Analysis Of The

U.S. Small Business Development

HUBZone Empowerment Contracting Program

As It Relates To The

Ketchikan Workforce

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Overview

The Ketchikan Gateway Borough does not qualify as a Small Business Administration's designated HUBZone. The average annual unemployment rate level inhibits the Borough from receiving this designation. This paper contains an analysis of the recent dynamics of the Ketchikan Gateway Borough (KGB) labor market. It is found that many factors affect this market and the complex dynamics are difficult, if not impossible, to capture by using a broad static measure such as the average annual unemployment rate. Factors that have had significant impact on this labor market include: the decline in the natural resource industry that historically employed the majority of local workers, the unemployed fleeing the area, the seasonal nature of the Borough's economy, and the influx of nonresident workers who enter the labor market en masse each year to capture temporary seasonal employment. The major findings reported in the following pages include;

- Despite the severe deteriorations in the KGB labor market, the monthly and annual average unemployment rates have declined from the mid-1990s to present.
- The year-to-year, long-term, decrease in unemployment is a perverse mathematical effect of the deterioration of the local economy since the mid-1990s
- In sharp contrast, the decline in the statewide unemployment rate is the result of a slight improvement in labor market conditions at the state level.
- If both unemployment and the ***decrease*** in the labor force are incorporated in the mathematical derivation of unemployment, then KGB would easily qualify as a HUBZone under the unemployment criteria used by the SBA.
- The unreliability of using a static and broad economic measure like unemployment is also apparent when other Alaskan communities are considered.
- Seasonal employment and the influx of nonresident workers are the dominating forces driving the KGB's intra-year, short-term unemployment rate away from a chronically high level.

Introduction

HUBZone Criteria

Like so many other government programs designed to assist communities experiencing economic stress, the Small Business Administration must choose qualification criteria used to make community selection determinations. A community is designated as HUBZone if it meets one of the following criteria.

- A qualified census tract (as defined in section 42(d)(5)(C)(i)(1) of the Internal Revenue Code of 1986); A qualified "non-metropolitan county" that is: not located in a metropolitan statistical area (as defined in section 143(k)(2)(B) of the Internal Revenue Code of 1986), and

    - In which the median household income is less than 80 percent of the non-metropolitan State median household income, or
    - That based on the most recent data available from the Secretary of Labor, has an unemployment rate that is not less than 140 percent of the statewide average unemployment rate for the State in which the county is located;
    - Lands within the external boundaries of an Indian reservation.

The median household income and the unemployment rate criteria indicates that the 'spirit' of the HUBZone program involves helping communities, and contractors within these communities, that are experiencing severe economic hardships. Despite all good intentions, it is sometime the case that when broad economic indicators are employed, communities that would qualify under the 'spirit' of a program may be overlooked.

Our small island community of Ketchikan, Alaska certainly can be classified as suffering extreme economic hardships. More importantly, the local economic trends indicate that the severity of economic downturn continues to worsen. Although receiving HUBZone classification would not totally reverse our economic problems, it is felt that having this advantage would be part of a multi-facet solution.

The following is an analysis that indicates that the unemployment rate criterion misrepresents the true economic climate that now exists in our community. We hope to appeal to your sense of fairness in applying the true spirit of HUBZone classification.

The story begins in the mid-1990s when our largest employer, a pulp mill, shutdown. This closing displaced a relatively large number of well-paid workers. This event, as well as others, initiated our economic transition away from a natural resource economy. As with many other communities and countries across the world, this transition has been and continues to be very difficult.

Based on the selection criteria, a community that is struggling to move from traditional economic activities to other types of production is exactly what the Small Business Administration had in mind when it introduced the HUBZone program. It is quite natural to anticipate that communities suffering through economic dislocation would experience drastic increases in unemployment and plummeting median income. This is exactly what has happened in Ketchikan, but due to our specific labor market dynamics, the broad indicators do not register these trends.

The following analysis will explain why Ketchikan's unemployment rate has not sky rocketed.

Community Shadow Unemployment

In the next few paragraphs, a time period between 1996 and 2001 is examined. These time boundaries are dictated by the closing of the pulp mill (1996) and the last year in which complete economic data exists (2001). The following are the economic 'facts' as indicated by the conventional use of unemployment rates for the Ketchikan Gateway Borough (KGB) and the State of Alaska (SOA).

