. for National and Community Service	0	0	0	0	0	0	0	0	0	0
Office of Personnel Management	26	22	31	21	21	20	21	21	20	21
Federal Emergency Management Agency 3/	0	0	0	0	0	0	0	0	0	0
National Labor Relations Board	0	0	0	2	7	5	6	5	5	4
Smithsonian	0	0	0	0	0	0	0	0	0	0
Interstate Commerce Commission	1	1	1	1	1	1	1	0	0	0
Federal Deposit Insurance Corp.	0	0	0	0	0	0	0	2	50	78
US General Accounting Office	10	8	7	7	7	5	3	0	0	0
<b>Total Civilian Agencies</b>	<b>11,332</b>	<b>10,996</b>	<b>10,347</b>	<b>10,364</b>	<b>10,550</b>	<b>9,768</b>	<b>9,616</b>	<b>9,720</b>	<b>9,844</b>	<b>10,073</b>

1/ Employment based on the best data currently available. Some jobs may not be included.

2/ Department of Transportation numbers include civilian employees of the US Coast Guard.

3/ From 1982-1992, employment at the Federal Emergency Management Agency is included in U.S. Treasury Department numbers.

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

## Employment ebbs, then surges

In the first half of the 1980s, civilian federal employment in Alaska declined. During this period many federally-provided services were transferred to state and private control. The Bureau of Indian Affairs transferred administration of its schools to the state, the Alaska Railroad was transferred from federal to state ownership, the Forest Service contracted out more seasonal employment, and the Public Health Service turned over health care facilities to Alaska's Native corporations. Of the five largest agencies, only the Postal Service bucked the trend of dropping employment. The Postal Service expanded due to three factors: rapid population growth, an aggressive facilities upgrade program, and designation of Alaska as a postal district, which resulted in responsibility for some support functions being transferred from Seattle to Anchorage.

In 1987, civilian agency employment began a six-year expansion. When the large-scale transfer of services slowed, employment growth in agencies that were expanding their mission in Alaska became evident. The Department of Interior was one agency responsible for the expansion. In the mid to late 1980s, Interior's Fish and Wildlife Service grew as a result of the passage of the Alaska National Interest Land Claims Act (ANILCA) in 1982. That legislation established 16 new wildlife refuges which substantially increased the wildlife resources and habitat managed in Alaska. Another employment boost occurred in 1989 when Fish and Wildlife was given the responsibility of managing subsistence activities on federal lands in Alaska. Meanwhile, the National Park Service (NPS) grew in response to the tourism industry's increased demand for its facilities. Each year, more visitors are coming to NPS facilities such as Denali National Park, Glacier Bay National Monument, and Kenai Fjords National Monument.

1990	1991	1992	1993	1994	1995	1995 Total Payroll	Average Annual Wage
2,371	2,482	2,636	2,901	2,834	2,637	\$113,341,392	\$42,981
2,136	2,125	2,113	2,081	2,107	2,139	76,106,881	35,579
1,704	1,777	1,882	1,880	1,763	1,659	105,587,171	63,639
1,233	1,241	1,326	1,373	1,361	1,283	58,314,842	45,443
1,127	1,182	1,191	1,200	1,146	1,122	44,102,729	39,307
732	432	429	432	448	452	23,937,590	52,969
196	217	256	297	322	337	17,042,831	50,622
367	380	376	369	340	313	15,773,579	50,422
135	147	128	157	154	160	9,716,652	60,792
81	93	107	114	116	115	5,671,452	49,174
115	111	120	130	116	89	4,141,444	46,316
70	65	60	55	54	51	2,698,991	53,182
34	36	34	35	33	30	2,186,984	72,098
0	0	0	20	26	27	1,269,749	47,320
27	29	31	29	28	25	1,413,482	55,612
18	17	17	15	15	14	585,248	42,563
13	11	11	11	12	11	620,365	54,339
0	0	0	0	0	11	101,993	9,343
20	15	14	11	8	9	155,266	17,413
0	0	0	1	4	6	218,509	38,560
4	3	3	3	3	3	185,969	65,636
0	0	0	0	1	1	56,113	51,797
0	0	0	0	0	0	0	0
143	180	171	121	0	0	0	0
0	0	0	0	0	0	0	0
10,524	10,543	10,902	11,234	10,892	10,494	\$483,229,232	\$46,046

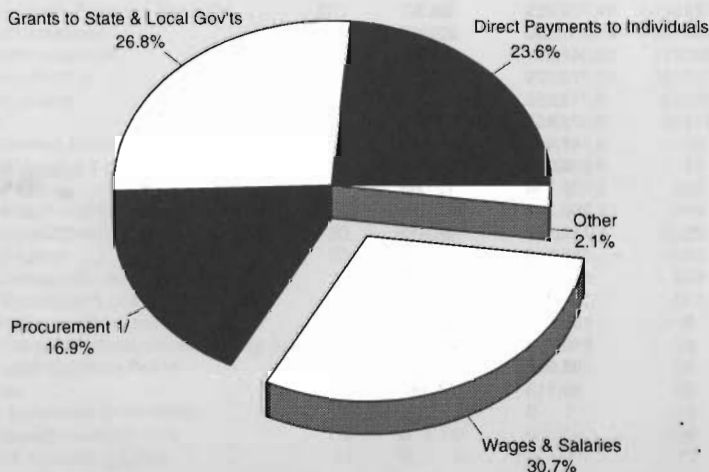
## Federal Government Spending in Alaska Tops \$4 Billion

The accompanying table and figures highlight some of the areas of Alaska's economy that benefit from federal expenditures.

Civilian and military wages paid to employees of the federal government in Alaska are a fraction of the economic stimulus that federal spending provides the state's economy. Wages and salaries paid to military and civilian employees accounted for just over 30 percent of the \$4.19 billion spent by the federal government in Alaska in federal fiscal year 1995. (See Figure 1.) Direct grants to state and local governments accounted for 26.8%, or \$1.1 billion, of the federal dollars spent (also Table 1), while direct payments to individuals was 23.6%, or \$990 million, of federal expenditures (also Figure 2). Federal procurement, of which the Department of Defense awards the most federal dollars, accounted for another 16.9% of the federal spending in Alaska. In addition to direct spending, the federal government provided almost \$700 million in economic stimulus by acting as a lender or insurer of last resort for mortgage and flood insurance, home and business loans and other activities in fiscal year 1995. (See Figure 3.)

**Figure 1**  
**Federal Funds Distribution in Alaska**  
FFY 1995

Total = \$4,198,000,000



1/ The Department of Defense awards 78.2% of total procurement contracts.  
Source: U.S. Bureau of the Census, *Federal Expenditures by State for Fiscal Year 1995*.

Paralleling Interior's employment expansion was a period of growth at the Department of Agriculture. From 1988-1992, the Forest Service beefed up its staff devoted to studying forest habitat, particularly wildlife and fisheries biologists, ecologists, and technicians supporting their efforts. In addition to a larger scientific staff, more personnel were hired to plan, develop and maintain recreational facilities within the forests.

The Department of Transportation, in particular the Federal Aviation Administration (FAA), also expanded in the latter part of the 1980s. The primary reason for FAA expansion was an initiative to increase airline safety. This included a broad-based effort of hiring air traffic controllers, upgrading air traffic management systems, and increasing staff devoted to inspecting and certifying aircraft and operators.

Another contributor to civilian federal employment growth was the Department of Veterans Affairs (VA). The VA administers veterans' entitlement programs in Alaska and provides health care services through the Anchorage VA clinic. In April 1990, the VA moved into a larger facility that enabled them to increase in-house health care services provided to veterans. It also expanded its service area to include the Kenai Peninsula and the MatSu Borough, which significantly increased its potential patient base. The extra staff necessary to deliver these services is the primary reason for VA growth in Alaska.

Another temporary boost to federal employment during this period occurred when the Federal Deposit Insurance Corporation opened an office in the late 1980s to deal with the bank failures of the recession. Employment at the agency peaked at nearly 200 jobs in 1991, but then was whittled back to zero when the office closed in 1993.

## National Performance Review reduces employment

In 1994, civilian federal agency employment in Alaska declined, reversing gains that occurred since 1986. At the broadest level, the administration's National Performance Review forced federal agencies to examine how

they could deliver services more efficiently. The result was smaller staff levels, particularly in administrative functions, and expansion of partnerships with other entities to accomplish their mission. Partnerships range from contracting out functions to private entities to jointly developing new facilities and services with other government and private agencies.

The Department of Interior, a prominent player in the growth spurt of the late 80s and early 90s, is one agency that downsized during the last several years. Within Interior, the Bureau of Land Management, Fish and Wildlife Service, Minerals Management Service, and the Bureau of Indian Affairs experienced most of the job losses. Some of these losses were shifts of staff to the newly created National Biological Survey; others were the result of attrition or retirement. Although the National Park Service has fared relatively well compared to other agencies within the department, it too has cut back on staffing levels and is developing partnerships with other entities to maintain and develop facilities.

