

# Economy Rebounds From Recession

by John Boucher

Alaska's economy posted its first employment gain in two years during 1988. Nonagricultural wage and salary employment grew 1.1 percent statewide. (See Table 1.) This growth was a turnaround from the prior two years, both of which posted employment losses amounting to over four percent. (See Figure 1.)

Beginning in the last quarter of 1987 and the first quarter of 1988, total employment levels flirted with overall growth. However, industry estimates during this period were mixed, indicating that the recovery might not be sustained. But by mid-year, employment levels were firmly entrenched in a growth mode. Negative forces — the construction and financial sectors — had abated. And positive forces — highlighted by the resurging manufacturing industry, increased oil and gas exploration, and the recovery of the trade and services sectors — gathered enough momentum to push total employment into a growth mode.

## The Worst is Over

Looking back, the summer of 1988 will be remembered for marking the end to one of Alaska's worst recessions. Between 1985 and 1987, nearly 1 in every 10 jobs disappeared from the Alaska economy. (These numbers don't reflect the total job loss during those months because it excludes losses among the self-employed.) Social and economic grief endured by Alaskans during these recessionary months included wage cuts, personal bankruptcies, business failures, and bank closures.

Although the stoppage of employment losses doesn't mean that all Alaska economic woes are remedied, it does indicate that the worst is over. More important, positive signs — like employment and income growth, and a lower unemployment rate — build a foundation upon which a stronger Alaska economy can be created.

There were  
More Jobs in 1988.

Table 1

## Alaska Nonagricultural Wage and Salary Employment By Place of Work 1987-1988

	1987 Annual Average	1988 Annual Average	Percent Change
Nonag. Wage & Salary	210,100	212,300	1.0
Mining	8,800	9,500	8.0
Construction	10,100	8,700	-13.9
Manufacturing	12,900	14,800	14.7
Seafood Processing	6,700	7,800	16.4
Lumber & Paper Products	3,100	3,600	16.1
All Other Manufacturing	3,200	3,400	6.3
Transportation	17,600	17,200	-2.3
Trucking & Warehousing	2,400	2,200	-8.3
Water Transportation	1,000	1,000	0.0
Air Transportation	5,300	5,400	1.9
Communications	3,600	3,300	-8.3
All Other Transportation	5,200	5,300	1.9
Trade	41,100	42,000	2.2
Wholesale	7,400	7,500	1.4
Retail	33,700	34,500	2.4
Gen. Merch. & Apparel	4,900	5,000	2.0
Food Stores	5,900	6,000	1.7
Eating & Drinking Places	12,400	12,700	2.4
All Other Retail	10,600	10,700	0.9
Finance, Ins. & Real Estate	11,300	10,700	-5.3
Services	42,500	42,900	0.9
Hotels & Other Lodging	4,600	4,600	0.0
Government	65,800	66,600	1.2
Federal	17,900	18,000	0.6
State	18,700	19,400	3.7
Local	29,200	29,300	0.3

Annual averages may not add due to rounding.

Source: Alaska Department of Labor, Research & Analysis

Alaska's economy grew 1.1 percent from 1987 to 1988.

Perhaps it is Alaskans' expectations which constitute the most important change in an economic turn around. Most people — even those who have little to fear — behave differently when unemployment is high and jobs are being lost. Behavioral changes alone can retard the chances of recovery. The recent turnaround of employment numbers partly indicates that expectations have improved for the immediate future. Business owners are again hiring additional workers, a move they usually don't make if they believe trouble is just around the corner.

### Some Areas Sizzle But Anchorage Fizzles

Overall, Alaska's economy grew 1.1 percent from 1987 to 1988. But it wasn't across-the-board growth. Alaska's largest city faltered most of the year, and Fairbanks' growth remained marginal. It was the coastal and northern regions that set the recovery in motion.

(Following is a brief synopsis summarizing the state of each of the region's economies during the year 1988. More detailed analyses of each of the regional economies appear elsewhere in this issue.)

Anchorage, home of the state's construction and financial sectors, had two strikes against it during 1988. The construction industry plummeted once again last year, and Anchorage felt the drop more acutely than other regions. Further, when financial institutions closed or merged, the Anchorage economy endured most of the job losses. In addition to losses attributed to these two industries, the Municipality of Anchorage's budget problems caused further job losses, an unusual occurrence in the typically stable government sector. Altogether, losses in these three sectors proved too much for the Anchorage economy. Despite positive contributions from a growing oil and gas sector and job growth in the trade and services sector, the aforementioned negative forces were too much for Anchorage to overcome during 1988.

### Fairbanks Held Steady in 1988

In Alaska's Interior, Fairbanks employment numbers were held steady, the result of an increased uniformed military presence and a return to job growth at the University of Alaska facility there. The military growth boosted an otherwise dormant construction industry and bolstered Fairbanks' retail sector. Also helping some with the Interior's 1988 job picture was a resurgence in hard rock mining. The mining industry comprises, though, a very small portion of Fairbanks' overall wage and salary employment picture.

### Southeast Job Picture Healthy

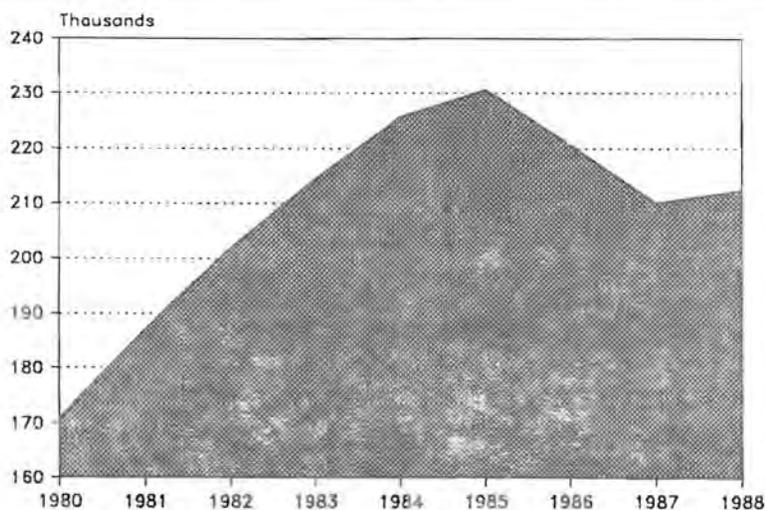
In Southeast Alaska, the lumber and paper products sector helped propel the region to healthy employment gains. In terms of total employment, lumber and paper products experienced its best year of the past decade. Further, the Southeast Region gained last year with the doubling of mining employment (attributed primarily to the start up of the Green's

#### About the Author:

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Figure 1

## Alaska's Nonagricultural Employment 1980 - 1988



Source: Alaska Department of Labor, Research & Analysis

Creek mine), and with a rebound in state government employment.

### **Fisheries and Government Helped the Gulf, Southcentral and Southwest Regions**

The Gulf Coast and Southwest regions, like the Southeast, benefitted from increased manufacturing employment. The seafood processing industry—with a boom in bottomfish harvests and record value catches in much of Southcentral Alaska—provided the greatest growth in these two regions. Additionally, the opening of the Spring Creek Correctional Center in Seward substantially boosted Gulf Coast government employment numbers.

