

ALASKA ECONOMIC **TRENDS**

AUGUST 2014



The Fairbanks Housing Market

ALSO IN THIS ISSUE

Ketchikan's fluid economy

Unemployment among the young

ALASKA ECONOMIC TRENDS



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Sean Parnell, Governor
Dianne Blumer, Commissioner

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On the cover: Log cabin on the Chena River in Fairbanks. Photo by Flickr user wgossett

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Woman at Creamer's Field in Fairbanks. Photo by Stephen Cysewski, wanderinginfairbanks.com

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Projects focus on statewide access to affordable energy



**By Dianne Blumer,
Commissioner**



Follow the Alaska Department of Labor and Workforce Development on Facebook ([facebook.com/alaskalabor](https://www.facebook.com/alaskalabor)) and Twitter (twitter.com/alaskalabor) for the latest news about jobs, workplace safety, and workforce development.

Fairbanks residents are used to dealing with extremes, from short, frigid winter days to midnight sun in the summer.

Housing in Alaska's second-largest city also comes with some unique challenges. A larger-than-average number of Fairbanks residents live without some of the basics many Americans take for granted, such as complete kitchen and plumbing facilities. For some it's a lifestyle choice, but the city's high residential utility costs — the second-highest American city in one study — can be a hardship.

The Parnell Administration has focused on projects across the state to ensure all Alaskans will have access to affordable energy.

AIDEA Investments

The Interior Energy Project that will truck liquefied natural gas to the Fairbanks area, signed into law by Gov. Sean Parnell in May 2013, got a boost when the Alaska Industrial Development and Export Authority recently approved \$23.1 million in loans to Fairbanks gas utilities to help advance natural gas distribution systems.

The Interior Energy Project will help bring down energy costs in the short term and build the infrastructure needed to take advantage of a future Alaska gasline. The target for first gas is summer 2016.

AIDEA is also investing \$50 million in the North Slope Mustang Field processing facility. The \$200 million-plus facility will be operated by Brooks Range Petroleum and owned by AIDEA and CES Oil.

Reynolds Creek Hydropower

The Alaska Energy Authority has approved a \$20 million loan to Haida Energy Inc. to construct a hydropower plant on Prince of Wales Island. Reynolds Creek would supply power to the island's residents, who currently depend on diesel-generated power, at a significantly reduced cost.

Haida Energy is a joint venture of the Haida Corp. and Alaska Power and Telephone Co. Completion of the plant is slated for June 2016.

Alaska LNG

The Alaska LNG Project has reached another significant milestone by submitting an application to the U.S. Department of Energy to export up to 20 million metric tons of liquefied natural gas annually, which is about 10 times the amount of natural gas Alaskans use annually.

The application is a fundamental step toward commercializing North Slope natural gas, which would provide Alaska's gas to Alaskans and to markets beyond.

The project, which is now in the preliminary engineering and design phase, would create up to 15,000 jobs during peak construction and about 1,000 long-term jobs.

Alaska Refineries

On July 29, Gov. Parnell signed legislation he sponsored that provides incentives to help keep Alaska's refineries healthy.

Alaska refineries employ hundreds of Alaskans, producing gasoline, diesel, commercial and military jet fuel, home heating fuels, and kerosene. In addition to our fellow Alaskans, the refined products go to the U.S. Department of Defense, the Alaska Railroad, commercial airlines, and Alyeska Pipeline Service Company.

The governor's bill also extends the state's contract with Tesoro, the owner and operator of the Kenai refinery, for the continued sale of royalty oil.

To prepare for these projects and other opportunities, we are aligning education and training resources to create new pathways of opportunity for Alaska employers and workers, especially young Alaskans.

Fairbanks' Housing Market

Renting and buying
in Alaska's second-largest city



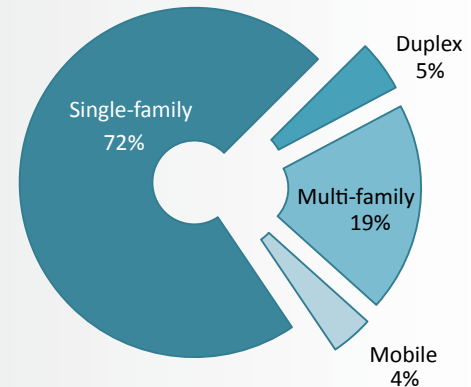
When entrepreneur E.T. Barnette was unceremoniously dumped on the banks of the Chena River in late summer over a century ago, it would have been impossible to foresee that the second-largest city in Alaska would form where he landed after a forced detour.

Fueled by gold rush fever and en route to Tanacross to establish a trading post, Barnette was thwarted by river water too low to navigate and the shadow of fall hanging over his journey. After pushing the steamboat captain as far as he could, Barnette found himself hundreds of miles from his destination with a long winter ahead in the Tanana Valley.

From a distant hilltop, miner Felix Pedro and his companion watched as the steamboat attempted to travel first up the Tanana River and then the Chena before leaving Barnette, his men, and his provisions on the banks of the Chena.

The miners, who had recently found a gold-rich stream and were preparing for a nearly 200-mile

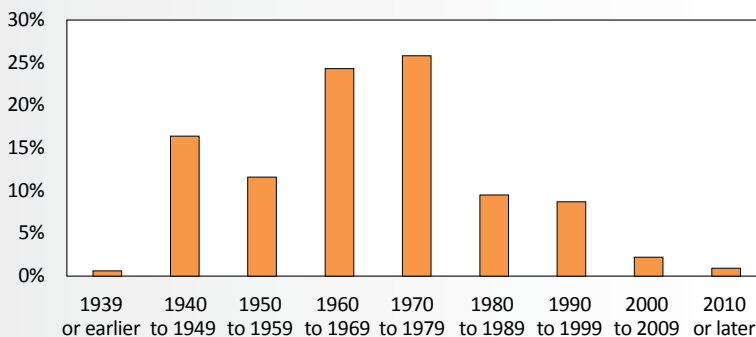
1 Mainly Houses Fairbanks housing mix, 2008-12



Source: U.S. Census Bureau, American Community Survey 2008-2012

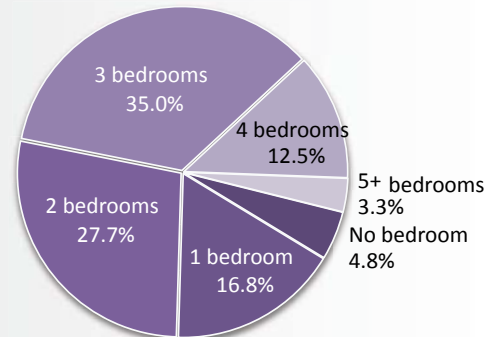
trek to Circle to restock their supplies, jumped on the opportunity to resupply close to their new claim. The discovery of gold in the Tanana Hills

2 Most Homes Built in '70s and '80s Fairbanks, 2008 to 2012



Source: U.S. Census Bureau, American Community Survey 2008-2012

3 Most 3 or Fewer Bedrooms Fairbanks housing, 2008 to 2012



Source: U.S. Census Bureau, American Community Survey 2008-2012



At left, the author sits in front of her “dry” cabin. Cabins without running water are more common in Fairbanks than in Alaska as a whole or nationwide. As shown in Exhibit 4, 6.1 percent of Fairbanks homes didn’t have complete indoor plumbing between 2008 and 2012. Photo by Karinne Wiebold

Residents of these dry cabins rely on outhouses, like the one below at Chena Hot Springs. Photo by Rosie Rosenberger



sealed the deal, and Barnette established his trading post on the banks of the Chena River, planting the seeds for the Golden Heart City.

