

1990: Employment Growth Stronger Than Predicted

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Predictions abounded on Alaska's economy as 1989 ended and the

new decade began. Most economists believed that the state would not sustain the 6.2% employment growth rate of 1989, boosted by the Exxon Valdez oil spill activity. Almost across the board for all sectors of the economy, however, employment growth was expected to continue, although at a much slower pace. In view of how strong the year's employment growth actually was, the 1.8% growth forecast in the May 1990 issue of *Alaska Economic Trends* now seems quite conservative.

Ten Thousand More Jobs in 1990

Led by strong performances in the mining and construction industries, statewide nonagricultural wage and salary employment grew by 10,100 jobs in 1990, for a growth rate of 4.4%. (See Table 1.) More remarkable is that if the oil spill's effect on the economy is discounted, 1990 was as good a year as 1989 in terms of employment growth.

From 1988 to 1989 the Alaskan economy added 13,400 jobs which translates into a growth rate of 6.3%. If the jobs with the prime oil spill contractors are ignored, however, the growth picture looks different.

In 1989 about 2,500 jobs (on an annual average basis) were directly created by the cleanup. (For a detailed analysis of 1989, see the April 1990 *Trends*.) In 1990 that number dropped to about 250. If oil spill cleanup workers are factored out, employment growth in 1989 was 5.1%, and employment growth in 1990 was 5.5%. This ignores any indirect jobs that were created during 1989 or 1990. Examples of these jobs would be food service workers who fed the cleanup crews, or extra retail trade jobs created as cleanup workers spent their wages. But it is safe to say that the indirect effects on employment were greater in 1989 than they were in 1990. Fewer

Table • 1

Nonagricultural Wage and Salary Employment By Place of Work — Alaska

	1989 Annual Avg.	1990 Annual Avg.	Change	Percent Change
Total Nonag. Wage & Salary	227,100	237,200	10,100	4.4%
Goods-producing	35,700	38,700	3,000	8.4
Mining	10,200	11,500	1,300	12.7
Construction	9,800	10,500	700	7.1
Manufacturing	15,700	16,700	1,000	6.4
Durable Goods	3,800	3,800	0	0.0
Lumber & Wood Products	2,900	3,000	100	3.4
Nondurable Goods	11,900	12,800	900	7.6
Seafood Processing	8,300	9,100	800	9.6
Pulp Mills	900	900	0	0.0
Service-producing	191,400	198,500	7,100	3.7
Transportation	21,200	20,500	-700	-3.3
Trucking & Warehousing	2,400	2,600	200	8.3
Water Transportation	1,400	1,400	0	0.0
Air Transportation	6,200	6,600	400	6.5
Communications	3,200	3,300	100	3.1
Trade	44,200	46,100	1,900	4.3
Wholesale Trade	7,900	8,200	300	3.8
Retail Trade	36,300	37,900	1,600	4.4
Gen. Merch. & Apparel	5,400	5,800	400	7.4
Food Stores	6,400	6,600	200	3.1
Eating & Drinking Places	13,000	13,200	200	1.5
Finance-Ins. & Real Estate	10,300	10,300	0	0.0
Services & Misc.	46,900	50,900	4,000	8.5
Hotels & Lodging Places	5,000	5,500	500	10.0
Government	68,800	70,800	2,000	2.9
Federal	18,200	18,700	500	2.7
State	20,700	21,400	700	3.4
Local	29,900	30,700	800	2.7

Notes: Prepared in cooperation with the U.S. Bureau of Labor Statistics.

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark: March 1990
Subtotals may not add due to rounding.

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

support personnel were needed, and the accumulation of wealth that workers earned on the spill was gradually depleted as 1990 progressed.

Resurgent Mining, Construction Industries Led the Way

Buoyed by continued high oil prices and a favorable climate for mineral development, mining was Alaska's fastest growing industry in 1990. Nearly 1,300 additional mining jobs were available in 1990. Alaska's construction industry was not far behind. There was a crucial relationship between Alaska's construction employment and the oil and gas industry during the past year. Large projects like refurbishing the Trans-Alaska pipeline and building gas-handling facilities on the North Slope were instrumental in construction employment growth.