### **Mining is Driving the North**

Driving Northern Alaska's employment growth is a mining industry boom; gold mining in the Nome area, development of zinc mining at the Red Dog Mine near Kotzebue, and increasing oil exploration in the far north.

### **Manufacturing, Mining and Government Set the Pace**

As indicated earlier, the manufacturing industry, fueled by employment growth in the seafood processing and wood products sectors, was the leading growth industry in the state during 1988. Seafood processing employment hit an all-time high in July despite a smaller volume of salmon caught in Bristol Bay. Responsible for the higher seafood processing employment numbers is growth in the bottomfish industry. As a result of this 1988 growth, winter employment in the seafood processing sector has nearly doubled in the last few years.

### **Large Job Jumps in Logging**

While all of the state's manufacturing sectors performed well last year, logging employment in particular enjoyed large job jumps. The Southeast Region's 26%

employment growth in this sector could have easily been larger were it not for acute shortages of experienced loggers, according to information provided by Southeast Job Service offices and the Alaska Loggers Association. Many logging camps were operating at full throttle right up until the holiday season; in prior years the industry geared down beginning in October. It wasn't the Southeast which was the sole beneficiary of last year's logging boom; the Gulf Coast Region also enjoyed significant gains in logging employment near the end of the year.

The growth in lumber and seafood products was augmented by a six percent increase in the remaining portions of the manufacturing sector, these portions primarily being newspaper publishing and printing.

### **Greens Creek: Harbinger of Things to Come in Mining?**

Mining was the second fastest growing industry in 1988. Causes of the growth are linked to a resurgence of oil exploration and development activity and a hard rock mining boom. One of the largest contributors was the Green's Creek mine near Juneau as it geared up for production. Most of the other hard rock mining employment growth was related to exploration and development. The Green's Creek project could very well be a harbinger of things to come in Alaska's mining industry.

### **State Government's Employ Gained by 3.7%**

In addition to the mining and manufacturing sectors, also posting employment gains was the state's largest employer, the State of Alaska. State government posted 3.7% employment growth after two consecutive years of decline. Almost one-half of the growth—amounting to 700 new jobs—is attributed to new positions filled at the Spring Creek Correctional Center in Seward. Most of the rest of the growth can be ascribed to the relative stabilization of the state's

revenue picture between State Fiscal Year (SFY) 1988 and the start of calendar year 1989. (SFY '88 began July 1, 1987.)

While mining, manufacturing and government set the economic pace, the support sectors also began showing signs of life last year. There was a broad based recovery in the trade sector. And the legal, social and health sectors all contributed to the overall growth of the service industry. Business for the hotel and motel industry, a category newly added to the published data, was flat over the year. This flat performance is partly due to slowed traffic in the tourism industry during 1988.

### **Construction, Finance and Transportation Industries Posted Losses**

The construction industry's troubles have been well documented. Among the many causes for the industry's distress are overbuilding, shrunken state construction budgets, smaller municipal budgets, less oil-related construction activity, and a drop in commercial building activity. The sole good news for the construction industry was that the employment loss amounted to only 14% between 1987 and 1988; that can be considered good news when compared to the employment losses of the two prior years, 28% and 24%. The 1988 annual employment average of 8,700 was the lowest level of construction employment since 1973. Even more indicative of how far the industry has fallen is the industry's share of nonagricultural employment. The industry's 4.1% share of total 1988 employment is the lowest it has ever been since before statehood days; typically, the industry's share of total employment since the 1960s has been between 6% and 8%.

### **1988 Was a Banker's Nightmare**

Failures in the construction industry, combined with the state's general

economic downturn made for an Alaska banker's nightmare in 1988. Evidence of the nightmare are the financial industry's employment declines — which are partly attributable to the closure of five banks. From 1987 to 1988 the number of banks in Alaska dropped from 16 to 11. (Those interested in an in-depth look at Alaska's financial sector might seek out "Turbulent Times in Alaska's Financial Industry", an article published in the November 1988 issue of *Trends*.)

### 1988 Brought Contraction in the Air Transportation Industry

In the transportation industry, the state's air transportation sector suffered some employment losses among certificated air carriers. One major commuter airline serving rural Alaska was shut down due to alleged safety violations. (The company reopened later in the year with a much smaller work force.) Others were forced to close due to financial problems. Also

experiencing some contraction during the year was the trucking industry.

### Summary: Overall, Alaska's Economy is Rebounding

Last year, Alaska's economy posted its first employment gain since 1985, marking the end to one of the worst recessions in Alaska's history. Employment growth in manufacturing, mining and government were largely responsible for the turnaround. Losses continued in Alaska's construction and finance industries, but their effect was diminished by gains made by the growth industries. Signs of the economic turnaround were unmistakable beginning in late 1987, but the recovery was not fully entrenched until mid-year 1988.

Growth did not occur in every area of the state. In fact, Alaska's two largest

cities both posted employment losses for the year. The Southeast, Southwest, Gulf Coast and Northern regions of Alaska all combined to offset the employment losses in Anchorage and Fairbanks. By the end of the year, though, the two cities were manifesting signs of future growth.

Unemployment in Alaska during 1988 was at its lowest ebb since the height of the recent boom in 1985, posting a 9.5 percent unemployment rate for the year. By year's end, dramatic changes in Alaska's economic landscape had clearly developed. Jobs were available in most areas. In some industries jobs were even going begging. Employers were hiring again. The general economic outlook had brightened considerably, compared to the pall of the past few years. All of this pointed to a brighter immediate future for the economy of the state.

# Anchorage 1988: Economic Recovery Was In the Air

By Neal Fried

**A**t long last, the first clear signs of an Anchorage economic recovery began to show in 1988.

The year held mixed economic signals. The big question was: Had the economy hit bottom yet? That this question even arose was in itself a good omen. There has been little doubt that the economy had been in a death spiral over the prior two years.

### Five Hundred Fifty Fewer Jobs in '88

Anchorage's 1988 economy ended with 550 fewer jobs than had existed in the year 1987. (See Figure 1.) Nevertheless, employment numbers depicted in Figure 2 show that the city's economy crept out of a three-year recession during

The Anchorage economy had been in a death spiral in 1986 and 1987.

the final four months of 1988. Although not all sectors saw gains in 1988, by the end of the year the economy as a whole was posting gains. In fact, some of the recovering industries were looking downright robust by December. At the same time, a handful of industries remained a long way from recovery.