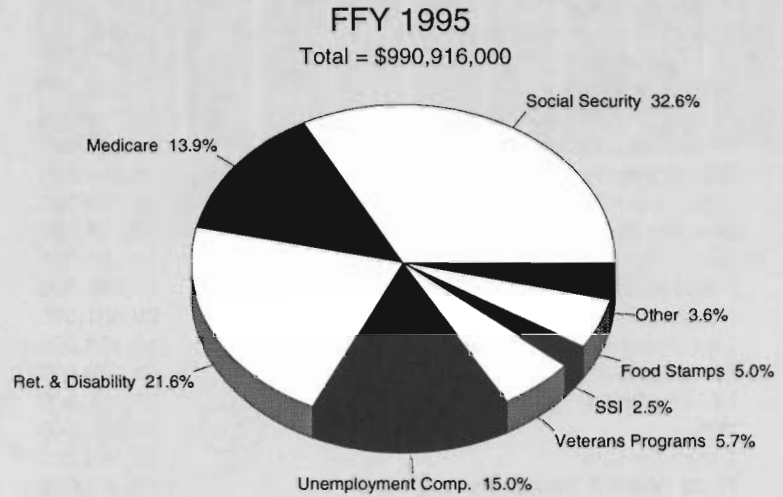
The Postal Service, which experienced a small increase in employment the past several years, expects employment to remain close to current levels in the near term. Mail volume is the critical factor determining future Postal Service employment and, if population continues to grow, there will probably be slight growth in Postal Service employment.

The Federal Aviation Administration (FAA) and the civilian side of the Coast Guard both cut employment during the past several years, but now expectations are for relatively stable employment. Much of the FAA consolidation occurred in the administrative support and supervisory ranks of the agency. With flight standards for small carriers more stringent and the airline industry under scrutiny for safety and security reasons, the FAA is likely to remain at current levels or perhaps even experience some limited growth.

In the Department of Agriculture, the employment outlook also appears stable for the immediate future. As with the other federal

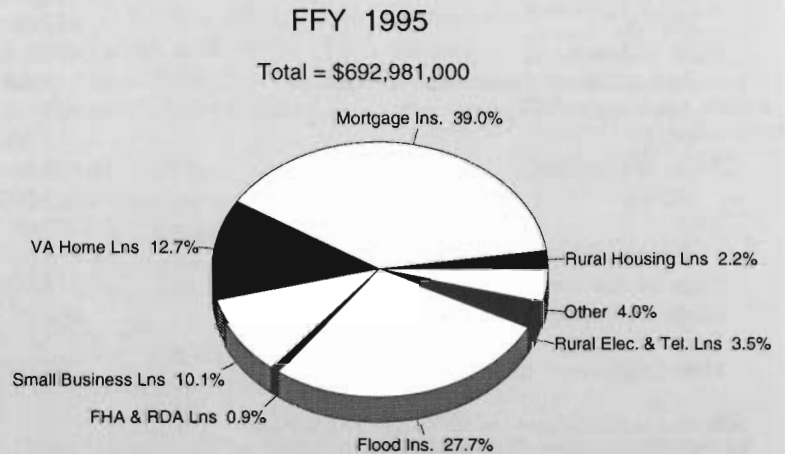
From 1988 to 1994, federal spending in Alaska increased from \$2.664 billion to \$4.640 billion, an increase of almost 75 percent. (See Figure 4.) The state has seen an enormous economic benefit as a result, with federal employment and wages being an important, but fractional, portion of the growth during that period. In federal fiscal year 1995, federal spending decreased for the first time since 1988, a harbinger of the direction that overall federal spending in Alaska will take in the near future.

**Figure 2**  
**Direct Payment to Individuals**



Source: U.S. Bureau of the Census, Federal Expenditures by State for Fiscal Year 1995.

**Figure 3**  
**Loan and Insurance Programs 1/**



1/ Includes direct and guaranteed loans.

Source: U.S. Bureau of the Census, Federal Expenditures by State for Fiscal Year 1995.

**Table 1**  
**Grants and Other Payments to State and Local Governments**  
**for Selected Departments and Programs**  
**FFY 1995**

Total	\$1,124,749,000
Dept. of Transportation	321,860,000
Highway Trust	258,098,000
FAA—Airport & Airway Trust	55,479,000
Dept. of H&HS	313,032,000
Medicaid	168,723,000
AFDC	69,228,000
Children & Family Svcs.	36,204,000
Foster Care & Adoption Asst.	9,527,000
Low Income Home Energy Asst.	8,483,000
Dept. of Education	127,001,000
School Assistance	64,392,000
Special Ed. & Rehab. Svcs.	17,711,000
Education for Disadvantaged	15,470,000
School Improvements	6,884,000
Indian Education	6,740,000
Bilingual Education	2,555,000
HUD	114,681,000
Public Housing	69,589,000
Housing Pymts. (Section 8)	20,681,000
Low Rent Housing—Oper. Asst.	10,928,000
Dept. of Agriculture	63,432,000
Child Nutrition	20,058,000
WIC	12,828,000
Forest Service	10,089,000
Rural Water & Waste Disposal	7,964,000
Food Stamps	7,353,000
Food Safety & Inspection	1,190,000
FEMA	50,471,000
Disaster Relief	49,326,000
Dept. of Labor	42,778,000
State U.I. & Employment Svcs.	29,217,000
JTPA	10,158,000
OSHA	1,657,000
Dept. of Interior	40,991,000
Fish & Wildlife Restoration & Mgmt.	16,917,000
BIA—Indian Programs	13,481,000
BLM	4,713,000
Dept. of Commerce	18,528,000
NOAA	15,589,000
EPA	17,888,000
Constr. of Wastewater Treat. Works	12,974,000
Dept. of Justice	5,574,000
Corp. for Public Broadcasting	4,958,000
Dept. of Energy	1,955,000
Nat'l Endowment for the Arts	706,000

*Table includes selected agencies. Subtotals do not add to totals.  
Source: Federal Expenditures by State for Fiscal Year 1995.*

agencies, administrative functions were targeted for cutbacks at the Forest Service, while field operations suffered fewer cutbacks. With the majority of the downsizing behind it, future employment changes at the Forest Service could result from a shift from timber harvest programs to total forest ecosystem management. Changing land management philosophy could place downward pressure on employment related to timber harvesting programs, but programs receiving a greater emphasis could grow.

Since 1993, Health and Human Services employment in Alaska has steadily declined. This trend is expected to continue as the last of the Public Health Service health care facilities are privately contracted. The lone remaining Indian Health Service facility is the Alaska Native Medical Center (ANMC) in Anchorage. That facility is expected to move to private management in the next two to three years. Transfer to private management does not necessarily mean that all ANMC employees will immediately move from federal government employment into the private sector. However, over time, the number of federal employees at the facility is bound to dwindle.

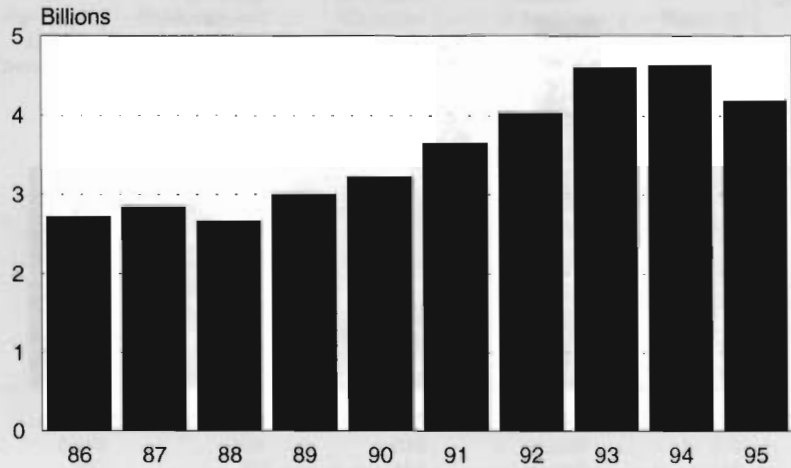
Most of the other smaller federal agencies in the state expect little or no change in employment. The Veterans Administration (VA) expects marginal employment growth as the current round of expansion of medical care services to veterans winds down. When the new hospital at Elmendorf Air Force base opens, the VA expects to further expand its capacity to provide in-patient services to the area's veterans. In the Department of Commerce, current plans are to construct a major facility for the National Marine Fisheries Service (NMFS) in Juneau around the year 2000. In partnership with the University of Alaska, Fairbanks fisheries school, the facility would consolidate much of the region's fisheries scientists in one facility. The new facility may be accompanied by a slight personnel increase at NMFS. During the next two years, the Department of Energy's presence in Alaska is expected to wither as the two electrical facilities operated by the Alaska Power Authority are sold. Overall, the impact on federal employment in the smaller agencies tends to be minimal in comparison to what happens at the larger agencies.



## Civilian feds remain an economic cornerstone

Although its prominence has diminished since the oil industry emerged as a major force in Alaska's economy, the federal government remains the state's largest single employer. In the last several years, an effort to pare federal spending has placed downward pressure on employment at most civilian agencies in Alaska. For the immediate future, it appears that the impetus to downsize employment levels at most federal agencies has subsided. Relative stability or slight employment drops gained from attrition are the most common outlook for federal agencies in the state. With a large resource base to manage, and a growing population spread over a large area, it's a certainty that the federal government will remain an important player in Alaska's economy for many years to come.

Figure 4  
Historical Summary of Total Federal Government Expenditure by Federal Fiscal Year  
Alaska



Source: U.S. Bureau of the Census, Federal Expenditures by State for Fiscal Year 1995.

