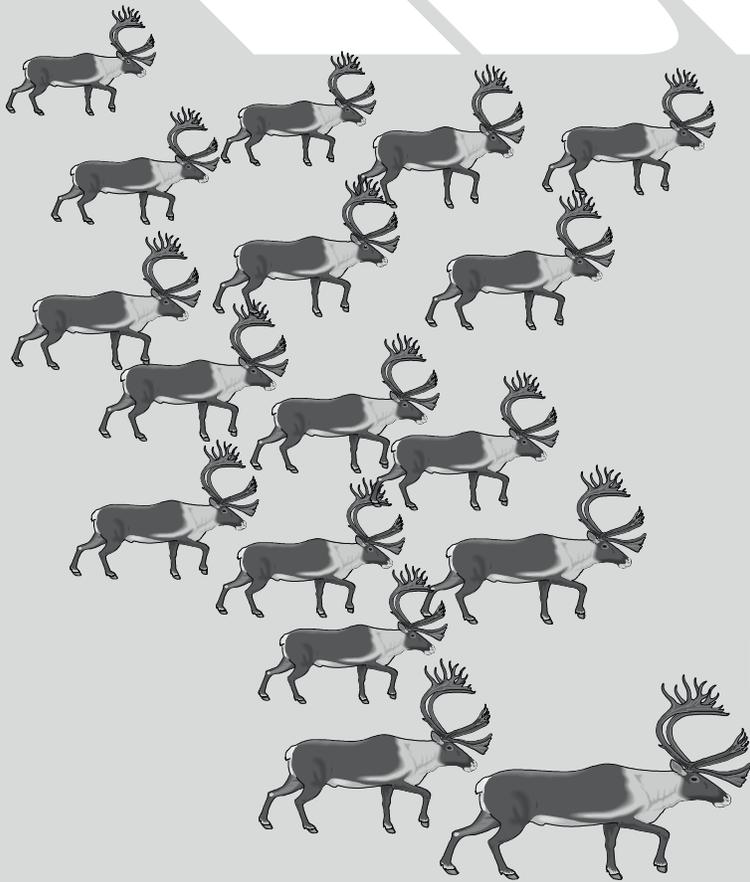


TRENDS



A Profile:

The Northwest Arctic Borough

In the NWAB, most residents are Inupiat Eskimo, who participate in subsistence harvest of caribou, salmon, seal and moose. A tightly integrated social area, its economic powerhouse is the Red Dog Mine.

Also Inside:
Unemployment Insurance
Employment Scene:
Year Winds Down on Positive Note

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A Profile:

Northwest Arctic Borough

by Neal Fried and
Brigitta Windisch-Cole
Labor Economists

Hugging Kotzebue Sound and belted by the Arctic Circle, the Northwest Arctic Borough is Alaska's second largest borough. Only the North Slope Borough is larger. Although the Northwest Arctic Borough was not formed until 1986 and its 11 communities are spread out over nearly 36,000 square miles, it is one of the most economically and culturally unified political subdivisions in the state.

The vast majority of its residents are Inupiat Eskimo, sharing a common language and similar customs. Subsistence remains a powerful unifying force. Most of the borough's communities can be found along one of four major rivers, the Noatak, the Kobuk, the Selawik and the Buckland. These four rivers converge on the coast near Kotzebue, which has developed into the region's largest community and hub. Nearly all goods and services pass through Kotzebue on their way to the borough's 10 other communities. A reflection of the area's tight economic and social integration is the fact that all of its key institutions—including the borough; the Northwest Arctic Native Association (NANA), the area's regional Native corporation; the Northwest Inupiat Housing Authority; the Northwest Arctic Borough School District; and Maniilaq, a health and social service provider—share virtually identical geographical boundaries.

A remote and sparsely populated area

The Northwest Arctic Borough is one of the most remote and sparsely populated areas of Alaska.

Year-round access to the rest of the state exists only by air. No roads connect the borough's 11 communities. During the warmer months when rivers are navigable, boats are the main transportation link among the villages. In the winter, some of the communities are linked by snow machine or dog team routes. The total resident population of the region in 1998 was 6,844. The region's communities range in size from 2,964 in Kotzebue to 102 in Kobuk. Kotzebue is the only community larger than 750. (See Exhibit 1.) Some of these communities

Population of Communities in Northwest Arctic Borough



	1990	1998
Northwest Arctic Borough	6,113	6,844
Ambler	311	315
Buckland	318	408
Deering	157	156
Kiana	385	402
Kivalina	317	349
Kobuk	69	102
Kotzebue	2,751	2,964
Noatak	333	410
Noorvik	531	598
Selawik	596	746
Shungnak	223	257
Remainder of census subarea	122	137
Red Dog	39	42
Candle	10	11

Source: Alaska Department of Labor, Research and Analysis Section

2 A Statistical Snapshot Of the Northwest Arctic Borough

	Alaska	Northwest Arctic Borough
Population 1998	621,400	6,844
A young population and large households		
Median age (1997)	32.2	23.0
Persons per household (1997)	2.7	3.75
...with more children (1997)		
Percent under 5 years old	8.5%	11.5%
Percent school age population (5 to 17)	23.2	32.2
Percent adult workforce population (18 to 64)	63.2	51.2
Percent seniors (65 years & over)	5.1	5.1
...and more women		
Percent female (1997)	47.9%	48.1%
Demographics of the region (1997)		
Percent Native American	16.7%	87.1%
Percent White	74.2	11.7
Percent African American	4.5	0.2
Percent Asian/Pacific Islander	4.6	1.1
Percent Hispanic	4.5	1.6
More unemployed (1997)		
Percent of all 16 years + in labor force (est.)	72.2%	54.5%
Percent unemployed (annual average)	7.9	16.1
Income measured:		
Personal per capita income (1996)	\$24,597	\$18,392
Wage and salary employment (annual average 1997)	32,781	38,515
Educational Attainment (1990)		
Percent high school graduate or higher	86.6%	63.8%
Percent bachelor's degree or higher	23.0%	11.9%

Sources: Alaska Department of Labor, Research and Analysis Section;
U.S. Department of Commerce, Bureau of Economic Analysis,
and Bureau of the Census

evolved from traditional hunting camps or winter settlements and have been inhabited for thousands of years. Other communities developed around churches, trading posts, schools and mining camps. All of the communities except Noatak are incorporated.

A very young population

Even with a relatively high birth rate, population in the Northwest Arctic Borough in the 1990s has grown by only 1.5% per year, a rate nearly identical to that of the rest of Alaska. But this is where the demographic similarities between the borough and the rest of the state end. While Native Alaskans comprise 16.7% of Alaska's population, more than 87 percent of the Northwest Arctic Borough's population are Native Alaskan, and nearly all are Inupiat Eskimos. (See Exhibit 2.) The balance of the population is largely white. There is no other borough in the state with a larger concentration of Native Alaskans. Only the unorganized area of Wade Hampton, which lies south of the Nome census area, has a larger concentration of indigenous people.

Although northwest Alaska was one of the first settled areas in the state and has been inhabited for over 10,000 years, it is now home to one of the state's youngest populations. The region's median age in 1997 was 23.0 years, nearly 10 years less than the statewide median age of 32.2 years. Considering the youth of the borough's population, it is no surprise that household size is larger than average. At 3.75 persons per household, the borough's household size is surpassed only by the Wade Hampton region. The statewide average household size is 2.70. Another manifestation of the region's youth is the size of its school-aged population. Over 32 percent of its population is school-aged, versus 23 percent statewide. As Exhibit 3 illustrates, the Northwest Arctic Borough School District's enrollment has grown rapidly in recent years.

Public sector important; private sector making big inroads

As elsewhere in rural Alaska, the public sector is the leading employer of residents in the borough. Nearly a third of the employment in the borough is in the public sector, making government the largest employer in the region. (See Exhibit 4.) The Northwest Arctic Borough School District, the City of Kotzebue and federal and state government are among the largest public employers in the region. (See Exhibit 5.)

From an income standpoint, the public sector's influence is even more far-reaching. According to a recent study, approximately 70 percent of the borough's personal income came from public sources via federal, state, local and tribal government payrolls and transfer payments. The absence of a substantial private sector is a factor in the public sector's dominance in the local economy.