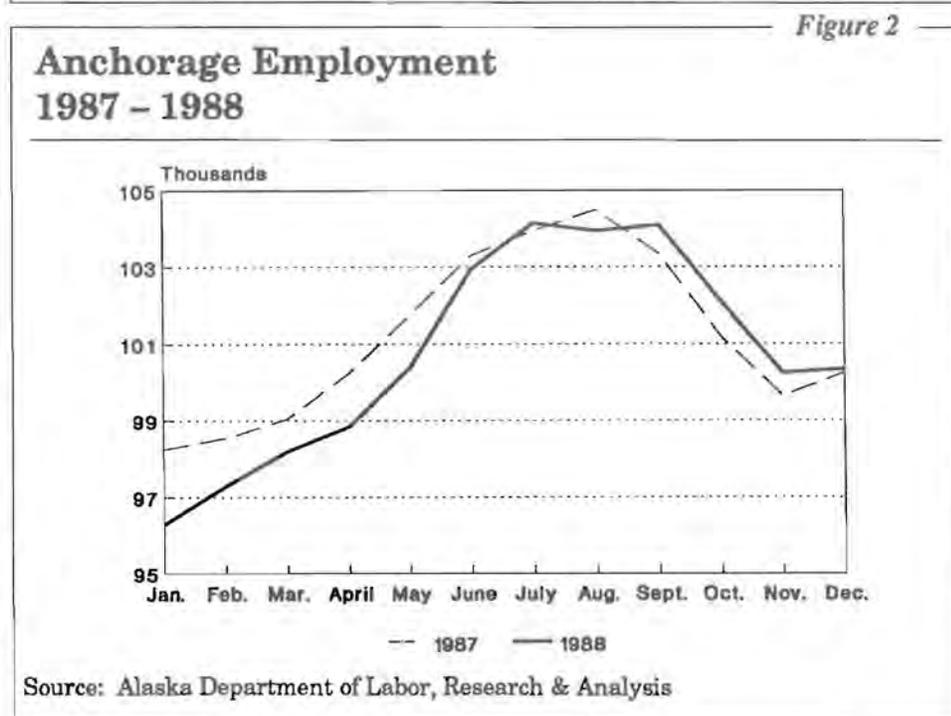
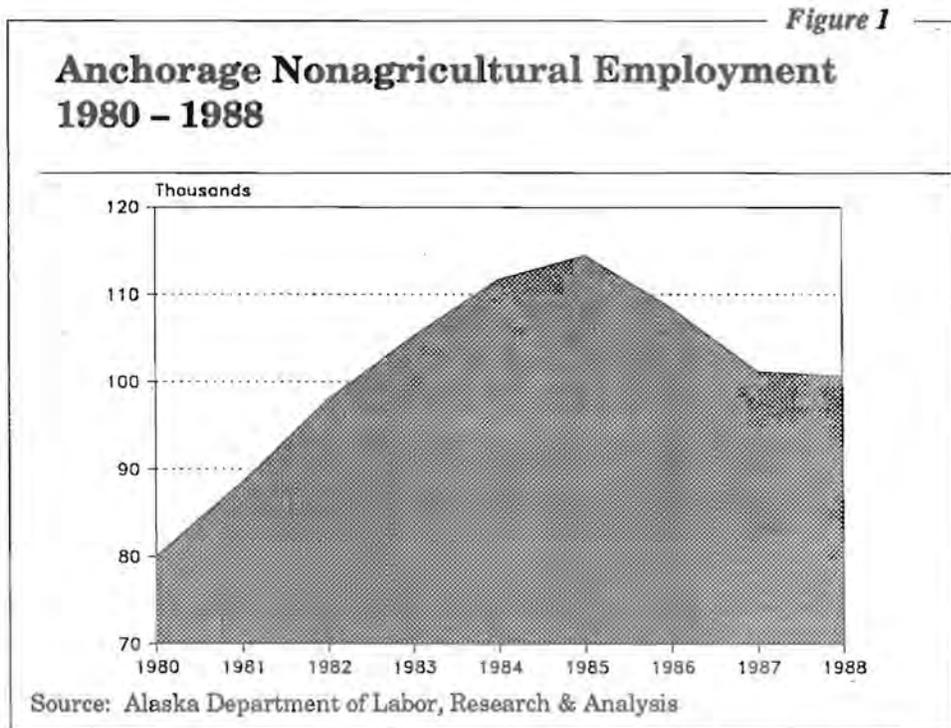
### The Oil Industry Posted Largest Gains

Oil industry employment posted the largest gains, almost 8% above 1987. (See Table 1.) The number of active drilling rigs grew from nine in 1987 to twelve in 1988. Increased activity in oil exploration and development pushed forward industry employment. This rise in activity occurred despite oil prices having declined by 20% in 1988. The reason this happened is because a surplus of drilling equipment pushed down drilling costs by about 30%. In addition, Prudhoe Bay's major oil producers made up for low crude oil prices by making greater profits in petrochemicals and other refined products.

### Auto Sales Surged

Like the oil industry, much of Anchorage's trade and services sectors improved markedly during the latter half of 1988. Part of this recovery probably came from renewed confidence in the economy. This is particularly true in retail trade. During the turbulent years of 1986 and 1987 many consumers postponed purchases because they perceived their economic future to be an uncertain one. But after surviving the recession's two worst years, consumers felt more secure. Some of this pent-up demand found its way into the 1988 marketplace. For example, after two dismal years, all of Anchorage's auto dealers reported a surge in 1988 sales. Also, 1988 employment in the restaurant industry rose by 550 as consumers once again felt they could afford to eat out.

After two years of decline, Anchorage's 1988 service sector employment also began to turn the corner. Posting over-



the-year gains were medical, auto repair, and legal and private social services. But business services were still being pummelled. Perhaps this pummelling continued because the city's financial industry, a big consumer of business services, was still up against the ropes. Because the gains in some segments of the service sector were greater than the declines in other parts, the sector as a whole completed the year on a positive note.

Table 1

### Anchorage Borough Wage and Salary Employment 1987-1988

	1987	1988	Percent Change 1987-1988
Nonag. Wage & Salary	101,150	100,600	-0.5
Mining	3,150	3,400	7.9
Construction	5,350	4,200	21.5
Manufacturing	2,350	2,550	8.5
Transportation	9,400	9,200	-2.1
Trucking & Warehousing	1,600	1,400	-12.5
Water Transportation	300	300	0.0
Air Transportation	3,200	3,350	4.7
Communications	1,900	1,800	-5.3
All Other Transportation	2,450	2,350	4.1
Trade	23,400	24,100	3.0
Wholesale	5,550	5,600	0.9
Retail	17,850	18,500	3.6
Gen. Merch. & Apparel	2,450	2,500	2.0
Food Stores	2,850	2,800	-1.8
Eating & Drinking Places	6,950	7,500	7.9
All Other Retail	5,600	5,650	0.9
Finance, Ins. & Real Estate	7,600	7,200	-5.3
Services	24,100	24,400	1.2
Government	25,900	25,650	-1.0
Federal	10,350	10,300	-0.5
State	6,700	6,850	2.2
Local	8,850	8,450	-4.5

Annual averages may not add due to rounding.

Source: Alaska Department of Labor, Research & Analysis

Layoffs of city workers, closure of fire stations and libraries, and sale of city-owned utilities dominated the 1988 news about Anchorage

#### Report Card on Public Sector is Mixed

The public sector presented a mixed picture in 1988. State government employment recovered in 1988 and actually posted a 2.2% gain. Job gains came both to the University of Alaska-Anchorage and to the rest of state government. But federal government employment dropped slightly in 1988. The military's civilian employment numbers fell by 150, while the federal government's nonmilitary employment grew by 100.