# Defense: Still One of Alaska's Biggest Exports

by Neal Fried

The U.S. military has played an important role in the development of Alaska's economy. In the 70 years following the purchase of Alaska in 1867, the U.S. military built several forts. These forts spurred the building of roads and telegraph systems and facilitated the movement of explorers and settlers into the Territory. However, by 1939, the military presence in Alaska had dwindled to one fort, the Chilkoot Barracks in Haines, with a force of only 311 troops.

With the onset of World War II, the military again expanded in Alaska and its economic importance to the Territory became clear. By November of 1943, about 150,000 troops were in Alaska and thousands of construc-

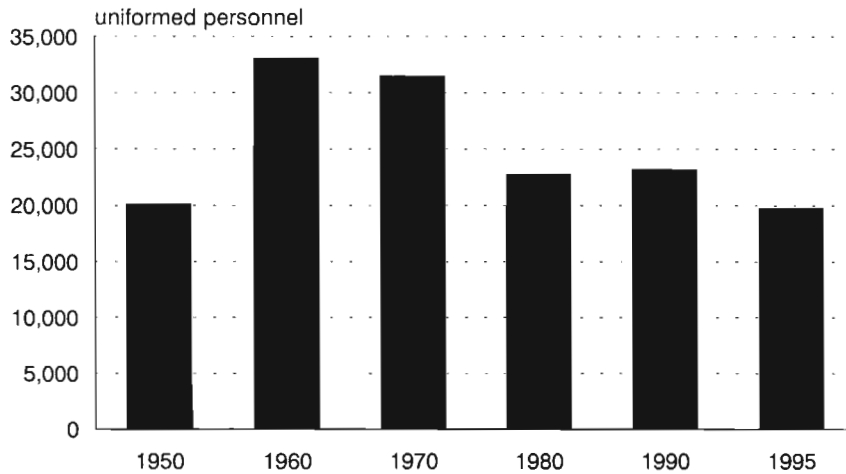
tion workers were building installations, roads, air fields and ports. In a massive endeavor, the military connected the Territory to the rest of the continent by road.

This defense buildup put Alaska on the map—attracting private contractors and workers to the Territory and providing valuable infrastructure. After the war, fears that demobilization would result in lack of opportunity and a return to isolation went unrealized as first the Cold War and then the Korean War emphasized Alaska's strategic location to the military. Instead of retreating from the Territory, the military embarked on a long period of expansion. By 1960, nearly half of Alaska's labor force was,

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Figure • 1

### Alaska's Military Might at Lowest Level in Decades



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

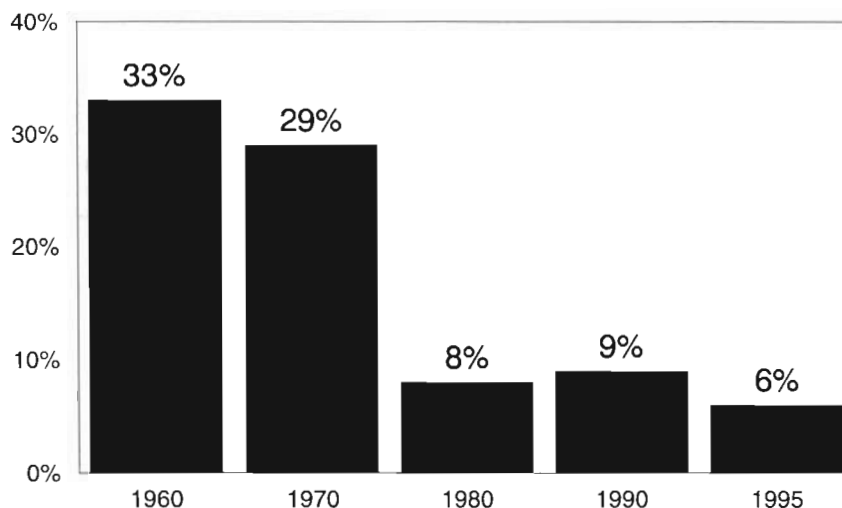
in one form or another, working directly for the military. This expansion continued until 1991.

With the end of the Cold War, the role of the military in Alaska is changing. Since 1994, several bases have closed or reduced strength and others are slated to follow. Troop strength in the state is presently at its lowest level in more than 30 years, and the military's share of Alaska's labor force is at its lowest standing in decades. (See Figures 1 and 2.) Defense expenditures have also fallen during the past two years. (See Figure 3.)

Despite these cuts, the military should continue as a strong partner in Alaska's future. From a geopolitical viewpoint, Alaska, sitting half-way between Europe and Asia, retains its strategic advantage. Also, the vast and largely unpopulated expanse of the state provides the military with unique training opportunities. Possibly most important is that the push to downsize the military is now largely complete. Thus, the military's presence in Alaska may be entering a new period of stability, albeit at a lower level. In spite of its smaller size, the military remains one of the biggest basic industries in Alaska's economy.

Figure • 2

### The Uniformed Military's Share of Alaska's Labor Force Wanes



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

### Alaska reigns third among states in per capita defense dollars

In 1995, Alaska "exported" more than \$1.5 billion worth of defense service to the rest of the nation and to other parts of the world. That is the amount spent in Alaska on defense in federal fiscal year 1995. Although Alaska ranked 33rd among the 50 states in total defense dollars spent, on a per capita basis, the amount is striking. (See Table 1.) Only Washington, D.C., Hawaii and Virginia received more dollars per capita. Per capita defense expenditures in Alaska were nearly three times the national average. Although Alaska manufactures little for military use, it ranked fourth in the per capita expenditures on procurement contract awards.

For perspective on the impact of this spending on the state's economy, consider that in 1995, more than \$2,333 defense dollars were spent for every man, woman and child in

How Alaska's Defense Presence Compares With Other States<sup>1/</sup>—1995

	Total Defense Expenditures (millions)	Per Capita Defense Expenditures	Per Capita Defense Procurement Contract Awards	Per Capita Defense Wages and Salaries	Number of Active Duty Military	Number of Military- Civilians
U.S.	\$226,583	\$858	\$477	\$270	1,123,000	767,907
Alabama	4,136	980	446	364	15,000	22,969
ALASKA	1,414	2,333	914	1,252	17,771	4,460
Arizona	4,208	1,033	597	246	22,033	9,251
Arkansas	921	376	91	138	5,091	3,812
California	31,571	1,004	585	299	128,300	92,689
Colorado	4,280	1,171	575	382	33,496	12,793
Connecticut	3,469	1,059	860	147	5,293	4,124
Delaware	439	621	171	309	4,414	1,679
Washington, D.C.	2,139	3,752	1,574	1,999	14,023	14,873
Florida	12,537	899	447	239	54,250	29,280
Georgia	7,737	1,097	498	450	63,403	33,645
Hawaii	2,899	2,459	554	1,686	36,892	17,179
Idaho	427	377	86	160	3,849	1,615
Illinois	3,083	262	96	127	27,236	16,345
Indiana	2,269	394	213	131	1,123	12,932
Iowa	702	248	155	48	353	1,549
Kansas	1,993	780	345	327	18,778	5,904
Kentucky	2,186	571	141	353	31,821	11,669
Louisiana	2,378	551	243	214	16,720	8,570
Maine	1,250	1,008	575	307	1,824	5,686
Maryland	7,708	1,540	891	494	31,355	36,319
Massachusetts	5,978	990	818	108	3,500	8,957
Michigan	2,186	230	132	62	1,600	9,032
Minnesota	1,621	355	243	55	782	2,716
Mississippi	2,859	1,071	593	352	12,624	10,658
Missouri	7,394	1,401	1,109	207	14,025	16,170
Montana	413	482	156	214	4,297	1,179
Nebraska	943	581	174	284	9,442	3,575
Nevada	930	638	150	244	8,457	2,121
New Hampshire	827	727	510	86	409	1,376
New Jersey	4,527	573	376	154	8,382	20,254
New Mexico	1,813	1,096	395	472	15,033	8,582
New York	5,241	288	194	68	20,467	13,846
North Carolina	5,181	733	191	402	94,390	17,613
North Dakota	522	819	200	539	10,104	1,785
Ohio	5,054	455	237	169	9,042	30,666
Oklahoma	2,786	855	224	489	28,985	18,901
Oregon	662	214	43	67	918	2,952
Pennsylvania	5,799	481	248	171	3,961	34,155
Rhode Island	821	824	379	340	3,700	4,050
South Carolina	3,316	905	273	432	34,778	12,045
South Dakota	386	536	179	264	4,140	1,301
Tennessee	2,195	424	207	105	7,076	5,854
Texas	17,196	936	506	274	117,309	52,882
Utah	1,463	767	260	416	5,247	13,620
Vermont	311	537	358	100	118	600
Virginia	23,253	3,549	1,850	1,353	91,003	93,932
Washington	5,941	1,112	430	484	37,462	25,633
West Virginia	456	250	112	69	562	1,783
Wisconsin	959	189	100	47	832	3,413
Wyoming	298	625	193	314	3,803	1,013

<sup>1/</sup> Does not include the Coast Guard.

Source: U.S. Department of Commerce, Bureau of Census, Federal Expenditures by State for Fiscal 1995. U.S. Department of Defense, Atlas/Data Abstract For The U.S. and Selected Areas, Fiscal Year 1995.