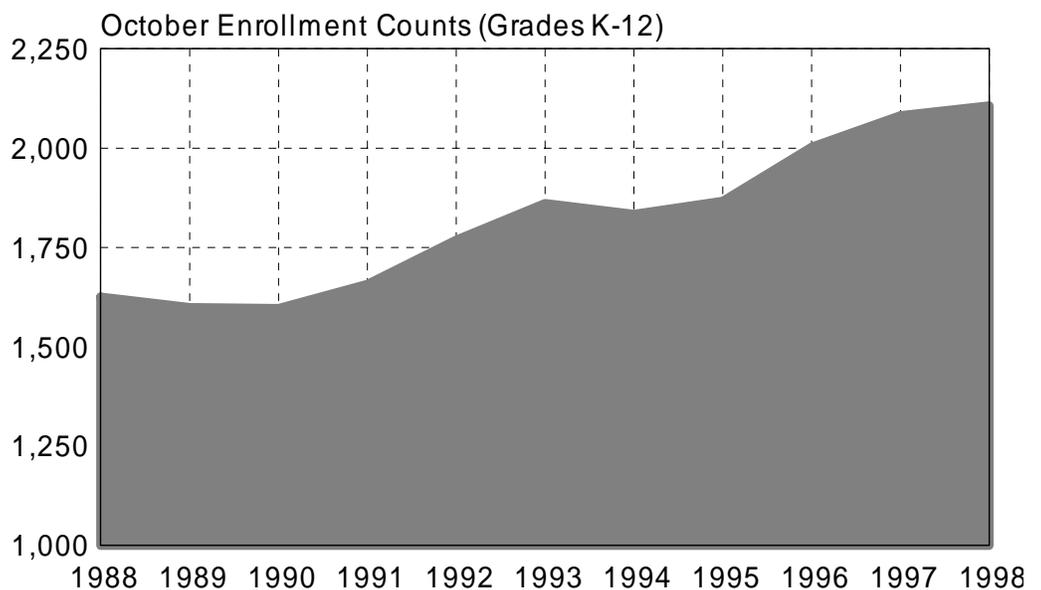
Although public sector employment is the largest in the borough, its direct role has diminished remarkably over the past decade. As late as 1989, more than half of all direct wage and salary employment in the region was in the public sector. Part of the change occurred as a number of federal and state programs were turned over to local nonprofit organizations. One example of this is the borough's second largest employer, the Maniilaq Association, a regional nonprofit corporation primarily funded through federal and state programs. Maniilaq provides comprehensive health, social services, public assistance and training programs to the residents of the region. It also operates the newly constructed 25-bed hospital in Kotzebue.

Although privatization of some government services has played a role in the change, strong growth in the private sector has been even more important. Services industry employment, for example, nearly doubled over the past decade. (See Exhibit 6.) Growth in health care, private social services and the visitor industry has pushed services employment upwards.

Kotzebue serves as the gateway to four major National Park systems: the Noatak National Preserve, Kobuk Valley National Park, Cape Krusenstern National Monument and the Selawik National Wildlife Refuge. In 1998, the National Park Service tallied over 13,000 visits to the parks and about 10,000 to the refuge.

The transportation sector has also expanded its presence significantly. Airlines have increased the frequency of their flights, bringing in more visitors to the area. As in so many other areas of the state, retail trade expanded its offerings in the borough, coupled with retail employment growth. One of the large employers contributing to this growth has been the

School Enrollments Increase **3** Northwest Arctic Borough School



Source: Alaska Department of Education

District

Kikiktagruk Inupiat Corporation (KIC), Kotzebue's village corporation. The KIC is the fifth largest employer in the region and the third largest private sector player. The company is involved in construction, real estate, retail, and a variety of other ventures. All the rest of the area's village corporations merged with NANA, which has become the most significant player in the dramatic expansion of the private sector in the borough.

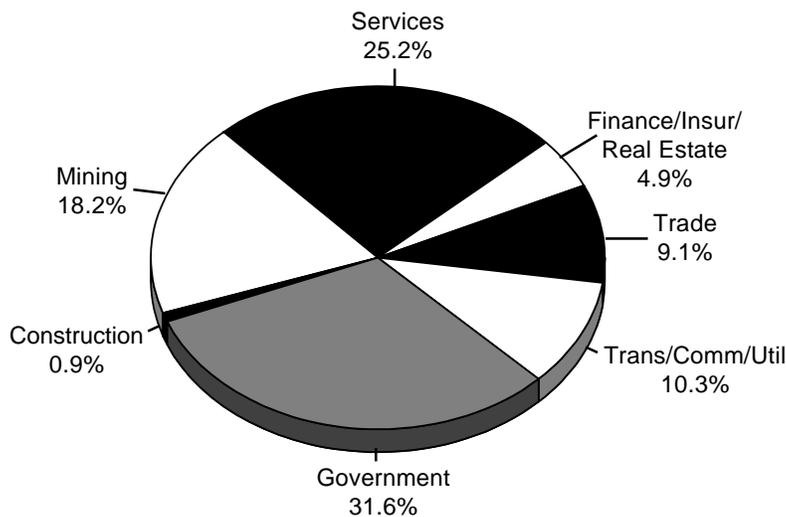
A recent report prepared for NANA estimates that its activities were responsible for one in five jobs and for 10 percent of all personal income in the borough. Just for starters, the NANA/Marriott joint venture is the seventh largest employer in the borough and the Nullagvik Hotel, operated by NANA, is the 14th largest employer. NANA also operates many subsidiaries outside of the borough. For example, it now operates three hotels in Anchorage. Although these are outside of the borough, NANA works to recruit and train shareholders for jobs both inside and outside the region. NANA's crown jewel is the Red Dog

Mine, 90 miles north of Kotzebue, which opened in 1990. The mine is the single biggest reason the private sector in the borough gained so much ground over the past decade.

Red Dog changes the economic picture of the borough

The Red Dog Mine is a NANA joint venture with Cominco Alaska, Inc., the world's largest zinc concentrate producer. The ore deposits are owned by NANA and leased to Cominco, which owns and operates the mine, including its shipping facilities. As the single largest employer in the Northwest Arctic Borough, the mine wields an influence on the region's economy not to be underestimated. Approximately 59 percent of the mine's workers and its contractors are NANA shareholders. The mine's workforce represents 14 percent of the borough's wage and salary employment. Even more impressive are the wages generated by the mine. Red Dog payroll represents over a quarter of the borough's wage and salary payroll. (See Exhibit 7.) In 1997, the mine's payroll was nearly \$26.4 million and its annual wages averaged \$71,124, versus \$32,995 for the rest of the borough. Cominco also provides the borough with the largest source of revenues through payments in lieu of taxes.

4 Government is Largest Employer



Source: Alaska Department of Labor, Research and Analysis Section

When this \$415 million mine opened in 1990, mining employment soared both in the Northwest Arctic Borough and statewide. Red Dog represented the first large-scale mining operation to open in Alaska in decades, and it remains the state's largest operating mine. Prior to Red Dog's opening, the average wage in the borough came in well below the statewide average; a year after the mine opened, the borough's average wage exceeded the state average. In 1997, the borough's average monthly wage was \$3,210, compared to \$2,732 statewide, and most of this premium can be attributed to the mine. Not only are these good-paying jobs, but they are also stable, year-round jobs, a scarce commodity nearly everywhere in

rural Alaska. Most of the workforce at the mine works a two-weeks-on and one-week-off schedule.

The expenditure of these wages and other spin-offs from the mine are the major reasons for the borough's strong private sector growth. For example, a recent study found that more than a half dozen NANA subsidiaries are involved in providing services to the mine. Other contract partners and vendors profit from the mine's existence as well. Its influence on the borough's economy continues to grow. During the past two years, the mine has gone through an \$85 million expansion, with a workforce that peaked at nearly 600. The modernization of the mine and additional ore storage space will give Cominco the ability to expand its production by 40 percent. Moreover, the discovery of an additional large ore body will extend the life of the mine for another 30 years. The Red Dog Mine will remain a huge influence and driving force in both the borough's economy and the state's mining industry for many years to come.