Alaska's seafood processing industry enjoyed a strong year for employment growth, posting a gain of 800 jobs. Continued success in the bottomfishery in Southwest Alaska was one reason, but the most important factor was bringing back into full production seafood processors in the Gulf Coast region of Alaska. During 1989 these seafood processors were severely limited in their processing capability due to the oil spill.

The transportation industry was down in comparison to 1989; however, that could have been expected because transportation was where most of the oil spill cleanup jobs were counted. Upon closer examination, 1990 was a good year for the transportation industry. Most sectors within the industry had more employment in 1990 than 1989. The air transportation sector provided some strong employment growth which helped offset the losses that occurred because of the oil spill. Expansion of staff at Alyeska Pipeline Service Company also added employment to the transportation industry in 1990.

Firefighters, Census, Education Boosted Government Employment

Unusual circumstances and a growing school-age population were the primary reasons for government employment growth in 1990. The 1990 census was the cause of most of the federal employment growth in 1990. State government employment also grew, and a good portion of that was attributable to the unusually large number of firefighters brought on during the summer. At the local level, governments throughout the state were scrambling to respond to increased school enrollments. The result was that education-related employment helped boost local government employment.

Unemployment Remained Low

Although unemployment increased marginally, 1990 was another good year for Alaskan job seekers. Early in the year a pattern was established in the statewide unemployment rate that characterized the labor force throughout 1990. The unemployment rate was consistently above 1989 levels but well below historical levels. The annual unemployment rate ended the year at 7.0%, the second lowest unemployment rate since 1978.

Anchorage Added 6,000 Jobs In 1990

Anchorage's economy generated more than 6,000 new wage and salary jobs in 1990—or 60% of the new jobs in the entire state. (See Table 2.) This is a 5.7% increase in employment, making 1990 Anchorage's best year in the last five and comparable to 1983. (See Figure 1.)

After two strong years of employment growth, Anchorage is well on the way to a full recovery. If 1991 is equally good to Anchorage, the city will surpass 1985's employment peak of 114,500. The best feature of Anchorage's vigorous growth is that it cannot be attributed to any one single project or industry. Instead, Anchorage's economic growth cut across most industries in 1990.

Why did Anchorage's economy grow so much? There are many reasons. Oil prices and oil revenues remained healthy. This kept the local oil industry and Anchorage's public sector in good shape. Anchorage enjoyed another good year of tourism and a record year for conventions. Even the federal sector contributed to Anchorage's growth in 1990. The U.S. Census Bureau's headquarters for the 1990 census was located in Anchorage; therefore, a large percentage of the total work force hired to conduct the 1990 population count ended up in Anchorage. The strong rebound in real estate prices in 1990 meant the negative equity positions of many individuals and businesses improved, freeing up capital for other pursuits.

As the commercial, financial and transportation center of the state, Anchorage benefitted from increased economic activity in other regions of Alaska. (See Table 2.) Personal income grew statewide, which meant residents throughout Alaska bought more goods and services from Anchorage. Since some of Anchorage's labor force work elsewhere in the state, other regions' prosperity often translates into paychecks for Anchorage residents. Suffice it to say, what is good for Alaska's economy is good for Anchorage.

The Service Industry Was Anchorage's Star Performer Again in 1990

Once again, Anchorage's largest industry generated the highest number of jobs-2,450. Because services is such a broadly defined industry, no single explanation for its strength is sufficient. Engineering services grew in concert with the increase in construction activity, like the pipeline repair work and oil industry projects on the North Slope. Business services' expansion was a reaction to the overall increase in economic activity. Medical services' growth was fueled by population increases in Anchorage as well as state-wide. For example, Anchorage's population grew by 4,500 residents in 1990. Hotel and motel growth indicated a healthy tourism season and more business-related use.