Alaska—nearly two and one-half times the amount of past Alaska Permanent Fund Dividend checks. If the Coast Guard appropriations were included, this figure would rise by approximately \$200. In 1993, the Defense Budget Project calculated that 7.6% of Alaska's gross state product was related to military spending, making Alaska the most defense-reliant state in the nation.

### Wages and salaries are the biggest expenditure

Almost half the defense expenditures in Alaska pay for wages and salaries. In 1995, these cost the military more than \$800 million. It's not surprising that wages and salaries play such a prominent role in the military's economic impact, since Alaska is not replete with defense contractors. Instead, it is home to 19,633 soldiers, 6,915 military civilian personnel, and 600-800 private contractor employees. Most of the civilians and military personnel receive a cost-of-living adjustment (COLA) to their salaries. Most of the civilians receive a tax-free 25% COLA. Cost-of-living adjustments for uniformed personnel depend on rank and family size.

In 1995, the uniformed personnel payroll totaled \$575 million, providing an average annual pay of approximately \$30,000. Although some of these dollars are spent in the state, less enter the local economy than from other basic industry jobs. Employment multipliers for uniformed personnel range from 1.1 to 1.3, meaning that each soldier in the state generates 0.1 to 0.3 jobs elsewhere in the economy. These multipliers are relatively small.

The impact of military pay is reduced because many goods and services consumed by the average soldier, including housing, medical care, groceries and entertainment, are available on base. Approximately two-thirds of active duty military and their dependents live on base. However, because soldiers are provided housing, health care and other services, they can have significant disposable income. Thus, their purchasing power is higher than their annual average salaries suggest. In addition, when new soldiers arrive, they establish households, an activity which increases consumption. The biggest beneficiaries of the soldiers' shopping sprees are probably the state's retailers. Also, some evidence indicates soldiers may be spending more of their income off post. Sales at the exchange stores and commissaries have declined for several years. Though part of this decline resulted from the reduced number of uniformed personnel, some can be attributed to the increased competitiveness of civilian retail and service industries with on-base facilities.

Table • 2

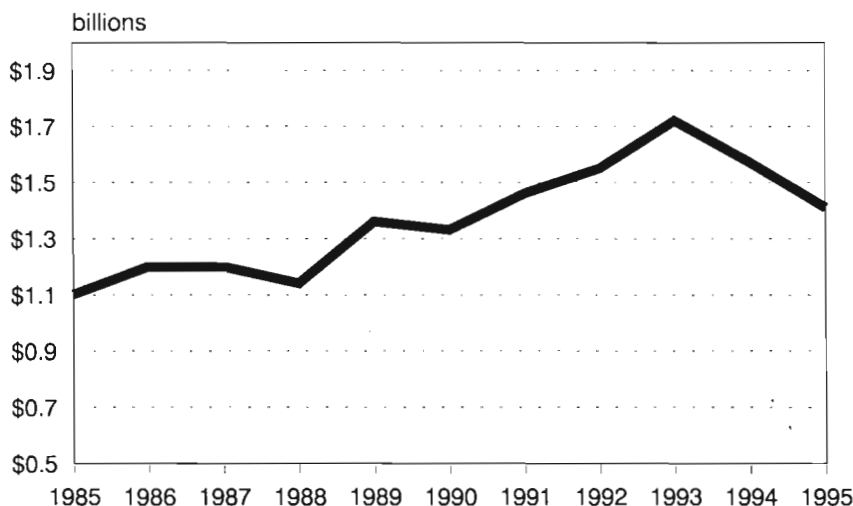
### Civilian Military Employment in Alaska—1995 1/

	Employment	Payroll	Average Annual Wage
Civil Service	4,816	\$179,654,611	\$37,304
Non-appropriated funds	1,294	13,419,182	10,370
Exchange	970	16,230,642	16,733
Total	7,080	209,304,435	29,563

1/ Coast Guard not included.  
Source: Alaska Department of Labor, Research and Analysis Section.

Figure • 3

### Defense Expenditures in Alaska Fell During the Past Two Years 1/



1/ Does not include the Coast Guard. Source: U.S. Department of Commerce, Bureau of Census, Federal Expenditures by State for FY1985-95.

Nearly a third of the troops and their dependents live off base. The majority rent housing, but some purchase homes. Besides their pay, these soldiers receive monthly housing allowances of \$690 to \$1,491, depending on rank and number of dependents. They also tend to purchase more goods and services off base.

The number of soldiers and dependents living off base has remained relatively stable. During the past decade, constant investment in on-base housing has upgraded existing facilities, but not added much new capacity. For example, eightplexes often became fourplexes or other smaller configurations. It is conceivable that, longer term, a larger share of the uniformed military population may live on base which, in turn, will mean a diminished impact on the economy.

In addition to uniformed personnel, the military provides 4,816 civil service jobs with a payroll in 1995 of nearly \$180 million. (See Table 2.) These employees earned an average annual paycheck of \$37,304, 16% above the statewide rate. The economic multiplier for these jobs is substantial—indeed their impact is no different from that of other federal government jobs in the state. Nearly all these civilians live off base and usually don't benefit from most of the services provided on base. Significantly, local residents hold many of these jobs. This means that civil service jobs have a considerably bigger impact on the economy than do active duty and most other civilian military jobs. Employment multipliers for these federal jobs range from 1.7 to 2.0, meaning that every civil service job generates 0.7 to 1.0 additional jobs.

The remaining 2,264 military civilian jobs provide less zing to the state's economy than the uniformed or civil service jobs. A primary reason is that non-appropriated fund (NAF) and Army and Air Force Exchange System (AAFES) positions are often part-time, pay lower wages, and are more likely to be held by military dependents. The NAF and AAFES positions provide services to meet the morale, welfare, recreational, and retail needs of the military. They include operating clubs, ski courses, bowling alleys, restaurants, stores, etc. These are self-sup-

## Alaska's Top Five Military Contractors

		Value of Contracts (Thousands)
M.A. Mortenson Company	building Elmendorf hospital	\$51,439
Pacificorp	provides telecommunication services	41,528
Arctic Slope Regional Corporation	fuel	39,838
Piquiniq Management Corporation	operates facilities	38,610
ITT Corporations	fuel	22,539

Source: U.S. Department of Defense, Atlas/Data Abstract for the United States and Selected Areas, FY 1995.

porting activities, and therefore, are non-appropriated fund positions. In 1995, the average annual wage for these jobs was \$13,096.

### Military construction and buying also help

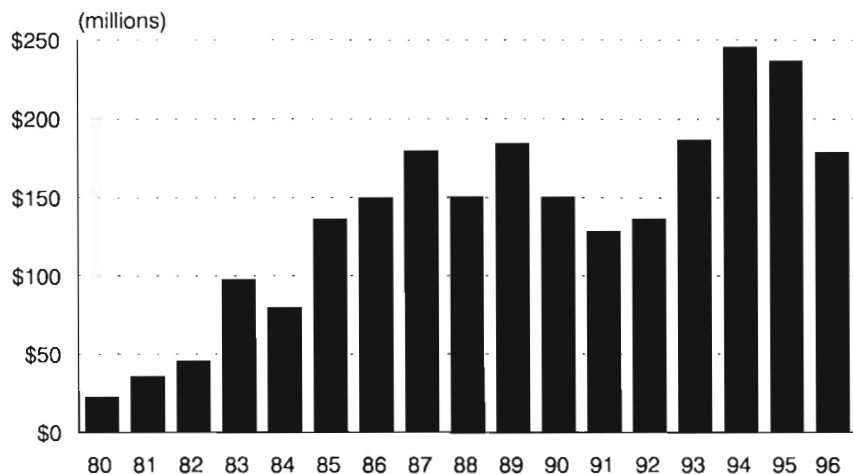
The state's construction industry has always benefitted from military work. Many of the bigger contractors started by building the Alaska Highway and other big defense projects. Military spending has provided a stable source of income for an industry where stability is not the norm. Only twice during the past decade did the military spend less than \$150 million dollars a year for construction projects. (See Figure 4.) During two of the last three years, the military has spent more than \$200 million annually. The single biggest project, and one of the biggest construction projects in the state today, is the construction of a new \$120 million hospital on Elmendorf Air Force Base.

Environmental clean-up of military sites accounts for a big slice of military construction activity. The Corp of Engineers recently awarded a four-year contract with two, three-year contract extensions, worth up to \$240 million. Given the number of installations and the backlog of work, clean-up should generate significant business for many years to come.

In 1995, the Department of Defense awarded \$554 million in procurement contracts in Alaska, and the Coast Guard added another

Figure • 4

### Annual Military Construction Expenditures in Alaska 1/



1/ Coast Guard and Navy expenditures not included.  
Source: U.S. Army Corp of Engineers.