- For both SOA and KGB, the monthly and average annual yearly unemployment rates have ***decreased*** from their levels in 1996 to their levels in 2001.
    - SOA unemployment rate fell from 7.8% in 1996 to 6.3% in 2001
    - KGB unemployment rate fell from 8.7% in 1996 to 7.7% in 2001
- The average annual unemployment rate in KGB does not meet the 'not less than 140% of the statewide average unemployment rate' for either 1996 or 2001
    - The 1996 ratio equals 111% in 1996 (8.7% ÷ 7.7% = 111%)
    - The 2001 ratio equals 122% in 2001 (7.8% ÷ 6.3% = 122%)

Thus, if the average annual unemployment rate criterion is invoked, then Ketchikan fails to qualify for a HUBZone classification in both 1996 and 2001. By using the unemployment rate standard it must be concluded that, given unemployment rate of only 122% of the statewide average unemployment rate, Ketchikan has not experienced the degree of economic distress that is needed to qualify as a HUBZone. However, if we analyze the dynamics that led to the KGB and SOA unemployment rates in 2001 and if we invoked the 'spirit' behind the HUBZone program, then a completely different conclusion is quite likely.

To begin this analysis requires reviewing the mathematics behind the calculations of the unemployment number and the unemployment rate. Unemployment is the mathematical difference between the number in the labor force and the number of employed workers. The unemployment rate is calculated by dividing the number of unemployment by the number in the labor force.

- Number of unemployment = number in labor force – number of employed
- Unemployment rate = (number in labor force – number of employed) ÷ (number in the labor force)

Next, consider what could cause a ratio (like an unemployment rate) to decrease in value. Two cases illustrate why a ratio would decrease (as the unemployment rates did for both SOA and KGB did between 1996 and 2001). ***Case one*** involves the numerator of the ratio decreasing while the denominator increases. In ***case two,*** a somewhat more complex computation, the ratio would decrease if the percentage decrease in the numerator is greater than the percentage decrease in the denominator.

The last mathematical concept that is utilized in this analysis involved the potential causes behind why the numerator in the unemployment ratio would decrease. Consider the two cases. In ***case one*** the numerator will decrease if the increase in employment is greater than the increase in the labor force. In ***case one*** the numerator decreases while the denominator is increases (i.e. the labor force is increasing) causing the ratio to decrease in value.

In ***case two*** if the labor force decrease is greater than the decrease in employment than the numerator will decrease. Unfortunately the denominator is also decreasing (i.e. the labor force is decreasing). In this case, in order for the ratio to decline in value, the percent decrease in the numerator must be greater than the percent decrease in the denominator.

These particular cases were chosen because they represent the dynamics behind the decrease in the SOA and KGB unemployment rates between the years 1996 and 2001. Table One lists the data that generates the dynamics behind the changes in the average annual unemployment rate changes for SOA and KGB between 1996 and 2001.

Table One
The Tale of Two Economies

Case One: Alaska

	1996	**2001**	**Change**	**% Change**
Labor Force	312,962	321,983	+9021	+2.88%
Employment	288,511	301,792	+13,281	+4.60%
Unemployment	24,451	20191	-4,260	-1.7%
Unemployment rate	7.8%	6.3%	-1.5	-19.23%

Case Two: Ketchikan

	1996	**2001**	**Change**	**% Change**
Labor Force	8012	7527	-485	-6.05%
Employment	7315	6951	-364	-4.98%
Unemployment	697	576	-121	-17.36%
Unemployment rate	8.7%	7.7%	-1.0	-11.49%

Table One clearly illustrates that two totally different economic outcomes led to the same results of a decrease in the unemployment rates in SOA and KGB. Both SOA and KGB experienced a decrease in the number unemployed between 1996 and 2001. This is where the similarity ends. SOA's unemployment decreased because the **increase** in the number employed exceeds the **increase** in the labor force (13,281 vs 9,021). In sharp contract, KGB's unemployment decreased because the labor force ***decreased*** more than the ***decrease*** in the number of employed (-485 vs -364).

SOA's unemployment rate fell because of a case one scenario. SOA's number of unemployed fell (-4,260) while the size of the labor force increased (+9021). In a completely different set of circumstances, KGB' unemployment rate fell because of a case two process. In KGB, the percentage decrease in unemployment was greater than the percentage decrease in the labor force (-17.36% vs -6.05%).

It is obvious what is behind the decreases in KGB's labor force and level of unemployment. When people lose their jobs in Ketchikan many leave the community. Other people become discouraged and leave the labor force. The notion of displaced workers fleeing the community is supported by the demographics trends. This data is listed in Table Two and clearly illustrates the decline in the Borough's population in recent years. The large decline, 13.7%, from the prime working-years cohort, is the most disturbing.