Today, the communities of Fairbanks, North Pole, Ester, Fox, College, Salcha, and Two Rivers along with the surrounding area and military installations at Fort Wainwright and Eielson Air Force Base make up the Fairbanks North Star Borough. Each community has its own character, but for this article, references to Fairbanks include the entire borough.

Life in Fairbanks and the surrounding communities is distinct in many ways from other parts of Alaska, and housing is one colorful piece in the mosaic of life in the Interior.

A look at the area’s structures

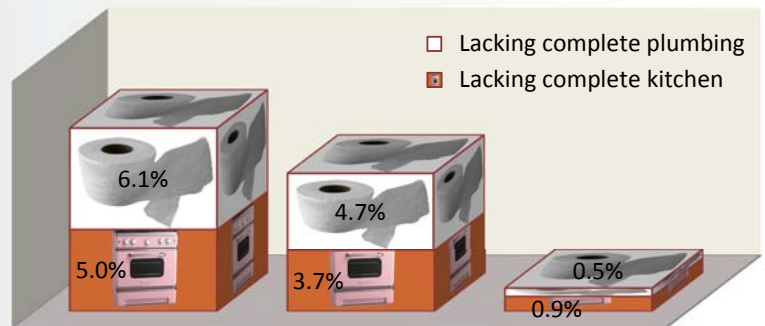
According to the most recent U.S. Census estimates, the Fairbanks North Star Borough has 35,740 occupied housing units, 60 percent owner-occupied and 40 percent rented.

More than seven out of 10 are single-family homes. Apartments and condos together make up 19 percent, duplexes 5 percent, and mobile homes the remaining 4 percent. (See Exhibit 1.)

Compared to the rest of the U.S., Fairbanks has relatively young housing. The 1970s and ’80s were boom years when half of Fairbanks’ housing

4 Roughing It In Fairbanks

Homes lacking amenities, 2008 to 2012



Source: U.S. Census Bureau, American Community Survey 2008-2012

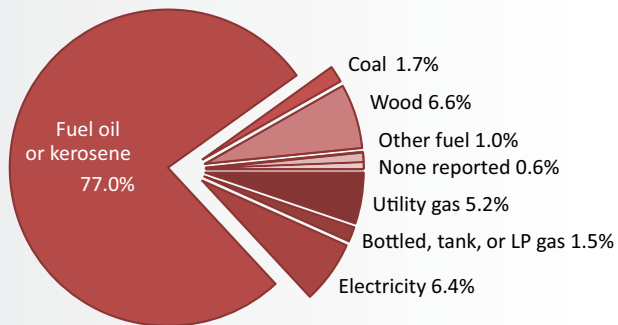
stock was built. (See Exhibit 2.)

After weathering a major flood in 1967, Fairbanks flourished in the economic boom of the pipeline construction from 1974 to 1977 and the continuing oilfield development.

Although three-bedroom homes are the most common size, about half the homes in Fairbanks have no more than two bedrooms. (See Exhibit 3.) Fairbanks has more than twice the national percentage of homes with no bedrooms, such as studio apartments and one-room cabins. However, it has relatively fewer than the state as a whole, at 4.8 percent and 5.5 percent respectively.

5 Oil Heat Most Common

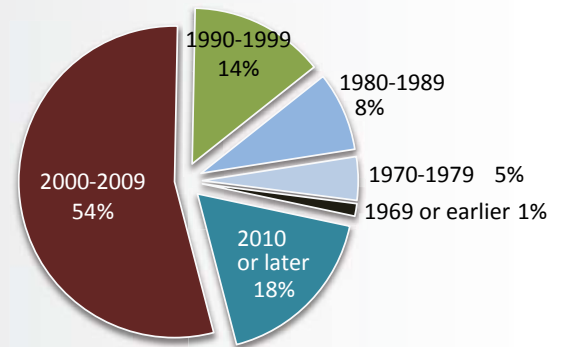
Fairbanks, 2008 to 2012



Source: U.S. Census Bureau, American Community Survey 2008-2012

6 When They Moved In

Fairbanks, current home, 2008-12



Source: U.S. Census Bureau, American Community Survey 2008-2012

Living without some amenities

Fairbanks stands out for its relative lack of amenities, with nearly eight times the national average of homes lacking complete plumbing or kitchens. (See Exhibit 4.) A significant part of the population lives without these typical creature comforts because of lifestyle choices (the cabin experience), financial choices (dry cabins are cheaper), limited access to municipal water, and the environmental considerations of drilling household wells.

The census estimates that nearly 2,200 Fairbanks homes lack complete plumbing and almost 1,800 don't have a complete kitchen.

Unlike the state as a whole, which has seen a large

decline in the percentage of people living without complete plumbing from 13.8 percent in 1970 to 4.7 percent now, the percentage hasn't changed much for Fairbanks. In 1970, 6.5 percent of Fairbanks residents lived in homes without complete plumbing, just slightly higher than the current 6.1 percent.

Utilities are notoriously high

When it comes to heating their homes, more than three-quarters in the Fairbanks area use oil. (See Exhibit 5.) While natural gas and electricity are also common around the state, wood is the second most common heat source in Fairbanks, with residents three times more likely to burn wood than the national average.

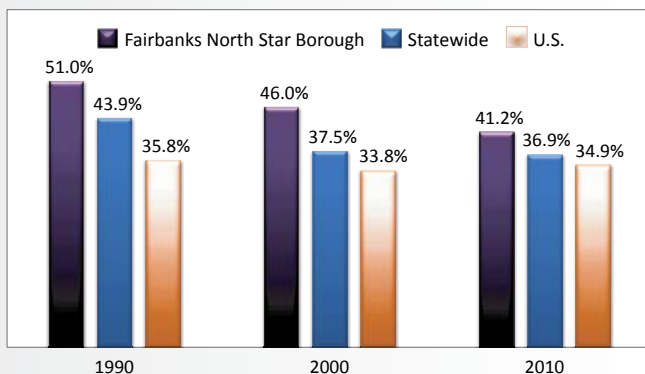
No conversation on housing is complete without looking at utilities, and Fairbanks' utility expenses are notoriously high, recently ranking second behind Hilo, Hawaii, in a national cost-of-living index we discussed in *July Trends*.

Residential electricity is 20.9 cents per kilowatt hour, nearly 70 percent higher than the national average of 12.3 cents per kWh and well over Anchorage's 15.5 cents.

Heating oil is about the same price in Fairbanks as the national average — \$4.09 per gallon versus \$4.07, as of January — but the kicker is quantity. Long, cold winters in the Interior require considerable fuel consumption; a furnace has to heat a home by 100 degrees to raise the indoor temperature to 65 when it's -35 outside.

7 Fairbanks Has More Renters

Versus Alaska and the U.S., 1990 to 2010



Source: U.S. Census Bureau, 1990, 2000, and 2010 censuses

According to a 2010 Department of Environmental Conservation home heating survey, homes in Fairbanks using central oil furnaces burn an average of 1,135 gallons a year. At 2014 fuel prices, that works out to \$4,642 annually, or \$388 per month.