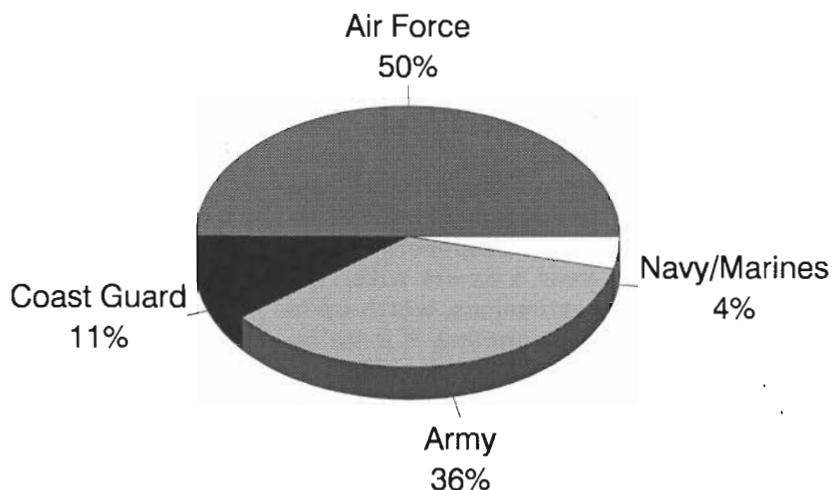
\$41 million. These figures represent over half of all federal procurement contract awards in the state. Hundreds of businesses gained from this spending, providing fuel, utilities, leases, supplies, construction and other services. Some of the largest beneficiaries are listed in Table 3. M. A. Mortenson Company, for example, is the primary contractor building the hospital on Elmendorf AFB. Arctic Slope Regional Corporation's subsidiary, Petro Star, was a major supplier of fuels. But, unlike wages and salaries, a larger share of these dollars leaks out of Alaska's economy, as it goes toward supplies and construction materials manufactured elsewhere in the world.

### All branches of the military are represented

Alaska is home to all branches of the military—the Army, Air Force, Navy and even a contingent of Marines. (See Figure 5.) The Coast Guard is also represented, though it falls under the Department of Transportation rather than the Department of Defense.

Figure • 5

### The Air Force is now the Dominant Military Service in Alaska—1996



Source: Alaska Air Command.

The Air Force, with half the state's military workforce, has the largest military presence in Alaska. The biggest player for many years, its share is increasing and may be at the largest proportion ever. Only two years ago, the Air Force represented 43% of the uniformed personnel. The increase in share does not result from an increase in absolute numbers. Rather, the Air Force's station strength fell more slowly than the Army's or Navy's. Unlike the Army, most of its losses, coming from the closure of remote bases, were smaller. Force levels at its two largest installations, Elmendorf and Eielson Air Force Bases, have remained relatively stable.

By 1995, the Army's share of the armed forces had shrunk to 36%. The Army took a big hit in 1994 when Fort Richardson began downsizing, losing nearly half its troops. Fort Wainwright's active duty count fell by 500 between 1993 and 1995.

On a percentage basis, the Navy has cut the most. Just two years ago, it contributed 9% of the forces in Alaska. Today, its presence is less than half that. In 1992, the Aleutian

## Alaska's Station Strength for Active Duty Personnel July 1985-July 1995

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total State	23,071	22,953	24,450	24,064	24,833	23,132	25,139	24,460	24,355	20,119	19,633
Aleutians West	2,890	2,847	2,984	2,698	3,141	2,534	2,733	2,541	2,169	896	860
Anchorage, Municipality	10,827	10,807	11,712	11,028	11,140	10,209	10,876	11,075	11,265	9,556	9,386
Bristol Bay Borough	300	291	275	283	284	285	261	281	299	0	0
Denali Borough	119	110	121	125	123	120	113	107	121	116	115
Fairbanks North Star Borough	5,912	5,938	6,452	7,127	7,572	7,500	8,771	7,794	7,937	7,210	6,948
Juneau Borough	316	235	223	195	184	187	168	223	228	230	231
Kenai Peninsula Borough	72	77	72	85	88	80	83	120	75	110	99
Ketchikan Gateway Borough	152	211	276	205	211	188	199	196	222	189	212
Kodiak Island Borough	1,086	1,076	1,000	992	919	913	820	1,018	1,017	1,037	1,028
Nome Census Area	31	26	31	27	27	28	23	28	28	23	24
Sitka Borough	185	195	187	214	203	203	191	222	231	207	207
Southeast Fairbanks Census Area	718	710	689	658	497	447	489	433	431	402	386
Valdez-Cordova Census Area	101	101	96	76	107	96	98	102	104	115	110
Wrangell-Petersburg Census Area	21	20	23	28	27	22	26	27	30	28	27
Yukon-Koyukuk Census Area	341	309	309	323	310	320	288	293	198	0	0

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

Island of Adak was home to 2,000 naval personnel and 2,200 dependents. But late the next year, as one of the bases slated to close by early 1998, it began losing personnel. Presently, less than 500 sailors are based in Adak and all dependents have left. Most of the military civilian personnel and most private contractors have also vacated the station. Much of this draw down has gone unnoticed because of the remote location and the lack of a resident civilian population. However, over the past decade, Alaskan contractors and businesses benefited from hundreds of millions of dollars worth of Navy business. When Adak shuts down, the Navy's presence in the state will become minuscule.

Like the Air Force, the Coast Guard's share of Alaska's forces increased—reaching 11% in 1995. Its employment has inched up during the past two years.

### The military still influences the state's demographics

Since World War II, not only has the military played an important economic role in Alaska, it has influenced Alaska's demo-

graphics in many ways. Although the average age of the military has increased and more women have joined the services, it remains dominated by younger males. This military population accentuates the frontier flavor of Alaska's demographics—young, male and transient. Alaska is the second youngest state in the nation and its ratio of males to females is the highest (1.08 males for every female). It is also probably the most transient—a characteristic contributed to by the military's personnel rotations. Past estimates determined that approximately 20 percent of the state's migration flows were military related. The military's population also tends to be more nonwhite than the rest of state's population and, therefore, also introduces greater diversity to the state.

### Veterans as well are numerous

In 1994, there were 65,000 veterans in the state. Given the number of military installations in the state, it is not surprising Alaska has the second highest concentration of veterans in the country. The retired military pay in 1995 amounted to \$98.8 million. Other economic impacts not accounted for in this figure are the health benefits and other

T a b l e • 5

### Where Alaska's Military and Their Dependents Live—1995

	Uniformed Military	Dependents	Total Military Population	Dependents Per Military Population
Total State	19,633	27,541	47,174	1.40
Aleutians West	860	0	860	0.00
Anchorage, Municipality	9,386	14,632	24,018	1.56
Denali Borough	115	18	133	0.16
Fairbanks North Star Borough	6,948	9,446	16,394	1.36
Juneau Borough	231	407	638	1.76
Kenai Peninsula Borough	99	121	220	1.22
Ketchikan Gateway Borough	212	298	510	1.41
Kodiak Island Borough	1,028	1,544	2,572	1.50
Nome Census Area	24	4	28	0.17
Sitka Borough	207	313	520	1.51
Southeast Fairbanks Census Area	386	581	967	1.51
Valdez-Cordova Census Area	110	146	256	1.33
Wrangell-Petersburg Census Area	27	31	58	1.15

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

benefits provided to the veterans by the Veterans Administration (VA). The VA is one of the few federal agencies in the state which experienced strong growth in the past four years. (See "Federal Agencies Prominent Despite Downsizing," on page one of this issue of *Alaska Economic Trends*.)

#### Most of the military action is along the railbelt, but not all

The state's military installations vary greatly in station strength—from six at the Coast Guard's Loran station in Tok to 6,659 at Elmendorf Air Force Base in Anchorage. In 1995, 11 installations had over 100 military personnel, and four bases housed over 2,000 troops. Many remote sites that once had permanent personnel are now not staffed because new technologies have automated surveillance.

T a b l e • 6

### Military Expenditures by Borough and Areas in the State 1/

	1995 (millions)
Alaska Total	\$1,425
Aleutians East Borough	4.4
Aleutians West Census Area	60.5
Anchorage, Municipality	764.9
Bethel Census Area	26.7
Bristol Bay Borough	20.9
Denali Borough	3.9
Dillingham Census Area	0.9
Fairbanks North Star Borough	372.8
Haines Borough	0.2
Juneau Borough	3.6
Kenai Peninsula Borough	9.7
Ketchikan Gateway Borough	1.6
Kodiak Island Borough	5.4
Lake and Peninsula Borough	1.7
Matanuska Susitna Borough	9.1
Nome Census Area	11
North Slope Borough	7
Northwest Arctic Borough	2.4
Prince of Wales-Outer Ketchikan CA	0.4
Sitka Borough	4.8
Skagway-Hoonah-Angoon CA	3.6
Southeast Fairbanks Census Area	19.4
Valdez-Cordova Census Area	49.8
Wade Hampton Census Area	5.1
Wrangell-Petersburg Census Area	0.6
Yakutat Borough	--
Yukon-Koyukuk Census Area	35.1

1/ Does not include Coast Guard.

Source: U.S. Department Commerce, Bureau of Census, Consolidated Federal Funds Report, 1995.

More than 83 percent of military personnel are based either in Anchorage or Fairbanks. (See Table 4.) In 1995, Anchorage was home to 48% of the state's uniformed personnel and 51% of its military population, including dependents. (See Table 5.) Elmendorf Air Force base is the state's largest base. Fort Richardson is considerably smaller with 2,210 uniformed personnel. Slightly more than half of all military spending in the state occurs in Anchorage, where nearly 4,547 civilian personnel earned approximately \$139 million dollars in payroll. (See Tables 6 and 7.)

