The Ketchikan Pulp Mill Closure

by Gerald Landry
Labor Economist

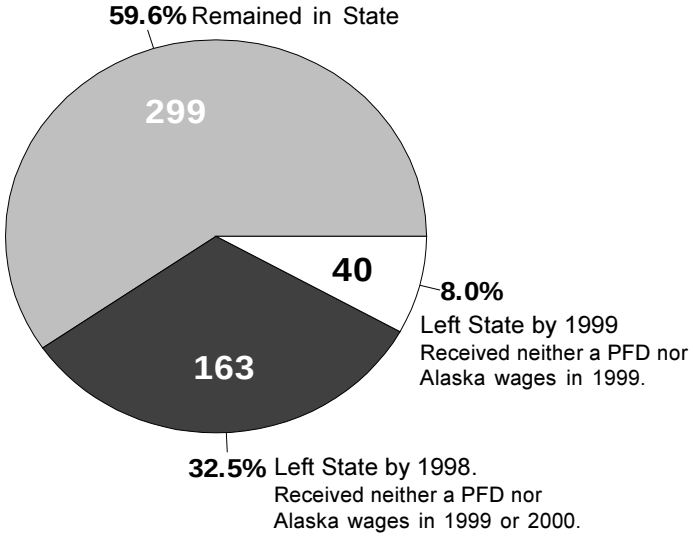
A study of laid-off workers

In March 1997, Ketchikan Pulp Company (KPC) closed its pulp mill in Ketchikan and laid off 516 workers. This article examines the impact on the workers who lost their jobs when the mill closed. It is modeled on a similar study of workers affected by the 1993 closure of the pulp mill in Sitka. (See Methodology, page 7.)

The majority of workers stayed in Alaska

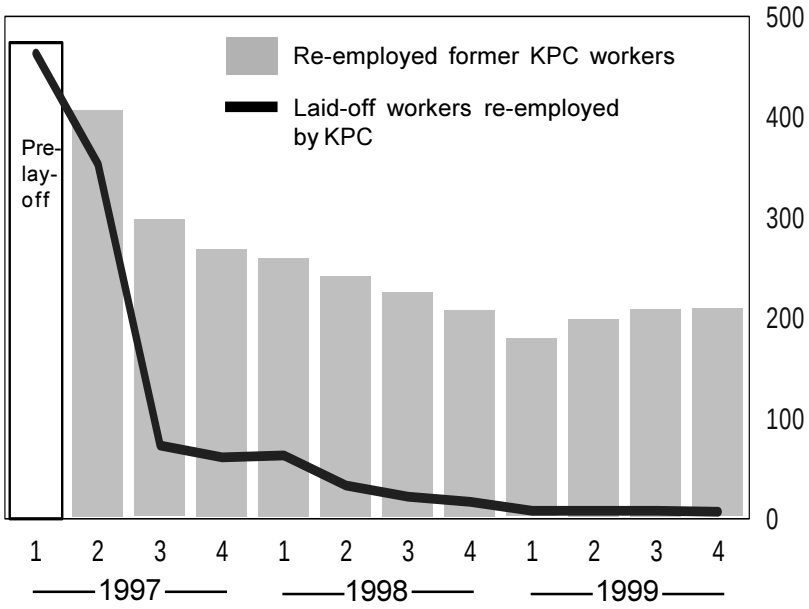
Records for 502 workers laid off when KPC's pulp mill closed were analyzed for information on residency and employment. Three years after layoff more than 59 percent of these workers were still residents of or working in Alaska. Two hundred and ninety-nine applied for the 2000 Alaska Permanent Fund Dividend and 248 held wage or salary jobs in Alaska during 1999. (See Exhibit 1.) This is significantly less than the 69 percent of the APC workers remaining in