Subsistence remains important

While land in the Northwest Arctic Borough offers great potential in mining and other wage and income opportunities, subsistence activity represents an important source of non-cash income, as well as employment. To some extent, subsistence resources help offset the much higher cost of living and unemployment in the borough. Caribou, sheefish, salmon, seals and moose are the most important subsistence resources, but small game and berries are also harvested. The Western Arctic caribou herd, which is one of the largest in North America with nearly half a million animals, migrates through the region.

Nearly the entire population engages in subsistence activities. In Kivalina, a community of 349, all households are involved with subsistence activities. The average household harvests 3,636 pounds of usable subsistence resources, or 761 pounds per person, according to a 1992 Alaska Department of Fish and Game study on subsistence resource

harvest and use. Although subsistence may be relatively more critical to the smaller communities of the borough, where few payroll employment opportunities exist, most Kotzebue residents (74%) engage in subsistence harvests as well.

Reindeer herding, which for many years was an important source of both cash and subsistence, has been on the wane. In recent years, many of the animals have been lost to the migrating caribou herds. Several herds were once owned privately, but now only one herder still has reindeer in his corral. Reindeer meat can be bought in local grocery markets in towns such as Nome, Kotzebue and Barrow. Reindeer antler harvests, however, are exported from the region. In recent years, the price for antlers in Asian and domestic markets has been severely depressed.

Major Employers In Northwest Arctic Borough **5**

Rank	Employer	Annual Average Employment 1997
1	Cominco Alaska Inc.	370
2	Maniilaq Association Inc.	369
3	Northwest Arctic Borough School Dist.	356
4	Veco Construction Inc.	96
5	Kikiktagruk Inupiat Corp.	93
6	City of Kotzebue	74
7	NANA/Marriott, joint venture	63
8	Federal Government	62
9	State Government	58
10	Baker Aviation, Inc.	45
11	Arrow Transportation International, Inc.	42
12	Carr Gottstein Foods	37
13	Alaska Commercial Company	34
14	Nullagvik Hotel	33
15	City of Noorvik	30
16	OTZ Telephone Cooperative, Inc.	28
17	Selawik Council	25
17	Lions Club of Kotzebue	25

Source: Alaska Department of Labor, Research and Analysis Section

6 Wage and Salary Employment In the Northwest Arctic Borough

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Total Industries	1,822	1,823	1,732	1,785	1,991	2,220	2,190	2,227	2,298	2,465	2,509	2,436	2,564
Mining	*	*	*	41	116	266	327	337	335	343	358	360	467
Construction	*	*	*	*	33	43	28	9	11	23	42	24	19
Manufacturing	*	*	*	*	*	*	*	*	*	*	*	2	0
Trans/Comm/Util	120	99	153	153	167	192	202	210	223	230	236	251	263
Trade	188	232	209	171	184	152	101	127	242	224	256	243	233
Finance/Insur/R.E.	81	69	86	84	65	101	80	60	65	96	90	103	125
Services	251	277	336	354	413	438	472	516	522	643	688	630	645
Government	1,132	1,104	910	932	1,009	1,028	974	964	895	900	837	823	809
Federal	137	151	111	101	89	79	78	79	75	67	63	63	62
State	93	92	93	88	86	84	77	79	77	73	62	60	58
Local	903	862	705	744	834	865	819	806	744	760	712	700	689
Miscellaneous	*	*	*	*	*	*	*	*	*	6	2	1	0

* Nondisclosable

Source: Alaska Department of Labor, Research and Analysis Section

Salmon provides a subsistence resource to the region, and there is also a small commercial fishery in the Kotzebue area. Most of the salmon harvested are chums, and recently low catches and low prices have plagued this commercial fishery. In 20 years of fish harvest history, the 1998 catch was the smallest both in volume and in value. Only 22 percent of local fishers participated in the commercial chum harvest.

Unemployment higher; incomes lower

Although job opportunities and wages have improved in the Northwest Arctic Borough over the past decade, high unemployment, low incomes and high rates of poverty persist in most of its communities. Economic and social indicators illustrate this phenomenon. For example, in 1996 the borough's per capita income of \$18,392 ranked 20th out of 27 areas in Alaska. This compares with a statewide per capita income of \$24,597. Part of the difference can be explained by demographics. Because such a large share of the population is under 18, its income is shared among a

proportionately greater number of people too young to work. However, the more telling explanation for this disparity is that fewer opportunities exist locally for employment, especially on a year-round basis. Unemployment in the Northwest Arctic Borough typically runs at least twice the statewide rate and for the past two years was the highest in the state. An even more telling statistic is the percent of the population that participates in the labor force. Statewide in 1997, 72 percent of the over-16 population is active in the labor market, compared to 55 percent in the Northwest Arctic Borough. This is indicative of the high proportion of "discouraged" workers, those not actively seeking employment and not counted in the unemployment statistics. Not surprisingly, incomes and job opportunities are far more plentiful in Kotzebue than elsewhere in the borough.

Incomes are low and job opportunities scarce in the 10 communities outside of Kotzebue. In some communities, year-round jobs are limited to the school district, the city, the local store and possibly

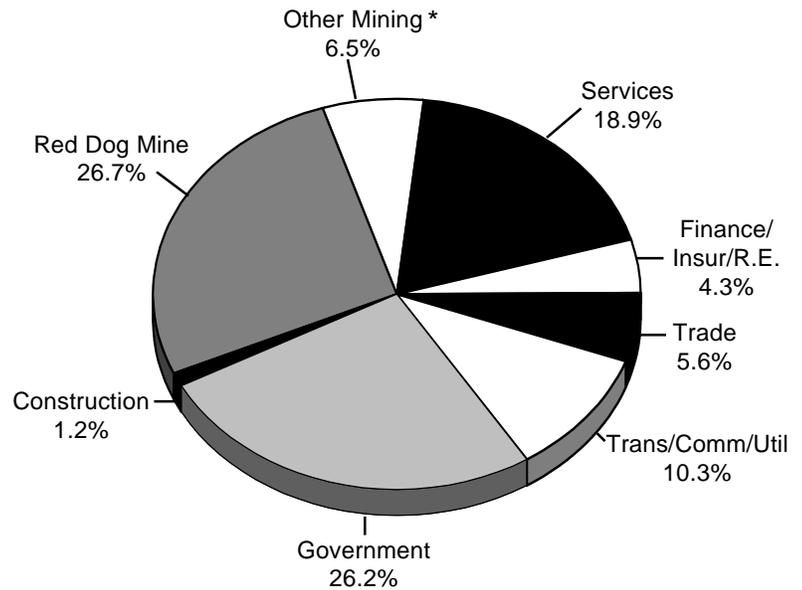
Mining's Payroll the Largest In Northwest Arctic Borough in 1997



a few health practitioners. In some communities, a third of the population lives in poverty (based on cash income). The lack of employment and business opportunities helps explain most of these differences. Low educational attainment also plays a role. Per capita income in some of these communities is half the level found in Kotzebue or in the borough as a whole. High living costs exacerbate the impact of these lower incomes in the villages. According to studies conducted a number of years ago, costs run approximately 40-45 percent higher than they do in Anchorage. Taking into account the value of the subsistence harvest would reduce this differential. Given the demographics of the borough, there will be increasing pressure in the region to provide more economic opportunities as a growing number of residents reach working age.

Summary

Although the Northwest Arctic Borough covers a vast geographical area, it is one of the most economically and culturally unified regions in the state. One of Alaska's most impressive economic powerhouses, the Red Dog Mine, operates in the remote area of the Borough. In eight years of operation, it has become the world's largest producer of zinc ore. It has spurred private sector employment growth and has greatly improved the Northwest Arctic Borough's wage and employment picture. Although many residents benefit from the mine, others still rely heavily on subsistence resources. High unemployment, low labor force participation and high incidences of poverty are still prevalent. Employment is concentrated in Kotzebue, and in most of the outlying villages job opportunities are scarce. Because the Northwest Arctic Borough has a very young population that soon will be entering the labor force, creating enough employment opportunities for these youth will be a challenge.



* Contractors during Red Dog Mine expansion project

Source: Alaska Department of Labor, Research and Analysis Section

Unemployment Insurance

by
Gaile Haynes
Employment Security Analyst

Service delivery in tune with claimant need

As recently as 20 years ago, unemployed workers in Alaska cities and towns lined up in unemployment offices statewide at rigidly scheduled times, showed their identification, answered questions on their availability for work and eligibility for benefits, and received bank payment authorization forms for their weekly benefits. Today, unemployed workers can file by telephone at times convenient to their own schedules. Automated telephonic inquiries replace the claims-taker, and claimants answer by pushing the designated numeral on their telephone keypads.

