

# ALASKA ECONOMIC **TRENDS**

AUGUST 2016



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# AVTEC a world class training option for graduates



**Heidi Drygas**  
Commissioner

August in Alaska: The silver salmon are running, juicy berries are ready to be picked, and state fair season is in full swing. And for many families, August is time to get ready to go back to school.

For students entering their final years of high school, it's also time to make decisions about their futures. There's no better choice than AVTEC—Alaska's Institute of Technology for young Alaskans seeking high quality career training.

The state's world class training facilities are located in Seward, and its quality programs and instructors are primary reasons students enroll each year. With a 90 percent average over the last four years for job placement and a variety of job training options, it is a reliable provider of skilled training for Alaska students.

AVTEC provides room and board, and 10 months is the longest scheduled program. The courses are affordable and students will graduate well prepared to enter the workforce.

AVTEC's programs range from Business and Office Technologies (including Information Technology) to Maritime Training. This year, AVTEC opened a state-of-the-art Applied Technologies building for training Alaskans to maintain and operate a variety of heavy equipment, and for learning structural and pipe welding. Students will find a balance of shop and classroom experiences that readily transfers to careers in construction, welding, mining, or logging.

Each training program is monitored by industry advisors who review and approve curriculum, providing guidance to respond to changing workforce trends. AVTEC is accredited by the Council on Occupational Education, and its overall guidance for programs is derived from the Alaska Workforce Investment Board.

AVTEC's Energy Building Technologies programs provide a wide range of equip-

ment and training systems in construction trades, electrical, power production, plumbing and heating, and refrigeration. Graduates of the industrial electrical program can earn the "Golden Ticket" and articulate directly to the NECA/IBEW electrical apprenticeship training program. Many trainees from AVTEC programs are hired by employers that attend annual job fairs held in Seward each spring for this purpose.

The AVTEC Maritime Training Center, a U.S. Coast Guard approved training facility, boasts full mission bridge simulators that have the ability to replicate entry and exit into harbors across the world. These simulators can test different weather conditions, tidal flow and visibility, multiple vessels working together, and a wide range of ships that employees might pilot.

The maritime industry regularly contracts for its employees to train at AVTEC. Simulations provide the necessary training in a safe environment in terms of life and property while putting students through the grueling conditions of working at sea.

AVTEC's Professional Cooking and Baking program operates in an industrial kitchen and operational dining room. Students learn professional culinary skills and techniques using the same industrial kitchen equipment they will encounter throughout the culinary industry.

Finally, as a condition of completion, trainees must master the critical soft skills Alaska employers value: being safe, ethical, on time, and productive at work and mastering innovative thought processes with an eye for efficiency of operation.

Families with high school age students would be wise to consider how AVTEC can prepare young Alaskans for rewarding careers. For more information about the available training opportunities, please visit [www.avtec.edu](http://www.avtec.edu).



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# ALASKA'S RENTAL MARKET



**Rents have held mostly steady in recent years**

## About the yearly rental survey

Each March, in cooperation with the Alaska Housing Finance Corporation, the Alaska Department of Labor and Workforce Development surveys thousands of landlords across the state to gather residential rental unit information. Data on approximately 15,000 units annually provide insight into statewide and local market conditions.

By **KARINNE WIEBOLD**

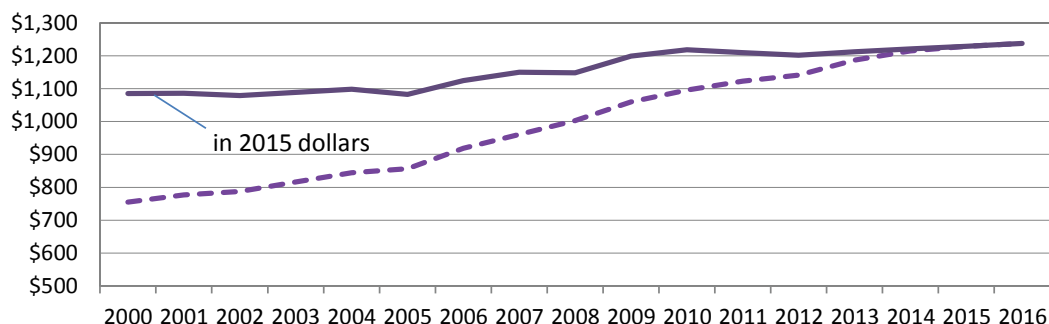
**O**ur 2016 annual residential rental survey shows that Alaska rents are essentially level with last year (see Exhibit 1) and the overall rental vacancy rate has fallen slightly.

Statewide, rents have increased just seven-tenths of a percentage point, or \$9, since last year, bringing the average rent for all unit types to \$1,238 including utilities.

Rents went up faster in some areas, such as the Kenai Peninsula Borough (up 7 percent), Valdez-Cordova Census Area (6 percent), and the Ketchikan Gateway Borough (4 percent). Anchorage, Kodiak, and the Matanuska-Susitna Borough rents each increased

## 1 Inflation-Adjusted Rent Has Been Flat in Recent Years

ALASKA AVERAGE RENTS INCLUDING UTILITIES, 2000 TO 2016



Notes: Rent includes utilities. Because 2016 inflation adjustments are not yet available, adjusted rent uses 2015 dollars.  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and Alaska Housing Finance Corporation, Annual Residential Rental Survey

# 2 Rents and Vacancy Rates by Area

## FOR ALL TYPES OF UNITS, 2016

| Survey Area         | Average Rent   |                | Median Rent    |                | Number of Units |            |             | Percentage of Units with Utility Included in Contract Rent |              |              |              |              |              |              |
|---------------------|----------------|----------------|----------------|----------------|-----------------|------------|-------------|------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                     | Contract       | Adjusted       | Contract       | Adjusted       | Surveyed        | Vacant     | Vac Rate    | Heat                                                       | Light        | Hot Water    | Water        | Garbage      | Sewer        | Snow         |
| Anchorage           | \$1,135        | \$1,259        | \$1,075        | \$1,214        | 8,215           | 311        | 3.8%        | 76.7%                                                      | 22.4%        | 80.1%        | 48.7%        | 95.0%        | 48.7%        | 88.0%        |
| Fairbanks N Star    | \$1,049        | \$1,199        | \$1,000        | \$1,115        | 2,955           | 330        | 11.2%       | 89.9%                                                      | 15.8%        | 79.0%        | 92.6%        | 84.6%        | 92.0%        | 80.5%        |
| Juneau              | \$1,185        | \$1,333        | \$1,100        | \$1,253        | 1,062           | 35         | 3.3%        | 52.0%                                                      | 19.7%        | 47.5%        | 99.0%        | 90.7%        | 98.1%        | 78.9%        |
| Kenai Peninsula     | \$888          | \$1,059        | \$850          | \$992          | 1,000           | 88         | 8.8%        | 67.1%                                                      | 23.5%        | 64.3%        | 86.8%        | 72.6%        | 85.7%        | 76.5%        |
| Ketchikan Gateway   | \$990          | \$1,122        | \$984          | \$1,094        | 389             | 36         | 9.3%        | 74.8%                                                      | 33.9%        | 67.6%        | 50.6%        | 48.3%        | 50.6%        | 69.4%        |
| Kodiak Island       | \$1,288        | \$1,448        | \$1,250        | \$1,419        | 363             | 29         | 8.0%        | 75.5%                                                      | 9.1%         | 67.8%        | 97.8%        | 96.7%        | 97.8%        | 67.5%        |
| Matanuska-Susitna   | \$1,076        | \$1,224        | \$900          | \$1,072        | 1,134           | 41         | 3.6%        | 47.6%                                                      | 10.6%        | 46.2%        | 90.8%        | 70.9%        | 83.1%        | 70.2%        |
| Sitka               | \$979          | \$1,230        | \$900          | \$1,163        | 276             | 23         | 8.3%        | 39.5%                                                      | 8.7%         | 40.6%        | 13.0%        | 22.5%        | 26.1%        | 66.7%        |
| Valdez-Cordova      | \$1,189        | \$1,365        | \$1,100        | \$1,300        | 237             | 14         | 5.9%        | 65.8%                                                      | 34.2%        | 56.1%        | 78.5%        | 75.9%        | 78.5%        | 77.2%        |
| Wrangell Petersburg | \$700          | \$888          | \$700          | \$865          | 134             | 13         | 9.7%        | 53.0%                                                      | 14.2%        | 44.0%        | 46.3%        | 49.3%        | 43.3%        | 54.5%        |
| <b>Survey Total</b> | <b>\$1,100</b> | <b>\$1,238</b> | <b>\$1,050</b> | <b>\$1,175</b> | <b>16,025</b>   | <b>931</b> | <b>5.8%</b> | <b>73.8%</b>                                               | <b>19.9%</b> | <b>72.4%</b> | <b>66.9%</b> | <b>86.4%</b> | <b>66.4%</b> | <b>82.1%</b> |