59% of Laid-Off Workers 1
Remained in Alaska



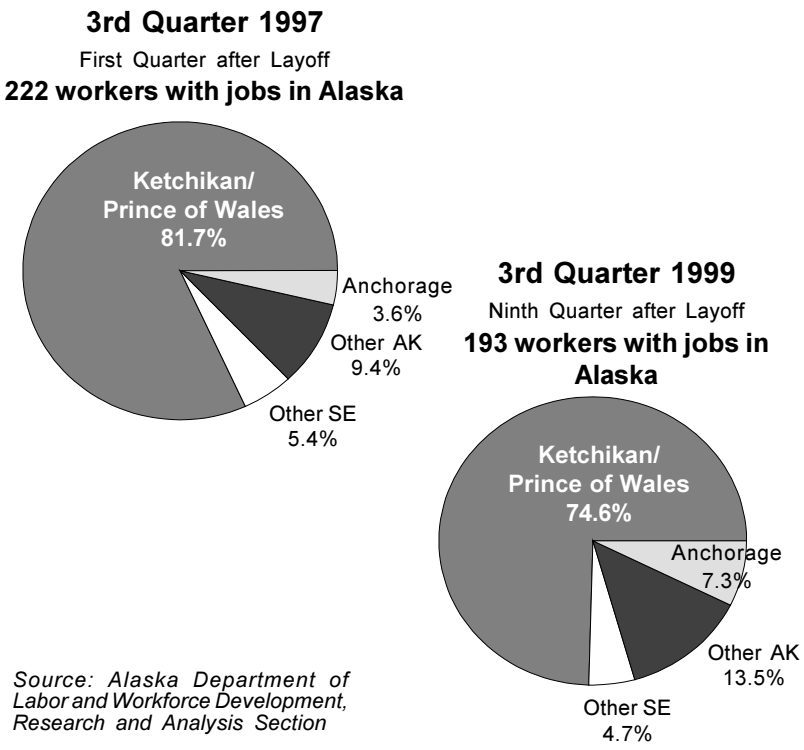
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

2 Employment After Layoff
Workers who received wages in state



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

3 Mill Workers Re-employed Within Alaska



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

three years after the Sitka mill closed.

The number of workers re-employed after layoff fell gradually through the first quarter of 1999, then began to creep upward. Some of the workers initially found new employment in KPC's sawmill division. (See Exhibit 2.) Gateway Forest Products, a new company founded in part by a former KPC manager, took over the sawmill operations in 1999 and is developing a veneer plant. As of second quarter 2000, 16 of the workers in the study group were re-employed with Gateway, and 21 had found jobs at another local employer, Alaska Ship and Drydock.

Most of those with new jobs stayed in the Ketchikan/Prince of Wales (POW) area. At the end of the first quarter after layoff, nearly 82 percent of those re-employed remained in the community. Over time, more of the workers left the Ketchikan area, finding jobs elsewhere in Alaska or leaving the state. However, by the end of 1999, nine quarters after layoff, nearly 75 percent of those who remained in the state still worked in the Ketchikan/POW area. (See Exhibit 3.)

Re-employed workers earned less

Although many workers remained in their community, their working conditions changed. Probably the most significant change was the drop in pay. Average quarterly earnings fell more than $5,000 from layoff through 1999. Though average earnings fluctuated by quarter, workers in 1999 received an average of 63.7% of their pre-layoff quarterly earnings. (See Exhibit 4.) The loss in earning power was similar to that experienced by APC workers, whose quarterly earnings in 1996 averaged 63.9% of pre-layoff earnings.

Multiple job holding increased

Besides paying higher than average wages, most pulp mill jobs offered full-time, year-round employment. Prior to layoff only six to eight

percent of workers held more than one job in a quarter. After layoff, workers were more likely to hold multiple jobs. Multiple jobholders are those who work for more than one employer within a quarter, either concurrently or serially. Multiple jobs increased threefold the first quarter after layoff, a period when many workers still received wages from KPC. In each of the following quarters studied, multiple jobholding exceeded pre-layoff levels. Following the typical seasonal upswing in Alaska's employment, in the second and third quarters of the year, workers were somewhat more likely to work multiple jobs. (See Exhibit 5). The fourth quarter 1999 spike in multiple jobholding was due to workers with employment reported at both KPC and Gateway Forest Products.