The Alaska Department of Labor's Employment Security Division has been changing the way unemployment

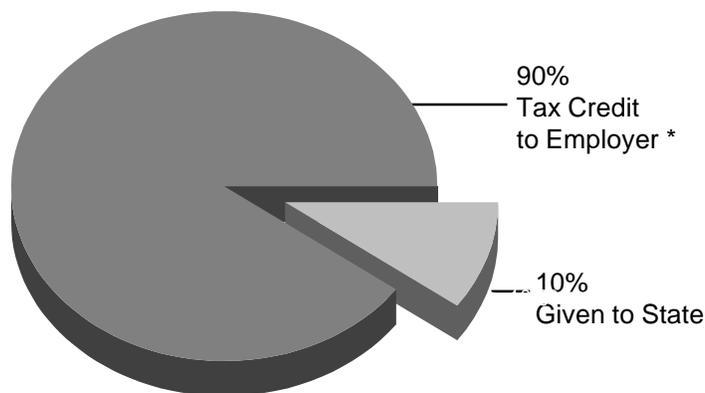
benefits are paid at a pace in synch with technological advances and claimant need. From 1939 to 1980, benefits were calculated by hand and paid directly to the workers, who, except in rural areas, needed to report in person every other week to collect a benefit payment authorization that could be cashed at a participating bank. In 1980, computerization went into effect, replacing the hand calculation. In 1983, unemployed workers no longer were required to file for benefits in person, but could claim benefits by mail or drop box, receiving a check good at any bank. Since 1996, workers have been able to file for benefits telephonically to Anchorage, Fairbanks or Juneau. The next advance, expected in January 1999, will be direct deposit, which will give workers the option of having their unemployment payments deposited directly to their bank accounts. In the near future, additional technologies, such as Internet and voice recognition, will be used to further enhance the delivery of unemployment insurance services.

Need for these changes came from several directions—primarily a result of proposed federal legislation that would decrease administrative funding with no corresponding decrease in workload. In Alaska, using technology to pay benefits positions the Employment Security Division to weather future funding cuts, while helping the unemployed receive payments quicker, so that they can devote more of their time and energy to looking for work. But why and how does the federal government control the way that Alaska pays its unemployment insurance claimants?

History and philosophy shape federal-state partnerships

In 1932, Wisconsin passed the first unemployment insurance law, the Huber Bill. No other state followed

1 Distribution of FUTA Taxes (Federal Unemployment Tax Act)



* If employer pays timely and Alaska complies with federal law

Source: Alaska Department of Labor, Employment Security Division

Wisconsin's example, probably because to do so would have put employers in that state at a competitive disadvantage with employers in states with no unemployment tax laws. The resulting loss of revenue and jobs in the state that did have unemployment tax laws would have increased unemployment rather than relieved it. The only solution seen by those in favor of unemployment compensation was for the federal government to take action directly.

This action was the Social Security Act, signed by President Franklin Roosevelt on August 14, 1935. Part of the Act, the Economic Security Bill, had as its purpose the protection of the economy by maintaining the buying power of persons who, through no fault of their own, were no longer working. Within the two years following the passage of the Social Security Act, legislatures of all states and territories had passed unemployment insurance laws. In order to let funds accumulate to make payments, no benefits were paid until two years after employer contributions began.

The portion of the Social Security Act affecting unemployment taxes is the Federal Unemployment Tax Act, commonly called FUTA, which is managed by the Social Security Board. Under FUTA, most employers must pay a federal tax on their payrolls, whether or not they are subject to the unemployment insurance laws of any state. Ninety percent of this money returns to employers as a tax credit under two conditions:

- The states in which these employers do business must also collect payroll taxes and pay unemployment benefits in accordance with federal requirements.
- The individual employer must properly report and pay unemployment contributions to the state.

A portion of the remaining 10% of the FUTA taxes is returned to the state to pay its administrative expenses on the condition that its law and the administration of it are in accordance with federal standards. (See Exhibit 1.)

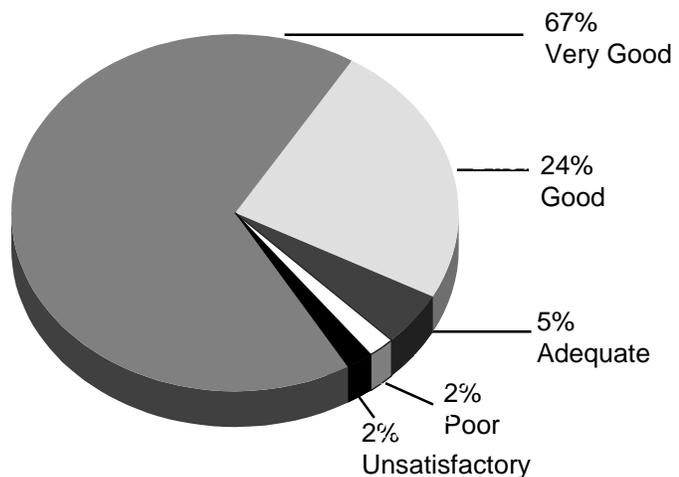
Because Alaska is small in population and vast in geographic area, its per-person costs are disproportionately high, and the Social Security Board takes this factor into account in the distribution of FUTA money, giving Alaska a larger share than is actually earned. Most states receive 60 percent or less of the taxes employers pay into FUTA. Alaska and five other states receive more than a 100 percent return from the fund. The Employment Security Division's cost of doing business is only 10 cents for every dollar of benefits paid, with seven cents of this cost going to benefits administration and three cents for the cost of collecting revenue.

Alaska's employers contribute to the Alaska Unemployment Trust Fund, which, by FUTA regulations, may be used only to pay unemployment benefits. Federal and state agencies do not contribute to the Trust Fund, but instead are charged directly for all benefits paid to their former employees. Non-profit employers may also use this option if they feel it is to their advantage. If unemployed workers were employed in other

Satisfaction with VICTOR* 2

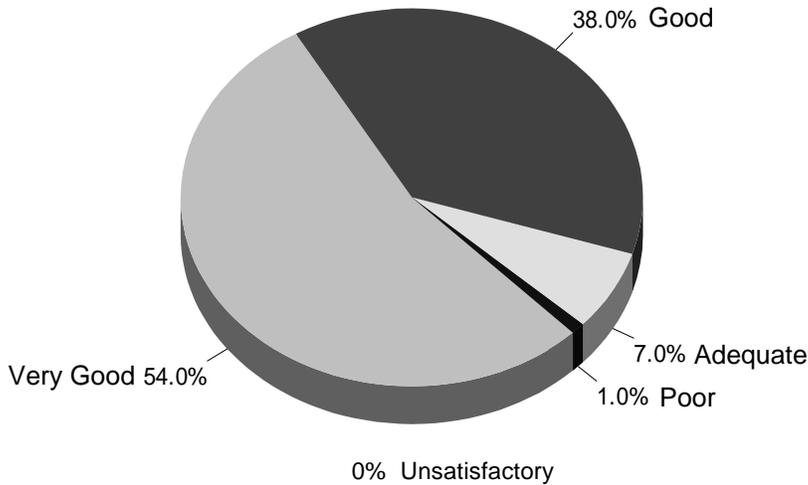
From UI client surveys

*Telephonic claim filing system



Source: Alaska Department of Labor, Employment Security Division

3 Overall Service Satisfaction



Source: Alaska Department of Labor, Employment Security Division

states, those states are charged in proportion to the workers' wages for the unemployment benefits paid on Alaska claims.

The current federal emphasis is two-fold.

- States are required to pay claims accurately, both in terms of the correct monetary amount and in terms of allowing benefits to eligible recipients and denying them to those who are ineligible.
- States are required to pay benefits according to stringent federal standards for promptness.

Compliance with federal requirements controls cost of doing business

In an attempt to control its cost of doing business, the Alaska Department of Labor, Employment Security Division has separated employment and unemployment services. In 1996, telephonic Call Centers were set up in Anchorage, Fairbanks and Juneau to handle all unemployment claims. This division did not, however, sever the link between the two arms of Employment Security Division. Those workers identified as likely to remain unemployed and exhaust their benefits due to

changing labor market conditions are given extensive assistance by the Employment Service. Special programs assist them in writing resumes, interviewing techniques, and choosing and training for new careers. In that way, the Employment Service offices spend their resources helping laid-off workers become re-employed.