Note: Contract rent is the amount paid to the landlord each month, and it may include some utilities. Adjusted rent includes all utilities.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and the Alaska Housing Finance Corporation, Annual Residential Rental Market Survey

by less than 1 percent. Fairbanks was the only surveyed area whose rent fell, dropping 1 percent to \$1,199.

Changes in rents and vacancies affect more than 92,000 households in Alaska, or about a third of the state's total. Unlike home ownership, where monthly mortgage payments are established at purchase and remain fixed, rents are flexible and can move up or down in response to changing market conditions. Rents can be affected by changes in a community's population, jobs and wages, and the for-sale housing market. Though renters aren't insulated from price changes in the same way as homeowners, they can more easily change their housing costs by moving.

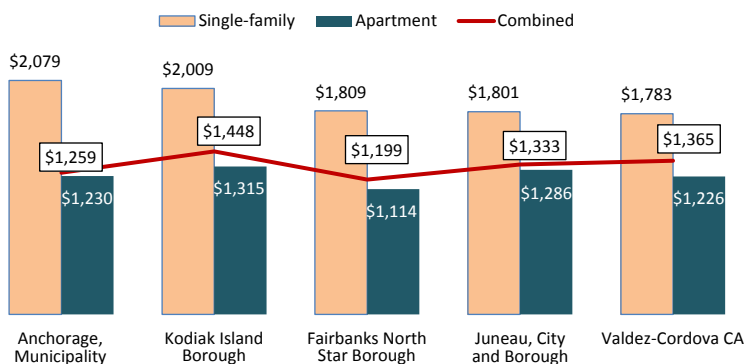
## High and low cost areas

Some communities are consistently more expensive than others. Higher cost areas include some of the state's most populated, including Anchorage, Fairbanks, and Juneau. Lower cost areas in the survey are Wrangell, Kenai, Ketchikan, Sitka,

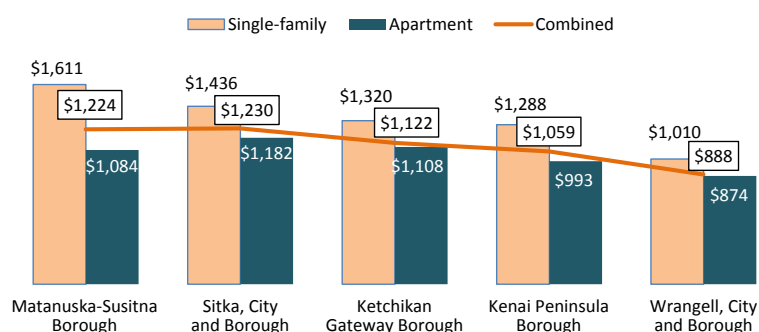
## 3 Higher and Lower Cost Markets

### ALASKA RENTS, 2016

#### Higher Cost Rental Markets



#### Lower Cost Rental Markets



Note: Adjusted to include utilities

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and the Alaska Housing Finance Corporation, Annual Residential Rental Market Survey

and the Matanuska-Susitna Borough — although Mat-Su is an unusual case.

Mat-Su, the second most populated borough, falls close to the middle of the spread, even with vacancies well below the statewide average the last five years and the fastest rate of rent increase in the survey over the last 10 years, at 44 percent.

Thirty percent of working Mat-Su residents commute to Anchorage, where wages are considerably higher. Mat-Su also has a much higher rate of homeownership than Alaska overall, at 76 percent versus 63 percent.

In all markets, rents are highest for single-family houses, but the difference between the average apartment and the average single-family home can vary greatly. In Wrangell-Petersburg, a single-family home costs \$136 more, or 16 percent. The spread is much greater in Anchorage, with a single-family home costing \$849 more, or 69 percent. (See Exhibit 3.)

## Affordability remains constant

The rental affordability index looks at how many average wage earners are required to afford the average contract rent — the amount paid to the landlord each month — assuming 24 percent of gross income is available for rent.

Affording the average rent statewide requires a single wage earner. By area, Kenai and Wrangell-Petersburg are the most affordable, requiring less than a single earner, while Kodiak topped the charts by requiring 1.44 average earners.

Mat-Su, as discussed earlier, may have lower rent than some other places but it isn't necessarily more afford-

# 4

## Rental Affordability Indexes

### PAYCHECKS NECESSARY, 2000 AND 2016

|                                | 2000 | 2016 |
|--------------------------------|------|------|
| Municipality of Anchorage      | 0.96 | 1.00 |
| Fairbanks North Star Borough   | 0.99 | 1.04 |
| Juneau, City and Borough       | 1.27 | 1.17 |
| Kenai Peninsula Borough        | 0.93 | 0.92 |
| Ketchikan Gateway Borough      | 1.11 | 1.10 |
| Kodiak Island Borough          | 1.43 | 1.44 |
| Matanuska-Susitna Borough      | 1.25 | 1.26 |
| Sitka, City and Borough        | 1.20 | 1.15 |
| Valdez-Cordova CA              | 1.09 | 1.11 |
| Wrangell Borough-Petersburg CA | 1.09 | 0.92 |
| Survey-wide                    | 1.01 | 1.01 |

Note: The affordability index measures how many monthly paychecks it would take to afford the area's average rent, using the area's average wages.

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

able for borough residents because average wages are also lowest. A bit more than a quarter of an additional paycheck is required to afford the average rent in Mat-Su.

When looking back to 2000, we can see affordability hasn't changed much in most places. (See Exhibit 4.) Wages and rents have been moving mostly in tandem.

## Vacancies go down slightly

The survey-wide vacancy rate of 5.8 percent was down nine-tenths of a percentage point from 2015, but equal to the 10-year average. (See Exhibit 5.)