Table Two
Ketchikan Gateway Borough
Demographic Trends in Population

	1995	**1999**	**% Change**
Population in KGB	14,764	13,961	-5.4%
Young Adults (25-44 yrs)	5,110	4,413	-13.7%

The loss of employment opportunities is a form of *community shadow unemployment.* By this it is meant that when people loss their jobs and leave the community they do not show up as the unemployed. However, like a shadow, the loss of employment stays with the community and has the same effect on the community as if the displaced worker would have stayed and registered as unemployed. The lost circulation of earnings, the lost taxes and the loss in production are only a few negative consequences that burden a community with lost employment regardless if the unemployed stays or leaves the community.

Table Three illustrates a way to more accurately account for *community shadow unemployment.* Simply, the number of lost jobs between 1996 and 2001 are added to the 2001 average annual unemployment number to calculate more accurately the full effect of the economic downturn in Ketchikan in the recent years.

Table Three
Unemployment and Shadow Unemployment
In Ketchikan

	2001
Labor Force	7527
Unemployed	576
Lost Jobs (Shadow Unemployment)	364
Total	940
Unemployment Rate	12.5%
As % of SOA's unemployment rate	198%

The data in Table Three better reflects the loss in employment opportunities in KGB. Adding loss jobs, as measured by the 364 decrease in employment to the 2001 annual average unemployment number, 576, results in a number, 940, that represent a counter factual account of the people who have loss the jobs in the community. The 364 *shadow unemployment* and the 12.5% unemployment rate represent the answers to the counter factual questions of "How many more people would be unemployed in KGB had job losers stayed in the community?" and "What would be the unemployment rate had these unemployed workers remained in the community?". Carry this analysis to its conclusion, the *shadow unemployment* rate of 12.5 is 198% of the 2001 statewide unemployment rate of 6.3% and, thus, far exceed the 140% required to qualify for HUBZone classification.

A final note, it could be argued that the shadow unemployment is better measured by the 1996-01 labor force decrease, -485, rather than the decrease in employment, -364. The decrease in the labor force more accurately represents workers who have fled the community due to a lack of employment opportunities. If the labor force method is adopted, then the shadow unemployment rate equals 14.1%. This rate is 224% of the 2001 statewide unemployment rate.

Other communities in Alaska have also experienced the severe worsening of their labor markets. Some, but not all of these communities, were designated as HUBZones. Of particular interest are the census tracts of Wrangell-Petersburg and Prince of Wales-Outer Ketchikan. These communities virtually surround KGB and there economies experienced exactly the same devastation because of the decline of the lumber and fishing sectors.

Of more interest, there are Alaskan communities where the labor markets have strengthen in recent years. Despite the improvements, these communities still qualified as HUBZones when only the unemployment rates are considered. The paragraphs below contain an analysis of all Alaskan HUBZones.

HUBZones in Alaska
Analysis of the Employment Data

Alaska has 27 Borough or Census Tracts. Of these, 18 qualified as HUBZones in 2000. Table Four lists economic data associated with the Alaskan HUBZones. Ketchikan has been added to this list for comparison reasons. Analysis of the data contained in Table Four continues after the table.

Table Four
Labor Market Statistics For Alaskan HUBZones

Bethel		**1996**	**2001**	**Change**	**% Change**
	Labor	6002	6276	+274	+4.56
	Employment	5429	5609	+180	+3.31
	Unemployment	573	667	+94	+16.4
	Rate	9.5%	10.6%	+1.1%	+11.57%
Bristol Bay		**1996**	**2001**	**Change**	**% Change**
	Labor	591	490	-101	-17.1
	Employment	548	441	-107	-19.5
	Unemployment	43	49	+6	+13.9
	Rate	7.3%	10.0%	+2.7%	+36.9
Denali		**1996**	**2001**	**Change**	**% Change**
	Labor	1225	1161	-64	-5.22
	Employment	1114	1059	-55	-4.97
	Unemployment	111	102	-9	-8.10
	Rate	9.1%	8.8%	-.3%	-8.8%
Dillingham		**1996**	**2001**	**Change**	**% Change**
	Labor force	1723	1791	+68	+3.95
	Employment	1587	1626	+39	+2.46
	Unemployment	136	165	+29	+21.3
	Rate	7.9%	9.2%	+1.3%	+16.4%
Haines		**1996**	**2001**	**Change**	**% Change**
	Labor force	1196	1223	+27	+2.26
	Employment	1056	1094	+38	+3.6
	Unemployment	140	129	-11	-7.9
	Rate	11.7%	10.5%	-1.2%	-10.3%