Many households in Fairbanks don't operate their furnaces May through August, which leaves the cost burden on the other eight months of use at a whopping \$581 per month average.

In terms of the cost per gallon, though, it could be worse. The average statewide price of heating fuel in January was considerably higher at \$5.77 per gallon.

Most moved in fairly recently

Seven out of 10 borough residents moved into their current home after 2000, with more than half moving in between 2000 and 2009. (See Exhibit 6.)

Fairbanks has a higher percentage than the state as a whole who moved to their current home after 2000 — 72 percent compared to 68 percent — likely a result of the military, university students, and more renters buying their own homes in the early part of that decade. According to the 2010 Census, the percentage of homeowners increased from 54 percent in 2000 to 58.8 percent in 2010.

Renter, owner differences

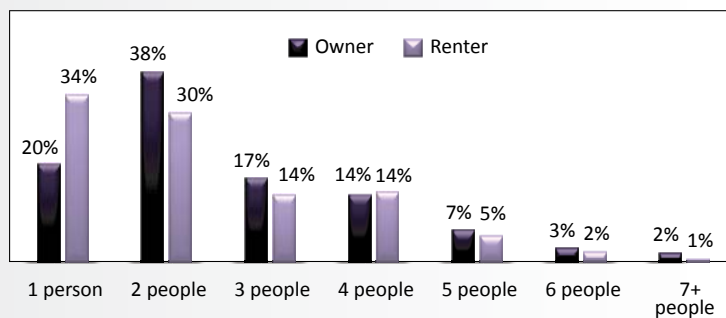
People are more likely to rent in Fairbanks than statewide or nationwide, but the gap is narrowing.

At the time of the 1960 Census, the first one available, Fairbanks was 65 percent renter-occupied. The percentage fell to 51 percent by 1990, at which time Fairbanks had proportionally more renters than Alaska as a whole by 7.1 percentage points and more than the nation by 15.2 percentage points. By 2010, Fairbanks led by just 4.3 and 6.3 percentage points respectively. (See Exhibit 7.)

The prevalence of renting in Fairbanks is likely due in part to the relatively young and mobile military and university populations.

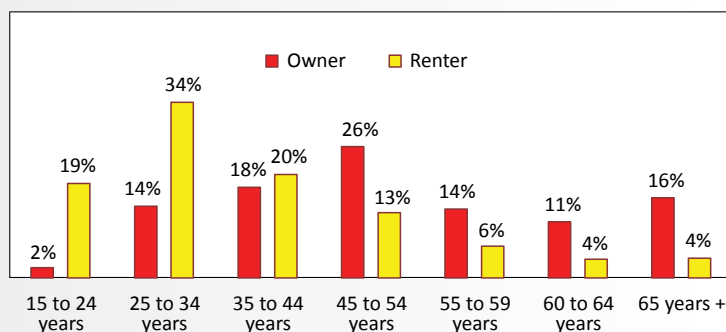
Renters tend to have smaller households than owners. (See Exhibit 8.) According to the most recent census estimates for the Fairbanks area, renter households averaged 2.45 people and owner

8 Owner Households Are Larger Fairbanks, 2008 to 2012



Source: U.S. Census Bureau, American Community Survey 2008-2012

9 Renters Tend to Be Younger Fairbanks, 2008 to 2012



Source: U.S. Census Bureau, American Community Survey 2008-2012

households averaged 2.75. One in three renter households was a single person compared to one in five owner households.

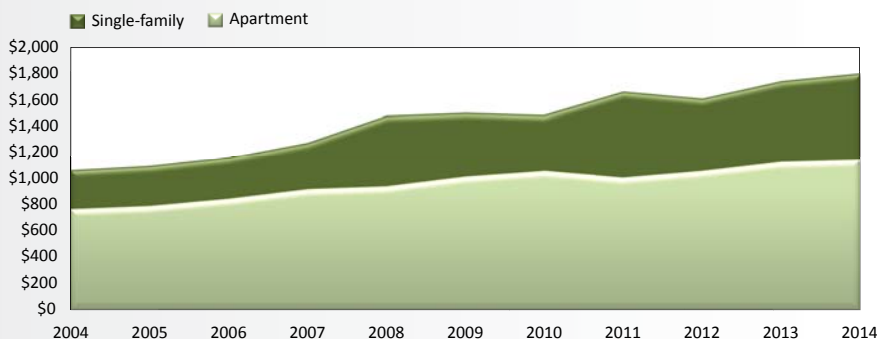
The most typical household size for renters is single-person, and for owners it's two-person — but the majority of both household types have no more than two people (58 percent of owner households and 64 percent of renters). These sizes mirror state and national figures.

Renters also tend to be younger, with Fairbanks householders under age 35 making up 53 percent of all renters but only 16 percent of owners. (See Exhibit 9.)

Renters in Fairbanks are considerably younger than in Alaska as a whole, where 43 percent of renters are under age 35, and dramatically younger than in the U.S., where 37 percent are under 35.

10 Single-Family vs. Apartment Rents

Fairbanks, 2004 to 2014

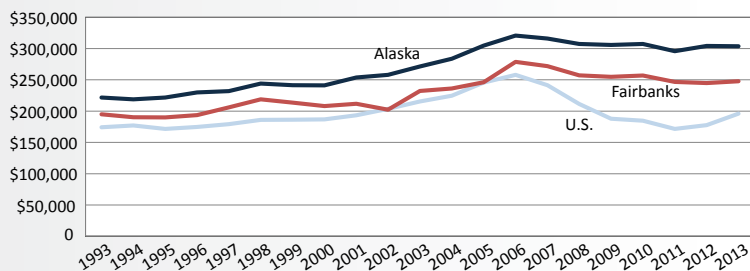


Note: Rents are adjusted to include utilities.

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

11 Average Single-Family Sales Prices

1993 to 2013



Note: Values are in 2013 dollars.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; National Association of Realtors

Average rent on the rise

Our annual statewide rental survey, conducted in March each year, showed average rent including utilities has increased 56 percent since 2004, rising from \$783 to \$1,224 per month.

Average single-family rent has increased 70 percent from 2004, from \$1,062 to \$1,802. Apartment rent has gone up from an average of \$767 to \$1,145, a 49 percent rise. (See Exhibit 10.)

Over the last 10 years, rent in Fairbanks has generally fallen in the middle of the spread, with communities such as Kodiak, Juneau, Valdez-Cordova, and Anchorage being more expensive and the Matanuska-Susitna Borough, Ketchikan, Kenai, and Wrangell-Petersburg costing less.

For a bit of historical perspective, consider that according to the 1970 Census, median¹ contract rent was \$205, which when adjusted for inflation equals \$1,059 in 2013 dollars. According to our annual rental survey, the median contract rent in 2013 was \$995, which was 6 percent lower than 1970's inflation-adjusted rent. Though rents have fluctuated over the last 40 years, this peek into the past suggests what we pay in rent hasn't really changed as much as it may seem.

Higher vacancies

Fairbanks tends to have higher-than-average vacancy rates, at 9.9 percent from 2004 to 2014 compared to the survey average of 6.3 percent.

Vacancy took an upward swing in 2014 to 15.6 percent, and though the reasons for the jump aren't clear, military movements were a likely factor.

According to the U.S. Army, Fort Wainwright's population of active duty personnel and families decreased 5.5 percent from last year, and in March 2014 — when the survey took place — 400 soldiers deployed to Afghanistan.