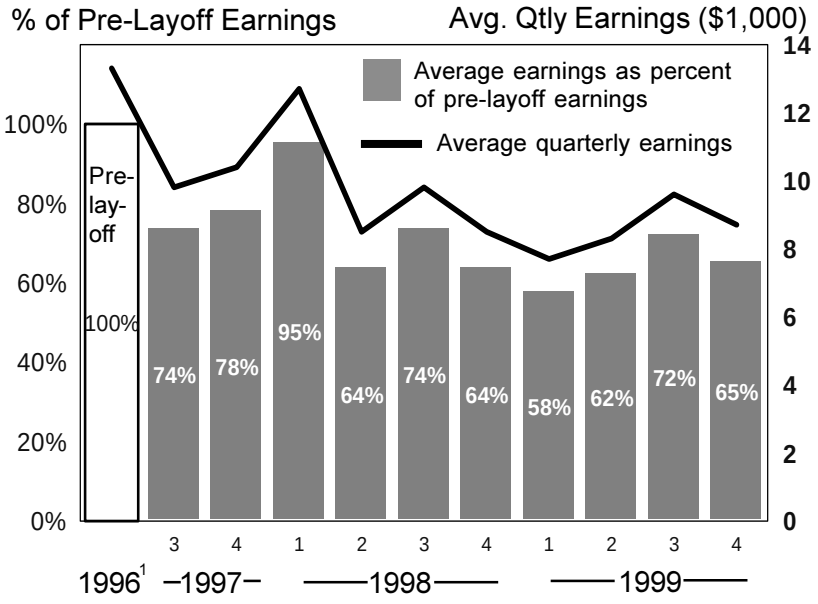
Turnover is another indication of workers having difficulty in finding new, stable employment. Turnover measures the total number of employers an employee worked for over a period longer than a quarter. In the year preceding layoff, only 14 percent of the study group worked for more than one employer. This percentage soared to 77 percent in the second half of 1997 as workers made the transition into new jobs. The proportion of workers holding jobs with more than one employer moderated, but it remained high. In 1999, it still exceeded 43 percent, three times the pre-layoff level. APC workers experienced similar changes in multiple job holding and turnover after layoff.

Workers changed occupation…

Many workers lost earning power as they moved into new occupations. Workers moved from skilled production and technical jobs to administrative and service jobs. The number working in production jobs fell by one-third, the largest occupational shift. Technical worker occupations completely disappeared. (See Exhibit 6.)

The percent of workers in administrative occupations rose by two-thirds after layoff as

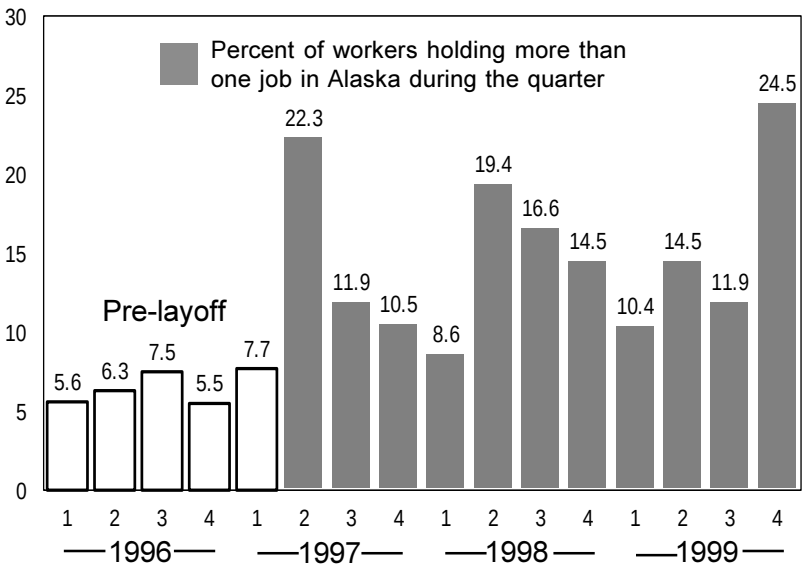
Earnings Decreased after Layoff 4
For workers who stayed in Alaska



[1] 1996 average pre-layoff earnings are based on 4-quarter average before layoff.