Kenai		**1996**	**2001**	**Change**	**% Change**
	Labor force	22,523	21,515	-1008	-4.5
	Employment	19,366	19,442	+76	+.04
	Unemployment	3,147	2,073	-1074	-34.1
	Rate	14.0%	9.6%	-4.4%	-31.4%
Ketchikan		***1996***	***2001***	***Change***	***% Change***
	***Labor* force**	***8012***	***7527***	***-485***	***-6.1***
	Employment	***7315***	***6951***	***-364***	***-4.9***
	Unemployment	***697***	***576***	***-121***	***-17.4***
	Rate	***8.7%***	***7.7%***	***-1.0%***	***-11.5%***
Kodiak		**1996**	**2001**	**Change**	**% Change**
	Labor force	7537	6918	-619	-8.2
	Employment	6820	6294	-526	-7.7
	Unemployment	717	624	-93	-1.3
	Rate	9.5%	9.0%	-.5%	-5.3%
Lake & Pen		**1996**	**2001**	**Change**	**% Change**
	Labor force	594	613	-19	-3.1
	Employment	547	547	0	0
	Unemployment	47	66	+19	+40.4
	Rate	7.9%	10.8%	+2.9%	+36.7%
Nome		**1996**	**2001**	**Change**	**% Change**
	Labor force	3450	3295	-155	-4.5
	Employment	3006	3010	+4	+.13
	Unemployment	444	285	-159	-35.8
	Rate	12.9%	8.6%	-4.3%	-33.3%
North Slope		**1996**	**2001**	**Change**	**% Change**
	Labor force	3273	3418	+145	+4.4
	Employment	3114	3135	+21	+.7
	Unemployment	159	283	+124	+7.8
	Rate	4.9%	8.3%	+3.4%	+69%
Northwest		**1996**	**2001**	**Change**	**% Change**
	Labor force	2289	2273	-16	-.60
	Employment	1869	1938	+69	+3.0
	Unemployment	420	335	-85	-20.2
	Rate	18.3%	14.7%	-3.6%	-19.6%

POW		**1996**	**2001**	**Change**	**% Change**
	Labor force	3471	3124	-347	-11.0
	Employment	3006	2741	-265	-8.8
	Unemployment	465	383	-82	-17.6
	Rate	13.4%	12.3%	-1.1%	-8.2%
Skagway		**1996**	**2001**	**Change**	**% Change**
	Labor force	2285	2122	-163	-7.1
	Employment	2144	1894	-250	-11.6
	Unemployment	141	228	+87	+62
	Rate	6.2%	10.7%	+4.5%	+7.2%
Southeast		**1996**	**2001**	**Change**	**% Change**
	Labor force	2539	2612	-73	-2.9
	Employment	2192	2333	+141	+6.4
	Unemployment	347	279	-68	-19.6
	Rate	13.7%	10.7%	-3%	-21.9%
Wade Hampton		**1996**	**2001**	**Change**	**% Change**
	Labor force	1955	2222	+267	+13.65
	Employment	1745	1819	+74	+4.2
	Unemployment	210	403	+193	+91.9
	Rate	10.7%	18.1%	+7.4%	+69.1%
Wrangell		**1996**	**2001**	**Change**	**% Change**
	Labor force	3750	3486	-264	-7.0
	Employment	3341	3180	-161	-4.81
	Unemployment	409	306	-103	-25.2
	Rate	10.9%	8.8%	-2.1%	-19.3%
Yakutat		**1996**	**2001**	**Change**	**% Change**
	Labor force	324	312	-12	-3.7
	Employment	304	272	-32	-10.5
	Unemployment	20	40	+20	+100
	Rate	6.2%	12.8%	+6.6%	+106%
Yukon		**1996**	**2001**	**Change**	**% Change**
	Labor force	2105	2134	+29	+1.4
	Employment	1729	1826	+97	+5.6
	Unemployment	376	308	-68	-18.1
	Rate	17.9%	14.4%	-3.5%	-20%

In 1996, the statewide average unemployment rate stood at 7.8%. An unemployment rate of 10.92% would have been needed to qualify for a HUBZone, had the program existed in 1996. Using this minimum level, only 7 of the current HUBZones could have qualified under the unemployment criteria in 1996. Ketchikan would have also failed to qualify with a unemployment rate registering 8.7%.