Concurrent with the move of unemployment insurance to the telephonic Call Center environment was the change in filing procedures. Unemployment insurance claimants need not wait to receive paper forms to request benefits.

Now, an automated telephone system known as 'VICTOR' enables claimants to answer recorded questions by pressing a number on their telephone keypad. Claimants in the Call Center cities can reach a claims representative or VICTOR via local numbers, while toll-free telephone numbers are available to claimants filing from other locations. Three out of four unemployment claimants use VICTOR telephonic filing. Of these, more than two-thirds rated this service "very good," and 90 percent rated it as "good" or better. (See Exhibit 2.)

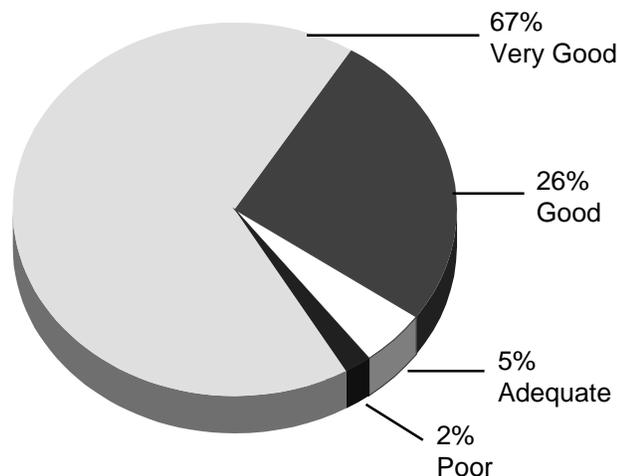
The companion technological advance, direct deposit of unemployment payments to claimants' bank accounts, will take effect in January 1999. With direct deposit, claimants will have immediate access to their benefits through any checking or savings account they designate. Both the telephonic procedures and direct deposit are especially beneficial in rural Alaska where mail can be delayed. Now, no matter how inaccessible the worker's residence, an eligible person may file for benefits and receive the payment on time.

Measuring customer satisfaction

Unemployment Insurance customer satisfaction surveys are becoming the basis of evaluation for program success in Alaska. Current claimants are randomly selected twice yearly and questioned about their satisfaction with various aspects of the services they receive. More than half the claimants considered the overall service they received to be "very good," and more than 90 percent rated the service "good" or better. (See Exhibit 3.)

Courtesy and Respect How claimants felt they were treated

Training of unemployment service workers focuses on making accurate and timely determinations of eligibility. Call Centers have adopted as their mission statement: "To pay benefits accurately and promptly while treating claimants with dignity and respect." In a recent claimant satisfaction survey, when claimants were asked whether they felt they had been treated with courtesy and respect, more than two-thirds rated their treatment as "very good" and more than 90 percent rated it "good" or better. (See Exhibit 4.)



Source: Alaska Department of Labor, Employment Security Division

UI mitigates economic highs and lows

The Great Depression of the early 1930s brought home the understanding that the problems of unemployment were a concern of the nation as a whole, and that a principal value of unemployment insurance was in stabilizing buying power within the community.

Unemployment is, of course, most serious for affected workers and their families, but it also is a problem to employers, to communities, and to the nation. Within the community, unemployment lowers overall buying power. Unemployment benefits keep temporarily unemployed workers in their home communities, available for work. The benefits they receive and spend help stabilize purchasing power, equalize business fluctuations, and prevent the "domino effect" of mass unemployment, where the closing of one business triggers the downfall of others.

Unlike welfare, which is needs-based and government-funded, unemployment benefits are based on an insurance model and operate in much the same way that any other insurance system works. Similarly, unemployment insurance is designed to be actuarially self-sustaining.

Alaska unique in financing benefits

All states except Alaska have some form of "charge back" benefits financing system, in which employers' experience is measured by actual benefits paid. Alaska uses the payroll decline

quotient system. When an employer's average quarterly payroll declines, their tax rate is set higher than that of an employer whose payroll is stable. This system, unlike conventional charge-back models, does not penalize employers for turnover. Alaska is also one of only three states—New Jersey and Pennsylvania being the others—that charges both employers and employees to fund benefits. Currently employers pay 80% of the cost of benefits, and 20% is paid for by employees.

Summary

As the delivery of unemployment services makes increasing use of automation, human resources are used more efficiently and delivery of unemployment insurance services to workers improves. Call Centers with telephonic filing for benefits have replaced mail claims and in-person filing. Shortly, payments will be deposited directly to clients' bank accounts. Alaska unemployment insurance claimants show in periodic surveys that they are satisfied with the new service delivery methods and with the degree of respect they are accorded. As time moves on, the Unemployment Insurance system in Alaska will continue to make technology its ally in providing the best and speediest possible services to its clients.

Year Winds Down On Positive Note

**Oil prices scrape bottom of barrel;
retail sector turbulent**

Alaska Employment Scene

by
Neal Fried
Labor Economist

With only two months of 1998 left to go and the busiest time of the year behind, 1998, like so many years of the past decade, will end on a positive note—possibly with a bit of extra panache. Not only was October's unemployment rate of 5.8% again a record low for the month, but employment growth in some of the state's industries is also adding some real spunk to the general picture. For example, construction activity has heated up enough this year that it is beginning to acquire a speculative air. In Anchorage alone, the value of new construction is running more than \$100 million ahead of year-ago levels. Moreover, construction's strength is pulling several industries right along with it. A short list of these includes the financial sector, building supply industries and engineering services.

The effects of one full year in which oil prices dropped below \$15 per barrel are beginning to translate into concern and layoffs in the oil industry. Nevertheless, the oil field services workforce remains at the moment the busiest it's been in more than a decade. Air transportation continues to gain altitude in spite of the Asian economic crisis, and competition and technology are keeping the communication industry's numbers growing. Health care continues its relentless march forward, and jobs created by the string of new hotels dotting the landscape are now showing up in the employment numbers. Even the public sector's numbers, though paltry at best, are running slightly

ahead of year-ago levels. With the recent record \$869 million Permanent Fund Dividend disbursement and the Christmas season in full swing, the retail picture remains positive, but with a befuddling mix of gains and losses.

The rough and tumble retail market continues

After the explosive growth of retail in the mid-1990s and the incremental growth for every year since then, 1998 was a bit different because so many retailers closed their doors. What caught many off guard and got people's attention was the fact that many of these retailers were large, long established players, some of whom had been around for over 30 years. There is some speculation that some of the explosive growth of the past was finally coming home to roost, a case of consolidation just taking longer than anticipated. This wave of closures began in late 1997 when Woolworth's shut its doors in Fairbanks and Anchorage. Then Rite Aid, formerly known as PayLess, closed its stores in Fairbanks, Anchorage, Soldotna and Juneau, costing 300 jobs. Simultaneously, JC Penney closed in Fairbanks and Juneau, eliminating 150 and 45 jobs respectively. During this same period, Carr's Groceries bought out the SuperValue grocery chain in Fairbanks and closed two of its stores, costing that community approximately 140 jobs. A spate of other smaller retailers also went out of business.

Thus far, all these losses have not deep-sixed retail growth. In fact, retail employment in October was still running more than 1,100 jobs ahead of year-ago levels. Eating and drinking establishments, car dealers and building supply stores are largely responsible for keeping the overall retail employment numbers in the black. Even so, these closures have not gone unnoticed in the retail employment statistics. Several segments of this industry are beginning to slow down. For example, retail employment in the general merchandise and food stores segments of the industry is just barely running ahead of year-ago levels, and the "other retail" category, which included players such as Rite Aid, is registering modest losses.

In Fairbanks, hardest hit by these closures, retail employment has not budged from year-ago levels. Unlike some of the other communities in the state, there have not been any big new players in Fairbanks yet to back fill some of these losses. It could be just a matter of time before retail employment in Fairbanks bounces back. However, not reflected in these numbers is the fact that many of these long-tenured retailers often had long-term employees who were frequently at the higher end of the retail wage scale. Although retail employment opportunities are probably plentiful because of high turnover, many of the more senior employees may be finding it difficult to land equivalent jobs.