Home prices on an even keel

To get a good sense of the direction of sale prices over the last two decades, it's useful to inflation-adjust prices to control for the changing value of money.

Sale prices peaked across the nation in 2006 and have tapered off since. While adjusted sale prices in Alaska overall and Fairbanks specifically fell, they did not drop as fast or as far as for the nation as a whole. (See Exhibit 11.)

In 2007, U.S. home prices began to fall rather quickly while Alaska's leveled out. National single-family home prices, when adjusted for inflation, fell 24 percent from 2006 to 2013 while Alaska's dipped just 5 percent and Fairbanks' declined by 11 percent.

¹The U.S. Census Bureau uses median rent rather than average rent.

Single-family home prices have gone up more in Fairbanks and the state over the last two decades than in the entire U.S., where adjusted housing prices in 2013 were only 12 percent higher than they were in 1993. In Fairbanks, the adjusted increase was 27 percent, and for Alaska it was 37 percent.

Affordability of renting, buying

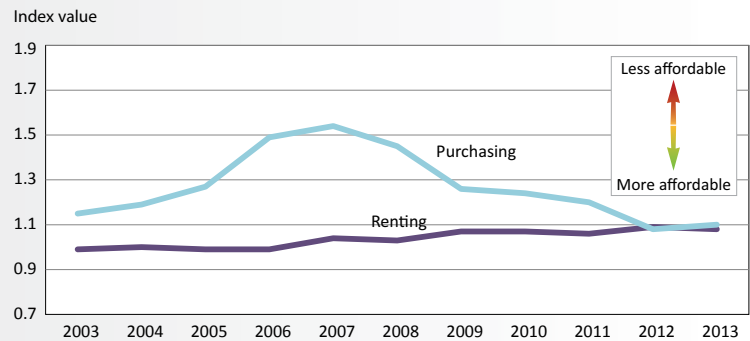
Housing affordability indexes measure the number of average incomes required to afford the average rent or mortgage payment, determined by the dynamic relationship between housing costs and an area's wages. (See the sidebar below for more detail on this method.)

For homebuyers, housing cost incorporates the average sale price and interest rate to approximate a monthly mortgage payment, and for renters it's simply the average rent.

Fairbanks' rental affordability has been fairly constant over the last decade. The largest difference between renting and purchasing was in 2006 and 2007, when it would have required an additional half of a second paycheck to buy rather than rent. (See Exhibit 12.)

In 2012, it was actually slightly more affordable to buy than rent. Fairbanks is the only surveyed community to have had that anomaly, although the difference between renting and buying was minor in

12 Affordability of Renting vs. Buying Fairbanks, 2003 to 2013



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

the Matanuska-Susitna Borough that year as well.

In Alaska overall, the rental affordability index averaged 1.02 over the last 10 years, meaning a person with just over the average income in Alaska could afford the average rent. In Fairbanks, the 10-year average was 1.04, and it has been on a gentle rise.

The homeowner affordability index has ranged from a high of 1.54 (2007) to a low of 1.08 (2012) in the last 10 years, averaging 1.27. Purchasing was the least affordable from 2006 to 2008 as sale

Continued on the back page

How the indexes measure the affordability of buying and renting

The Alaska Department of Labor and Workforce Development compiles indexes to monitor housing affordability across Alaska. The indexes measure a number of economic housing factors and how they interact, producing a single value.

The Alaska Affordability Index considers sales prices, loan amounts, income, and interest rates to estimate how many wage earners it would take to afford a 30-year conventional mortgage for an average-priced home with 15 percent down, given the average interest rate and average income. Put another way, it tells you how many people have to bring in a paycheck to afford a home.

The Rental Housing Index is similar but uses average contract rents rather than estimating monthly mortgage payments. Contract rent is the amount the landlord charges, and doesn't include adjustments for utilities not included in rent.

An index value of 1.0 means exactly one person's income is required to afford a typical home or average rent. An increasing number means additional income is necessary, making housing less affordable. A value of less than 1.0 is more affordable.

The index is intended to monitor housing affordability based only on factors the Department of Labor and Workforce Development measures on a regular basis. However, many other factors affect affordability, some of which are unique to households' situations and would be difficult to measure consistently. These factors include:

- Hazard insurance and mortgage insurance
- Property taxes, which vary by area and property size
- Utilities, which can be substantial and vary depending on energy type
- Adjustable rate mortgages, where monthly payments can change dramatically based on interest rate shifts

Ketchikan's Fluid Economy

Alaska's gateway city, from mining and timber to fishing and tourism



Alaska's southernmost city has its roots in the bank of a stream the Tlingits called "Kitschkin."

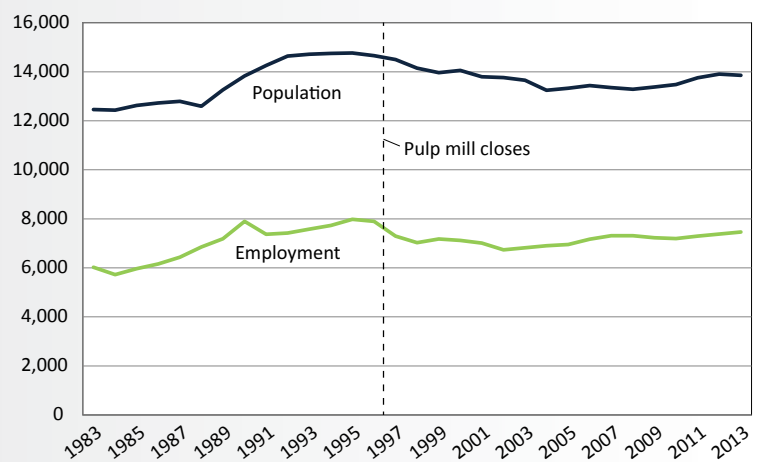
In the late 19th century, white settlers explored the southern part of the Southeast panhandle in search of a place to harvest salmon. They found the mountainous land undesirable until they discovered the mild sloping beach surrounding the Kitschkin stream, where the Tlingits had established a summer fish camp.

The settlers purchased land from the Tlingits and built a salmon saltery along the banks of the water body, which became known as Fish Creek and then Ketchikan Creek, based on the original name. This initial business lasted just a few years, but multiple canneries and salteries soon began operating, giving rise to the town now



Above, the Inter-Island Ferry provides transportation between Ketchikan and Ketchikan International Airport, which is located on Gravina Island. Photo by Chris Lott

1 Ketchikan's Population and Jobs 1983 to 2013



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

known as Ketchikan.

Mining in the early days

Mining became dominant in the area during the Alaska Gold Rush, and Ketchikan was many prospectors' first stop on their trip north. The town also served as a supply center for mines operating in the surrounding area and on Prince of Wales Island, mines that produced some gold but primarily focused on copper. By 1900, the town had grown to approximately 800 people.

When the stock market and copper prices tumbled in 1907, area mines closed. Fishing helped compensate for the loss of jobs, and more canneries were built in the years that followed as a market developed for shipping frozen salmon and halibut. Logging also gained prominence and became the economy's driving force for most of the 20th century.



At left, Ketchikan Creek runs along historic Creek Street, a boardwalk on pilings.
Photo by Jay Galvin

On the opposing page, this totem pole at Saxman Totem Park depicts a Tlingit legend about a boy who unwisely takes on a giant oyster to steal its pearl.
Photo by Mary Harrsch

Timber rises, then fades

Until the early 1900s, a few small logging companies provided lumber locally, but the majority of lumber the town used was shipped in.