In 2000, the statewide unemployment rate equaled 6.6% and, thus a community rate of 9.24% was necessary to qualify as a HUBZone. All but one of the currently designated HUBZones, Dillingham, qualified under the unemployment criteria. In 2000, Ketchikan's registered a 7.6% unemployment rate that disqualified it from being designated as a HUBZone.

The following is an analysis that uses the economic data presented in Table Four to compare the labor dynamics in all the 2000 HUBZones and the Ketchikan Gateway Borough (KGB). First, the difference is that the sizes of the 19 labor markets vary so significantly that comparing the changes numerically would be somewhat misleading. Therefore, percentage comparisons are also used in this analysis.

Labor Force Dynamics
Between 1996-01

Between 1996 and 2001, KGB's labor force decreased from 8012 to 7527 or –485. This is an –6.1% decrease. Of the 18 communities that qualified as HUBZones in 2000, 5 experienced an increase in their labor force between 1996 and 2001. Of the 13 areas where the labor force decreased, only two (Kenai and Kodiak) had larger absolute decreases larger than that experienced in KGB. Only 5 of these 13 communities had percentage decrease larger than that occurred in KGB between 1996 and 2001.

Employment Dynamics
Between 1996-01

Between 1996 and 2001, KGB's employment decreased from 7315 to 6951. –364, or –4.9%. By comparison, 9 of the 18 HUBZones' employment levels increased, one remained the same and 7 of the areas experienced a decrease in their employment level during the same time span. Of these 7, only Kodiak registered a decrease in employment (-526) that was greater than KGB's decline in employment. Four of the 2000 HUBZones had percentage decreases in employment that were larger than the percentage decrease experienced in KGB.

Unemployment Dynamics
Between 1996-01

Between 1996 and 2001, KGB's level of unemployment fell from 697 to 576. Eight of the HUBZones show increases in the number of unemployed and 8 communities registered declines in the number of unemployed. Here the analysis becomes more complex. KGB unemployment decreased because the labor force declined (-485) by more than the decrease in the level of employment (-364). Four other communities (Denali,

Kodiak, POW, and Wrangell-Petersburg) experienced the similar deterioration in their labor markets. Three communities (Bristol Bay, Skagway and Yakutat) also had very weak labor markets that registered decreases in the labor forces and employment. Unemployment increased in these communities because the fall in the employment was greater than the decrease in the labor force.

Unemployment increased in 4 of the other 2000 HUBZones (Bethel, Dillingham, North Slope, and Wade Hampton) between 1996 and 2000, but for *very* different reasons. Unemployment in these communities increased because the labor force register increases that exceeded the increase in employment. Similarly, unemployment decreased in three areas (Haines, Kenai, and Yukon) because the increase in the employment level was greater than the rise in the labor force level. Likewise, two HUBZones (Northwest and Southeast) also registered decreases in their unemployment level because their labor force remain nearly unchanged while the employment increased.

The main point to glean from the above paragraphs is that while KGB was experiencing a deterioration in its labor market, 9 of the other HUBZones registered increases in the number of workers employed.

Unemployment Rate Dynamics
Between 1996-01

The analysis in this section is closely related to the analysis in the previous section. Between 1996 and 2001, KGB's unemployment level decreased from 8.7 to 7.7 because the percentage decrease in unemployment (-17.4%) was greater than the percentage decrease in the labor force (-6.1%).

Denali, Kodiak, Prince of Wales Outer Ketchikan and Wrangell-Petersburg also saw their labor markets severely weakened. The unemployment rates in these communities decreased for exactly the same reasons that the rate in KGB fell. ***Ironically,*** the decrease in the unemployment rate in two of the areas, Denali and Wrangell-Petersburg may actually ***DISQUALIFY*** them from meeting the unemployment criteria for 2001.

In 2001, the statewide unemployment rate stood at 6.3% and thus the cutoff unemployment rate was 8.82%. The unemployment rates for Denali and Wrangell-Petersburg equaled 8.78% and 8.77%. Since the HUBZone criteria states that a community's unemployment rate must be 'not less than 140% of the statewide average' implies that these two communities will not re-qualify. The rounding of the number will probably still allow these two communities to just re-qualify as HUBZones. However, the fact that two communities, who qualified for HUBZones status and whose economies have been decimated, yet, only barely re-qualifies, call the broad unemployment rate criterion into serious question.