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

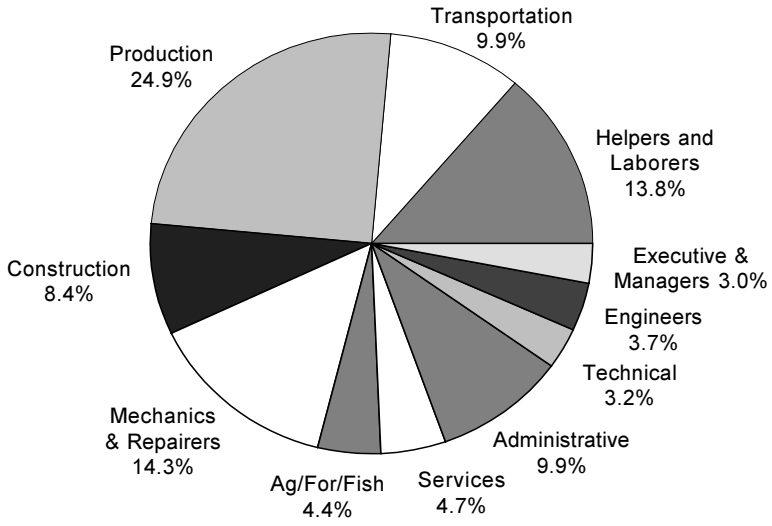
Multiple Job Holdings 5
Increased after layoff



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

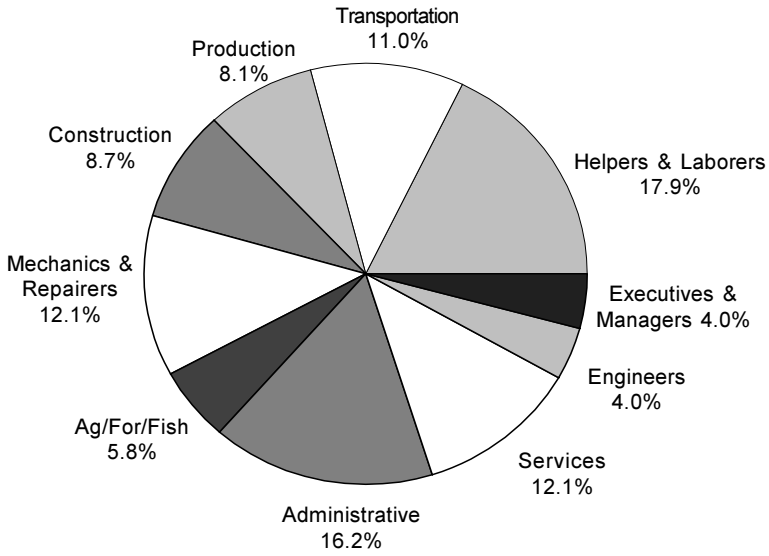
6 Worker Occupations
First quarter 1997 (pre-layoff)

Based on 474 workers for whom occupation was reported



Changes by second quarter 1999

Based on 178 workers for whom occupation was reported



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

more workers found re-employment in bookkeeping and general office jobs. Service occupations' share more than doubled. In this category, the ten food and beverage supervisor positions led the growth, followed by other food service jobs. Helpers and laborers, predominately unskilled occupations, went from the third largest occupation category before layoff to the largest after layoff.

After APC's mill closure in Sitka the shift of workers into administrative, service and laborer occupations was more dramatic. The smaller shift of KPC pulp mill workers was probably due to some of them obtaining employment in the sawmill.