# 5

## How Vacancy Rates Have Changed

### ALASKA AREAS, 2000 TO 2016

|                                | 2000  | 2002  | 2004  | 2006  | 2008  | 2010  | 2012 | 2014  | 2016  |
|--------------------------------|-------|-------|-------|-------|-------|-------|------|-------|-------|
| Municipality of Anchorage      | 4.3%  | 6.2%  | 5.2%  | 6.9%  | 4.7%  | 1.8%  | 2.6% | 3.2%  | 3.8%  |
| Fairbanks North Star Borough   | 8.3%  | 5.8%  | 9.9%  | 12.0% | 10.6% | 5.0%  | 8.3% | 15.6% | 11.2% |
| Juneau, City and Borough       | 5.0%  | 3.8%  | 4.2%  | 4.9%  | 5.5%  | 4.1%  | 3.2% | 3.4%  | 3.3%  |
| Kenai Peninsula Borough        | 12.3% | 5.1%  | 13.0% | 9.4%  | 8.0%  | 8.6%  | 5.5% | 6.7%  | 8.8%  |
| Ketchikan Gateway Borough      | 13.4% | 17.8% | 7.5%  | 8.4%  | 7.1%  | 12.0% | 8.2% | 10.4% | 9.3%  |
| Kodiak Island Borough          | 7.5%  | 7.4%  | 8.2%  | 5.5%  | 4.0%  | 1.3%  | 2.3% | 5.7%  | 8.0%  |
| Matanuska-Susitna Borough      | 6.2%  | 3.3%  | 5.0%  | 9.3%  | 5.6%  | 5.3%  | 3.5% | 5.3%  | 3.6%  |
| Sitka, City and Borough        | 8.1%  | 2.9%  | 4.4%  | 6.2%  | 11.9% | 7.8%  | 7.7% | 7.2%  | 8.3%  |
| Valdez-Cordova CA              | 4.8%  | 8.3%  | 26.2% | 8.6%  | 7.6%  | 6.4%  | 3.1% | 3.5%  | 5.9%  |
| Wrangell Borough-Petersburg CA | 17.5% | 22.1% | 8.2%  | 12.7% | 8.8%  | 4.4%  | 4.4% | 5.6%  | 9.7%  |
| Survey-wide                    | 6.6%  | 6.8%  | 7.2%  | 8.2%  | 6.7%  | 3.9%  | 4.4% | 6.2%  | 5.8%  |

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and the Alaska Housing Finance Corporation, Annual Residential Rental Survey

Fairbanks' vacancy rate of 11.2 percent was the highest in the survey but down considerably from last year, when it topped 16 percent, and only slightly below its five-year average of 11.4 percent. Military movements and population changes have historically factored into Fairbanks' vacancy rate shifts.

Anchorage (3.8 percent) and Juneau (3.3 percent) both have historically low vacancy rates. In Anchorage, the 2016 vacancy rate is right at the 10-year average, also 3.8 percent. Juneau's 3.3 percent is the same as its five-year average but below its 10-year average of 4.1 percent.

Vacant units say a lot about the rental market. When vacancies are low, the market is "tight" and the demand for units is high, indicating the potential for rents to rise. Because renters are competing for a limited number of units, landlords can charge more. In the long term, low vacancies may be incentive for developers to create more housing.

High vacancies show there are more rentals on the market than there is demand for, and landlords are under pressure to lower rents or offer incentives to attract tenants. Changes in vacancy rates can also mean renters are being attracted to or priced out of homeownership, or that the population is shifting.

When a community's vacancy rate changes, the important questions include: Has there been an influx of new residents? Have home prices fallen, making ownership an attractive alternative? Has a new industry come or gone, affecting jobs and wages? Has credit become easier or harder to come by, affecting the feasibility of ownership?

Although there's no consensus on an ideal vacancy rate, it's generally considered to be between 6 and 7 percent. Some level of vacancy at a variety of sizes and price points is necessary to accommodate renters coming and going. Also, between renters, landlords need to clean, paint, update, and show units to prospective tenants, all of which require periods of vacancy.

Vacancies put pressure on landlords to remain competitive, which benefits tenants by providing them with choice, and therefore power. With tenants having the choice of where to live, landlords have the incentive to compete for their dollars by keeping units in good repair, being responsive to existing tenants, and keeping prices competitive. Without some level of vacancy, this incentive disappears.

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# HOW WE SPEND OUR MONEY

**Data on Alaskans' personal consumption available for the first time**

By **NEAL FRIED**

**P**ersonal consumption spending by state was released for the first time last year, and it showed Alaskans consumed \$34 billion in goods and services in 2014. These statistics are important nationally because personal consumption expenditures represent about two-thirds of U.S. economic activity. It's a closely watched economic indicator with the power to move the stock market and affect economic policy.

Personal consumption is often considered the nation's broadest measure of how consumers feel about the economy — the prevailing wisdom is that if we're spending more, things must be good, and vice versa. Although what we can conclude from the state data alone is limited (see the sidebar for more information), it can help paint a more comprehensive picture of the state's economy when combined with other economic indicators, such as employment and income.

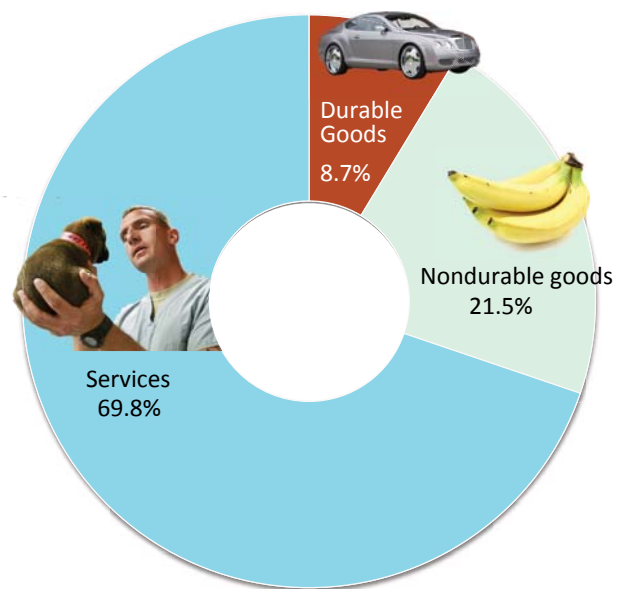
## Where we spent this \$34 billion

This \$34 billion went mainly toward services, at 70 percent. (See Exhibit 1.) Services include not just what we spend in obvious places such as the barbershop or mechanic's garage, but what's spent on our behalf. The biggest piece is in health care, which includes what employers, Medicare, and Medicaid contribute.

The other 30 percent is for "stuff," which is broken down into durables and nondurables. Durable goods

## 1 We Mainly Buy Services

ALASKA PERSONAL CONSUMPTION, 2014



Source: U.S. Bureau of Economic Analysis

include items that last at least three years, such as cars, furniture, and many appliances. Nondurables include not just food but clothing, gasoline, and medication — things that typically come to mind when we think of consumables.

Alaska consumers don't spend much differently from

## A new statistic for Alaska

The U.S. Bureau of Economic Analysis, which releases the monthly national personal consumption expenditure data, released the first statistics for individual states in 2015. Unlike the national data, BEA calculated the state figures on an annual basis and released them two years after the fact.

This first release was for 1997 through 2014, making it more of a “rearview mirror” economic indicator than a hint at future trends. The categories are also broad and lack detail. Finally, most of the data come not from consumers but other sources such as the more business-oriented economic census conducted by the U.S. Census Bureau.

Despite these shortcomings, Alaska’s personal consumption expenditure data can be useful for looking at the big economic picture when combined with other state indicators. It can also help explain some of the differences and similarities between Alaskan consumer behavior and the rest of the nation and, because the data go back to 1997, provide historical economic insight.

the rest of the nation, which may seem surprising, as we’re often outliers in other economic indicators. (See Exhibit 2.) One exception is health care, where we spend 20 percent of our consumer dollars versus 16 percent nationwide.

Alaska’s health care costs are higher than anywhere else in the country, at an average of \$9,303 per person in 2014. In contrast, the national average was \$6,128. Alaskans also spent more on food, both at the grocer and at restaurants, as a share of total consumption as well as per capita.