During the past three years, military force levels in Anchorage dropped to the lowest levels in more than three decades. In late 1992, concern mounted that Fort Richardson would be included on the national base closure list. Instead, in early 1993, a near 50 percent troop draw-down was implemented. By March of 1996, troop counts had fallen from 4,149 to 2,210. Current expectations are for the base to remain at the new level. During this period, Elmendorf's troop count remained largely unchanged. Levels of civilians working for the military in Anchorage also took a relatively big hit over the past three years. The reduced troop strength at Fort Richardson and the overall trimming of federal employment rosters have led to staff



reductions of Army and Air Force Exchange System and non-appropriated fund personnel.

For at least three decades, Anchorage was known as a military town. This reputation began to fade in the mid-1970s as Anchorage's economy diversified, bringing a corresponding increase in the civilian population. However, the military remains one of the largest employers in the community.

The Fairbanks North Star Borough is home to approximately 35 percent of the state's uniformed personnel, the second largest contingent in the state. With the full activation of the 6th Light Infantry Division, Fairbanks' uniformed population peaked in 1991 at 7,937. Since then, troop levels have fallen by nearly 1,000 as both Eielson AFB and Fort Wainwright lost staff. Unlike most of the state, however, they remain above 1987 levels. These numbers may rise a bit when some troops and civilians move to Fort Wainwright after the closure of Fort Greely, near Delta Junction.

Fairbanks has the highest concentration of military population in Alaska. Nearly 20 percent of the Borough's population consists of active duty personnel and their dependents. (See Figure 6.) When civilians and their dependents are included, this proportion climbs to almost a quarter. The military in Fairbanks also supports 1,858 federal civilian jobs with a payroll of \$51.5 million. These jobs represent 61% of all federal employment in Fairbanks.

Kodiak's Coast Guard base is the largest in the nation and the fifth largest military installation in the state. During the past five years, its strength has held relatively stable. Over 1,000 Coast Guard personnel and 1,544 dependents make up nearly 17 percent of the island's population. Approximately a third of the personnel live off base. In addition, a group of 320 civilian, private contract and other employees supports the base. In 1995, the Coast Guard paid out about \$57 million in wages and salaries, \$34.5 million in procurement, and \$22.6 million on construction at the base. As a result of an upcoming reorganization of Coast Guard installations, Kodiak's base could gain additional station strength.

Other sizable military installations include Clear Air Force Base in Anderson (Denali Borough), Fort Greely in Delta Junction (Southeast Fairbanks Census Area), and Adak Naval station. Although Clear Air Force Base is home to only 115 uniformed personnel, who live on base, this installation provides a big boost to the area's economy. Over 250 well-paid civilians perform most of the work on the base, making it the largest employer in the Denali Borough.

T a b l e • 7

### Civilian Military Employment by Area—1995 1/

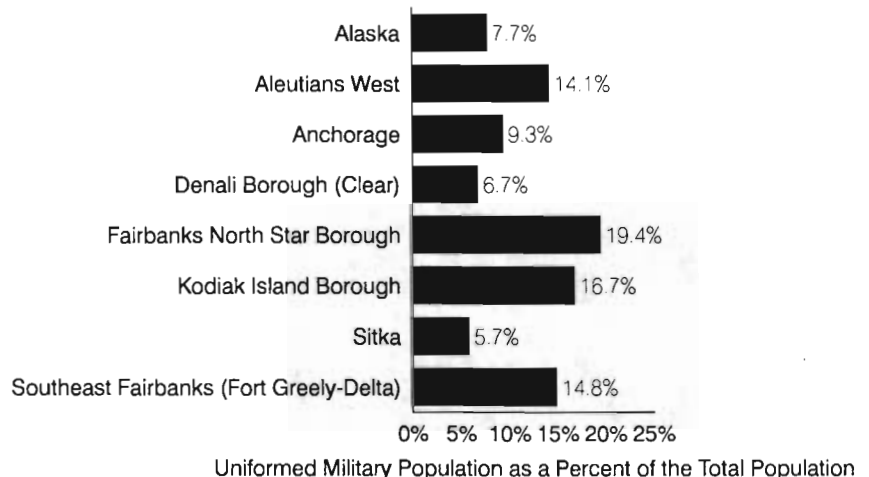
	Employment	Payroll
Anchorage	4,547	\$139,361,627
Fairbanks North Star Borough	1,858	51,500,214
Denali Borough	63	1,711,252
Southeast Fairbanks ( Fort Greely)	226	7,040,527
Juneau	4	120,289
Aleutians West Census Area	217	4,500,346

1/ Coast Guard not included.

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

F i g u r e • 6

### Where the Military Population is Large



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

The other two installations are large, but shrinking fast in preparation for closure. Adak was discussed earlier in this article. Fort Greely, home to approximately 325 active duty personnel and nearly 300 civilians, will close by early 2001. Some of these personnel are moving to Fort Wainwright; only a small number will stay to maintain the base. The fort's closure is a huge economic blow to the region. Greely generates approximately 50 percent of all direct jobs in the Delta region and, including indirect impacts, supports nearly 65-70 percent of all jobs. With the closure of the base, nearly all these jobs will disappear. The community of Delta Junction is seeking ways to use some military facilities to help replace some of these losses.

Several smaller military installations have also shut down during the past two years. The Air Force has closed several stations, including Eareckson (Shemya), King Salmon, and Galena. Just three years ago, these bases were home to approximately 1,000 uniformed personnel. The economic impact of these closures was limited, as most of

these troops lived in barracks, and dependents did not live with them. But for King Salmon and Galena, the bases did provide an important source of economic activity, support infrastructure development, and bring other benefits.

### The military presence in Alaska is shrinking but remains big

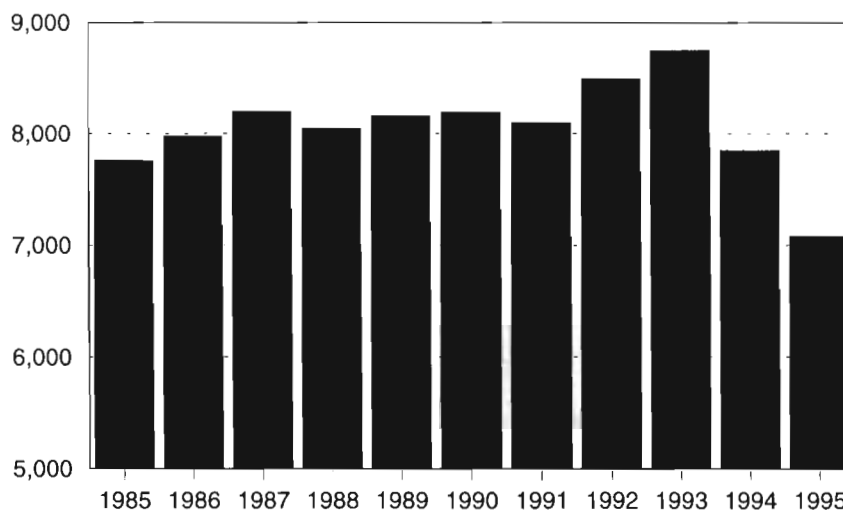
As already noted, Alaska active duty military is presently at its lowest level in more than three decades. The closures of four sizable installations and the downsizing of other bases have taken their toll. Since 1993, 1,664 military civilian jobs have been lost—a 19% decline. (See Figure 7.) Total military expenditures also fell during the past two years. These numbers will continue to drop during the next two years as the closures of Fort Greely and Adak are completed.

Due to the diversification of the state's economy, the influence of the military on Alaska's economy has been waning for several decades. Many of Alaska's industries, such as oil, fishing, and tourism, have grown dramatically. New ones, like international freight, have developed. During most of this period, the military presence and infrastructure also grew, but more slowly than many other parts of the economy. More recently, however, this trend changed when military strength and spending began to fall in absolute terms.

It appears the military's presence is settling into its new lower level. Even with this smaller presence, it will continue to be one of Alaska's biggest economic players. Long term, the military's future is difficult to predict, as it will depend largely on national and international developments.

Figure • 7

### Military Civilian Jobs Fell Hard During the Past Two Years 1/



1/ Does not include Coast Guard.

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

# Timber Debate Burns through Southeast

by Kristen Tromble

Alaska's statewide unemployment rate rose from 7.0% in May to 7.2% in June. (See Table 4.) This unprecedented May to June increase may be due to a quirk in the survey data. Other indicators that help explain changes in the unemployment rate do not point toward a higher June rate.

The national unemployment rate also nudged upward in June, moving from 5.4% to 5.5%.

Statewide, 12,700 jobs were added in June, with gains in every region. June's employment was 3,200 jobs higher than the year-ago number, with large increases in services, retail trade and construction. (See Table 1.) Much of the growth appears to be related to tourism. Federal government, down 500 jobs, showed the largest over-the-year decline. Manufacturing employment fell by 400 jobs over the year, with losses in both seafood processing and timber.

## Southeast shaken by timber jitters

The decline in timber continues a five-year trend. The state's timber industry has shed almost 1,300 jobs since its peak in 1990. Estimates indicate that employment is continuing to drop in 1996, with employment for the first six months of this year averaging over 100 jobs below the year-ago period.

Alaska's timber employment has been dragged down by losses in the state's panhandle region. Southeast has lost at least 1,450 timber jobs since 1990, with the logging and sawmill sectors suffering the biggest cuts. (See Figure 1.) Market conditions, management choices, environmental requirements, and timber supply concerns have all been cited as contributing to the decline. In addition, legal challenges have delayed the release of timber from the Tongass National Forest.