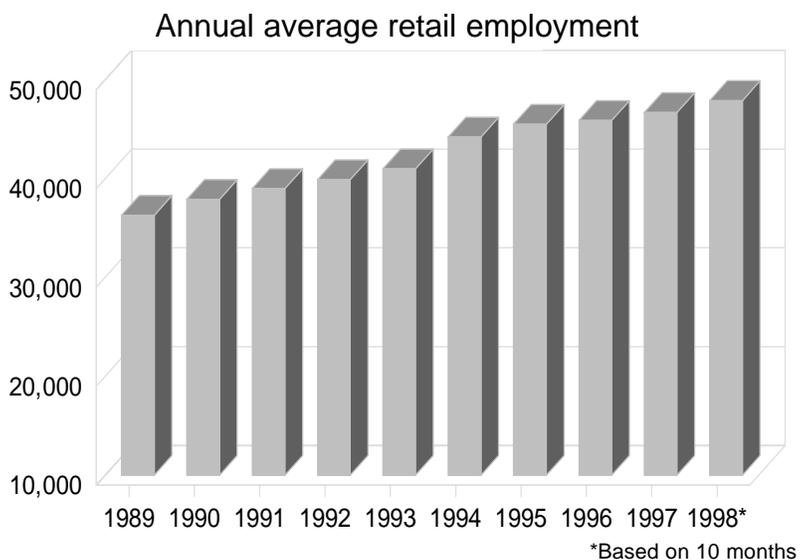
There are no signs that the retail industry is ready to settle down. The purchase of Carr Gottstein Foods by Safeway has made this certain. Although Safeway has not yet articulated what changes might be in the cards, changes are bound to come. In the short run, some of Safeway's stores will probably be closed, and reduction of Carr's existing administrative staff is likely. It is possible that in the long run, Safeway may open new stores, in new locations, which could offset some of these losses. But other big changes in retail are in the offing.

In contrast to Fairbanks, Wasilla's retail employment will soon experience a burst of growth. Wal-Mart recently announced it is going to replace its existing store in Wasilla with the largest store in the state. Fred Meyer's, recently bought out by Kroger Co., is also building a new store in the same community. This store will have a workforce of approximately 225. Not far from Wasilla, in Eagle River, a new factory outlet mall, with 20 stores, will open in late 1999. Wal-Mart is also currently building a store in Kodiak. A raft of other small and medium retail stores is either on the drawing boards or being built.

Many of these changes are simply a reflection of the churning that is taking place in the retail market around the nation—one competitor replacing another, and mergers or realignments. The overall result has been that for each year over the past decade, there has been a net increase in

(continued on page 18)

Retail Creates 10,000 Jobs In 10 years



Source: Alaska Department of Labor, Research and Analysis Section

2 Nonagricultural Wage and Salary Employment by Place of Work

Alaska

	preliminary	revised	Changes from:		
	10/98	9/98	10/97	9/98	10/97
Total Nonag. Wage & Salary	275,400	285,700	269,500	-10,300	5,900
Goods-producing	38,900	43,400	38,200	-4,500	700
Service-producing	236,500	242,300	231,300	-5,800	5,200
Mining	11,100	11,200	10,700	-100	400
Oil & Gas Extraction	9,400	9,400	8,900	0	500
Construction	14,700	16,000	14,200	-1,300	500
Manufacturing	13,100	16,200	13,300	-3,100	-200
Durable Goods	3,000	3,200	3,400	-200	-400
Lumber & Wood Products	1,800	1,900	2,300	-100	-500
Nondurable Goods	10,100	13,000	9,900	-2,900	200
Seafood Processing	7,500	10,300	7,200	-2,800	300
Transportation/Comm/Utilities	25,300	26,700	24,500	-1,400	800
Trucking & Warehousing	2,900	3,000	2,800	-100	100
Water Transportation	2,000	2,600	2,000	-600	0
Air Transportation	8,800	9,000	8,300	-200	500
Communications	4,400	4,500	4,200	-100	200
Electric, Gas & Sanitary Svcs.	2,500	2,400	2,400	100	100
Trade	56,300	59,000	55,100	-2,700	1,200
Wholesale Trade	8,700	9,000	8,700	-300	0
Retail Trade	47,600	50,000	46,400	-2,400	1,200
Gen. Merchandise & Apparel	9,800	9,900	9,700	-100	100
Food Stores	7,000	7,100	6,900	-100	100
Eating & Drinking Places	15,700	17,600	15,100	-1,900	600
Finance/Insurance/Real Estate	12,500	12,800	12,200	-300	300
Services & Misc.	67,700	70,600	65,400	-2,900	2,300
Hotels & Lodging Places	6,300	8,300	6,000	-2,000	300
Business Services	8,900	9,300	8,600	-400	300
Health Services	15,100	15,000	14,800	100	300
Legal Services	1,700	1,700	1,700	0	0
Social Services	7,300	7,200	6,900	100	400
Engineering & Mgmt. Svcs.	7,800	7,800	7,500	0	300
Government	74,700	73,200	74,100	1,500	600
Federal	16,900	17,500	17,000	-600	-100
State	21,700	21,100	21,400	600	300
Local	36,100	34,600	35,700	1,500	400

Municipality of Anchorage

	preliminary	revised	Changes from:		
	10/98	9/98	10/97	9/98	10/97
Total Nonag. Wage & Salary	129,000	129,900	125,000	-900	4,000
Goods-producing	12,300	12,900	11,400	-600	900
Service-producing	116,700	117,000	113,600	-300	3,100
Mining	2,700	2,700	2,500	0	200
Oil & Gas Extraction	2,500	2,500	2,400	0	100
Construction	7,600	8,200	7,000	-600	600
Manufacturing	2,000	2,000	1,900	0	100
Transportation/Comm/Utilities	12,900	12,900	12,300	0	600
Air Transportation	5,600	5,400	5,200	200	400
Communications	2,600	2,600	2,400	0	200
Trade	31,200	31,600	30,500	-400	700
Wholesale Trade	6,400	6,400	6,400	0	0
Retail Trade	24,800	25,200	24,100	-400	700
Gen. Merchandise & Apparel	5,000	4,900	4,900	100	100
Food Stores	2,900	3,000	2,900	-100	0
Eating & Drinking Places	8,700	9,200	8,400	-500	300
Finance/Insurance/Real Estate	7,300	7,300	7,200	0	100
Services & Misc.	36,500	36,900	35,200	-400	1,300
Hotels & Lodging Places	2,600	2,800	2,500	-200	100
Business Services	6,300	6,400	6,200	-100	100
Health Services	7,900	7,900	7,700	0	200
Legal Services	1,200	1,200	1,200	0	0
Social Services	3,300	3,300	3,100	0	200
Engineering & Mgmt. Svcs.	5,800	5,700	5,600	100	200
Government	28,800	28,300	28,400	500	400
Federal	9,800	10,000	9,900	-200	-100
State	8,600	8,200	8,400	400	200
Local	10,400	10,100	10,100	300	300

Notes to Exhibits 2, 3, 4—Nonagricultural excludes self-employed workers, fishers, domestics, and unpaid family workers as well as agricultural workers. Government category includes employees of public school systems and the University of Alaska.

Exhibits 2 & 3—Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Exhibit 4—Prepared in part with funding from the Employment Security Division.