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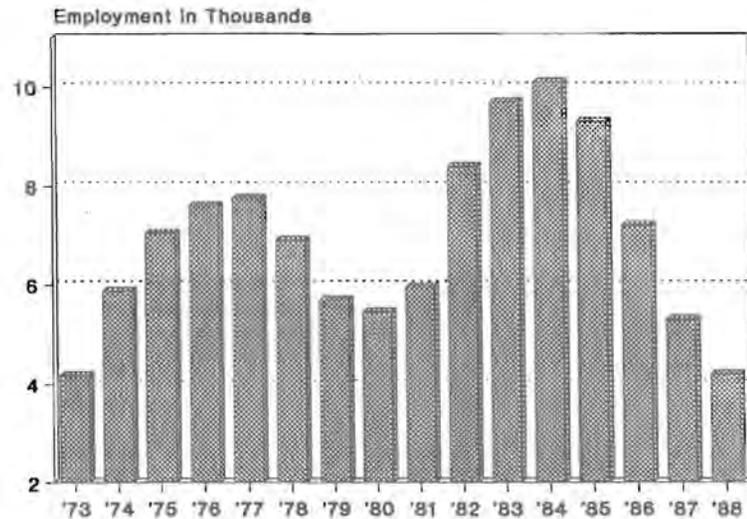
news about Anchorage local government. Plunging real estate values forced the city to cut its budget by 3%. The city lost over 250 jobs in 1988; although most were lost through attrition, some layoffs did occur. School district employment was also down for the year because of reduced staffing levels that went into effect during the first half of 1988. The school district's staffing levels recovered, though, by the fall of 1988; the levels came in slightly higher than the corresponding months in 1987.

#### More Bad News for the Construction, Real Estate and Banking Industries

The construction industry's grim saga of attrition continued in 1988, declining another 20% from 1987 levels. Employment in this industry has fallen to levels not seen since 1973 when the economy was half its present size. (See Figure 3.) According to a recent McGraw Hill's F.W. Construction Bulletin, the value of total construction awards in Anchorage fell by another 39% — to \$138 million. In 1988 the construction industry's share of the city's work force was only 4%. By way of comparison, its peak in 1983 totaled 9%. The glut of residential and commercial properties, coupled with the evaporation of public construction dollars, has prevented any semblance of recovery in the industry.

Like the construction industry, misfortunes were far from over in 1988 for Anchorage's finance, insurance and real estate industries. In 1988, two more banks either shut their doors or reorganized, bringing the total casualty list of banks to nine. Most of the surviving banks sustained additional revenue losses. The industry's tribulations hit Anchorage hard because the city serves as the state's financial headquarters.

## Anchorage Construction - An Industry in Decline



Source: Alaska Department of Labor, Research & Analysis

### Employment Picture Improved

Anchorage's unemployment rate fell to 7.6% in 1988, the lowest it had been in three years. A falling unemployment rate has not always signified an improving job market. But last year's lower unemployment rate correctly forecast a better labor market. The labor market has since become more fluid for two main reasons: 1) the economy has begun to stabilize, and 2) the longest postwar national economic recovery has meant fewer job hunters are moving to Anchorage to compete with residents for jobs. Secondly, this means that those who are already employed are more inclined to look for a new job, the unemployed are more hopeful of finding a job, and promotions of existing employees are more prevalent. The gridlocked labor market of 1986-87 is now behind us.

Reports of worker shortages are growing in number. University of Alaska-Anchorage vocational programs had little trouble placing their graduates. The Anchorage Job Service Office's placements were up 7% in 1988. And want ads in local newspapers grew by 33% in 1988. While this doesn't mean that Anchorage's job market was replete with opportunities in 1988, it is at least a sign that the local economy is on the mend.

### Summary: Anchorage Batting .500

The Anchorage industry scoreboard was batting .500 in 1988: half of the industries grew and the other half were still suffering declines. That's a good average compared to the year 1986-87 when nearly all Anchorage industries were striking out.

The job market has also improved. Looking for a job in the 1988 Anchorage labor market wasn't a hopeless undertaking.

In retrospect, 1988 may have been a watershed year. The passing of last year may have marked the end of the city's worst recession.

Most important, Anchorage's 1988 economy could have provided a firm base for growth of the 1989 economy.

#### About the Author:

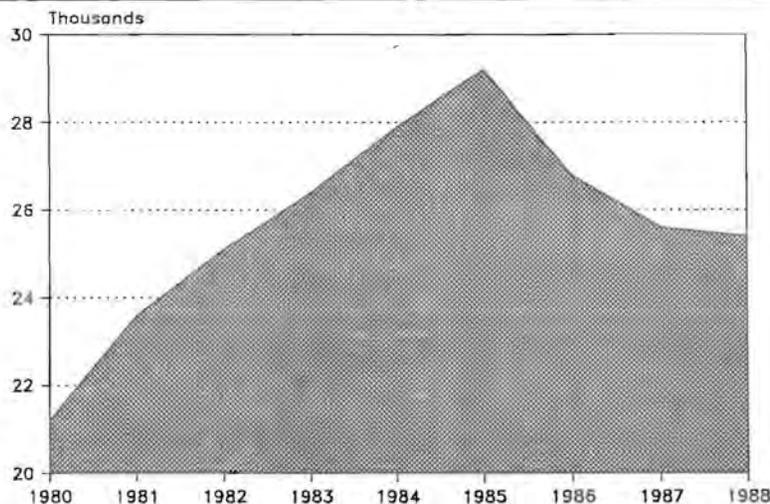
Neal Fried is a labor economist employed 10 years for the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. He is based in Anchorage.

# Fairbanks 1988: The Beginning of the End of a Three-year Slide

by Holly Stinson

Figure 1

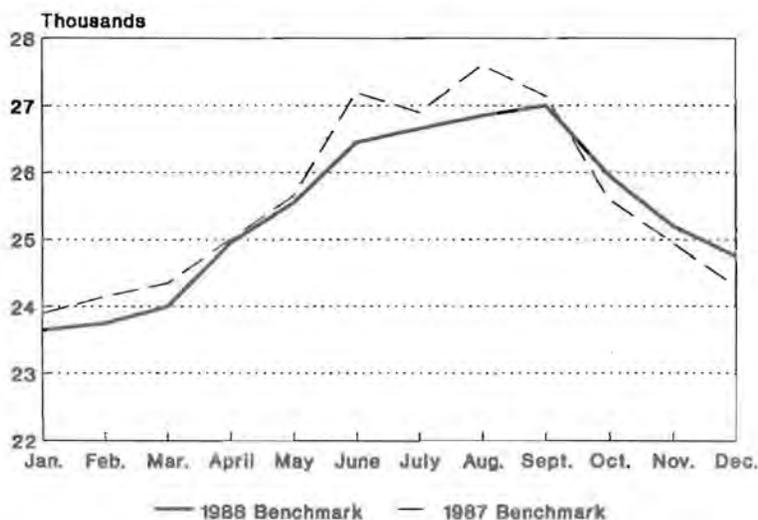
## Fairbanks Nonagricultural Employment 1980 - 1988



Source: Alaska Department of Labor, Research & Analysis

Figure 2

## Fairbanks Employment: 1987 - 1988



Source: Alaska Department of Labor, Research & Analysis

Fairbanks employment in 1988 continued to show over-the-year losses. But the past two years' precipitous decline in jobs slowed considerably (as illustrated in Figure 1). The 1988 annual average of 25,400 jobs is only 0.6% below the prior year's average (see Table 1), and it is slightly above 1982 levels.

Preliminary employment estimates paint a rosier picture for the 1988 Fairbanks economy than do the revised benchmark numbers. (An explanation of the 'benchmarking' procedure appears in a story elsewhere in this issue of Trends entitled, "On the Annual Benchmark Revision".) Yet even the benchmark numbers show that the Fairbanks economy, employment-wise, turned the corner in October 1988. The benchmark employment numbers also show that the months of November and December remained above year-ago levels. (See Figure 2.)