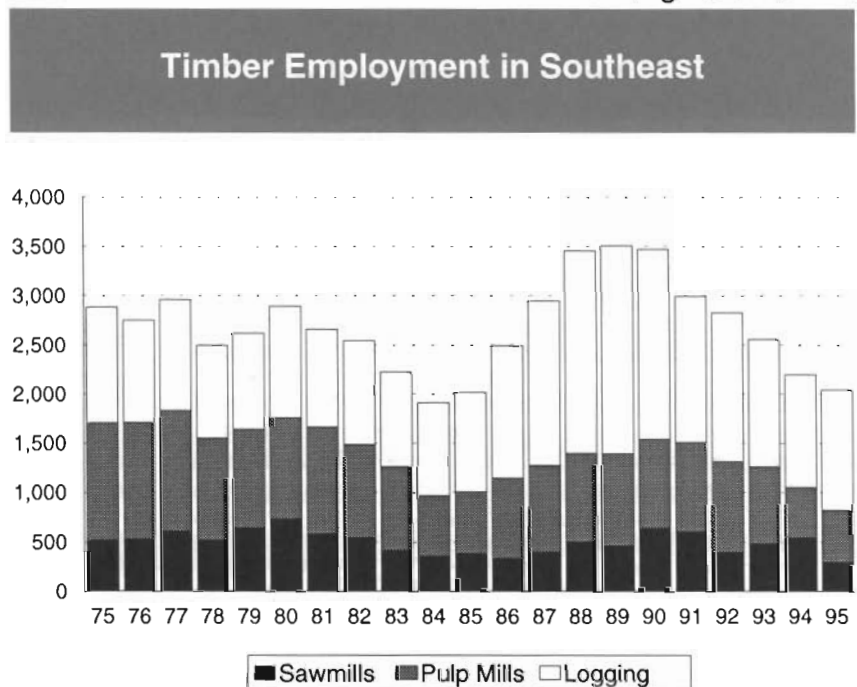
Communities and workers dependent on timber are watching these losses with increasing concern. The industry's outlook is un-

certain, but the possibility of further large cuts cannot be dismissed. Timber operations on both public and private lands face a variety of hurdles.

Regarding public lands, the ongoing revision of the Tongass Land Management Plan (TLMP), currently in a period of public comment, has focused concerns for the future of Southeast's timber industry. The shape of this industry depends largely on whether the pulp mill in Ketchikan remains open. This mill provides a ready market for the pulp quality logs that make up 40 to 70 percent of the timber harvested in Southeast areas. In addition to the pulp mill, its operator, Ketchikan Pulp Company (KPC), runs two sawmills and employs logging workers. The pulp mill directly provides one-fourth of Southeast's timber employment. All KPC operations combined contribute over 40 percent.

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

Figure • 1



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

Table • 1

## Nonagricultural Wage and Salary Employment by Place of Work

Alaska	p/		Changes from			Municipality of Anchorage	p/		Changes from		
	6/96	5/96	6/95	5/96	6/95		6/96	5/96	6/95	5/96	6/95
Total Nonag. Wage & Salary	279,700	267,000	276,500	12,700	3,200	Total Nonag. Wage & Salary	125,400	121,800	124,400	3,600	1,000
Goods-producing	45,100	39,200	44,900	5,900	200	Goods-producing	12,500	11,300	12,600	1,200	-100
Service-producing	234,600	227,800	231,600	6,800	3,000	Service-producing	112,900	110,500	111,800	2,400	1,100
Mining	10,300	9,900	10,200	400	100	Mining	2,800	2,800	2,700	0	100
Construction	15,600	13,500	15,100	2,100	500	Construction	7,400	6,400	7,500	1,000	-100
Manufacturing	19,200	15,800	19,600	3,400	-400	Manufacturing	2,300	2,100	2,400	200	-100
Durable Goods	3,700	3,500	3,700	200	0	Transportation	12,100	11,600	12,200	500	-100
Lumber & Wood Products	2,400	2,300	2,600	100	-200	Air Transportation	4,300	4,200	4,400	100	-100
Nondurable Goods	15,500	12,300	15,900	3,200	-400	Communications	2,100	2,100	2,100	0	0
Seafood Processing	12,300	9,100	12,600	3,200	-300	Trade	31,000	29,900	30,600	1,100	400
Pulp Mills	600	600	500	0	100	Wholesale Trade	6,600	6,500	6,600	100	0
Transportation	24,600	23,200	24,500	1,400	100	Retail Trade	24,400	23,400	24,000	1,000	400
Trucking & Warehousing	3,400	3,300	3,300	100	100	Gen. Merch. & Apparel	4,700	4,400	4,800	300	-100
Water Transportation	2,400	2,000	2,300	400	100	Food Stores	3,300	3,200	3,200	100	100
Air Transportation	7,700	7,200	7,600	500	100	Eating & Drinking Places	8,900	8,600	8,600	300	300
Communications	3,800	3,800	3,800	0	0	Finance-Ins. & Real Estate	7,200	7,100	7,300	100	-100
Trade	58,900	55,500	58,000	3,400	900	Services & Misc.	34,400	33,400	33,500	1,000	900
Wholesale Trade	9,000	8,700	8,900	300	100	Hotels & Lodging Places	2,700	2,600	2,900	100	-200
Retail Trade	49,900	46,800	49,100	3,100	800	Health Services	6,900	7,000	6,800	-100	100
Gen. Merch. & Apparel	9,400	8,800	9,400	600	0	Government	28,200	28,500	28,200	-300	0
Food Stores	7,800	7,600	7,500	200	300	Federal	10,400	10,300	10,700	100	-300
Eating & Drinking Places	17,400	15,800	17,100	1,600	300	State	7,600	8,200	7,600	-600	0
Finance-Ins. & Real Estate	11,900	11,600	12,000	300	-100	Local	10,200	10,000	9,900	200	300
Services & Misc.	66,200	62,700	64,500	3,500	1,700						
Hotels & Lodging Places	8,500	6,900	8,400	1,600	100						
Health Services	13,800	13,700	13,300	100	500						
Government	73,000	74,800	72,600	-1,800	400						
Federal	17,900	17,300	18,400	600	-500						
State	21,200	22,400	20,600	-1,200	600						
Local	33,900	35,100	33,600	-1,200	300						

Table • 2

## Alaska Hours and Earnings for Selected Industries

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	p/6/96	r/5/96	6/95	p/6/96	r/5/96	6/95	p/6/96	r/5/96	6/95
Mining	\$1,211.42	\$1,246.34	\$1,269.88	50.9	50.5	51.6	\$23.80	\$24.68	\$24.61
Construction	1203.65	1155.99	1253.68	47.5	45.8	48.2	25.34	25.24	26.01
Manufacturing	476.32	532.63	491.21	39.3	45.1	40.9	12.12	11.81	12.01
Seafood Processing	343.68	389.63	359.05	38.4	47.4	39.5	8.95	8.22	9.09
Trans., Comm. & Utilities	717.71	645.87	647.40	36.9	34.3	35.3	19.45	18.83	18.34
Trade	431.90	405.70	412.60	35.0	33.2	35.6	12.34	12.22	11.59
Wholesale	681.89	635.07	650.57	39.9	38.7	39.5	17.09	16.41	16.47
Retail	386.69	363.54	370.64	34.1	32.2	34.9	11.34	11.29	10.62
Finance-Ins. & R.E.	491.88	479.37	468.74	36.9	35.3	35.7	13.33	13.58	13.13

Notes to Tables 1-3:

Tables 1 and 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.

Benchmark: March 1995

## Nonagricultural Wage and Salary Employment by Place of Work

	p/		Changes from		
	6/96	5/96	6/95	5/96	6/95
<b>Southeast Region</b>					
Total Nonag. Wage & Salary	38,450	37,100	38,150	1,350	300
Goods-producing	6,400	5,750	6,400	650	0
Service-producing	32,050	31,350	31,750	700	300
Mining	300	250	200	50	100
Construction	1,950	1,850	1,950	100	0
Manufacturing	4,150	3,650	4,250	500	-100
Durable Goods	1,900	1,850	2,000	50	-100
Lumber & Wood Products	1,700	1,650	1,850	50	-150
Nondurable Goods	2,250	1,800	2,250	450	0
Seafood Processing	1,450	1,000	1,500	450	-50
Pulp Mills	550	550	550	0	0
Transportation	3,550	3,200	3,500	350	50
Trade	7,600	7,100	7,550	500	50
Wholesale Trade	550	550	500	0	50
Retail Trade	7,050	6,550	7,050	500	0
Finance-Ins. & Real Estate	1,450	1,450	1,450	0	0
Services & Misc.	7,400	6,950	7,350	450	50
Government	12,050	12,650	11,900	-600	150
Federal	2,100	2,000	2,050	100	50
State	5,250	5,400	5,250	-150	0
Local	4,700	5,250	4,600	-550	100

	p/		Changes from:		
	6/96	5/96	6/95	5/96	6/95
<b>Interior Region</b>					
Total Nonag. Wage & Salary	39,800	37,800	39,050	2,000	750
Goods-producing	4,800	4,050	4,450	750	350
Service-producing	35,000	33,750	34,600	1,250	400
Mining	1,100	900	1,000	200	100
Construction	3,050	2,550	2,800	500	250
Manufacturing	650	600	650	50	0
Transportation	3,400	3,000	3,400	400	0
Trade	8,700	7,750	8,550	950	150
Finance-Ins. & Real Estate	1,100	1,050	1,050	50	50
Services & Misc.	9,550	8,800	9,200	750	350
Government	12,250	13,150	12,400	-900	-150
Federal	3,700	3,450	3,850	250	-150
State	4,350	5,000	4,350	-650	0
Local	4,200	4,700	4,200	-500	0