Ketchikan Spruce Mills opened in 1903, nearly filling local demand for lumber and remaining in operation until 1983.

Ketchikan Pulp Company opened in 1954, processing lumber harvested from the Tongass National Forest. In 1989, the pulp mill was the state's seventh-largest private employer, and it was consistently one of the 20 largest private employers through the mid-1990s.

With the timber industry flourishing, Ketchikan's population peaked in 1995 at approximately 14,800 people. (See Exhibit 1.)

The tide began to turn in 1990, when the Tongass Timber Reform Act ended annual federal support of up to \$40 million to the Alaska timber industry.

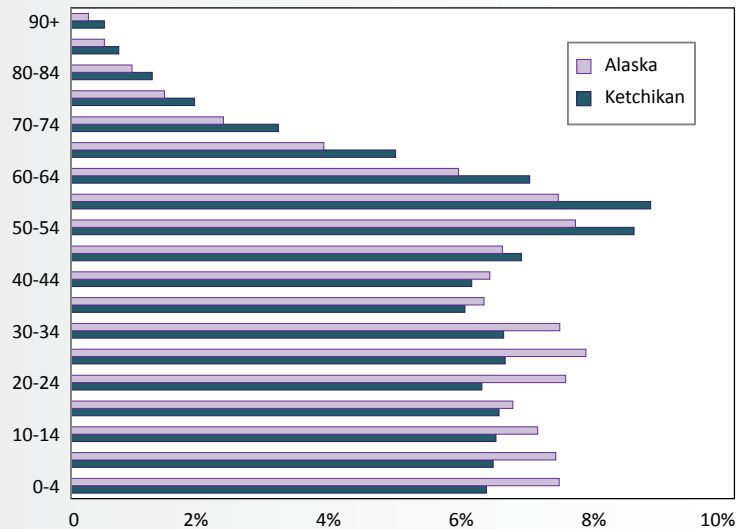
The mill, which had been cited for violating air and water emission laws and paid several million dollars in penalties, was closed in 1997 partly because it needed hundreds of millions of dollars in environmental renovations. The company contin-

2 Ketchikan's Racial Makeup 2012

	Alaska	Ketchikan borough
White	70.9%	72.4%
Alaska Native or American Indian	16.8%	17.9%
Black or African American	4.8%	1.3%
Asian or Pacific Islander	7.6%	8.4%
Hispanic origin (of any race)	6.1%	4.6%

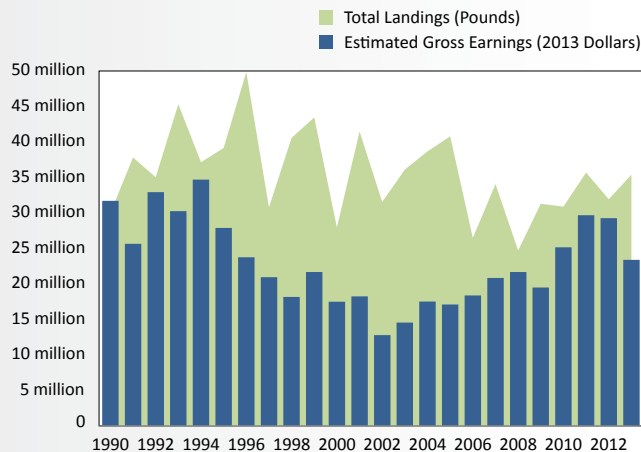
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

3 Older Than the State Average Ketchikan Gateway Borough, 2012



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

4 Ketchikan's Yearly Haul Fishing, 1990 to 2013



Source: Commercial Fisheries Entry Commission

ued logging on Forest Service land for two more years.

Ketchikan's total employment fell by 12 percent between 1995 and 1998, and its population dropped by 700 — to 14,100 — with the pulp mill's closure. This downward trend continued until 2004, when the population reached a low of 13,200.

Since then, the Ketchikan Gateway Borough's population has risen to 13,900, which includes the city's population of 8,300, the nearby Native village of Saxman with 411 people, a census-designated place called Loring with a population of three, and 5,129 who live outside of any defined city or CDP. (For borough demographics, see exhibits 2 and 3.)

Lower wages but higher incomes

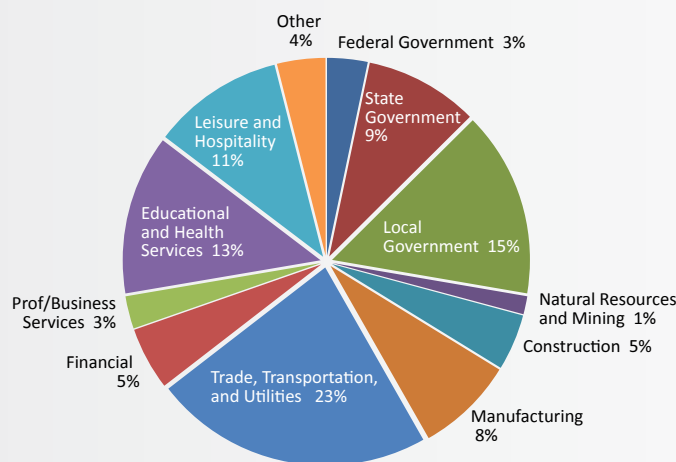
Ketchikan's average annual wage in 2013 was \$42,767, considerably below the statewide average of \$51,033. The average wage doesn't paint a complete picture, though, as it doesn't include fish harvesting income or account for people working multiple jobs.

For example, if a person spends the summer working in retail and the rest of the year working for the school district, wages at each employer would be counted separately, effectively lowering the average wage. Many jobs in the borough are seasonal, such as those in tourism and seafood processing.

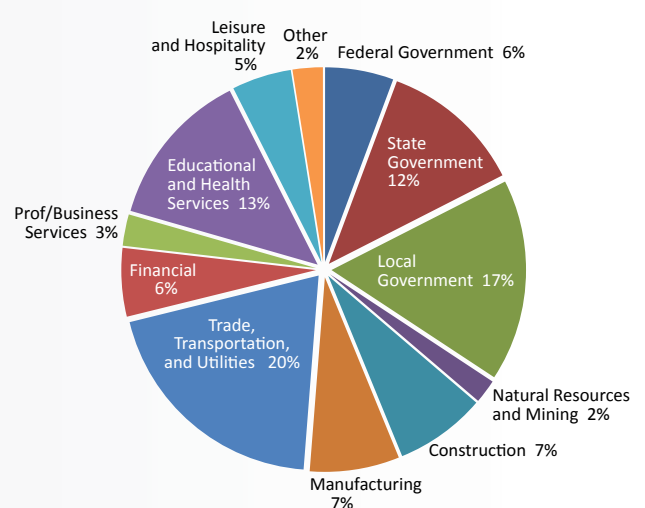
Personal income is a closer estimate of how much the average resident makes in a year, as it includes not just wages from a job but all the money a person takes in, such as investment income and

5 Industries that Make Up Ketchikan's Economy Percentages of total jobs and wages, 2013

Employment



Total Wages



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



Above, a panorama of Ketchikan on a rare sunny day. Ketchikan averages 229 days of rain each year. Photo by Flickr user Threeifbybike

transfer payments (for example, Social Security, retirement, and public assistance). It also factors in income from multiple jobs and self-employment, including fish harvesting. (See Exhibit 6 for the change in personal income over the years.)