## 2 How Per Capita Spending Compares ALASKA AND THE U.S., 2014

|                                                           | Alaska          | Percent Share | U.S.            | Percent Share |
|-----------------------------------------------------------|-----------------|---------------|-----------------|---------------|
| <b>Personal consumption expenditures</b>                  | <b>\$46,229</b> | <b>100%</b>   | <b>\$37,196</b> | <b>100%</b>   |
| <b>GOODS</b>                                              | <b>\$14,008</b> | <b>30%</b>    | <b>\$12,365</b> | <b>33%</b>    |
| <b>Durable goods</b>                                      | <b>\$4,031</b>  | <b>9%</b>     | <b>\$4,015</b>  | <b>11%</b>    |
| Motor vehicles and parts                                  | \$1,113         | 2%            | \$1,381         | 4%            |
| Furnishings and durable household equipment               | \$1,000         | 2%            | \$903           | 2%            |
| Recreational goods and vehicles                           | \$1,464         | 3%            | \$1,112         | 3%            |
| Other durable goods                                       | \$455           | 1%            | \$619           | 2%            |
| <b>Nondurable goods</b>                                   | <b>\$9,977</b>  | <b>22%</b>    | <b>\$8,350</b>  | <b>22%</b>    |
| Food and beverages purchased for off-premises consumption | \$3,924         | 8%            | \$2,780         | 7%            |
| Clothing and footwear                                     | \$964           | 2%            | \$1,157         | 3%            |
| Gasoline and other energy goods                           | \$1,451         | 3%            | \$1,258         | 3%            |
| Other nondurable goods                                    | \$3,638         | 8%            | \$3,155         | 8%            |
| <b>SERVICES</b>                                           | <b>\$32,221</b> | <b>70%</b>    | <b>\$24,831</b> | <b>67%</b>    |
| Household consumption expenditures (for services)         | \$30,272        | 65%           | \$23,820        | 64%           |
| Housing and utilities                                     | \$7,591         | 16%           | \$6,720         | 18%           |
| Health care                                               | \$9,303         | 20%           | \$6,128         | 16%           |
| Transportation services                                   | \$1,100         | 2%            | \$1,112         | 3%            |
| Recreation services                                       | \$1,416         | 3%            | \$1,429         | 4%            |
| Food services and accommodations                          | \$3,274         | 7%            | \$2,355         | 6%            |
| Financial services and insurance                          | \$3,363         | 7%            | \$2,768         | 7%            |
| Other services                                            | \$4,226         | 9%            | \$3,309         | 9%            |

Source: U.S. Bureau of Economic Analysis

In most of the larger categories, such as housing and transportation, Alaskans’ consumption patterns mimicked the rest of the country. A small surprise was that “outdoorsy” Alaskans actually spent slightly less for recreational services and the same percentage on recreational goods and vehicles.

### Per capita, Alaska spending is high

Overall, our per capita consumption expenditure was high, ranking us fourth among states at \$46,229. (See Exhibit 3.)

Big spending is partly due to how expensive things are in Alaska, but it’s also because we tend to have more to spend. Alaska ranked

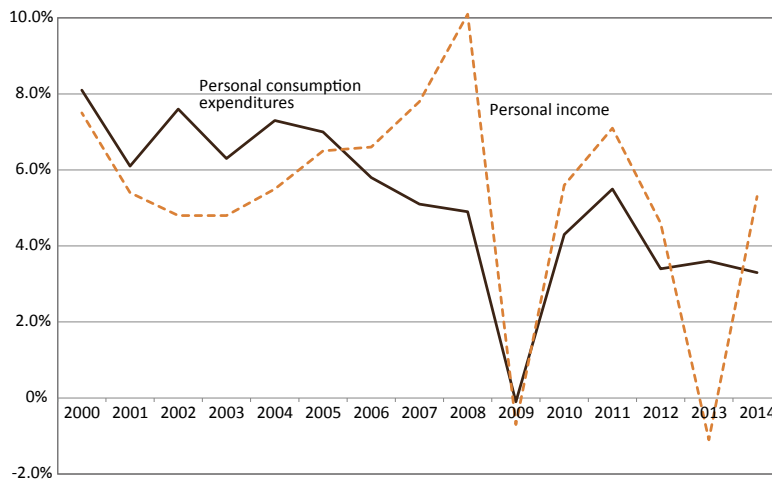
## 3 Alaska Ranks 4th Nationwide PERSONAL CONSUMPTION EXPENDITURES, 2014

|          |               |                 |
|----------|---------------|-----------------|
| 1        | Massachusetts | \$48,020        |
| 2        | North Dakota  | \$47,739        |
| 3        | New Hampshire | \$46,633        |
| <b>4</b> | <b>Alaska</b> | <b>\$46,229</b> |
| 5        | Connecticut   | \$45,844        |
| 6        | New Jersey    | \$45,496        |
| 7        | Vermont       | \$44,768        |
| 8        | New York      | \$43,727        |
| 9        | Delaware      | \$41,701        |
| 10       | Maryland      | \$41,460        |
|          | United States | \$37,196        |

Source: U.S. Bureau of Economic Analysis

# 4 Consumption Tracks With Income

## ALASKA, ANNUAL PERCENT CHANGE, 2000 TO 2014



Source: U.S. Bureau of Economic Analysis

sixth among states for personal income and first for gross domestic product per capita in 2015.

Gross domestic product can be a good gauge of economic well-being because it measures, to some degree, the productivity of a workforce. However, only part of the GDP accrues to Alaska residents. A large slice goes to the federal government, multinational companies, and individuals and businesses outside the state. Personal income, however, is closely related to personal consumption. It accrues only to Alaskans, and as Exhibit 4 shows, how much we receive in income affects how much we buy.

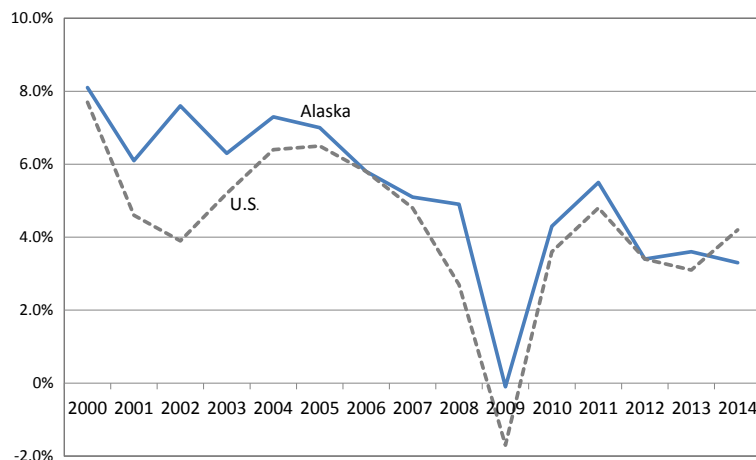
## Alaska's spending grew faster

Since 2000, Alaska's personal consumption expenditures grew faster than the nation's every year except 2014, at an annual average of 5 percent versus 4 percent. (See Exhibit 5.) During this 15-year period, the nation fell into two recessions, including the "Great Recession" of the late 2000s when Alaska's downturn was comparatively mild. Rates fell for both Alaska and the U.S. in 2009, but Alaska's dipped 0.1 percent while the nation's expenditures dropped by 1.7 percent.