Federal Express Kept Transportation Numbers High

The full impact of Federal Express employment was not apparent in 1989 because they operated fully staffed only during the last half of the year. An entire year of a fully staffed Federal Express helped boost Anchorage's 1990 air transportation employment by nearly 200 jobs. United Parcel Service (UPS) landed an important U.S.-Japan route in 1990; as a result, they expanded their staff in Anchorage.

Not all the news on the air transportation front was favorable. International passenger airlines kept deserting Anchorage. The longer reach of new passenger jets and use of the Asia-Europe route over the Soviet Union were the reasons. From an air transportation employment standpoint, however, the increase by Federal Express and UPS has thus far outweighed the jobs lost due to fewer international passenger flights.

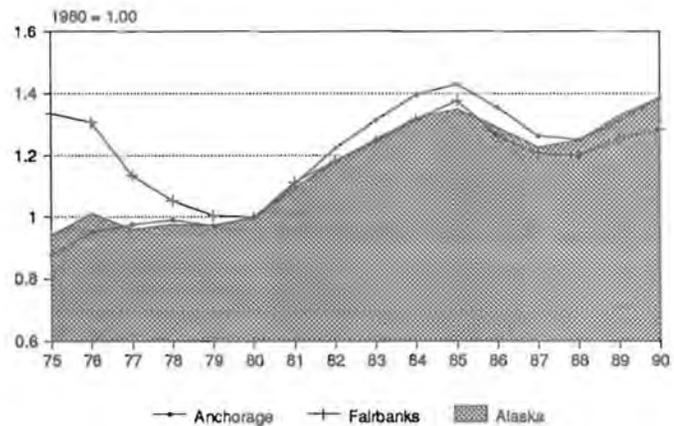
New Housing Permits Doubled in 1990

The fastest growing industry in Anchorage during 1990 was construction, which grew at a 17.3% clip. (See Table 2.) According to the Municipality of Anchorage, the value of 1990 construction projects was \$67 million above 1989 levels. Most of the increase was in single family housing permits, which nearly doubled from 198 in 1989 to 395 in 1990. There was also an increase in commercial construction activity, although alterations to existing buildings, rather than construction of new ones, made up the bulk of activity.

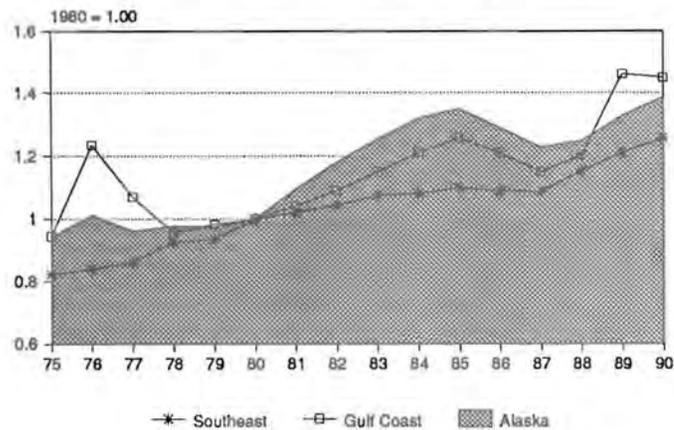
A sizable portion of Anchorage's construction employment represents activity taking place elsewhere. Many construction firms have their headquarters in Anchorage but their work takes