### Some Industries Gained in 1988, Some Lost, Others Remained Flat

No single industry in Fairbanks experienced a large job gain or a large job loss in 1988. Employment in some industries remained flat over all 12 months of last year. The mining and government sectors each retained the same annual average employment in 1988 as they had in 1987. The retail trade and manufacturing sectors each enjoyed a slight increase in the number of 1988 jobs compared to their 1987 levels.

The services, wholesale trade, and FIRE (Finance, Insurance and Real Estate) sectors all lost employment in 1988. While still representing considerable losses, these numbers were a marked improvement over the years 1986 and 1987 when several hundred jobs were lost in some industries.

### The Number of Mine and Government Workers Held Their Own

The mining industry retained its year-ago levels. Mining may be a bright economic spot in Fairbanks' future. During the first three quarters of 1988, the number of mining claims filed in the Fairbanks recording district rose 200% over those filed in the same period of the prior year. (See Figure 3.) Renewed interest in lode gold deposits accounted for much of the increase. Statewide, 11,009 claims were filed in 1988. This is almost twice the number filed just two years ago. As in earlier years when mining was Fairbanks' economic backbone, the industry could play a more important role in the future.

By far, the greatest number of Fairbanks workers are employed in the government sector. In 1988, government garnered 36% of Fairbanks' total wage and salary employment. Government employment has constituted 33% to 36% of Fairbanks' total jobs throughout this decade.

Federal employment dropped slightly from the record high levels of 1987. Contrary to most other sectors of the Fairbanks economy, federal employment has grown steadily during this decade. Civilian military employment fell slightly during 1988 (while uniformed military grew) due to federal budget cuts. The civilian military reduction in force is said to be complete with no added cuts predicted for this calendar year. Increases in other federal jobs allowed Fairbanks' total federal employment numbers in 1988 to equal those of 1987.

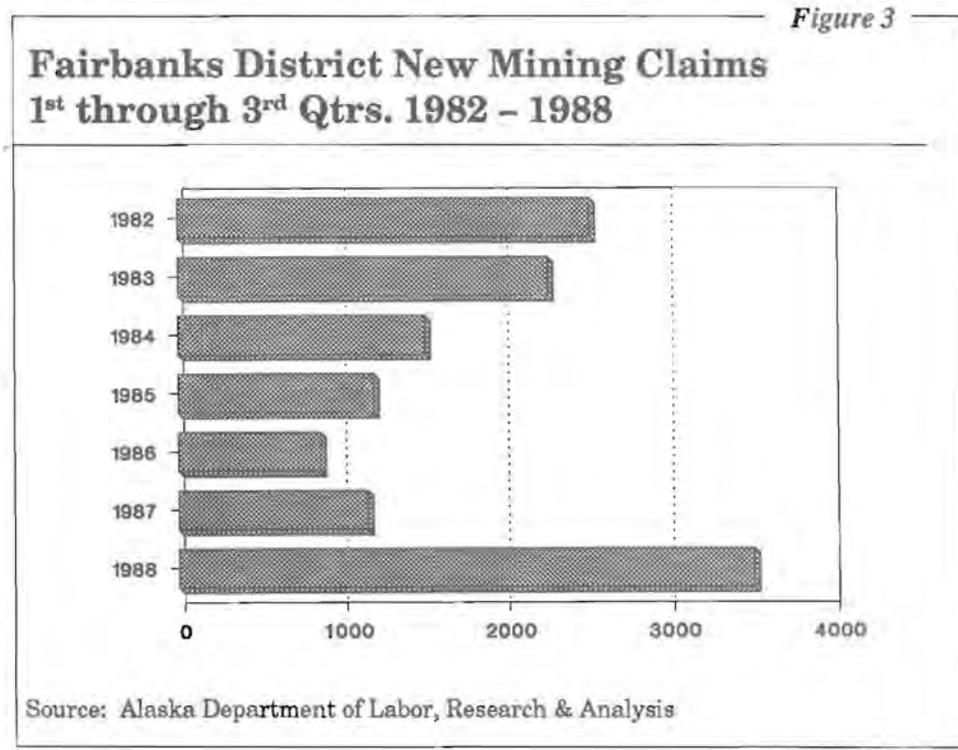
*Table 1*

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	1987	1988	Percent Change 1987-1988
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Mining	150	150	0.0
Construction	1,550	1,500	-3.2
Manufacturing	550	600	9.1
Trans., Comm. & Utilities	2,000	1,850	-7.5
Trucking & Warehousing	350	400	14.3
Air Transportation	350	300	-14.3
Other Trans., Comm. & Utilities	1,300	1,150	-11.5
Trade	5,550	5,700	2.7
Wholesale	750	700	-6.7
Retail	4,800	5,000	4.2
Food Stores	750	750	0.0
All Other Trade	4,050	4,200	3.7
Finance, Ins. & Real Estate	850	800	-5.9
Services & Miscellaneous	5,800	5,700	-1.7
Government	9,150	9,150	0.0
Federal	2,850	2,750	-3.5
State	3,750	3,850	2.7
Local	2,600	2,550	-1.9

Annual averages may not add due to rounding.

Source: Alaska Department of Labor, Research & Analysis



Not included in federal employment numbers are the uniformed military, a group whose employment numbers have grown steadily in Fairbanks. (See Figure 4.) While the uniformed military grew by 696 in 1988, the number of their dependents grew only by 72. The usual soldiers-to-dependents ratio has traditionally been 1 to 1.5. Because the 1988 ratio does not match the

traditional ratio, last year's impact of new uniformed military and their dependents may be limited.

The education portion of local government showed very little change from 1987. Also showing little change during the year was school enrollment.

As a result of 1988 reductions in the city's budget, local government employment dropped slightly. The reductions were small enough, though, to allow local government employment to remain flat in 1988.

Finally, state government employment rose slightly due partly to employment growth at University of Alaska-Fairbanks.

### Construction Employment Remained Depressed

Fairbanks' construction industry lost 50 jobs in 1988. This past year's level was less than half of what it was in 1985. Construction in 1988 of new residential and commercial buildings was the lowest ever of this decade. While 1987 construction permits hit a

low record, 1988 construction permits fell even further. To put it into perspective: the 1987 Fairbanks residential building permits amounted to 131, a lesser number of permits for any year as far back as 1970; the 1988 residential building permits declined even further to the minuscule number of 37.

The federal government spent in 1988 almost \$100 million for new military facilities near Fairbanks; these building projects prevented the number of construction jobs from declining even further. Without an increased state capital budget, employment in this industry is likely to linger at recessionary levels.

### There's No Consensus on '88 Tourism Traffic

Fairbanks' services sector jobs in 1988 dropped by an even 100. Although benchmark numbers show greater employment for this sector than did the original estimates, still there were fewer service sector jobs in 1988 than in the prior year. The greatest divergence between 1987 and 1988

service sector employment levels occurred during each of the two years' summer months; summer 1988 levels were far below those of 1987.

Accounts differ on whether Fairbanks' 1988 summer tourism season was better or worse than 1987. But while the number of tourists may have been up, there were more 'self-contained' visitors in 1988 who made less use of local services. ('Self-contained visitors' are those who pass through via organized tour or who are travelling via recreational vehicle.) Evidence of this change is seen in the hotel/motel industry which endured a 38% drop from 1987 employment levels.