### Fairbanks North Star Borough

	6/96	5/96	6/95	1,250	600
Total Nonag. Wage & Salary	33,950	32,700	33,350	1,250	600
Goods-producing	4,300	3,600	3,800	700	500
Service-producing	29,650	29,100	29,550	550	100
Mining	900	700	850	200	50
Construction	2,750	2,350	2,350	400	400
Manufacturing	650	550	600	100	50
Transportation	2,650	2,450	2,650	200	0
Trucking & Warehousing	600	550	600	50	0
Air Transportation	550	500	550	50	0
Communications	300	300	300	0	0
Trade	7,850	7,100	7,800	750	50
Wholesale Trade	850	800	850	50	0
Retail Trade	7,000	6,300	6,950	700	50
Finance-Ins. & Real Estate	1,000	950	950	50	50
Services & Misc.	8,450	7,900	8,200	550	250
Government	9,700	10,700	9,950	-1,000	-250
Federal	3,050	2,900	3,200	150	-150
State	3,950	4,700	4,050	-750	-100
Local	2,700	3,100	2,700	-400	0

### Anchorage/Mat-Su Region

	6/96	5/96	6/95	4,550	1,950
Total Nonag. Wage & Salary	137,250	132,700	135,300	4,550	1,950
Goods-producing	13,450	12,150	13,600	1,300	-150
Service-producing	123,800	120,550	121,700	3,250	2,100
Mining	2,750	2,800	2,800	-50	-50
Construction	8,300	7,150	8,300	1,150	0
Manufacturing	2,400	2,200	2,500	200	-100
Transportation	13,050	12,600	13,100	450	-50
Trade	34,000	32,650	33,350	1,350	650
Finance-Ins. & Real Estate	7,650	7,450	7,700	200	-50
Services & Misc.	37,350	36,000	36,250	1,350	1,100
Government	31,750	31,850	31,300	-100	450
Federal	10,550	10,450	10,850	100	-300
State	8,900	9,250	8,450	-350	450
Local	12,300	12,150	12,000	150	300

### Gulf Coast Region

	6/96	5/96	6/95	2,700	50
Total Nonag. Wage & Salary	30,150	27,450	30,100	2,700	50
Goods-producing	8,150	6,550	8,250	1,600	-100
Service-producing	22,000	20,900	21,850	1,100	150
Mining	1,050	1,050	1,150	0	-100
Construction	1,400	1,150	1,300	250	100
Manufacturing	5,700	4,350	5,800	1,350	-100
Seafood Processing	4,400	3,100	4,550	1,300	-150
Transportation	2,400	2,250	2,400	150	0
Trade	5,750	5,100	5,700	650	50
Wholesale Trade	600	600	600	0	0
Retail Trade	5,150	4,500	5,100	650	50
Finance-Ins. & Real Estate	750	750	750	0	0
Services & Misc.	6,300	5,650	6,200	650	100
Government	6,800	7,150	6,800	-350	0
Federal	750	700	750	50	0
State	1,700	1,850	1,700	-150	0
Local	4,350	4,600	4,350	-250	0

### Southwest Region

	6/96	5/96	6/95	1,550	50
Total Nonag. Wage & Salary	18,400	16,850	18,350	1,550	50
Goods-producing	6,550	5,150	6,650	1,400	-100
Service-producing	11,850	11,700	11,700	150	150
Seafood Processing	6,200	4,900	6,350	1,300	-150
Government	5,250	5,350	5,200	-100	50
Federal	550	550	600	0	-50
State	650	550	550	100	100
Local	4,050	4,250	4,050	-200	0

### Northern Region

	6/96	5/96	6/95	600	50
Total Nonag. Wage & Salary	15,750	15,150	15,700	600	50
Goods-producing	5,800	5,500	5,650	300	150
Service-producing	9,950	9,650	10,050	300	-100
Mining	5,100	4,900	5,050	200	50
Government	4,850	4,700	5,000	150	-150
Federal	250	200	250	50	0
State	300	350	300	-50	0
Local	4,300	4,150	4,450	150	-150

T a b l e • 4

## Unemployment Rates by Region & Census Area

Not Seasonally Adjusted	Percent Unemployed		
	p/ 6/96	r/ 5/96	6/95
<b>United States</b>	5.5	5.4	5.8
<b>Alaska Statewide</b>	7.2	7.0	6.9
<b>Anchorage/Mat-Su Region</b>	6.0	5.8	5.8
Municipality of Anchorage	5.2	5.0	5.0
Mat-Su Borough	9.7	9.5	9.6
<b>Gulf Coast Region</b>	11.1	10.9	9.9
Kenai Peninsula Borough	10.9	12.1	9.9
Kodiak Island Borough	13.7	9.2	11.5
Valdez-Cordova	8.0	8.7	7.6
<b>Interior Region</b>	7.3	7.5	7.6
Denali Borough	4.1	4.7	3.7
Fairbanks North Star Borough	6.7	6.7	7.0
Southeast Fairbanks	9.5	11.6	9.5
Yukon-Koyukuk	18.9	19.0	19.4
<b>Northern Region</b>	13.6	13.3	12.0
Nome	15.9	15.4	13.7
North Slope Borough	6.4	5.9	4.3
Northwest Arctic Borough	19.9	20.1	19.9
<b>Southeast Region</b>	6.2	5.9	6.2
Haines Borough	5.7	6.2	8.1
Juneau Borough	5.2	4.8	5.1
Ketchikan Gateway Borough	6.4	6.8	5.6
Pr. of Wales-Outer Ketchikan	12.0	11.2	8.7
Sitka Borough	5.3	4.7	6.1
Skagway-Hoonah-Angoon	4.8	4.0	5.9
Wrangell-Petersburg	7.3	6.7	10.0
Yakutat Borough	5.8	6.2	9.2
<b>Southwest Region</b>	8.4	8.2	7.2
Aleutians East Borough	3.8	4.2	1.8
Aleutians West	3.3	2.4	2.8
Bethel	10.8	11.3	9.4
Bristol Bay Borough	7.7	5.5	5.8
Dillingham	7.7	8.4	5.8
Lake & Peninsula Borough	11.4	7.8	8.8
Wade Hampton	13.8	13.1	13.9
<b>Seasonally Adjusted</b>			
United States	5.2	5.6	5.6
Alaska Statewide	7.5	6.8	6.7

p/ denotes preliminary estimates      r/ denotes revised estimates

Benchmark: March 1995

- Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor.
- The official definition of unemployment currently in place excludes anyone who has made no attempt to find work in the four-week period up to and including the week that includes the 12th of each month. Most Alaska economists believe that Alaska's rural localities have proportionately more of these discouraged workers.

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

Some analysts predict that the preferred TLMP alternative will reduce the harvest level below that needed to sustain the pulp mill. In a separate issue, KPC has petitioned the Forest Service to extend its supply contract, indicating it needs the extension to justify investing in needed pollution controls. The current contract ends in 2004, and without the extension, the pulp mill may close prior to that year.

If KPC closes, a stressful period of industry restructuring would surely follow. Severe job loss and economic disruption could hit quickly—with the attendant impacts on workers and their communities. Ketchikan and communities on Prince of Wales would be hardest hit. Though other companies might eventually find opportunities in a restructured industry, it is doubtful that average timber employment would recover to its current level.

While timber from public lands supports the largest share of employment, private landholders, particularly Native corporations, have also provided harvesting employment. Recent harvest rates are not sustainable and decreased activity on private lands will only exacerbate the industry's problems.

Some Southeast communities are already struggling to cope with employment losses in the timber industry. Haines lost a sawmill in 1991. After the mill closed, total employment and wages each fell about 20 percent. While employment has fluctuated, in 1995, total wages were still down well over four percent.

Sitka, where a pulp mill closed in 1993, is already living through the experience Ketchikan fears. The year following the closure, Sitka saw total employment fall by over seven percent, and total wages by nearly 11 percent. In addition to manufacturing, the impact was particularly noticeable in transportation and retail. Only strong, fortuitously timed growth in other industries cushioned the community from the full blow of the mill closure.

So far, Sitka has weathered its loss surprisingly well. Wrangell, where a sawmill closed in 1994, has not been as lucky. In 1995, Wrangell's employment plummeted by over 22 percent and total wages by nearly 30 percent. Though the community is working hard to develop another economic base, no alternative offers either a quick or easy recovery.

Despite the severe impact of timber job losses on some communities, the region as a whole has continued to grow. From 1990 to 1995, total employment in Southeast rose by 1,850 jobs, and total wages increased almost \$138 million. As growth in other industries shows signs of moderating, communities facing timber losses today may find recovery even more difficult than in the past. Larger, diverse communities are likely to find more opportunities than smaller, rural ones which may not have other significant economic sectors. Southeast could see increasing disparity between rural and more urban areas and between Juneau and the rest of the region.

# Alaska Employment Service

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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.