The borough's per capita personal income is consistently higher than the state average — in 2012, it was \$56,477 versus \$49,436.

Though the average wages per job are lower in Ketchikan, the area has more jobs per capita than the state as a whole as well as a higher level of business ownership income.

Ketchikan also has 21 percent higher per capita transfer payments than the state as a whole, in this case mainly driven by the retirement income of an older population (see Exhibit 3) and dividends, interest, and rents.

A different mix of industries today

Forestry and logging remains a minor industry in Ketchikan, comprising four firms with an average monthly employment of 59 in 2013 and \$3.5 million in total wages.

Although the population hasn't recovered its historic highs, and minor losses are projected over the next 15 years, Ketchikan's economy has adapted and developed renewed strength.

Fishing the economic mainstay

A welcome sign hanging over Mission Street in downtown Ketchikan proclaims the town "The

Salmon Capital of the World."

Fishing has given Ketchikan's economy resilience through the disappearance of mining in the early 1900s and the logging decline of the 1990s. Still, it's an inherently volatile industry, and earnings can fluctuate greatly from year to year depending on landings and price. (See Exhibit 4.)

The fishing industry suffered in the early 2000s as the introduction of farmed salmon lowered prices for wild salmon. Wild salmon prices rebounded soon after, largely due to disease spreading among farmed fish and resistance from consumers.

Alaska salmon prices have remained high, and The Southern Southeast Regional Aquaculture Association runs two hatcheries in the Ketchikan area to keep the salmon supply relatively stable.

Although fish harvesters are vital to Ketchikan's economy, they don't show up in regular employment statistics because they're self-employed and not subject to the same reporting requirements as other workers. Because they aren't included in this article's numbers, alternate measures are necessary to quantify fishing's impact on the economy.

The Commercial Fisheries Entry Commission estimates Ketchikan borough residents fished 344 permits in 2013, resulting in \$23.4 million in gross income.

In 2012, National Oceanic and Atmospheric Association estimated Ketchikan's fishery landings at 74 million pounds, making it the eighteenth-larg-

est port in the U.S. by quantity. NOAA also ranked the value of Ketchikan's port eighteenth in the nation that year, at \$54 million.

Manufacturing primarily in seafood processing

Another indicator of fishing's role in the economy is its seafood processing. The first industrial building in Ketchikan was a cannery, and seafood processing continues to be a primary economic driver.

In August 2013, food manufacturing provided 1,226 jobs, making up 13 percent of employment that month. The industry is highly seasonal, though, and average employment in food processing for the year was 444, or 6 percent of all jobs.

In 2013, six nonfood manufacturing firms provided another 152 jobs. These firms produced goods such as transportation equipment, wood products, and fabricated metal products. The largest, Alaska Ship and Dry Dock, had more than 100 employees and a \$31 million, 70,000-square-foot assembly hall.

All manufacturing-related jobs, food and otherwise, paid a total of \$23.8 million in wages during 2013 — 7 percent of total wages. (See Exhibit 5.)

28 percent of jobs in government

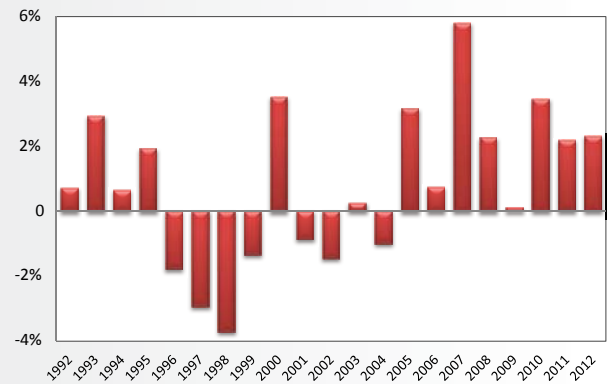
Another major piece of Ketchikan's economy is government, making up about 28 percent of jobs in the borough. These jobs tend to be higher-paying, so the government share of total wages is higher, at roughly 34 percent. (See Exhibit 5.)

Ketchikan is home to Alaska Marine Highway System headquarters and a University of Alaska Southeast campus, which contribute to a bigger state government presence than Alaska's average.

The city's percentage of local government jobs is also above the state average, largely due to the Ketchikan Indian Community. The tribe also operates a large health clinic. While tribal government is always included in local government job totals, these tribal health jobs are counted as private-sector employment in Ketchikan and many other Alaska communities.

6 Personal Income Up Recently

Percent change, Ketchikan, 1982-2012



Source: U.S. Bureau of Economic Analysis

City a major tourist port

Ketchikan is the first port for most cruise ships visiting Alaska, and as the cruise industry grew through the 1990s and early 2000s, visitor-related employment became more important to the economy.

Ketchikan had an estimated 935,900 visitors in summer 2012, over 90 percent of whom arrived by cruise ship.

Jobs in visitor-related industries averaged 1,171 in 2013, fluctuating from a low of 716 in February to 1,823 in July.

Ketchikan's visitor industry has a unique blend of jobs compared to U.S. tourism overall; for example, jobs in scenic and sightseeing transportation are 103 times more common in Ketchikan than the U.S. as a whole.

The city is also a hub for people traveling to and from Prince of Wales Island, now a popular fishing destination with a population of approximately 6,000. The borough's status as a regional hub means its percentage of air transportation jobs is eight times higher than the U.S. average.

Nearby mining prospects

Mining led to the initial boom in Ketchikan's popu-

Continued on the back page

Unemployment Among the Young

Characteristics of Alaska's youngest workers

Once a month, the U.S. Bureau of Labor Statistics conducts a household survey of labor force information in all 50 states. These surveys, which BLS uses to create its regular labor force statistics, also collect additional detail on a state's workforce, such as age and gender.

Although the sample size is small and only the annual numbers are considered reliable enough to create detailed statistics, these monthly surveys allow a general look at unemployment among specific groups.

For example, in 2013, unemployment rates for Alaska's workers age 24 and younger were in the double digits, twice and sometimes nearly three times higher than for the state overall. (See Exhibits 1 and 2).

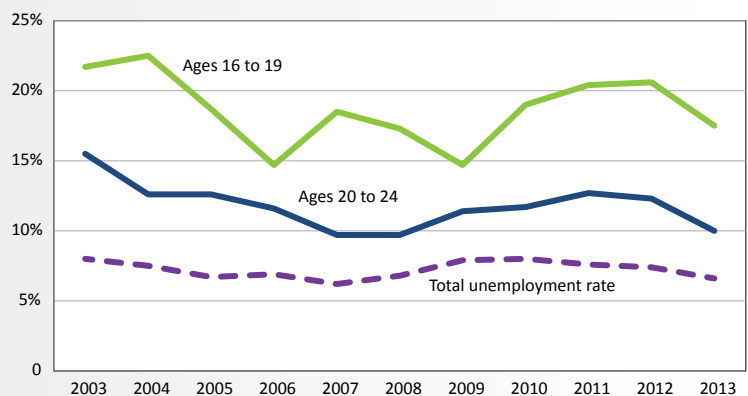
A much higher jobless rate for teenagers and younger workers versus older workers is nothing new. Much of the difference is due to what economists call "frictional" unemployment, which is unemployment caused by people changing jobs or moving.