The first two quarters after layoff, over three-fourths of the re-employed KPC workers held jobs requiring a level of skill the same as or higher than their pulp mill job. However, as the number re-employed in the sawmill division fell, the percent of workers in jobs of the same skill level dropped, with workers being slightly more likely to work in jobs with a lower skill level than a higher one. By 1999, only about two-thirds of the workers held jobs requiring a level of skill the same as or higher than their pre-layoff employment. (See Exhibit 7.)

Although workers laid off from APC were almost equally likely to be re-employed in a lower skill occupation, KPC workers were more likely to find new employment requiring greater skill.

...and changed industry

The lack of other opportunities in timber manufacturing caused most of the re-employed workers to change industry. (See Exhibit 8.) Only 41.5% of those re-employed worked in manufacturing in the six months following the mill closure; 91 workers or 37% of the re-employed were in the timber industry. As the KPC sawmill began curtailing operations in 1999, the share of workers re-employed in manufacturing fell to 27.9%, with 32 workers in the timber industry.

Immediately following the layoff, nearly a quarter of the re-employed workers held jobs in the construction industry. By 1999, this proportion had dropped below 15 percent. Other industries in which workers found jobs included services, trade, public administration and transportation. (See Exhibit 8.)

With the exception of construction, the average wage in industries where laid-off workers found new jobs was less than the average received at the pulp mill. Average monthly wages in the services and trade sectors were only two-thirds of manufacturing and construction earnings.

Training programs helped workers

The Alaska Department of Labor and Workforce Development (AKDOL) funds programs to assist workers in need of training assistance. In response to the mill closure, AKDOL and Department of Community and Regional Affairs program staffs worked with KPC management to develop services for displaced workers. KPC helped fund a Career Transition Center (KCTC) which assigned peer counselors to assist workers on an individual basis. (See following article.)

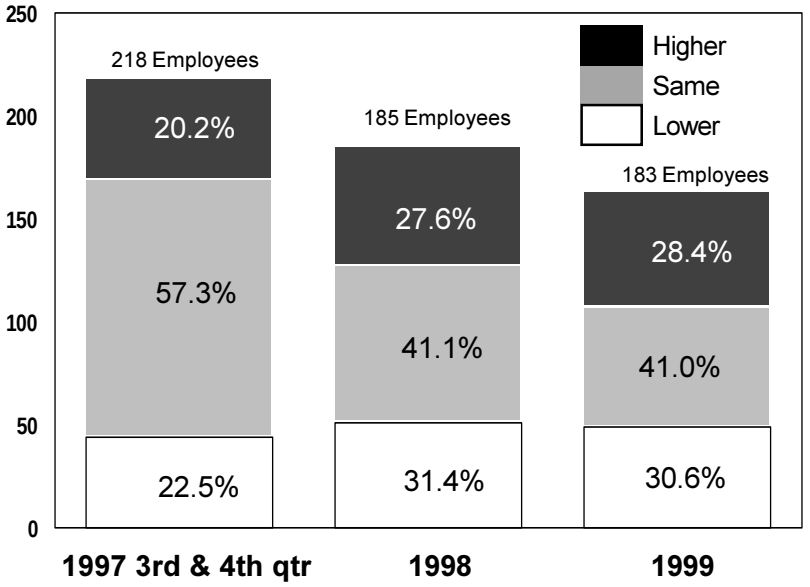
Unemployment insurance (UI) assistance

UI benefits helped workers through the transition from layoff to re-employment. Compared to the average UI claimant, workers laid off from KPC's pulp mill received greater benefits over a longer period of time. The mill's higher than average wage and large proportion of full-time year-round workers help explain the higher benefits. Through 1998, workers who stayed in Alaska were more likely to receive UI and their benefits were higher. (See Exhibits 9 and 10.) In 1999 however, workers who left the state showed more claims and higher benefits, perhaps reflecting the loss of work at the sawmill.