Nonagricultural Wage and Salary Employment Index 1975-1990

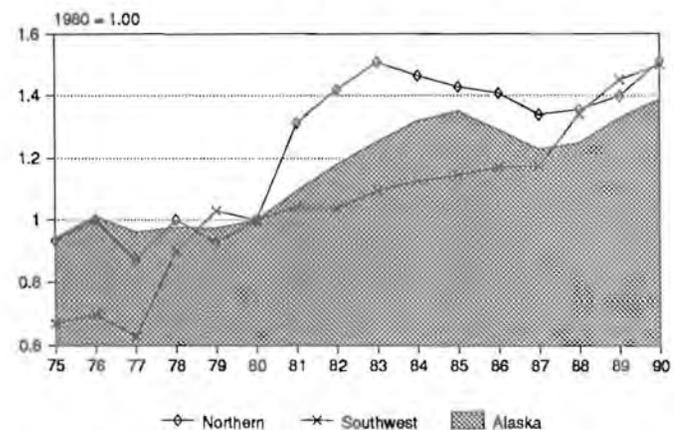
Anchorage - Fairbanks - Alaska



Southeast - Gulf Coast - Alaska



Northern - Southwest - Alaska



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

Wage and Salary Employment Change by Area 1989-1990

Municipality of Anchorage

	1989	1990	Change	Percent Change
Total Nonag. Wage & Salary	105,000	111,000	6,000	5.7%
Goods-producing	10,600	11,900	1,300	12.3
Mining	3,550	3,850	300	8.5
Construction	4,900	5,750	850	17.3
Manufacturing	2,150	2,300	150	7.0
Service-producing	94,400	99,100	4,700	5.0
Transportation	10,100	11,000	900	8.9
Trucking & Warehousing	1,400	1,550	150	10.7
Water Transportation	300	300	0	0.0
Air Transportation	3,750	4,100	350	9.3
Communications	1,800	1,900	100	5.6
Trade	25,400	26,100	700	2.8
Wholesale Trade	5,900	5,850	-50	-0.8
Retail Trade	19,500	20,200	700	3.6
Gen. Merch. & Apparel	2,750	3,100	350	12.7
Food Stores	3,050	3,200	150	4.9
Eating & Drinking Places	7,650	7,650	0	0.0
Finance-Ins. & Real Estate	6,700	6,450	-250	-3.7
Services & Misc.	26,300	28,750	2,450	9.3
Hotels & Lodging Places	2,250	2,450	200	8.9
Government	25,900	26,850	950	3.7
Federal	10,300	10,450	150	1.5
State	7,250	7,700	450	6.2
Local	8,450	8,650	200	2.4

Fairbanks North Star Borough

	1989	1990	Change	Percent Change
Total Nonag. Wage & Salary	26,600	27,250	650	2.4%
Goods-producing	2,450	2,300	-150	-6.1
Mining	150	150	0	0.0
Construction	1,750	1,550	-200	-11.4
Manufacturing	550	600	50	9.1
Service-producing	24,150	24,950	800	3.3
Transportation	1,900	2,000	100	5.3
Trucking & Warehousing	450	500	50	11.1
Air Transportation	350	450	100	28.6
Communications	300	300	0	0.0
Trade	5,800	5,950	150	2.6
Wholesale Trade	700	750	50	7.1
Retail Trade	5,100	5,200	100	2.0
Gen. Merch. & Apparel	650	600	-50	-7.7
Food Stores	750	800	50	6.7
Eating & Drinking Places	2,000	2,050	50	2.5
Finance-Ins. & Real Estate	800	800	0	0.0
Services & Misc.	5,950	6,200	250	4.2
Government	9,700	10,000	300	3.1
Federal	3,100	3,100	0	0.0
State	4,000	4,200	200	5.0
Local	2,600	2,700	100	3.8

Northern Region

	1989	1990	Change	Percent Change
Total Nonag. Wage & Salary	13,550	14,650	1,100	8.1%
Goods-producing	5,500	6,150	650	11.8
Mining	5,100	5,700	600	11.8
Service-producing	8,050	8,450	400	5.0
Government	4,300	4,350	50	1.2
Federal	800	800	0	0.0
State	350	350	0	0.0
Local	3,650	3,700	50	1.4

Southwest Region

	1989	1990	Change	Percent Change
Total Nonag. Wage & Salary	14,750	15,250	500	3.4%
Goods-producing	4,250	4,400	150	3.5
Seafood Processing	3,900	4,050	150	3.8
Service-producing	10,500	10,800	300	2.9
Government	6,150	6,200	50	0.8
Federal	1,350	1,300	-50	-3.7
State	550	550	0	0.0
Local	4,300	4,350	50	1.2