Demographics play a large role here, as no other age groups move more than the young. Younger workers continually enter, drop out, and reenter the labor market as they relocate, travel, graduate, and complete training programs. As a result, they go through regular periods of unemployment. A lack of work experience and skills also contributes to higher jobless rates. For these reasons, younger workers' attachment to the labor force tends to be more tenuous.

Fewer younger workers participate in the labor force

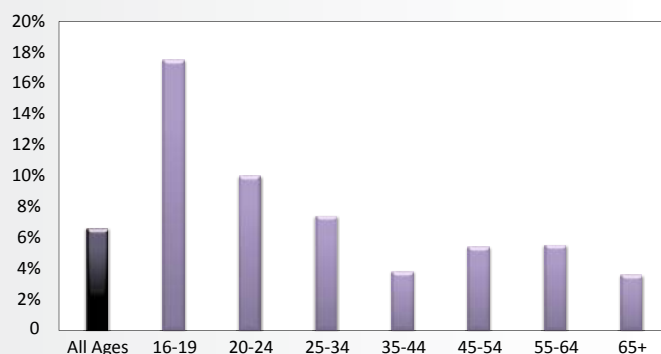
Participation in the labor force — which means

1 Rates Highest Among the Youngest Alaska unemployment, 2003 to 2013



Source: U.S. Department of Labor, Bureau of Labor Statistics

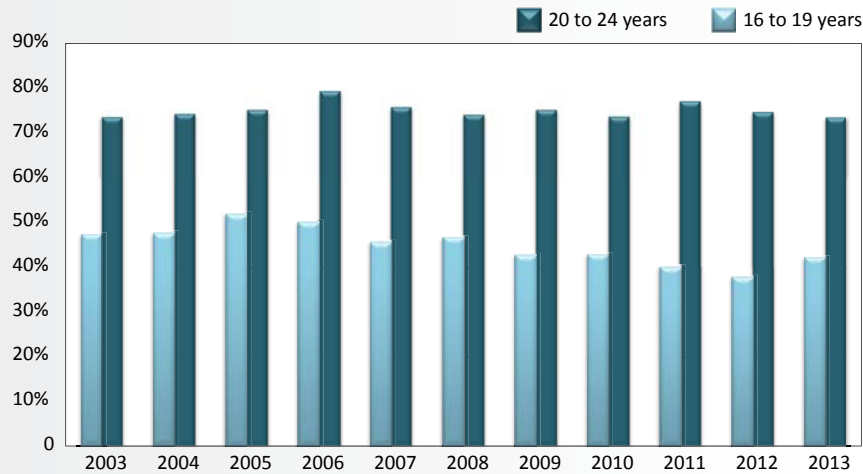
2 Unemployment Drops With Age Alaskans by age group, 2013



Source: U.S. Department of Labor, Bureau of Labor Statistics

3 Teen Participation Has Declined

Alaska labor force participation, 2003 to 2013



Source: U.S. Department of Labor, Bureau of Labor Statistics

working or actively seeking work — is also much lower among younger workers, especially 16-to-19-year-olds. (See Exhibit 3.)

Much of this younger population still live at home and are in high school, beginning college, or participating in training programs and unavailable to work.

During the past decade, participation in the labor force has fallen for both younger age groups but particularly among teenagers. Nationally, this group’s participation rate dropped from 44.6 percent in 2003 to 34.5 percent in 2013. Alaska’s decline was less precipitous, dropping from 47.3 to 42.1 percent over that period.

Part of this trend is due to more teens attending postsecondary school or training, making them less likely to seek work. At the national level, a more competitive labor market has also made it harder for teens to find jobs; some stop searching and thus drop out of the labor force.

Participation increases sharply from the 16-to-19 group to the 20-to-24 age group, as those who graduate become much less dependent on parents.

Among 20-to-24-year-old Alaskans, participation has changed little over the past decade, and nationally, it has fallen more moderately than it has for their teenage counterparts.

Lower rates, more participation in Alaska

In 2013, the unemployment rate for young Alaskans was lower than the nation’s, and it was the 15th lowest among states. (See Exhibit 4.)

A better labor market in Alaska explains some of this difference. Labor force participation was also higher for Alaska’s younger workers — 59 percent for 16-to-24-year-olds versus 55 percent for that age group nationally. Lower unemployment rates and higher participation typically go hand-in-hand.

4 Young and Jobless

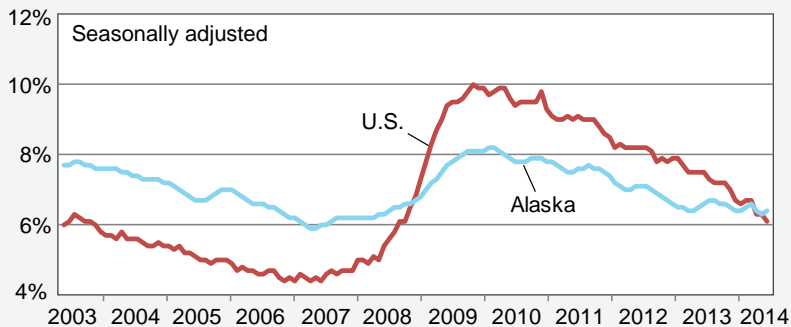
Ages 16-24, 2013

Rank	State	Rate
1	North Dakota	4.5%
2	South Dakota	8.1%
3	Nebraska	8.3%
4	Utah	8.8%
5	Wyoming	8.9%
6	Iowa	9.6%
7	Minnesota	9.7%
8	Oklahoma	11.1%
9	Montana	11.1%
10	Hawaii	11.1%
11	Vermont	11.6%
12	New Mexico	11.9%
13	Kansas	12.0%
14	Florida	12.1%
15	Alaska	12.3%
16	New Hampshire	12.5%
17	Wisconsin	13.0%
18	West Virginia	13.0%
19	Maine	13.0%
20	Idaho	13.0%
21	Texas	13.6%
22	Missouri	13.6%
23	Delaware	13.8%
24	Connecticut	13.9%
25	Louisiana	14.4%
26	Maryland	14.6%
27	Virginia	14.7%
28	Colorado	14.8%
29	Ohio	15.0%
30	Pennsylvania	15.3%
	U.S. average	15.5%

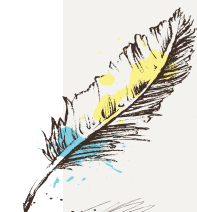
Source: U.S. Department of Labor, Bureau of Labor Statistics

Employment Scene

1 Unemployment Rates January 2003 to June 2014



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis; and U.S. Bureau of Labor Statistics



This month in Trends history

The U.S. Department of Commerce has released 1982 per capita income figures of \$15,289 and \$13,394 for Seward and Kenai-Cook Inlet, respectively. Is this high? Does it mean the Peninsula's residents are prosperous? How does it compare to the rest of the state?

AUGUST 1984

Over the past decade, Kenai-Cook Inlet's and Seward's income has more than tripled. People do not feel that much wealthier, because inflation consumed a major share of these increases. In inflation-adjusted dollars, per capita income increased by 40 and 55 percent for Kenai-Cook Inlet and Seward, respectively.