Generally, the number of weeks of UI claimed and the benefits received declined the longer the worker stayed in Alaska. By the third and fourth quarter of 1999, the number of UI claimants reached its lowest levels in the three years since layoff. Two factors underlie this statistic. Low UI claim levels may indicate that workers who remained were able to find full-time stable employment, while others had left the state. For

Most Workers Retain Skill Level 7

In new job, compared with 1996

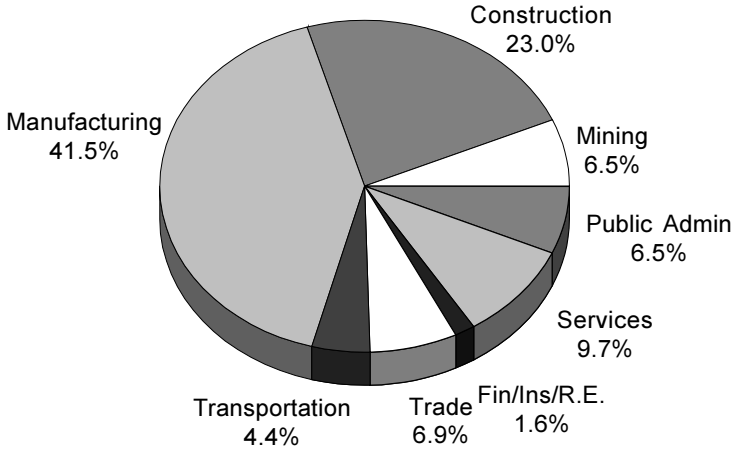


Source: Department of Labor and Workforce Development, Research and Analysis Section

8 Workers by Industry

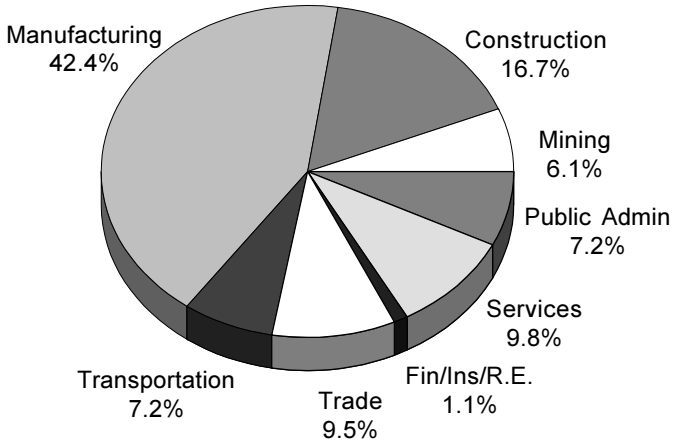
1997, first two quarters after layoff

248 workers for whom industry was reported



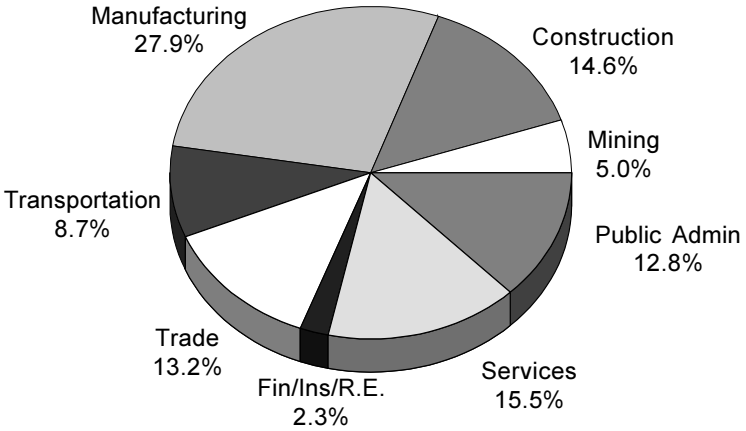
1998

262 workers for whom industry was reported



1999

229 workers for whom industry was reported



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

some, the two-year limit on benefits based on KPC wages meant they no longer qualified for UI. Again, these UI trends closely resembled those noted for APC workers after the Sitka mill closed.