Gulf Coast Region

	1989	1990	Change	Percent Change
Total Nonag. Wage & Salary	24,150	23,950	-200	-0.8%
Goods-producing	5,700	6,650	950	16.7
Mining	900	1,200	300	33.3
Construction	1,100	1,050	-50	-4.5
Manufacturing	3,700	4,400	700	18.9
Seafood Processing	2,750	3,450	700	25.5
Service-producing	18,450	17,300	-1,150	-6.2
Transportation	3,950	1,950	-2,000	-50.6
Trade	3,750	4,050	300	8.0
Wholesale Trade	550	500	-50	-9.1
Retail Trade	3,250	3,550	300	9.2
Finance-Ins. & Real Estate	550	600	50	9.1
Services & Misc.	4,250	4,550	300	7.1
Government	5,950	6,150	200	3.4
Federal	550	600	50	9.1
State	1,900	1,900	0	0.0
Local	3,500	3,600	100	2.9

Southeast Region

	1989	1990	Change	Percent Change
Total Nonag. Wage & Salary	32,350	33,700	1,350	4.2%
Goods-producing	6,550	6,500	-50	-0.8
Mining	300	350	50	16.7
Construction	1,100	1,150	50	4.5
Manufacturing	5,150	5,050	-100	-1.9
Durable Goods	2,700	2,850	150	5.6
Lumber & Wood Products	2,550	2,550	0	0.0
Nondurable Goods	2,450	2,400	-50	-2.0
Seafood Processing	1,350	1,350	0	0.0
Pulp Mills	950	900	-50	-5.3
Service-producing	25,800	27,200	1,350	5.2
Transportation	2,450	2,650	200	8.2
Trade	5,200	5,400	200	3.8
Wholesale Trade	550	600	50	9.1
Retail Trade	4,650	4,850	200	4.3
Finance-Ins. & Real Estate	1,050	1,050	0	0.0
Services & Misc.	5,150	5,650	500	9.7
Government	12,000	12,400	400	3.3
Federal	2,050	2,150	100	4.9
State	5,450	5,550	100	1.8
Local	4,500	4,650	150	3.3

Benchmark: March 1990

Subtotals may not add due to rounding. The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Source: Alaska Department of Labor, Research and Analysis Section

place all over the state. Therefore, some of this employment activity is counted in Anchorage even though it takes place elsewhere.

A Good Job Market

Last year was a dynamic period for Anchorage's job market. One reason was the creation of thousands of new jobs. Another was that in an expanding economy, current job-holders often seek new employment opportunities and promotions occur. This in turn creates new job opportunities for first time job seekers or for others looking for a new job. The 11% increase in help wanted inches in Anchorage's two newspapers and an annual unemployment rate of 5.2%, the second lowest in the decade, confirmed the positive employment picture.

A Modest Year for Growth in Fairbanks

While Anchorage's economy heated up, Fairbanks' growth slowed from 1989's pace. Still, Fairbanks posted an employment gain of 2.4% in 1990, or 650 jobs. All industries except construction added jobs during the year.

Although Fairbanks construction declined by 200 jobs, Fairbanks still had a considerable amount of construction activity during 1990. Military construction declined only slightly from 1989 (\$100 million in 1989 vs. \$90 million in 1990). Meanwhile, the state's highway construction budget for Fairbanks almost doubled in 1990, and Fairbanks was the headquarters for some of the work on the Trans-Alaska pipeline repair project.

Several sectors of Fairbanks' economy reflected the area's increasing population. Some of the area's population gain is a result of a growing military population at Ft. Wainwright, where the number of military and their families has almost doubled in five years. Trade, services and real estate were all beneficiaries of this trend. Fairbanks' housing market tightened in 1990, with average asking prices for houses going up and apartment vacancy rates coming down.

Retail trade employment grew in spite of Nordstrom's closing its Fairbanks retail store in January. Confirmation of a healthy retail market was provided by plans for new stores in Fairbanks. One retailer, Fred Meyer, began construction of a second store in 1990 and another, Carr's Quality Centers, announced plans to build a second store in Fairbanks.