While Fairbanks' 1988 wholesale trade was down, retail trade was up by the same amount. Merchants reported a good holiday season in November and December, an indicator of a recovering economy.

### There were Fewer Bankruptcies in 1988

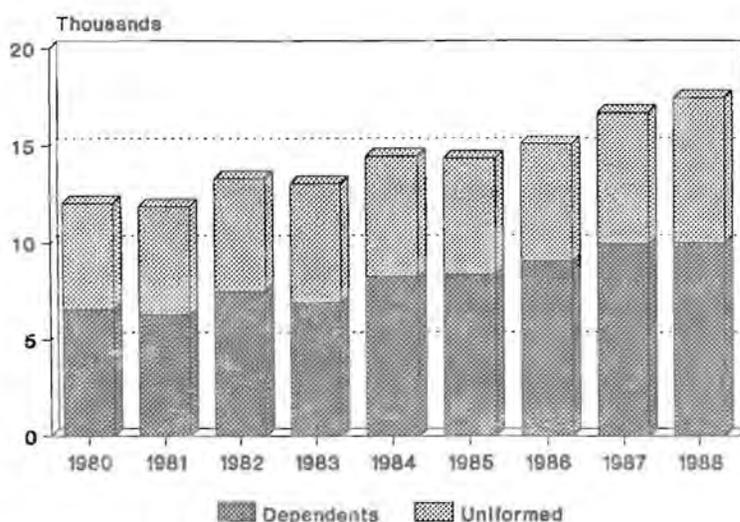
The finance, insurance and real estate industries (FIRE) remained sickly last year, losing over 6% of their total jobs from 1987 to 1988. The number of bankruptcies and foreclosures through November 1988 were closely comparable to the high levels of 1987. There is one hopeful sign for this industry: the number of businesses declaring bankruptcy in 1988 began to decrease.

### Summary: The Employment Slide Turned Around in 1988

The 1988 Fairbanks economy may not have hit the bottom of Alaska's mid-80s recession. However, there were encouraging signs in 1988 that the bottom was near. Employment levels did not slide at the same pace they had in earlier years. Further, employment numbers either remained at year-ago levels or grew slightly for half of the eight major industry groups. In 1987, only one industry could make that

Figure 4

### Fairbanks Military Presence 1980 - 1988 (Uniformed Personnel and Dependents)



Source: Fairbanks Community Research Quarterly

claim. And although summer 1988 employment numbers were lower than those of summer 1987, Fairbanks' year ended on a hopeful note: there was more job growth during the final three months of 1988 than there had been in the corresponding months of 1987.

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# The Southeast Outperformed the Rest of the State in '88

by Brian N. Rae

**B**enchmarked 1988 employment data for the Southeast Region confirms two prior assumptions: that the recession bottomed out last year, and that the economy is now showing strong growth. (See Figure 1.) Earlier monthly estimates indicated this turnaround but understated its magnitude.

The benchmarked employment estimates are in most cases higher than earlier estimates. Annual average employment in the region last year was 30,650, more than 5.3% (or 1,550) above 1987 employment levels. (See Table 1.)

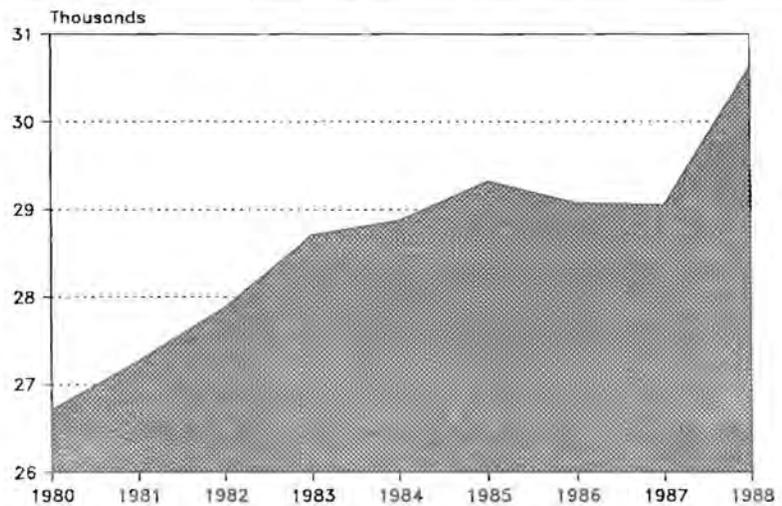
## Resource Industries Gain; Construction and FIRE Sectors Lose

In many ways, the Southeast Region's economy differs from the rest of the state. The 1986 oil price crash caused few direct employment losses within the region. (See Figure 2.) Unlike many other areas of the state, there is little employment directly related to petroleum production. Instead, much of the recent employment declines came from reduced government spending.

Government spending can be broken out into two parts: direct expenditures to assist localities, and spending associated with the operation of statewide programs from the capital city. Both parts are important to the Southeast Region's overall economy.

Figure 1

## Southeast Nonagricultural Employment 1980 - 1988



Source: Alaska Department of Labor, Research & Analysis

Indeed, the drop in oil prices hurt both parts and the drop was felt throughout most of the economy.

The region continues to benefit from its natural resource industries. Over the past few years the rebounding markets for timber, minerals, and fish have boosted parts of the region's economy

during the oil price drops and related employment declines. These rebounding markets helped counterbalance government spending cuts by injecting additional dollars into the economy. Many businesses in the support sectors (Services, Finance, Insurance and Real Estate [FIRE], Transportation, Communications and

Utilities [TCU], and Trade) are sensitive to the amount of money flowing within the economy and do not rely on the health of one particular industry.

The benchmark numbers show the unequal distribution of employment gains. Or said another way, the numbers show the shifting employment trends among industries. Construction actually posted a small employment decline in 1988 as compared to 1987. Two resource industries — lumber and seafood processing — reaped the greatest gains in 1988 with increases of 16.9% and 21.7%, respectively. Such large increases, accompanied by new developments in the mining industry, helped many support sector industries post gains from the prior year. Mining employment, though still very small, doubled between 1988 and 1987. Large gains in the mining sector are expected to continue. But for now, the impact of these mining ventures is felt mainly in the money added to local economies through exploration and development.

As noted earlier, construction fell below its 1987 employment level. Construction employment fell 4.5% in 1988, which translates into a loss of about 50 jobs on an annual average basis. This 'annual average' distinction is important because construction is primarily a seasonal industry. If an average worker is employed for six months during the year, this decline translates into a loss of 100 jobs. Even with these losses, the industry fared much better in the Southeast Region than in the other regions where the statewide loss was almost 14%.