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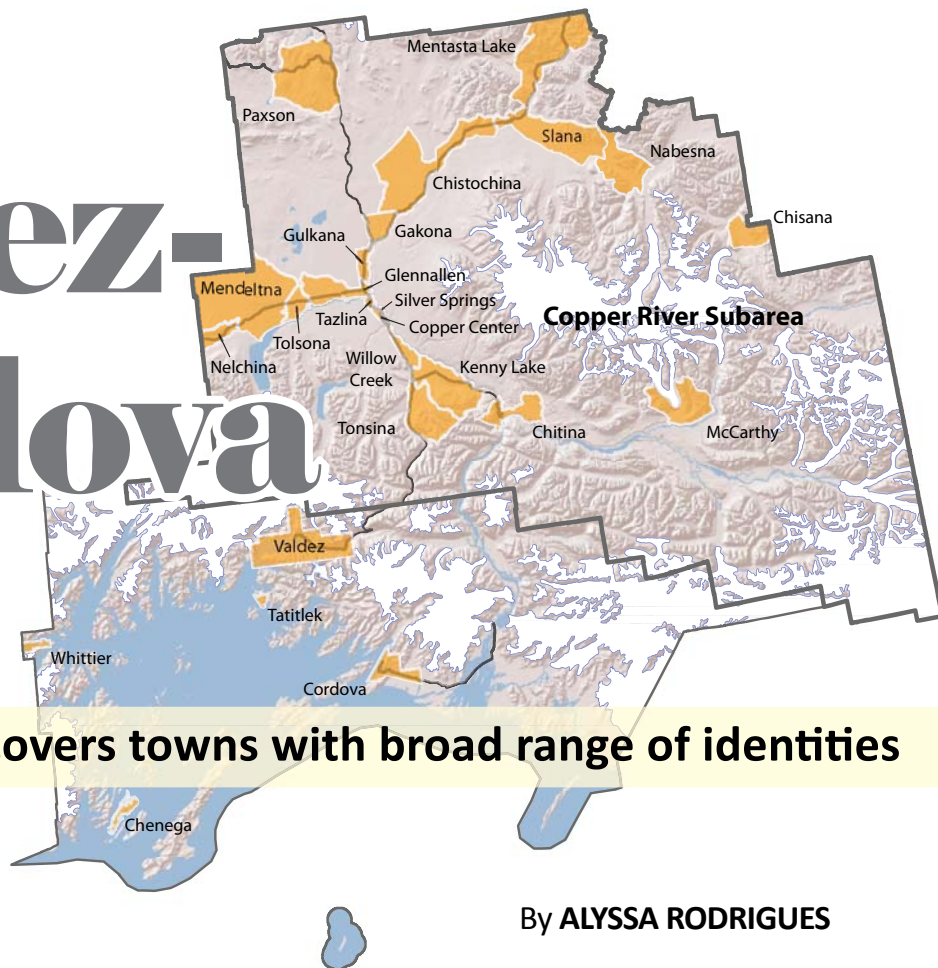
# 5 Consumption Trends for Alaska, U.S.

## ANNUAL PERCENT CHANGE, 2000 TO 2014



Source: U.S. Bureau of Economic Analysis

# Valdez-Cordova



**Vast census area covers towns with broad range of identities**

By **ALYSSA RODRIGUES**



The Sheridan Glacier is between the Copper River Delta and Cordova. Photo by Flickr user Russ Wigh

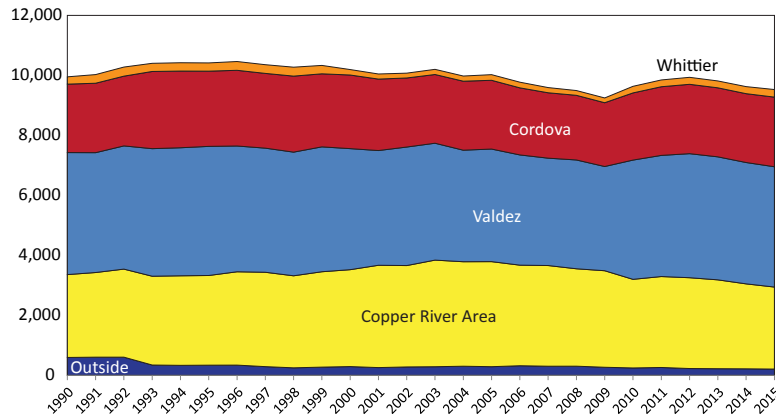
**B**esides their foundation in natural resources, the communities that make up the vast Valdez-Cordova Census Area have little in common. The land, which is the size of Kentucky, extends from Mentasta Lake in the north to Chenega in the south, Whittier in the west, and the Canadian border in the east. It's home to more than 20 unincorporated communities and just three cities: Valdez, Cordova, and Whittier.

The population throughout the census area is older — a median 39 years versus 35 for Alaska in 2015 — and the population and job numbers have been fairly stable since the 1990s. (See exhibits 1 through 3.) But that's where the major similarities end. From industries and wages to racial makeup, the region varies drastically from one place to another.

# 1

## Steady Population

VALDEZ-CORDOVA, 1990 TO 2015

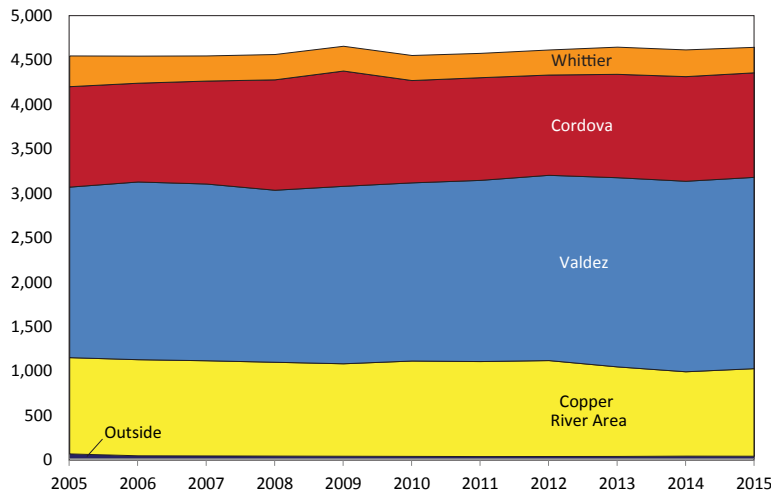


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

# 2

## Steady Employment

VALDEZ-CORDOVA, 2005 TO 2015



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

Valdez is heavily tied to transportation because of oil, while Whittier and Cordova derive most of their income from the seafood industry. (See exhibits 4 and 5.) Copper River area residents largely rely on subsistence in an area where average wages are low and food costs and unemployment are high.

### Valdez and the pipeline

The largest community, Valdez, is also perhaps the most well-known. The town, which was relocated after the Good Friday earthquake of 1964, is the terminus of the Trans-Alaska Oil Pipeline System. It's also the census area's largest city, with a population of 4,011.

The pipeline provides the city with stable employment as well as a steady source of tax revenue. In 2014, property tax from the oil and gas industry alone generated \$53.5 million.

Because most of the city's employment revolves around transportation of oil, transportation made up 17 percent of the city's jobs in 2015. Transportation also provided the highest-paying jobs in Valdez, averaging \$103,123, which is why Valdez had the highest average wages of any community in the area, at \$58,824.

Valdez's transportation industry supports its small commercial fishing fleet as well. Its seafood industry grossed \$3.3 million in 2015, equivalent to about 3 percent of the area's wage and salary earnings. While these earnings have historically been highly variable, they've been between \$2.4 million and \$5.4 million since 2010: just a fraction of what Cordova brings in each year. (See Exhibit 6.)