Source: Alaska Department of Labor, Research and Analysis Section

3 Hours and Earnings for Selected Industries

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	preliminary 10/98	revised 9/98	10/97	preliminary 10/98	revised 9/98	10/97	preliminary 10/98	revised 9/98	10/97
Mining	\$1,514.05	\$1,382.73	\$1,325.70	53.5	48.5	49.1	\$28.30	\$28.51	\$27.00
Construction	1,131.27	1,107.14	1,118.48	42.9	41.7	44.0	26.37	26.55	25.42
Manufacturing	581.53	625.54	650.33	51.6	57.6	55.3	11.27	10.86	11.76
Seafood Processing	469.24	557.15	521.86	54.5	61.7	60.4	8.61	9.03	8.64
Transportation/Comm/Utilities	676.60	682.64	662.59	34.0	34.9	34.6	19.90	19.56	19.15
Trade	433.53	426.30	420.84	33.4	33.7	33.4	12.98	12.65	12.60
Wholesale Trade	628.26	626.08	641.44	37.0	37.2	38.0	16.98	16.83	16.88
Retail Trade	399.18	391.24	380.44	32.8	33.1	32.6	12.17	11.82	11.67
Finance/Insurance/Real Estate	556.76	530.82	516.19	36.2	35.2	36.3	15.38	15.08	14.22

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

Benchmark: March 1997

Source: Alaska Department of Labor, Research and Analysis Section

4 Nonagricultural Wage and Salary Employment by Place of Work

Fairbanks

	preliminary		Changes from:		
	10/98	9/98	10/97	9/98	10/97
Total Nonag. Wage & Salary	33,650	34,250	33,000	-600	650
Goods-producing	4,000	4,350	3,850	-350	150
Service-producing	29,650	29,900	29,150	-250	500
Mining	1,300	1,400	1,300	-100	0
Construction	2,100	2,350	2,000	-250	100
Manufacturing	600	600	550	0	50
Transportation/Comm/Utilities	3,100	3,350	3,000	-250	100
Trucking & Warehousing	550	600	600	-50	-50
Air Transportation	700	750	700	-50	0
Communications	500	500	400	0	100
Trade	6,900	6,950	6,850	-50	50
Wholesale Trade	850	850	800	0	50
Retail Trade	6,050	6,100	6,050	-50	0
Gen. Merchandise & Apparel	1,250	1,200	1,350	50	-100
Food Stores	750	750	800	0	-50
Eating & Drinking Places	2,050	2,100	1,950	-50	100
Finance/Insurance/Real Estate	1,100	1,100	1,050	0	50
Services & Misc.	8,050	8,400	7,950	-350	100
Hotels & Lodging Places	750	1,000	700	-250	50
Health Services	1,950	1,900	1,950	50	0
Government	10,500	10,100	10,300	400	200
Federal	3,200	3,400	3,200	-200	0
State	4,400	3,950	4,300	450	100
Local	2,900	2,750	2,800	150	100

Southeast Region

Total Nonag. Wage & Salary	35,450	39,650	35,700	-4,200	-250
Goods-producing	5,350	6,500	5,650	-1,150	-300
Service-producing	30,100	33,150	30,050	-3,050	50
Mining	400	400	350	0	50
Construction	1,700	1,750	1,800	-50	-100
Manufacturing	3,250	4,350	3,500	-1,100	-250
Durable Goods	1,600	1,650	1,800	-50	-200
Lumber & Wood Products	1,400	1,450	1,600	-50	-200
Nondurable Goods	1,650	2,700	1,700	-1,050	-50
Seafood Processing	1,300	2,350	1,250	-1,050	50
Transportation/Comm/Utilities	2,900	3,700	2,950	-800	-50
Trade	6,200	7,300	6,300	-1,100	-100
Wholesale Trade	600	650	600	-50	0
Retail Trade	5,600	6,650	5,700	-1,050	-100
Food Stores	1,300	1,400	1,350	-100	-50
Finance/Insurance/Real Estate	1,550	1,700	1,550	-150	0
Services & Misc.	7,000	7,950	6,850	-950	150
Health Services	1,650	1,650	1,650	0	0
Government	12,450	12,500	12,400	-50	50
Federal	1,800	1,950	1,900	-150	-100
State	5,300	5,300	5,200	0	100
Local	5,350	5,250	5,300	100	50

Northern Region

Total Nonag. Wage & Salary	15,950	16,050	15,750	-100	200
Goods-producing	5,500	5,650	5,350	-150	150
Service-producing	10,450	10,400	10,400	50	50
Mining	5,050	5,050	5,000	0	50
Oil & Gas Extraction	4,650	4,600	4,550	50	100
Government	4,650	4,600	4,850	50	-200
Federal	150	150	200	0	-50
State	300	350	300	-50	0
Local	4,200	4,100	4,350	100	-150

Interior Region

	preliminary		Changes from:		
	10/98	9/98	10/97	9/98	10/97
Total Nonag. Wage & Salary	39,150	40,800	38,400	-1,650	750
Goods-producing	4,400	4,650	4,400	-250	0
Service-producing	34,750	36,150	34,000	-1,400	750
Mining	1,600	1,600	1,600	0	0
Construction	2,200	2,400	2,200	-200	0
Manufacturing	600	650	600	-50	0
Transportation/Comm/Utilities	3,700	4,050	3,550	-350	150
Trade	7,800	8,450	7,700	-650	100
Finance/Insurance/Real Estate	1,150	1,200	1,150	-50	0
Services & Misc.	9,150	9,950	8,950	-800	200
Hotels & Lodging Places	1,100	1,750	1,000	-650	100
Government	12,950	12,500	12,650	450	300
Federal	3,800	4,050	3,750	-250	50
State	4,650	4,200	4,550	450	100
Local	4,500	4,250	4,350	250	150

Anchorage/Mat-Su Region

Total Nonag. Wage & Salary	141,450	142,450	136,950	-1,000	4,500
Goods-producing	13,700	14,400	12,850	-700	850
Service-producing	127,750	128,050	124,100	-300	3,650
Mining	2,700	2,700	2,550	0	150
Construction	8,750	9,450	8,100	-700	650
Manufacturing	2,250	2,250	2,200	0	50
Transportation/Comm/Utilities	14,000	14,000	13,300	0	700
Trade	34,150	34,700	33,350	-550	800
Finance/Insurance/Real Estate	7,800	7,800	7,700	0	100
Services & Misc.	39,900	40,400	38,300	-500	1,600
Government	31,900	31,150	31,450	750	450
Federal	10,000	10,100	10,050	-100	-50
State	9,400	9,050	9,200	350	200
Local	12,500	12,000	12,200	500	300

Southwest Region

Total Nonag. Wage & Salary	16,800	17,600	16,400	-800	400
Goods-producing	3,800	4,500	3,750	-700	50
Service-producing	13,000	13,100	12,650	-100	350
Seafood Processing	3,550	4,200	3,500	-650	50
Government	5,900	5,600	5,800	300	100
Federal	400	400	400	0	0
State	500	500	500	0	0
Local	5,000	4,700	4,900	300	100

Gulf Coast Region

Total Nonag. Wage & Salary	26,350	29,250	26,150	-2,900	200
Goods-producing	6,300	7,550	6,300	-1,250	0
Service-producing	20,050	21,700	19,850	-1,650	200
Mining	1,350	1,400	1,200	-50	150
Oil & Gas Extraction	1,350	1,400	1,200	-50	150
Construction	1,450	1,550	1,450	-100	0
Manufacturing	3,500	4,600	3,650	-1,100	-150
Seafood Processing	2,550	3,600	2,400	-1,050	150
Transportation/Comm/Utilities	2,250	2,500	2,250	-250	0
Trade	4,950	5,600	4,850	-650	100
Wholesale Trade	550	750	550	-200	0
Retail Trade	4,400	4,850	4,300	-450	100
Eating & Drinking Places	1,350	1,700	1,350	-350	0
Finance/Insurance/Real Estate	700	700	700	0	0
Services & Misc.	5,350	6,000	5,250	-650	100
Health Services	1,150	1,150	1,150	0	0
Government	6,800	6,900	6,800	-100	0
Federal	700	800	700	-100	0
State	1,600	1,700	1,650	-100	-50
Local	4,500	4,400	4,450	100	50