FIRE employment remained level over the year. This region's FIRE sector firms faced similar problems plaguing these industries elsewhere in Alaska and in other oil producing states. Under normal circumstances, the FIRE industries would have posted gains similar to other support sector industries. Still, the fact that FIRE employment didn't decline last year demonstrates that the Southeast

Table 1

### Southeast Region Wage and Salary Employment 1987-1988

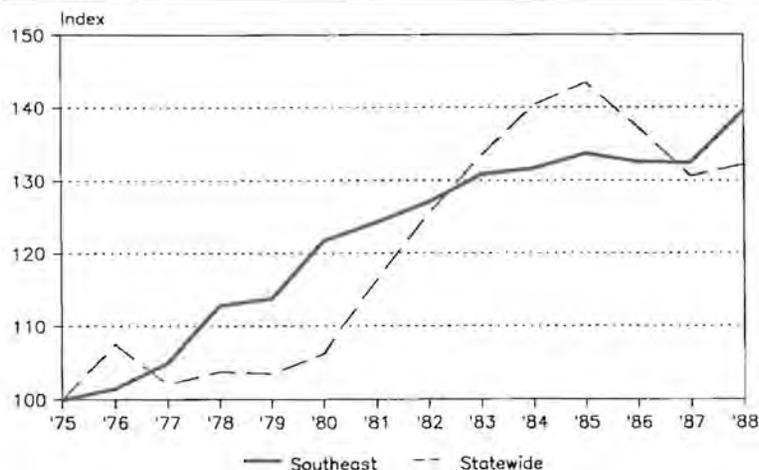
	1987	1988	Percent Change
Nonag. Wage & Salary	29,100	30,650	5.3
Mining	100	200	100.0
Construction	1,100	1,050	-4.5
Manufacturing	4,350	5,150	18.4
Seafood Processing	1,150	1,400	21.7
Lumber & Paper Products	2,950	3,450	16.9
All Other Manufacturing	250	300	20.0
Trans. Comm. & Utilities	2,150	2,250	4.7
Trade	4,600	4,800	4.3
Wholesale	400	450	12.5
Retail	4,200	4,350	3.6
Finance, Ins. & Real Estate	1,050	1,050	0.0
Services	4,600	4,800	4.3
Government	11,200	11,450	2.2
Federal	2,000	2,000	0.0
State	5,000	5,150	3.0
Local	4,200	4,300	2.4
Employment as a Percentage of Total Employment:			
Private Sector	61.6	62.8	
Public Sector	38.4	37.2	

Annual averages may not add due to rounding.

Source: Alaska Department of Labor, Research & Analysis

Figure 2

### Southeast and Statewide Employment Index 1975 - 1988 (1975 = 100)



Source: Alaska Department of Labor, Research & Analysis

Region enjoyed more stable economic health in 1988 than many other areas of the state.

The Southeast's star performer of 1987, timber employment, was again a growth leader in 1988. Even after adjusting for higher than expected employment levels in 1987, the 1988 annual average posted an increase of 16.9% over the year. At 500 new jobs, the timber industry saw the greatest hike in employment levels for 1988. Continued strong demand for wood products brought the greatest employment gains to the industry's logging and sawmill businesses.

Seafood processing, the other major component in the region's manufacturing sector, posted employment gains of 250 over 1987 levels. Although the harvest of salmon was not as high as predicted, processing of other seafood products allowed employment to grow more than 20%. Because the industry is seasonal, the number of additional jobs during the season was actually higher than 250.

### **Mining Employment Doubled**

On a percentage basis, no other industry comes close to the growth in mining. This small industry is growing in importance in the Southeast, both in terms of employment and dollars. In 1988 employment was 200, double that of the previous year. This type of growth will likely continue for the next few years as more projects come on line.

### **Trade and Services Sectors Gained**

Trade employment increased by 200 over the year, a rise of 4.3%. Both wholesale and retail trade shared in the gains, with wholesale posting a larger percentage increase. The Southeast trade sector is heavily influenced by the health of the tourist season, although tourism's actual impact is difficult to quantify. Such strong employment growth, though,

could only occur as a result of a strengthened area economy.

The 1988 services sector growth was similar to that of trade — up 4.3% over the year. Like the trade sector, services industries are a barometer of the area's economic health, shrinking during bad times and expanding during the better times. Much of the 1988 growth in services occurred in hotel and motel employment. This reflects a strong tourist season and increased emphasis on luring independent travelers to the state.

### **Transportation, Communications & Utility Industries Post Small Gain**

Of all the sectors gaining employment during 1988, TCU posted the smallest gain, 4.7%. This gain was almost entirely within the air transportation industry. Other TCU industries retained their prior year's employment levels.

### **Government Lags Behind Private Sector**

The Southeast Region's public sector expanded at a slower rate than the private sector. Government employment in 1988 gained by 250 jobs over the 1987 level. Most of this increase came in state government, which increased by 3.0%. Local government employment rose by 2.4%. In 1988, public sector jobs accounted for 37.2% of all Southeast employment; this is a drop from the prior year when 38.4% of all Southeast workers were employed in the public sector.

### **Summary: 1988 Likely the Year of the Turnaround**

The monthly 1988 employment estimates for Southeast Alaska showed the area's economy outperforming other areas of the state. When measuring employment, the Southeast has fared

better than other regions in prior years, too. Southeast Region employment losses in previous years were less than other areas' losses. And in 1988, the region showed over-the-year employment gains several months before other areas. Throughout the year, the monthly estimates showed employment growing at a much faster rate than the rest of Alaska. It appears that the initial 1988 estimates were pessimistic.

For the entire private sector, Southeast employment increased by 7.3% during 1988. Of course, 1987 was not one of the better years for the state or the Southeast as many people had lost jobs. Under these circumstances employment increases were expected. Many people waiting for signs of an economic turnaround likely saw it in 1988. The Southeast Region posted employment gains in 1988 normally associated with a prospering economy, not one which only two years earlier questioned its future.

Like the rest of the state, growth was unevenly distributed among all industries. Likewise, the recovery left behind some Southeast areas because the areas lacked the prospering industries. Most of these areas, however, were affected less negatively by the recession, which began in 1985, than the now prospering areas of the Southeast Region.

Although there are many different events which could derail the Southeast Region's latest round of economic growth, the initial shock of the 1985 recession seems to be over.

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# Gulf Coast 1988: Overall, It Was a Growth Year — 2.9%

by Holly Stinson

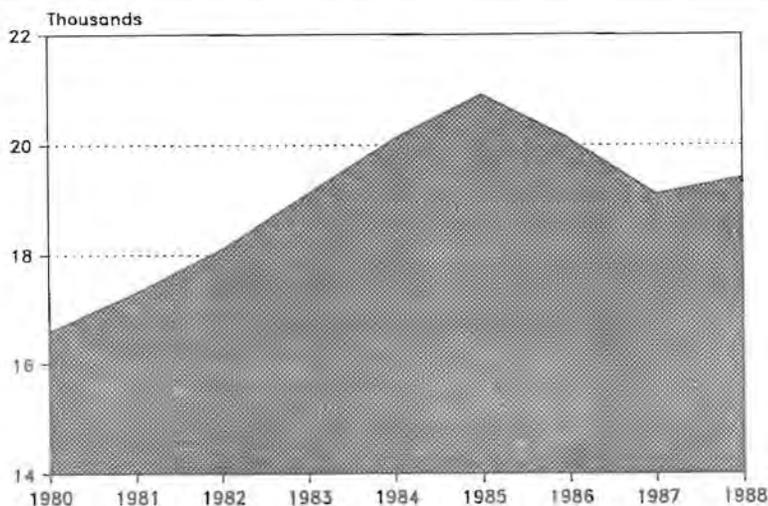
**T**he Gulf Coast region encompasses the Valdez-Cordova Census Area and the Kenai Peninsula and Kodiak Island boroughs. Although most of this region's major towns are linked by the Gulf of Alaska, their economies are in many ways dissimilar.