Compare what has happened in Ketchikan, Denali, Kodiak, Prince of Wales-Outer Ketchikan and Wrangell-Petersburg's to what occurred in Bethel, Dillingham, North Slope and Wade Hampton. The second group of 2000 HUBZones qualifiers actually saw their labor markets improved between 1996 and 2001. Recall that in 1996 the statewide

average annual unemployment rate equaled 7.8% and therefore, had the HUBZone program existed, the unemployment rate criteria cutoff would have been 10.92%. Since Bethel, Dillingham, North Slope and Wade Hampton all registered unemployment rates (9.5%, 7.9%, 4.9%, 10.7%) of less than 10.92%, none would have qualified under the unemployment rate criteria in 1996.

The cutoff criterion stands at 8.82% in Alaska for 2001. Bethel, Dillingham, and Wade Hampton will all qualify for HUBZone classification with rates of 10.6%, 9.2% and 18.1% respectively. Thus, despite the fact that the labor market has shown improvement between 1996 and 2001, the dynamics of the improvements (the percent increase in the labor force was greater than the percentage increase employment leading to an percentage increase in unemployment that is greater than the percentage increase in the labor force) caused the unemployment rates to increase enough to qualify for HUBZone designations in 2001.

Somehow, the results of this analysis violate the intended 'spirit' of why the HUBZone program exists. When using broad economic criteria, such as the average annual unemployment rate, it is possible that the more complex and dynamic nature of a community's well being is over looked (or, perhaps miscalculated). A rhetorical question could be asked, 'Why should a community whose economy is improving be given a competitive advantage over an community where the economy has shown severe deterioration?"

Nonresident Workers and Seasonal Fluctuation In Ketchikan Rate of Unemployment

Seasonal employment affects many Alaskan communities labor markets. Often seasonal employment in a community is closely associated with nonresident workers assuming these temporary jobs. Seasonal jobs and nonresident workers cause major fluctuations in the employment statistics in communities in which they occur.

When nonresident workers enter a labor market en masse on a seasonal basis, the labor force and employment will temporary increase by roughly the same amount. All other thing held constant, if unemployment exist, increasing the labor force and employment by the same amount will cause the rate of unemployment to temporary fall. Unemployment will begin to increase again at the end of the season when nonresident workers return to their permanent homes.

Seasonal employment and nonresident workers greatly influence the labor market statistics in Ketchikan. Examining the labor market data from any year will allow the reader to see this influence. The data from Ketchikan Gateway Borough (KGB) labor market for 2000 can be found in the Table Five.

Table Five
Labor Market Statistics for Ketchikan-2000

Ketchikan Gateway Borough **2000**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Average
Labor Force	7,258	7,408	7,408	7,437	7,711	7,959	8,332	8,273	7,878	7,471	7,299	7,166	7,633
Employment	6,402	6,527	6,679	6,811	7,215	7,466	7,943	7,867	7,460	6,951	6,750	6,604	7,056
Unemployment	856	881	729	626	496	493	389	406	418	520	549	562	577
Rate	11.8	11.9	9.8	8.4	6.4	6.2	4.7	4.9	5.3	7.0	7.5	7.8	7.6

Table Five reveals that the labor force and employment increased by 1074 and 1541 respectively between January and July. In other words, the labor force and employment increased by 15% and 24% in this six-month span. Unemployment fell during this seasonal swing by 467 or 55%. Similarly, the percent unemployment rate fell by 7.1 equaling a 60% decrease. The data indicate that in the autumn the unemployment rate trended upward. By January 2001, the rate was once again above 11% in KGB.

Any employment is a welcome in a community under economic duress. The temporary job opportunities offer some temporary relief to those who are experiencing long-term unemployment. Nevertheless, it if impossible to ignore that seasonal jobs and the influx of nonresidential worker artificially depress long-term and chronically high unemployment rates in Ketchikan.

It is also difficult to ignore the sectors that provide work and the quality of seasonal jobs that nonresident workers temporarily fill. This is important because it is intuitive to conclude that the temporary jobs that nonresident workers fill are the same jobs that allow the chronically unemployment local workers to find employment on a part-time basis. An Alaska Department of Labor study, *Nonresidents Working in Alaska-2000, reports "* The highest percent nonresident workers are found in industries with a large number of seasonal jobs (often relatively low paying)…The industries with the highest percent nonresident workers in 2000 include seafood processing, visitor industry sectors (hotels, eating and drinking places, air transportation and transport services), lumber and wood products, and the oil industry." (page 6).