The transportation sector expanded in 1990. MarkAir relocated its maintenance operations to

Fairbanks and Lufthansa Airlines moved its Alaska base from Anchorage to Fairbanks. Jobs in air transportation alone increased more than 28%.

In the public sector, the increase in local government employment was entirely in education. Fairbanks schools were full last fall, with enrollment well above projections. While the total number of federal jobs did not change, an increase in State government was due to more jobs at the University of Alaska and an unusually large number of temporary firefighting jobs. The Interior suffered through the biggest fire season in more than 20 years in the summer of 1990.

Although mining employment stagnated in Fairbanks, exploration activity escalated in the region and the Interior posted job growth in this industry. Fairbanks Gold revised their estimate of the gold deposit at their Fort Knox property upwards by half. They are currently seeking a partner or buyer to develop the mine, which has a potential gold reserve of six million ounces.

Mining Put Northern Region in Top Growth Spot

In contrast to Fairbanks, mining employment in the Northern region was anything but stagnant in 1990. The industry added 600 jobs on an annual average basis, with many more existing during the peak summer months. The Northern region led the state in growth rates, showing an 8.5% increase in 1990.

Several factors are behind the mining gain. On the oil and gas side, production at Prudhoe Bay is becoming more labor intensive as the giant oil field declines. Construction of a gas-handling facility to increase production at Prudhoe Bay also boosted employment in the mining and construction industries. As this facility, named GHX-1, neared completion late in 1990, ARCO Alaska announced plans to build GHX-2. This second facility is a billion dollar project and should keep employment levels up.

Also on the North Slope, BP Exploration announced reinstatement of their project to develop the Hurl State oilfield. BP shelved this project when it was only 10% complete, but 1990's oil prices were high enough (even before the August jump) to justify continuation. While the above projects were all good news for the oil industry, ARCO Alaska and BP Exploration announced a consolidation of some of their Prudhoe Bay operations, which could mean a loss of at least 100 jobs.

In the Nome area, hard rock mining is the source of mining jobs. Nome ranked as the top-producing gold district in the state for the fourth year in

a row in 1990. In addition, much exploratory work took place in 1990. A blow was dealt Nome, however, when WestGold decided to permanently shut down their large gold dredge in October. With other regions experiencing growth in gold production and the departure of WestGold's dredge, Nome will likely lose its position in gold production.

In the Northwest Arctic Borough, the new Red Dog lead and zinc mine became fully operational in 1990, with the first shipment of zinc ore in August. Jointly operated by the regional Native corporation, NANA, and Cominco Mining Co., the mine means 300+ jobs, many of them filled by residents of the area. With an anticipated life of 50 years, these jobs should remain in the region for a long time to come. Production at Red Dog, along with the new Greens Creek mine near Juneau, accounted for a doubling of Alaska's value of mineral production in 1990.

Gulf Coast Employment Declined from 1989 Boom

The Gulf Coast was the only region in the state to show an employment decline in 1990. A glance at Tables 9 and 10 in the following article on the annual benchmark revision confirms that spill cleanup was what made the comparison with 1989 negative. During the first quarter of 1990 growth rates were at 10-13% compared to employment in the first quarter of 1989—before the *Exxon Valdez* spill happened. A comparison between 1988 and 1990 puts the region's growth at 20%.

While substantially fewer cleanup jobs existed in 1990, the big question was how the spill would affect the fishing and tourist industries. Tourism is not the mainstay of the Kodiak economy and the majority of visitors to the Kenai Peninsula are from within the state (mostly Anchorage and the southcentral region). Catering to visitors from outside the state, however, is big business in Valdez and for many small operators, such as fishing lodges, scattered throughout the region.