For example, oil industry employment is important in Kenai and Valdez, while the fishing industry dominates Kodiak and Cordova. The unemployment rate in the Valdez-Cordova Census Area is often twice as high as the Kodiak rate, and the Kenai Peninsula borough rate is higher still. While some areas performed better economically than others in 1988, overall, the region enjoyed a better year in 1988 than during the prior two years.

Like many Alaska regions, summer in the Gulf Coast is synonymous with salmon and tourists. But the Gulf Coast Region's summer of 1988 also heralded the beginning of an employment turnaround. June employment numbers outpaced the prior year's numbers, and the trend continued throughout the remainder of 1988. Although level of employment growth wasn't large (2.9% above 1987), this growth of 550 jobs was the region's first employment upswing in three years. (See Figure 1.)

Figure 1

## Gulf Coast Nonagricultural Employment 1980 - 1988



Source: Alaska Department of Labor, Research & Analysis

### Construction Employment Lost, FIRE Didn't

Despite a trace of growth, not every sector of the Gulf Coast economy performed well in 1988. The construction industry showed annual average employment levels below those of 1987. FIRE (the Finance, Insurance and Real Estate industries) employment remained at year-ago levels. (See Table 1.)

The region's 1988 construction industry employment levels were the lowest of this entire decade. Despite the Bradley Lake Hydroelectric Project near Homer and other less extensive projects in the region, construction employment continued to fall. The region's number of jobs in 1988 was 20% below 1980 levels. The decline

Table 1

### Gulf Coast Region Wage and Salary Employment 1987-1988

	1987	1988	Percent Change 1987-1988
Nonag. Wage & Salary	19,100	19,650	2.9
Mining	750	800	6.7
Construction	950	850	-10.5
Manufacturing	3,350	3,550	6.0
Seafood Processing	2,750	2,900	5.5
All Other Manufacturing	600	650	8.3
Trans., Comm. & Utilities	1,350	1,400	3.7
Trade	3,550	3,650	2.8
Wholesale	500	550	10.0
Retail	3,050	3,100	1.6
Finance, Ins. & Real Estate	550	550	0.0
Services	3,250	3,350	3.1
Government	5,300	5,500	3.8
Federal	550	550	0.0
State	1,500	1,650	10.0
Local	3,300	3,300	0.0

Annual averages may not add due to rounding.

Source: Alaska Department of Labor, Research & Analysis

has at least slowed, though — to 10.5% from 1987 to 1988, compared to losses higher than 30% in each of the two prior years. A minuscule state capital budget—minuscule, at least, compared to the capital budgets of 1982 through 1986—will probably keep construction employment low for many years to come.

FIRE was the only other Gulf Coast sector that didn't gain employment in 1988. Although the recession may be over for most industries, its effects linger in the finance, insurance and real estate industries.

#### Those Gaining Employment were ...

##### ... Government,

State government (which includes University of Alaska personnel) gained 150 jobs last year, while federal and local government employment remained flat. Total government employment accounted for 28% of all the region's wage and salary employment.

##### ... Transportation, Communications & Utilities,

The transportation, communications and utilities sector also gained about 100 jobs in 1988. Modest gains in transportation employment, especially during the summer months, accounted for most of the growth.

##### ... Services, and

The services sector showed annual average growth of 100 jobs, too. This sector's total employment numbers are greater than either the transportation, state or federal government industries, so its 1988 growth showed up as a modest 3% increase. Small employment gains in the services sector reflect increases in the area's two major industries, manufacturing and tourism. The increased number of cruise ships venturing north to the Gulf Coast

during the summer of 1988 augmented the usual number of tourists stopping at the region's ports.

##### ... Seafood Processing.

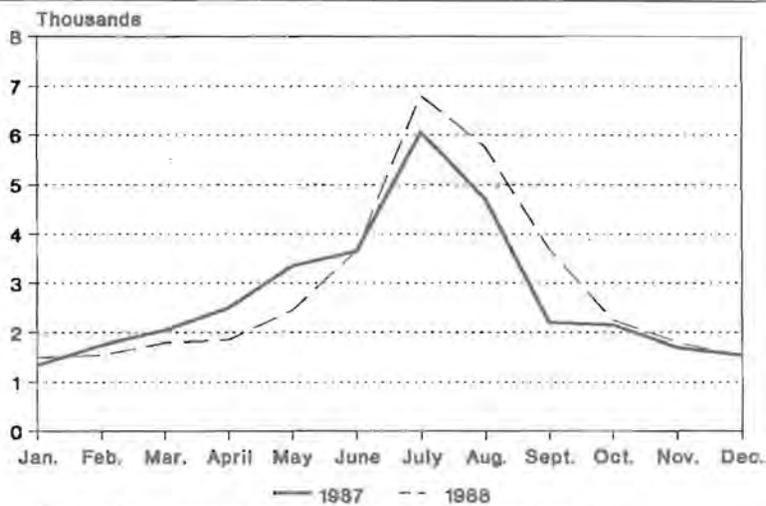
Seafood processing, which comprises most of the Gulf Coast manufacturing industry, gained 150 jobs over the past year. Employment during the busy months of July, August and September was well above year-ago levels. (See Figure 2.) Additional bottomfishing activity, coupled with a good salmon harvest contributed to this industry's growth.

While the total poundage of salmon caught was not a record breaker, elevated prices kept the harvest value high. High enough, as a matter of fact, to give Prince William Sound its second best salmon harvest in history — \$62 million. What's more, that record-breaking harvest occurred with only one-third of the Sound's predicted pink salmon run. Kodiak performed well, too. Its 1988 salmon harvest set an all-time record value of over \$100 million.

New dollar records set for Prince William Sound and Kodiak salmon fisheries.

Figure 2

## Gulf Coast Seafood Employment 1987 - 1988



Source: Alaska Department of Labor, Research & Analysis

Gulf Coast's 1988 employment picture was improved compared to the prior three years.

In the growing bottomfish industry, the first bottomfish factory trawler to adopt Alaska as a base of operations arrived in Homer in May. The same company plans by 1990 to call Homer home for two more trawlers. Supplying these trawlers will boost many sectors of Homer's economy. Further, the factory trawler owners' recent decision to adopt Homer as a home port provided the impetus for the city to build a new dock in 1989.

The region's 1988 shellfish harvest failed to hold its own with the bottomfish and salmon industries. Its harvest was, like the prior year, poor. The winter 1988-89 tanner crab season in some areas was closed due to low stocks. Successive poor shellfish harvests caused a Kodiak crab processing plant to be converted into a

surimi processing operation. The conversion, which speaks well to the business' ability to adapt to a changing economy, was made in response to a thriving bottomfish industry and the depressed crab industry.

Logging, which started up in the Valdez-Cordova and Kenai Peninsula areas, contributed to an 8.3% rise in 'All Other Manufacturing' employment. And both of the wholesale and retail portions the trade sector also enjoyed job growth in 1988.

### Summary:

#### 2.9% Overall Growth in 1988

Modest 1988 employment increases in all sectors except FIRE and construction contributed to a 2.9% overall growth rate for the Gulf Coast region last year.

New business ventures, adaptation of existing ones, and high salmon prices contributed to a better 1988 employment picture than the region had experienced in the prior three years.