5 Unemployment Rates by Region and Census Area

Not Seasonally Adjusted	Percent Unemployed		
	preliminary 10/98	revised 9/98	10/97
United States	4.2	4.4	4.4
Alaska Statewide	5.8	4.8	7.1
Anch/Mat-Su Region	4.6	4.1	6.1
Municipality of Anchorage	4.2	3.8	5.5
Mat-Su Borough	6.7	5.5	8.6
Gulf Coast Region	9.3	6.6	11.5
Kenai Peninsula Borough	10.7	7.8	12.9
Kodiak Island Borough	5.6	4.0	7.5
Valdez-Cordova	8.6	5.4	11.5
Interior Region	6.3	4.9	7.1
Denali Borough	10.4	2.3	12.5
Fairbanks North Star Borough	5.7	4.6	6.5
Southeast Fairbanks	10.1	7.2	9.2
Yukon-Koyukuk	10.6	10.0	13.1
Northern Region	8.3	8.3	8.8
Nome	8.5	8.6	8.5
North Slope Borough	6.2	6.3	6.2
Northwest Arctic Borough	11.2	11.0	13.2
Southeast Region	6.4	4.6	7.3
Haines Borough	9.1	5.6	9.7
Juneau Borough	5.9	4.5	6.7
Ketchikan Gateway Borough	7.2	4.4	8.3
Prince of Wales-Outer Ketchikan	8.5	7.0	8.7
Sitka Borough	4.5	4.1	5.4
Skagway-Hoonah-Angoon	4.8	3.7	6.9
Wrangell-Petersburg	7.3	4.8	8.5
Yakutat Borough	7.5	6.7	6.6
Southwest Region	7.3	7.0	7.7
Aleutians East Borough	2.7	1.7	2.6
Aleutians West	4.1	4.6	6.7
Bethel	8.6	8.3	8.8
Bristol Bay Borough	8.1	4.4	9.6
Dillingham	7.5	5.9	7.6
Lake & Peninsula Borough	4.6	3.3	6.4
Wade Hampton	11.0	12.7	9.7
Seasonally Adjusted			
United States	4.6	4.6	4.8
Alaska Statewide	6.1	5.9	7.6

(continued from page 15)

retail employment (See Exhibit 1.) In fact, retail employment in Alaska has grown faster than any other industry but services. Between 1990 and 1998, retail employment in Alaska grew by 26 percent, or by 10,000 jobs. Is there a limit to this growth? There is, but given the present merger mania and technological change, such as the growing influence of Internet as a retailer, it would be foolish to venture a guess.

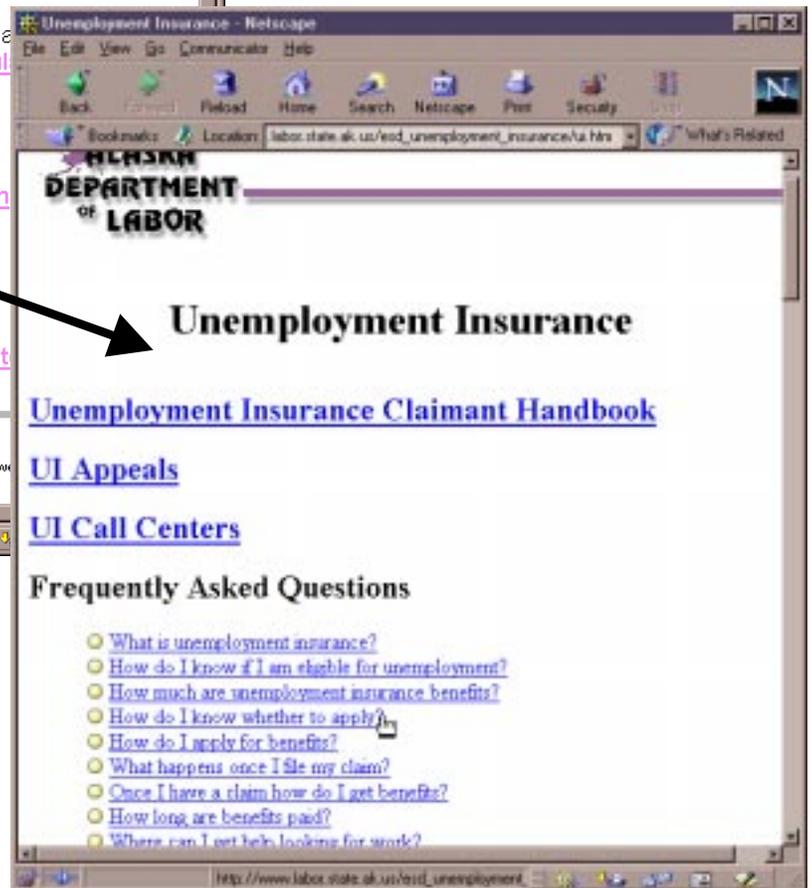
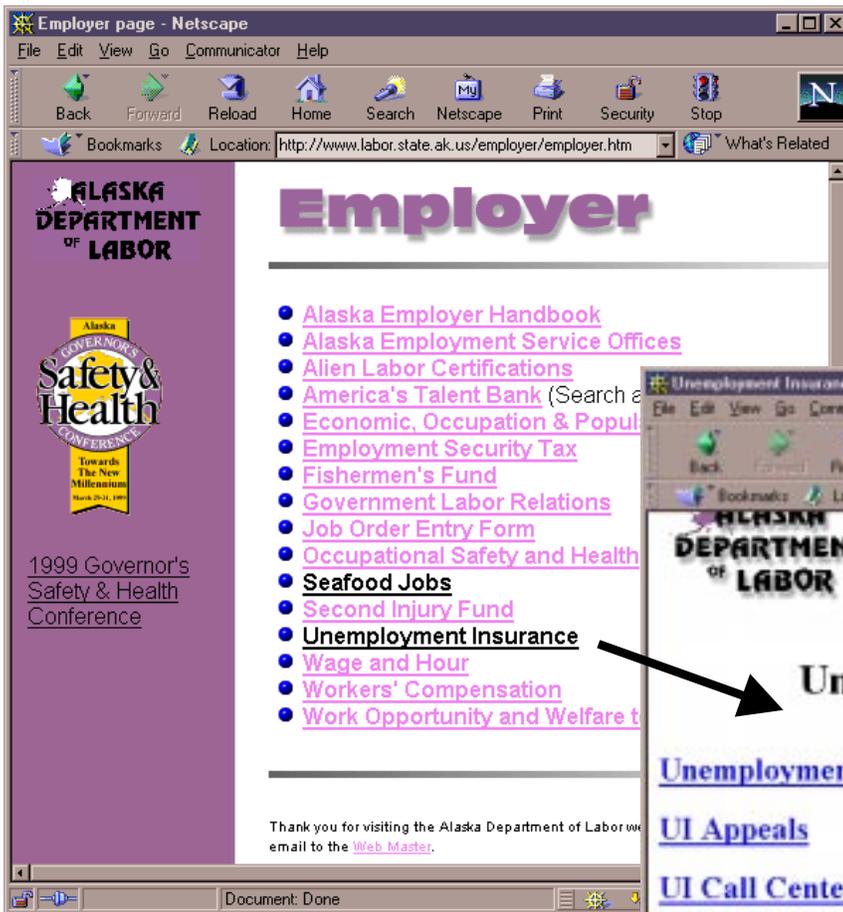
The growth in retail in Alaska is not happening in a vacuum—it's a story being replayed around the country. Nationally, retail employment has also experienced strong growth, although at a more modest 15 percent. In 1998, retail employment was responsible for nearly 18 percent of all wage and salary employment in the nation, and this number has not budged for several years. Over the years, Alaska's stronger growth has been moving the state closer to the national average. With 17 percent of the state's wage and salary employment now in retail trade, it will not be long before Alaska reaches the "national average." The rate of retail growth in Alaska then probably will begin to resemble more closely that of the nation as a whole. This would not bring an end to the present rough and tumble nature of this industry, but it might just slow it down a bit.

1997 Benchmark

Comparisons between different time periods are not as meaningful as other time series produced by Research and Analysis. The official definition of unemployment currently in place excludes anyone who has not made an active attempt to find work in the four-week period up to and including the week that includes the 12th of the reference month. Due to the scarcity of employment opportunities in rural Alaska, many individuals do not meet the official definition of unemployed because they have not conducted an active job search. They are considered not in the labor force.

Source: Alaska Department of Labor, Research and Analysis Section

Employer Resource Page



The Alaska Department of Labor's *Employer* site on the Internet can be reached at

<http://www.labor.state.ak.us/employer/employer.htm>

One of the websites linked to this page is the Unemployment Insurance site at

http://www.labor.state.ak.us/esd_unemployment_insurance/ui.htm

The site lists questions frequently asked about unemployment insurance, with the answers just a click away. Questions and answers cover the purpose of the unemployment insurance system, eligibility, benefits, applying, how benefits are paid and for how long, and where to get help finding work.

The site also gives access to the phone numbers for the UI Call Centers. Information on appeals regarding UI is also available here. Unemployment Insurance claimants will want a copy of the UI Claimant Handbook, available through this netsite.