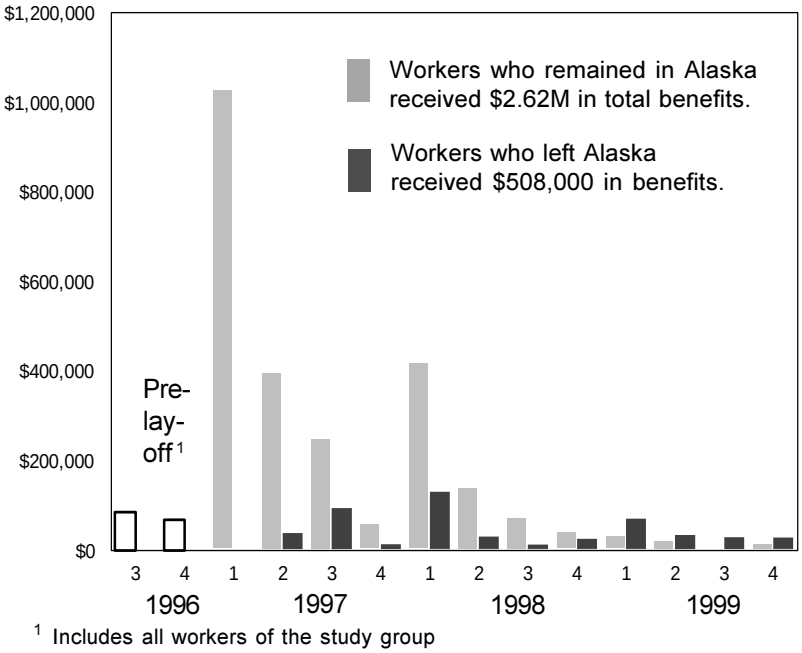
Methodology

The Ketchikan Pulp Company provided the Alaska Department of Labor and Workforce Development with a list of 516 KPC workers affected by the pulp mill closure. Some of these workers may have left employment with KPC prior to the final closure. However, for simplicity, this article labels the entire group as laid-off workers. Social security numbers and wage data were available for 502 of the workers, and they comprise the group represented in this study.

Worker data were matched with historical unemployment insurance wage records, permanent fund dividend records and other administrative records to determine if these workers were still living and/or employed in Alaska. Wage and employment data were available for virtually all private sector and state and local government employees. However, the wage files do not include information on federal employees or the self-employed. As a result, neither workers who found federal jobs or who started their own business after layoff are counted as employed in this study.

The pulp mill closed near the end of the first quarter of 1997. While most of the workers received wages from KPC in the second quarter, only 73 did in the third. Of the study group, 67

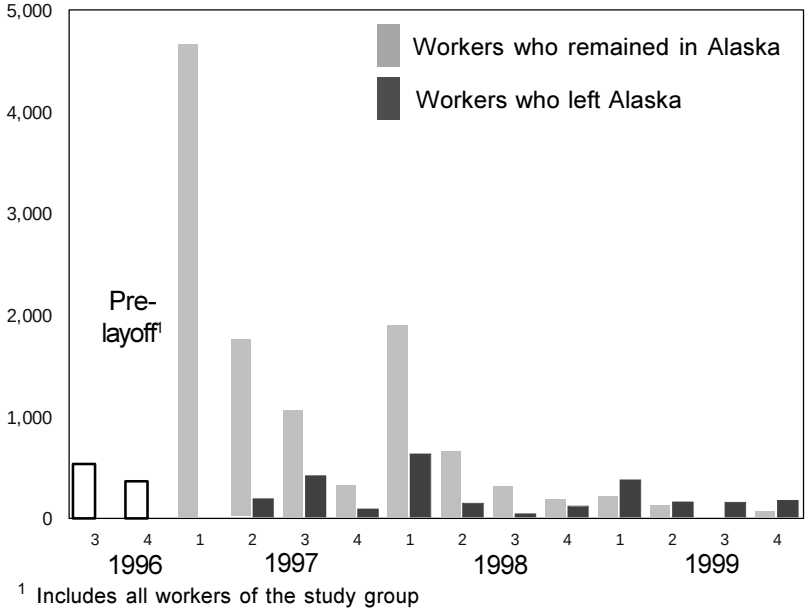
9 Total UI Benefits by Quarter
Workers who stayed and workers who left