The tourism industry is not a standard industry employment category though, so gauging the tourist season is difficult. Tourism-related employment is spread among the transportation, retail trade, and services groups. One measure used in many coastal communities is the number of cruise ships that docked that year. In Valdez that number fell in 1990. Businesses were concerned that the publicity of 1989 would hurt them, others were confident it would only help. Anecdotal evidence points to a mixed season—some businesses had a better year, some did not.

The fishing industry is easier to measure—by counting the volume or value of fish harvested, or by number of jobs processing those fish. In 1990, Alaska's salmon harvest was an all-time record. Prince William Sound had a record run of pink salmon and Kodiak enjoyed a record harvest of red salmon. Kodiak's pink salmon catch, however, was less than half of what had been projected. Cook Inlet also saw a weak pink run.

Employment in seafood processing increased 25%—not surprising following a year which had fewer jobs than usual. Other industries exhibiting strong growth were trade and services which gained 300 jobs each. These gains are on top of large increases during 1989, when many employers were swamped with more business than usual.

Other bright spots in the Gulf Coast in 1990 were the new exploratory projects for oil and gas in Cook Inlet, and the sawmill in Seward becoming fully operational.

Southwest Region Continued Bottomfish Boom

The underpinning of economic growth in the Southwest region is the fishing industry. Last year saw a continued expansion of seafood processing facilities in the Aleutian Islands. All this activity is taking place because of the groundfish harvest. Three firms expanded their plants in Unalaska to take advantage of the demand for surimi and fish meal. The Pribilof Island communities of St. George and St. Paul were both busy constructing new harbors in order to capture some of the bottomfishing business.

Total groundfish catch (in all areas of Alaska) was 38% above 1989, with pollock making up three-fourths of the harvest. An indication that the harvest is at maximum levels occurred this past October. For the first time, harvesters reached the annual quota before the year ended in the Bering Sea and Aleutian regions.

Harvesters in Bristol Bay had the second best season ever for red salmon. The only larger harvest occurred in the last century. Even though prices were half those paid just two years ago, the size of the harvest allowed for a record value of \$200 million. The area also saw a resurgence of red king crab; in 1990 the best catch was made since the pre-crash year of 1981.

Support for a burgeoning fishing industry translated into growth in other sectors of Southwest's economy. Although not reported separately in the Southwest region employment tables, jobs with the region's trade and transportation sectors accounted for half of total growth in 1990.

Southeast: Another Year of Slow, Steady Growth

Southeast Alaska continues to be the most stable region in the state in terms of employment, largely ignoring the booms and busts which have affected most other regions over the last 15 years. (See Figure 1.) This trend continued in 1990, as employment growth moderated from a relatively high 4.9% between 1988 and 1989 to 4.2% between 1989 and 1990. (See Table 2.)

The slowdown in employment growth was experienced in every industry in Southeast except for one, services, which continued a rapid expansion. The slowdown was fairly evenly distributed throughout the other industries. This meant the service-producing industries led in percentage employment gains for the region for the second straight year. Service-producing industries created 1,350 jobs in Southeast in 1990, a 5.2% rise in employment over the year. Only finance-insurance and real estate (FIRE) showed no growth, while all other major industries provided at least 200 new jobs during the year.

Stagnant or declining employment in the region's major manufacturing industries, seafood pro-

cessing and wood products, more than offset the slight employment gains in mining and construction. In total, the goods-producing industries posted a slight decline over the year. The region's timber industry began the year with concerns about the Tongass Timber Reform Act then being hammered out in Congress. However, very little if any of the decline in wood products employment in 1990 occurred because of this legislation. Instead, after a strong first half of the year, a weakening market and inclement weather conspired to force down employment in the latter half of 1990.

Summary: '90 Another Good Year for Alaska's Economy

In 1990 Alaska posted a 4.4% employment growth rate and the 7.0% unemployment rate was the second lowest since 1978. This performance was surprisingly strong given expectations of a letdown following the oil spill in 1989. Anchorage and Northern Alaska led the way in terms of regional growth. In terms of industry employment growth, mining, services and construction added jobs at the fastest rate. Overall, 1990 was another stellar year for the Alaskan economy.