# 3 Demographics by Town

## VALDEZ-CORDOVA, 2010 TO 2014

|                         | Valdez              | Cordova              | Copper River        | Whittier             | Alaska            |
|-------------------------|---------------------|----------------------|---------------------|----------------------|-------------------|
| Unemployment rate       | 9.6% (+/-5.2)       | 4.4% (+/-2.9)        | 16.1% (+/-4.1)      | 5.8% (+/-6.5)        | 8.4% (+/-0.3)     |
| Poverty rate            | 9.2% (+/-4.2)       | 2.4% (+/-1.4)        | 16.4% (+/-4.8)      | 17.5% (+/-8.9)       | 10.1% (+/-0.3)    |
| Household size          | 2.9 (+/-0.3)        | 3.1 (+/-0.5)         | 2.9 (+/-0.4)        | 2.3 (+/-0.6)         | 2.8 (+/-0.02)     |
| Median household income | \$99,973 (+/-6,370) | \$93,750 (+/-17,181) | \$43,063 (+/-8,582) | \$45,000 (+/-13,291) | \$71,829 (+/-735) |

### Commuting patterns

|               |                |                 |                |                 |                |
|---------------|----------------|-----------------|----------------|-----------------|----------------|
| Drive to work | 76.6% (+/-8.9) | 61.7% (+/-11.8) | 61.2% (+/-8.3) | 32.9% (+/-10.9) | 67.7% (+/-0.6) |
| Walk to work  | 10.3% (+/-6.4) | 9.5% (+/-5.5)   | 16% (+/-5.8)   | 45.5% (+/-15.8) | 7.9% (+/-0.3)  |

### Racial profile

|                           |                |                |                |                 |                |
|---------------------------|----------------|----------------|----------------|-----------------|----------------|
| White                     | 78.3% (+/-5.9) | 76.6% (+/-5.9) | 64.9% (+/-5.5) | 71.5% (+/-12.7) | 66.5% (+/-0.2) |
| Alaska Native/Amer Indian | 12% (+/-4.5)   | 5.6% (+/-3)    | 30.3% (+/-5)   | 5.7% (+/-4.5)   | 14.1% (+/-0.2) |
| Black/African American    | 0.1% (+/-0.2)  | 0% (+/-0.8)    | 0.9% (+/-1.4)  | 0% (+/-7.8)     | 3.5% (+/-0.1)  |
| Asian                     | 1.1% (+/-1.2)  | 8.4% (+/-4.4)  | 0% (+/-0.8)    | 10.6% (+/-11.5) | 5.6% (+/-0.1)  |
| Pacific Islander          | 0.2% (+/-0.5)  | 0.3% (+/-0.5)  | 0.6% (+/-0.8)  | 4.1% (+/-6.1)   | 1.1% (+/-0.1)  |
| Two or more races         | 5.9% (+/-3.1)  | 8.9% (+/-5.6)  | 3.2% (+/-1.3)  | 7.3% (+/-6.2)   | 8% (+/-0.2)    |

Source: U.S. Census Bureau, American Community Survey

## Cordova brings in most seafood earnings

Cordova, with a population of 2,321, was once a railroad town connecting the Kennecott Copper Mine to tidewater. Today it's a fishing town that consistently brings in 90 percent of the census area's gross commercial seafood earnings, mainly from salmon, amounting to more than \$38.3 million last year.

While most commercial fishermen are self-employed and not included in the job numbers here, the 373 commercial permits fished in Cordova in 2015 provide some context. If each permit were counted as a job, those would make up about 18 percent of all the city's jobs in July, which is peak harvesting month.

The city's reliance on fishing is also reflected in its high percentage of jobs in seafood processing. Processing jobs tend to pay less, though, which is largely why Cordova's average wage of \$46,382 last year was well below the statewide average of \$54,191.

## Whittier has fishing and tourism

Many seafood processing workers travel to Whittier during the summer, when the town has more wage and salary jobs than it has residents. The town is also

buoyed by summer tourism, and hosts about 700,000 visitors per year.

This highly seasonal economy means at the summer peak, the town's employment can be twice the population, at 500 jobs and 253 residents — nearly all of whom live in a single building built by and originally for the military.

The military established itself in Whittier during World War II because the area provided a deep, far north, year-round ice-free port. The federal railroad to Portage was completed in 1943 and became the primary debarkation point for cargo, troops, and dependents of the Alaska Command, which remained active until 1960. At that time, the population was 1,200.

The town has so little buildable land and such a small population that a single building provides most of its needed housing. The 14-story Hodge Building, now called Begich Towers, was completed in 1957 and contains 150 apartments of varying sizes. At one time, it was one of the largest buildings in the state.

The town's second-largest sector, leisure and hospitality, is tied to the Whittier Tunnel, owned by the State of Alaska. The combined one-way road and railway tunnel had its second-highest traffic year in history in 2015, with more than 240,000 vehicles

passing through, mainly between May and August. Visitor traffic includes buses full of cruise ship passengers as well as independent tourists and travelers heading to or from the ferries.

Whittier will host 29 cruise ships in summer 2016. The largest will be the Star Princess, which can hold nearly 15 times the entire population of Whittier, at 3,700 passengers and crew.

Whittier also has strong ties to fishing, including commercial and sport fishing and marine support services. From a commercial standpoint, Whittier brings in less than 1 percent of the census area's annual commercial harvest and gross earnings, but seafood processing is the town's largest single source of jobs. As a result, Whittier's average annual earnings were relatively low in 2015, at \$34,490.

The future of the city's seafood processing industry is uncertain, however, because its main employer, Great Pacific Seafoods, filed for Chapter 7 bankruptcy and closed its local processing plant in May. The closure means not just job loss but also the loss of revenue from the plant's use of city water and sewer.

Sport fishing also boosts local tourism. Whittier has a harbor and boat launch that can accommodate 350 boats, and it's at full capacity with a waiting list of five to seven years. During the summer peak, an average of 150 boats launch in a single weekend day, or one boat every 10 minutes.

## Subsistence is vital in Copper River area

The Copper River area, which contains 20 of the area's 22 unincorporated communities and 2,735 residents, differs considerably from the three main cities. The three are proportionally more white than the statewide average, while the Copper River area has

more than double the statewide percentage of Alaska Natives. Thirty percent in the Copper River area identify as Native alone versus 14 percent for Alaska as a whole, and many who say they are more than one race are also Alaska Native. (See Exhibit 3.) The Copper River area also has the lowest percentage of those who self-identify as white, at 65 percent.

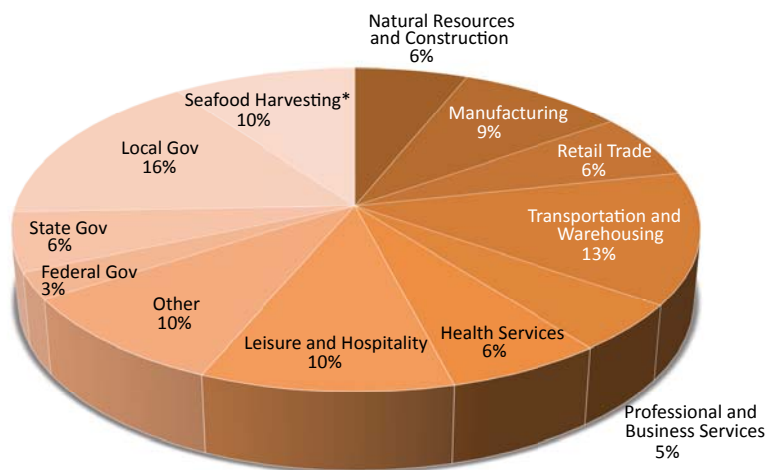


Cordova from the water. Photo by St. Louis Julie, U.S. Fish and Wildlife Service

# 4

## Area Has a Diverse Economic Base

VALDEZ-CORDOVA, 2015

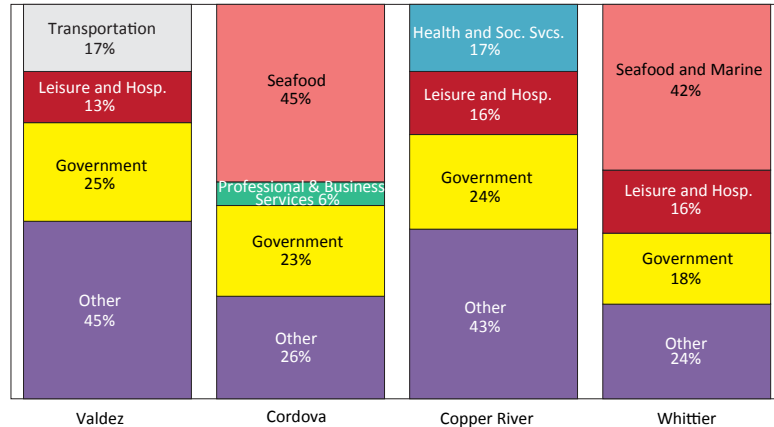


\*Because seafood harvesters are mainly self-employed and not included in employer data, this is an estimate based on permits fished.