The Alaska Department of Labor compiles a data set that allows an analytical breakdown of where jobs were created in Ketchikan during the seasonal swing in 2000. This data set varies somewhat from the data previously reported in Table Five. The data presented in Table Five is compiled after interviewing households. The data present below come from interviews of all employers. The data below can be found at the Alaska Department of Labors' website by looking under the keywords *Employment and Unemployment* and then in a PDF file titled *2000 Employment & Earnings Summary File.* Table six contains the information from this file.

Table Six
Season Swings in KGB's Labor Market
And
Sectors Where Jobs are Created

Ketchikan Gateway Borough									
	January	July	Change Jan-Ju	% Change Jan-Ju		December	Change Ju-Dec	% nonresident Statewide	Jan-Ju Increase due to nonresident
Total Industries	5924	8751	2827	47%		6459	-2292		
Private Sector Jobs	4212	7187	2975	70.6%		4732	-2455		
Total Government	1712	1564	-148	-9%		1727	163		
Food and Kindred Products	190	1473	1283	675%		198	-1085	70.3%	898
Lumber and Wood Products	205	458	253	123%		310	-148	31.5%	80
Ketchikan Gateway Borough									CONTINUED
	January	July	Change Jan-Ju	% Change Jan-Ju		December	Change Ju-Dec	% Nonresident Statewide	Jan-Ju Increase due to nonresident
Transportation by Air	143	343	200	140%		193	-150	18.6%	37
Transportation Service	0	17	17	Na		0	-17	22.6%	4
Eating and Drink Places	232	414	182	78%		296	-118	23.2	42
Misc Retail	163	460	297	182%		204	-256	17.0%	50
Hotel and Lodging	170	317	147	86%		194	-123	30.2%	44
Amusement and Recreation	97	224	127	130%		100	-124	27.4%	61
Total	1200	3706	2506	208%		1495	-2211		1216

Table Six provides us with an useful insight into the true nature of the labor market dynamics during the seasonal economic swings in KGB. First, the data indicates that all the seasonal jobs in KGB are created in the private sector. Each year, beginning in the spring, seasonal employment picks up and nonresident workers migrate into the community to fill these positions. The Alaska Department of Labor reports that "the highest percent nonresident workers are found in industries with a large number of seasonal jobs….The industries with the highest percent nonresident workers in 2000 include seafood processing, visitor industry sectors (hotel, eating and drinking places, air transportation and transport services), lumber and wood products…" (*Nonresidents Working in Alaska-2000*, page 6*)* Miscellaneous services, hotels and lodging, and amusement and recreation were also considered in Table Six because historically these sectors also have attracted nonresident workers in the summer months in KGB. The eight sectors considered in Table Six experienced a 208% increase in employment between January and July 2001. The 2506 temporary jobs created in these eight sectors accounted for ***84.2%*** of all temporary private sector jobs in 2000.

It is interesting to note the data from Table Five indicates that between January and July 2000 unemployment fell by 467 (from 856 to 389). Although the data from Tables Five and Six are complied from different information sources (household interviews vs employer interviews), it is intuitive to assume some correlation between the data sets. In short, the obvious conclusion is that, not only did nonresident workers man many of these

newly created temporary jobs, but also chronically unemployed residents also filled these seasonal positions. The nonresident worker statistics generated by the Alaska Department of Labor supports this conclusion.

The Alaska DOL estimated the portion of nonresident workers in each sector in Alaska. These percentages can be found in the second to the last column in Table Six. Using these statistics, estimations can be made of the number of nonresident workers taking the temporary jobs in 2000 in KGB. The last column in Table Six reports these estimates. For example, nonresident workers fill 70.3% of all jobs in the Food and Kindred Products (seafood processing) sector. If the reasonable assumption that nonresident workers accepted the 70.3% of all temporary jobs created in this sector in KGB, then it is possible to estimate that nonresident workers filled 898 of the 1283 temporary jobs. If this estimate is valid, then it possible to concluded that nonresident workers in the seafood-processing sector filled 30% (898 ÷ 2975 = 30%) of all temporary private sector jobs.

Data provided by provided by Mr. Jeff Hadland, an economist with the Alaska Labor Department, supports the validity of the assumption made above. This data can be found in Table Seven.