Both the state's and the Kenai Peninsula Borough's income figures have followed a similar trend over the year. Borough income has been consistently below the state's per capita income figures. In 1982, Kenai-Cook Inlet's and Seward's real per capita incomes were 24 percent and 8 percent below the state's. One reason the borough's per capita income may be significantly lower than the statewide average is because of a lower labor force participation rate.

The Department of Labor and Workforce Development has published *Alaska Economic Trends* as far back as 1961 and other labor market summaries since the late 1940s. Historical *Trends* articles are available at labor.alaska.gov/trends as far back as 1978, and complete issues are available from 1994.

2 Unemployment Rates Boroughs and census areas

	Prelim. 6/14	Revised 5/14	6/13
SEASONALLY ADJUSTED			
United States	6.1	6.3	7.5
Alaska Statewide	6.4	6.3	6.6
NOT SEASONALLY ADJUSTED			
United States	6.3	6.1	7.8
Alaska Statewide	6.8	6.0	6.9
Anchorage/Mat-Su Region	6.0	5.1	6.0
Municipality of Anchorage	5.6	4.8	5.6
Matanuska-Susitna Borough	7.4	6.4	7.5
Gulf Coast Region	6.8	6.2	7.0
Kenai Peninsula Borough	7.0	6.4	7.1
Kodiak Island Borough	5.9	4.8	6.3
Valdez-Cordova Census Area	6.6	6.9	7.0
Interior Region	6.8	6.1	7.1
Denali Borough	3.4	4.6	4.2
Fairbanks North Star Borough	6.2	5.3	6.4
Southeast Fairbanks Census Area	11.2	10.3	11.3
Yukon-Koyukuk Census Area	13.7	14.2	14.1
Northern Region	10.8	9.5	11.0
Nome Census Area	13.7	11.6	13.8
North Slope Borough	5.2	4.5	6.0
Northwest Arctic Borough	16.4	15.3	15.8
Southeast Region	6.1	5.5	6.0
Haines Borough	6.7	7.2	6.9
Hoonah-Angoon Census Area	10.5	10.0	10.6
Juneau, City and Borough	4.8	4.0	4.8
Ketchikan Gateway Borough	5.9	5.5	5.8
Petersburg Census Area	8.5	8.5	7.4
Prince of Wales-Hyder Census Area	14.3	12.9	13.8
Sitka, City and Borough	5.3	4.6	5.4
Skagway, Municipality	1.4	3.3	1.8
Wrangell, City and Borough	8.1	6.8	8.0
Yakutat, City and Borough	8.2	8.3	8.0
Southwest Region	13.4	13.9	14.1
Aleutians East Borough	10.5	12.3	14.1
Aleutians West Census Area	8.1	12.4	10.3
Bethel Census Area	16.6	15.3	17.0
Bristol Bay Borough	1.9	2.8	1.9
Dillingham Census Area	9.7	9.2	9.5
Lake and Peninsula Borough	7.6	6.9	6.2
Wade Hampton Census Area	26.1	23.3	26.6

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis; and U.S. Bureau of Labor Statistics

Employer Resources

Rapid Response helps employers, workers facing layoffs

Have you been laid off from work? Are you a business owner struggling to stay in business? The Alaska Department of Labor and Workforce Development's Rapid Response team can help.

Rapid Response provides a range of services to help ensure successful transitions for employers and employees. The team identifies specific needs, then meets with employers and workers to develop transition strategies and identify resources.

Meetings are tailored to the needs of the group by providing information on:

- Reemployment services
- Unemployment insurance
- Workforce development programs (training opportunities)

Layoffs affect more than just the employee and the em-

ployer. Layoffs have a domino effect on entire communities by reducing the amount spent on necessities like food and clothing. This in turn has an adverse effect on the businesses that provide those items. Having worker meetings for your employees helps to:

- Keep up employee morale
- Help the employer in the eyes of the community
- Show respect to the employees

We in the Rapid Response program encourage employers and employees facing tough decisions to contact our office to find out which benefits and services are available. Contact Heidi Carlson, assistant coordinator, at (907) 465-1805. For more information, you can also contact your local Alaska Job Center or visit us at jobs.alaska.gov and click on Rapid Response.

Employer Resources is written by the Employment Security Division of the Alaska Department of Labor and Workforce Development.

Safety Minute

Stop workplace violence by establishing a prevention plan

Workplace violence can strike anywhere, and no one is immune. However it manifests, violence is a growing concern for employers and employees nationwide. Some workers, however, are at increased risk. Among them are workers who exchange money with the public, deliver goods or services, work alone and in isolated areas, or work late at night or early in the morning.

What can employers do to help protect employees?

By effectively preventing and controlling workplace violence hazards, employers are better able to protect workers and avoid incidents. OSHA Directive CPL 02-01-052 states, "A well written and implemented Workplace Violence Prevention Plan, combined with engineering controls, administrative control, and training can reduce the incidence of workplace violence."

- **Engineering controls** remove the hazard from the workplace or create a barrier between the worker and the hazard. Such measures could include installing alarm systems, exchanging dim lights for bright lights, repairing broken locks and equipment, and limiting the amount of cash at the worksite.

- **Administrative controls** affect the way workers perform their jobs or specific tasks by implementing policies to help prevent violent incidents. Such measures could include establishing liaisons with local police, requiring employees to report all assaults or threats to a supervisor, and implementing procedures for workers to use in case of an emergency breach.
- **Training and education** ensure all staff members are aware of potential security hazards and know how to protect themselves through established policies and procedures. Managers and supervisors should recognize high-risk situations to ensure workers are not placed in assignments that compromise their safety.

For more information about workplace violence prevention and developing a plan for your organization, visit www.osha.gov/SLTC/workplaceviolence/.

Safety Minute is written by the Labor Standards and Safety Division of the Alaska Department of Labor and Workforce Development.

KETCHIKAN

Continued from page 14

lation, and it has the potential to become a driving force again. No mines currently operate in southern Southeast Alaska and there's little short-term potential for development of a mine in Ketchikan Gateway Borough. However, a few major sites on Prince of Wales Island are in exploration phases.

If the sites go into production, many of the jobs and service-providing demands could fall to Ketchikan workers and businesses, and Ketchikan businesses have already provided support services to the projects.

The Niblack Project, located 27 miles from Ketchikan on southeast Prince of Wales, is in the advanced exploration phase. Heatherdale Resources reports spending \$37 million on exploratory drilling since 2009 and finding significant deposits of copper, gold, zinc, and silver. The Alaska Legislature has authorized the Alaska Industrial Development and Export Authority to provide bonds of up to \$135 million for development of the project.

The Bokan Mountain Project is located on southern Prince of Wales Island. Ucore Rare Minerals has completed a preliminary economic assessment and is in the middle of a feasibility study. Ucore focuses on extracting rare earth elements — primarily dysprosium, terbium, and yttrium — and the U.S. Department of Defense has contracted with the company to purchase them if the project advances to production. The Legislature has also authorized AIDEA to provide \$145 million in bonds for the project.

FAIRBANKS HOUSING

Continued from page 9

prices increased abruptly and interest rates rose temporarily.

Interest rates have been on a steady decline, hitting historic lows in recent years and bringing the affordability index down. The past two years' affordability is unlikely to last, though, as it was driven by record low interest rates that began to rise in 2013 and will likely continue.

Fairbanks is a more affordable place to buy a home than the state overall, with the statewide affordability index generally running 10 to 20 points higher. An increase of 10 points equals an additional 10 percent of an average paycheck.