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

## 5 Each Dominated by Different Industry

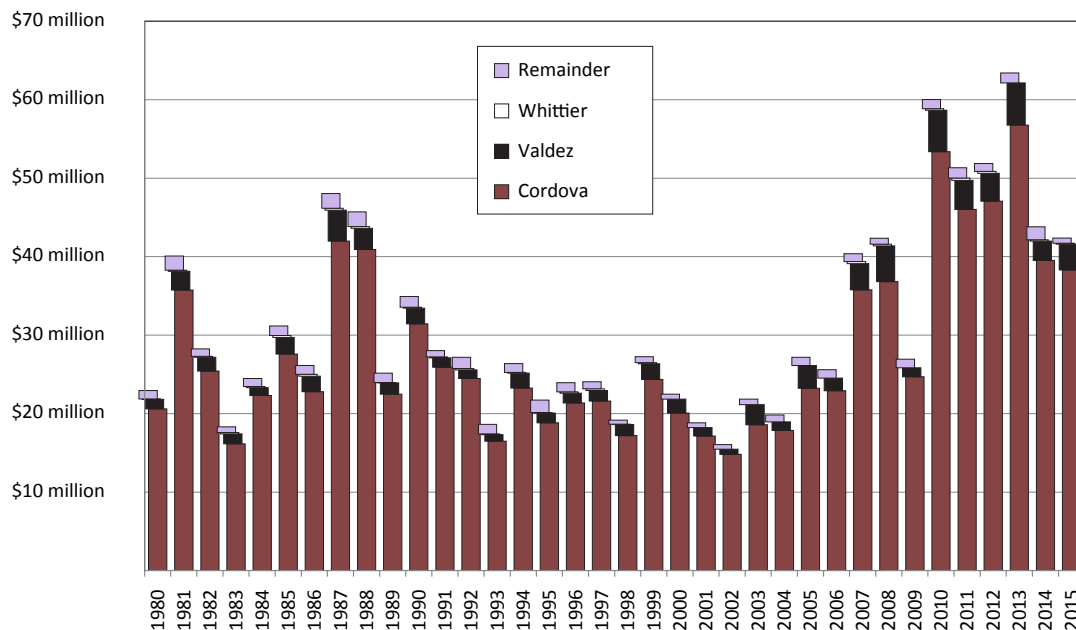
### VALDEZ-CORDOVA, 2015



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

## 6 Cordova Dominates Commercial Fishing Earnings

### VALDEZ-CORDOVA, 1980 TO 2015



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

The area has strong historic ties to the Copper River, and like many rural places in Alaska, a good deal of labor is devoted to harvesting subsistence resources such as fish, moose, and berries, something the employment and wage numbers don't reflect. The average subsistence harvest for the Copper River area is roughly 200 pounds per person per year. This is on

the lower end for rural places in the state, but significantly higher than more urban areas such as Valdez, where it's about 45 pounds per person per year.

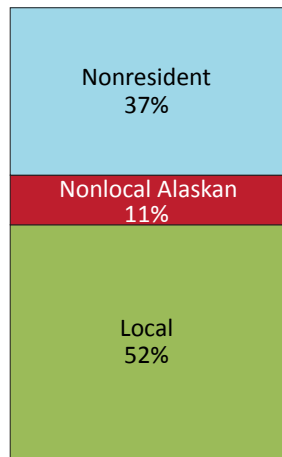
Participation in traditional and customary subsistence harvest is both culturally and economically important. Subsistence helps mitigate low incomes and high food



The Whittier Tunnel, above, a combined one-way road and railway tunnel. Photo by Flickr user Arthur Chapman, and Audrey Bendus

## 7 Many Workers Live Elsewhere

### VALDEZ-CORDOVA WORKERS, 2014



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

costs, which were 26 percent higher than Anchorage in 2008, the most recent year available.

The core industries in the Copper River area are health care, social services, and leisure and hospitality. Health care and social services include health clinics and Native associations that focus on community care. The leisure and hospitality businesses and jobs in the area exist largely to serve travelers on the Glenn and Richardson highways, which both run through the area. These combined industries made up a third of the area's wage and salary jobs in 2015.

At 9.4 percent, the Copper River area's unemployment rate is high, and both of the major private industries have lower-than-average wages. Health and social services jobs paid an average of \$37,582 in 2015 and leisure and hospitality jobs paid \$21,122.

The highest-paying jobs in the area were in construction, which paid more than \$100,000 on average in 2015 but made up just 6 percent of jobs. The area has some higher-paying jobs with the state and federal government as well, which paid an average of \$57,464 and \$66,989 respectively. Government jobs made up 14 percent of the area's employment.

## Nearly half of workers live outside census area

Nearly half of the people who work in the Valdez-Cordova Census Area, 48 percent, don't live there. (See Exhibit 7.) Nonresidents make up the largest slice of those who live elsewhere, at 37 percent in 2014. Many of these workers travel in for seafood processing, which had the highest rate of nonresident hire among industries in 2014, at 84.8 percent.

Of the commuters who are Alaskans, the biggest share come from Anchorage, followed by the Matanuska-Susitna Borough and the Kenai Peninsula.

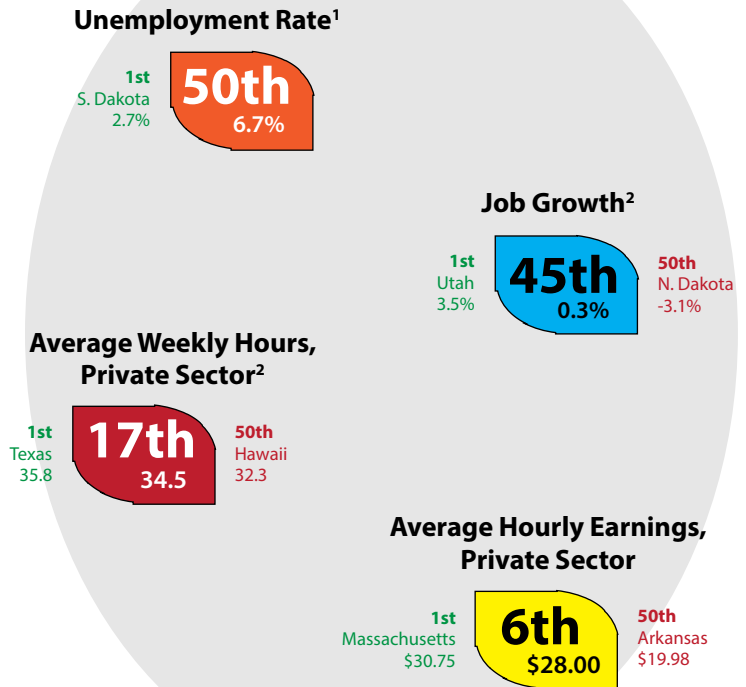
Alyssa Rodrigues is an economist in Anchorage. Reach her at (907) 269-4863 or [alyssa.rodrigues@alaska.gov](mailto:alyssa.rodrigues@alaska.gov).