Table Seven
Residency Status of workers in the Seafood Processing (SIC 2091 and SIC 2092) in 2000 in Ketchikan by Quarter

Year: 2000	Non resident	Resident	Total	Change from previous quarter	% Nonresident
First quarter	38	142	180		21.1%
Second Quartet	244	290	534	206	45.7%
Third Quarter	1,241	425	1,666	997	74.5%
Fourth Quarter	230	238	468	-1011	49.1%

Table Seven indicates that the largest increase in 2000 seafood processing employment occurs in the July-September quarter. Nonresident workers occupied 74.5% of the jobs in this sector during this quarter. These data supports the assumption that the greatest percent (70%+) of temporary jobs in seafood processing are occupied by nonresident workers.

The remaining numbers in the last column of Table Six are derived by the same method used to estimate the number of nonresident workers filling temporary jobs in the seafood processing sector. The last number in this column, 1216, is the estimated total number of nonresident filling temporary jobs in all eight of the sectors that created seasonal employment in KGB in 2000. Using this figure, 1216, we can estimate that workers from

outside of Ketchikan filled 41% of the temporary private sector jobs that were created during the 2000 seasonal swing in employment.

The data in Tables Six and Seven also indicates that local unemployed workers fill these temporary seasonal jobs. If we conclude that 1216 nonresident workers fill temporary jobs (Table Six), then the remaining seasonal jobs are likely to be filled by locals. Personal interviews of local seafood processors reveal that many of these jobs are also fill by high school students during the summer.

To conclude this section of the analysis of the Ketchikan labor market, each year the unemployment rate decrease from high levels in the winter months to much lower levels in the middle months only to slowly increase to higher level in late autumn. The lower unemployment rates in the summer months are due almost entirely to the creation of temporary jobs that exist only because of the seasonal nature of hiring patterns in KGB. The temporary influences lower the annual unemployment rate to a level that are too low to allow KGB HUBZone classification. Temporary, often low paying, jobs that are often fill by nonresident workers, inhibit Ketchikan from qualifying as a HUBZone. If either these temporary summer jobs were not created or if the nonresident workers would stay in the community and file for unemployment in KGB during the winter, then the average annual unemployment rates would significantly higher. In 2001, the statewide average unemployment rate stood at 6.3 and, thus, a community needed an average annual unemployment of 8.8% to qualify as a HUBZone. Ketchikan Gateway Borough had an average annual unemployment rate of 7.7%. Because of the labor dynamics described in the preceding paragraphs, KGB's unemployment decreased from 11.1% in January to 5.4% in July 2001. There is little doubt that KGB would have had an unemployment rate high enough to qualify for HUBZone status were it not for the seasonal swings that creating large numbers of temporary employment.

HUBZones, HUBZones Everywhere Yet There is no Place to Work

Ketchikan Gateway Borough is a relatively small and isolated island community. The island where KGB is located is surrounded by HUBZones. Prince of Wales-Outer Ketchikan (POW) is made up of islands located to the South, East and West of KGB. Wrangell-Petersburg (WP) is located North of KGB. Both POW and WP are HUBZones.

All three of these communities, POW, WP, KGB, historically depended upon natural resource harvesting to support their economies. All three economies have fared badly in recent years due to the collapse of these natural resource sectors.

There is one important difference between these communities, size. The economy in KGB is much larger than those of either POW or WP. For example, the 2000 average annual labor force size was 3233 and 3554 in POW and WP respectively. KGB's labor force numbered 7633 in the same year. If the construction sector is considered, the POW and WP had 46 and 74 workers with average annual earnings of $1,237,060 and $3,712,982 respectively. The average annual earnings in construction sectors in POW and WP was 2.2% and 4.9% of their communities' total industry FY 2000 annual earnings.

In sharp contrast, KGB had 310 workers in the construction sector (260 percent more than the other two communities combined). The FY 2000 earnings for the KGB's construction contractors were $23,569,990 (209% greater than those of POW and WP combined). Construction contractor's earnings make equal 10.4% of total industry earnings in KGB.

Many of the contractors in the KGB would be qualified to bid on HUBZone set-asides projects, or at least portion of these projects. On the other hand, it is likely that few, if any, construction contractors in these other communities would qualify to work on larger projects. In essences, despite the existence of HUBZones in this region of Southeast Alaska, HUBZones set-asides would quite likely go to contractors outside these communities. This, once again, violates the 'spirit' of the HUBZone program. Inclusion of Ketchikan as a HUBZone would likely remedy this problem. The size and the 'large-project' experience of KGB's contractor would allow them to successfully compete for HUBZone set-asides and thus benefit the entire region.