[1] Includes all workers of the study group

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

10 UI Claims Spiked after Layoff
Total weeks claimed



[1] Includes all workers of the study group

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

The Ketchikan Career Transition Center

by Peri Shapansky
Community Development Specialist

workers received wages from KPC at some time in 1998 while only 18 had KPC wages in 1999. These workers were re-employed in KPC's sawmill division. A major difference between the APC and KPC mill shutdowns was this continued employment of some workers with the company.

Records were matched from the first quarter of 1996 through the second quarter of 2000. Because most of the workers received wages from KPC in the second quarter of 1997, most of the analysis begins with the third quarter of 1997. Data for the subset of workers who moved to KPC's sawmill division are identified in some of the analyses. However, for continuity, they remained in the layoff study group. Other subsets of the laid-off workers were identified depending on the variable analyzed.

Methodology for this study was modeled on that used for an article on workers laid off when Alaska Pulp Corporation (APC) closed its pulp mill in Sitka. The APC study appeared in the January 1998 issue of *Alaska Economic Trends*.

During the first two years following the Ketchikan Pulp Company (KPC) layoffs, the Alaska Department of Labor (AKDOL) and Alaska Department of Community and Regional Affairs (DCRA) worked with local, state and federal agencies to operate a Career Transition Center in Ketchikan (KCTC). DCRA received a federal National Reserve Grant, and the U.S. Department of Labor certified the Ketchikan Pulp Company for Trade Adjustment Worker Assistance. Both

of these federal grants allowed the center to offer services designed to help laid-off workers.

Several distinctive circumstances surrounded development of the Ketchikan Career Transition Center. The early announcement six months prior to closure gave employees time to accept the loss of the primary employer in the area. It also allowed program staff to work with management and employees to develop services appropriate to the workers and geographic area.

Other features were:

- Meetings were held with employees, and shortly after this a Labor-Management Committee was established. This committee continued to be active in providing program direction to the KCTC and advocacy for the workers until March 1999.
- Ketchikan Pulp Company/Louisiana Pacific participated in planning and committee activities. The company provided financial support by paying for designated center staff, provided computers for workers and some staff, donated center space and utilities, and covered some travel costs and job development activities.
- Labor organizations were involved with rapid response from the beginning. As a result of Labor's involvement, Peer Counselors were employed for the first time under the Job Training Partnership Act (JTPA) in Alaska. Peer Counselors provided program information, outreach, and support for workers.
- State and local agencies worked together to develop and maintain the full range of services available in the center and locally.
- The entire staff was from the community of Ketchikan.
- Staff training received special emphasis when establishing the center, and included contracting with outside expertise, agency training and technical assistance.
- A memorandum of agreement among DCRA, AKDOL and KPC outlined responsibilities, lines of authority and procedures, lending clarification for all involved.
- The Trade Adjustment Assistance program was a partner since the first rapid response meeting with the employer.

The success of the Ketchikan Career Transition Center can be attributed in part to what was termed the "Client Service Pod." This model consisted of four essential staff members and their clients working as a team.

Client Service Pod staff and their functions were:

- Community Development Specialist—served the client's training or other job search needs.
- Vocational Counselor—served clients' vocational goal/career development/personal needs.
- Employment Security Specialist—served the client's networking and job development needs.
- Peer Counselor—strove to be a strong voice for the client and helped the worker reach set goals.

The Center offered relocation financial

1 Mill Workers in State Training Programs in 1998

Training Program	Number of Participants
University of Alaska Vocational Education Programs	20
JTPA Secretary's National Reserve [1]	73
JTPA Title III	50
JTPA Governor's Reserve	79
NAFTA/Trade Readjustment Act	51
State Training and Employment Program (STEP)	87

[1] JTPA (Job Training Partnership Act) covers a variety of programs now administered by the Department of Labor and Workforce Development

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