# The Month in Numbers

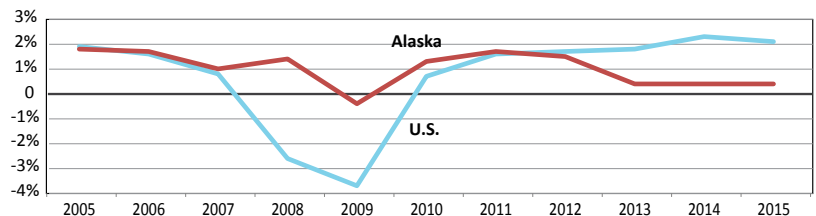
## Unemployment Rates

|                                | Prelim.     | Revised     |             |
|--------------------------------|-------------|-------------|-------------|
| SEASONALLY ADJUSTED            | 6/16        | 5/16        | 6/15        |
| United States                  | 4.9         | 4.7         | 5.3         |
| Alaska Statewide               | 6.7         | 6.7         | 6.5         |
| NOT SEASONALLY ADJUSTED        |             |             |             |
| United States                  | 5.1         | 4.5         | 5.5         |
| Alaska Statewide               | 6.8         | 6.6         | 6.6         |
| <b>Anchorage/Mat-Su Region</b> | <b>6.2</b>  | <b>5.9</b>  | <b>5.9</b>  |
| Municipality of Anchorage      | 5.7         | 5.3         | 5.3         |
| Matanuska-Susitna Borough      | 8.3         | 8.0         | 8.0         |
| <b>Gulf Coast Region</b>       | <b>7.1</b>  | <b>7.5</b>  | <b>7.0</b>  |
| Kenai Peninsula Borough        | 7.7         | 8.1         | 7.3         |
| Kodiak Island Borough          | 5.3         | 4.7         | 5.5         |
| Valdez-Cordova Census Area     | 6.5         | 7.8         | 6.9         |
| <b>Interior Region</b>         | <b>6.4</b>  | <b>6.3</b>  | <b>6.5</b>  |
| Denali Borough                 | 3.8         | 5.4         | 4.1         |
| Fairbanks North Star Borough   | 5.7         | 5.6         | 5.7         |
| Southeast Fairbanks CA         | 9.4         | 10.1        | 10.1        |
| Yukon-Koyukuk Census Area      | 17.1        | 16.4        | 17.4        |
| <b>Northern Region</b>         | <b>12.8</b> | <b>11.9</b> | <b>11.6</b> |
| Nome Census Area               | 15.1        | 13.4        | 13.2        |
| North Slope Borough            | 7.2         | 6.7         | 6.5         |
| Northwest Arctic Borough       | 17.5        | 17.5        | 16.6        |
| <b>Southeast Region</b>        | <b>5.5</b>  | <b>5.7</b>  | <b>6.0</b>  |
| Haines Borough                 | 8.4         | 9.6         | 7.8         |
| Hoonah-Angoon Census Area      | 8.7         | 10.5        | 11.8        |
| Juneau, City and Borough       | 4.3         | 4.2         | 4.7         |
| Ketchikan Gateway Borough      | 5.5         | 6.1         | 6.1         |
| Petersburg Borough             | 8.2         | 8.6         | 8.3         |
| Prince of Wales-Hyder CA       | 10.6        | 11.4        | 10.9        |
| Sitka, City and Borough        | 4.1         | 4.2         | 4.5         |
| Skagway, Municipality          | 3.6         | 4.7         | 4.8         |
| Wrangell, City and Borough     | 6.7         | 6.4         | 7.6         |
| Yakutat, City and Borough      | 6.3         | 5.7         | 6.8         |
| <b>Southwest Region</b>        | <b>11.3</b> | <b>12.9</b> | <b>11.7</b> |
| Aleutians East Borough         | 2.8         | 6.0         | 3.3         |
| Aleutians West Census Area     | 3.6         | 5.4         | 4.6         |
| Bethel Census Area             | 14.8        | 14.9        | 14.8        |
| Bristol Bay Borough            | 6.2         | 6.5         | 6.2         |
| Dillingham Census Area         | 8.8         | 10.2        | 8.7         |
| Kusilvak Census Area           | 23.5        | 22.4        | 25.0        |
| Lake and Peninsula Borough     | 12.1        | 12.8        | 11.5        |

## How Alaska Ranks



## Job Growth in Alaska and the Nation<sup>3</sup>



All data sources are U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section, unless otherwise noted.

<sup>1</sup>June 2016

<sup>2</sup>June 2015 to June 2016

<sup>3</sup>Annual average percent change; 2016 data are for January to June compared to the same months in 2015

# Safety Minute

## Older buildings may lack ground-fault circuit interruptors

Using electrical outlets in a damp or wet location has caused many injuries and deaths, which was the primary reason Professor Charles Dalziel of the University of California Berkeley studied the effects electricity on humans. One result from his study was the invention of the ground-fault circuit interrupter.

A GFCI is an electrical device that measures the amount of current that enters the device and compares it to current that returns to the device. If the resulting measurement is not equal, the GFCI disconnects the power. This monitoring system became a safe and effective way to use electrical equipment in a variety of environmental conditions.

Though expensive at the time, this safety device was recognized by the National Electrical Code in 1971 and became a required protection method. With the adoption of building codes and safety standards,

the increase in demand for these devices prompted manufacturers to produce more, which decreased their cost and made them economical.

Many homes and businesses built before these codes were enacted still use outlets without ground-fault circuit interrupters, posing serious risk to anyone using the building's electrical system.

Whether you're an owner or a tenant of a home or workspace, installing GFCIs is an inexpensive way to protect your family, workers, or property from fires and electrocution hazards. GFCI breakers can be installed at your electrical distribution panel, or GFCI receptacles can be installed in wet or damp locations.

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

# Employer Resources

## Alaska Resident Hire requirements apply to 23 occupations

The most recent employment preference, or “Alaska Resident Hire” determination, became effective in June 2015 when Alaska was declared a Zone of Underemployment by the Commissioner of the Department of Labor and Workforce Development, Heidi Drygas. Alaska’s employment preference applies to certain construction projects funded by the state or any agency of the state and requires that qualified Alaska resident job seekers are given a minimum of 90 percent employment preference over nonresidents in 23 job classifications:

|                          |                          |                         |
|--------------------------|--------------------------|-------------------------|
| Boilermakers             | Bricklayers              | Carpenters              |
| Cement Masons            | Culinary Workers         | Electricians            |
| Engineers and Architects | Equipment Operators      | Foremen and Supervisors |
| Insulation Workers       | Ironworkers              | Laborers                |
| Mechanics                | Millwrights              | Painters                |
| Pile-driving Occupations | Plumbers and Pipefitters | Roofers                 |
| Sheet Metal Workers      | Surveyors                | Truck Drivers           |
| Tug Boat Workers         | Welders                  |                         |

Alaska Resident Hire is crucial to the economic well-being of Alaska. It helps stabilize the economy by putting Alaskans to work, keeping earned income in Alaska, and reducing the unemployment rate. The construction industry in Alaska accounts for a substantial percentage of all available employment. Historically, the rate of unemployment in the

construction industry in Alaska has been higher than the combined federal unemployment rate, resulting in a higher percentage of unemployment insurance benefits paid to Alaska construction workers than to their counterparts nationwide.

Alaska contractors recognize that investing in Alaska’s workforce is not only in their own best interest, but in the best interest of Alaska. Alaska Resident Hire ensures public works contractors from other states gain first-hand knowledge of Alaska’s commitment to protect the welfare of its citizens.

Staff from the department’s Wage and Hour Administration and the Division of Employment and Training Services work together to ensure contractors understand Alaska Resident Hire laws and help them every step of the way, including facilitating recruitment and alerting statewide Alaska Job Center staff to find and refer qualified Alaskans to the positions. For more information about Alaska Resident Hire, contractors can call offices in Anchorage (907) 269-4900, Fairbanks (907) 451-2886, or Juneau (907) 465-4842 or visit <http://labor.alaska.gov/lss/home.htm>.

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