

ALASKA ECONOMIC **TRENDS**

OCTOBER 2010

Alaska's Mining Industry

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Alaska's Timber Industry

Fallen on hard times

Employment Scene

Unemployment rate at 7.7 percent in August



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Sean Parnell, Governor
Commissioner Click Bishop

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& WORKFORCE DEVELOPMENT

Sean Parnell, Governor of Alaska
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Cover:

In June of 2010, students examine a jackleg drill in the Alaska Department of Labor and University of Alaska's Entry-Level Underground Miner Training Program. The hands-on training was carried out in a section of the former Alaska-Juneau Mine. Photo by Sam Dapcevich

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Alaska's Workforce for Tomorrow's Jobs

By Commissioner Click Bishop

This month's *Trends* focuses on timber and mining—two of Alaska's oldest industries that have played key roles in developing the state's economic base. Mining (not including oil and gas) provides more than 2,000 jobs in Alaska, and these jobs have an average salary of \$90,000. The commercial timber industry has not fared as well. Between 2000 and 2009, jobs decreased from 1,500 to 600. Current timber harvest estimates are for millions of board feet, rather than the billions of the late 1980s.

The history of these industries demonstrates the importance of tracking where jobs are—and where they will be. As industries ebb and flow, one of the critical functions of the Alaska Department of Labor and Workforce Development is to analyze and present labor market information. Through its Research and Analysis section, the department provides information that, along with industry demand, helps determine where training dollars will be focused for available and emerging jobs.

To develop Alaska's workforce, the department partners with the University of Alaska, AVTEC-Alaska's Institute of Technology, Alaska's regional training centers, and private training providers.

For example, for more than 40 years AVTEC has responded to industry needs. A part of the Alaska Department of Labor, AVTEC has a rich history of providing Alaska employers with well-trained and skilled technicians, ship captains, professional cooks and bakers, welders, practical nurses, mechanics and electricians, among other professions.

Only one in five jobs in Alaska requires a four-year degree. But most other high paying jobs require some kind of post-secondary education. With 16 long-term training programs in oil and gas, mining, hospitality, transportation, construction, healthcare, and information technology, AVTEC provides an important component of our ability to train Alaskans for jobs in all of the state's major industries.

The institute also offers roughly 60 short-term training programs that take from one to six weeks to complete. AVTEC's main campus is in Seward, and there is an Allied Health program in Anchorage. Some training programs are available statewide through remote-site and distance-delivery classes.

AVTEC recently opened new culinary arts and maritime facilities in Seward. The culinary addition allows for expansion of AVTEC's Alaska Culinary Academy, which has been accredited by the American Culinary Federation Education Foundation (ACFEF) since 2006. The designation means it's one of the best programs in our region and the country.

The new culinary facility includes a restaurant-sized commercial kitchen and bakery, four classrooms, training café, and faculty offices. The facility's dining room provides students with on-the-job-training required for ACFEF accreditation. Additional dining room capacity also serves the need to provide daily meals to AVTEC's growing student population.

The new maritime facility, located across Resurrection Bay from its other facilities, is part of AVTEC's Alaska Maritime Training Center. The emerging campus has a lifeboat davit system that supports U.S. Coast Guard proficiency in survival craft course, a classroom training facility, and a state-of-the-art fire fighting simulator.

Through its sponsorship of in-demand training for today's and tomorrow's occupations, the Alaska Department of Labor is investing in Alaska's most valuable resource—its people.

From a golden past to a polymetallic future

The discovery of gold in the late 1800s drew thousands of people to the far reaches of Alaska. In 1880, Joseph Juneau found large pieces of quartz mixed with gold in Southeast Alaska, and his find lured prospectors to the new town site of Juneau. A second boom hit two years later when gold deposits were found on Douglas Island, across the channel from Juneau, resulting in the creation of Treadwell Mine. Gold discoveries in 1896 launched the great Klondike gold rush. Thousands of prospectors passed through Alaska on their way to the Yukon, creating the town of Skagway. More finds of gold in 1898 drew boat loads of people to Nome's sandy beaches on the Seward Peninsula.

Another large gold strike was found in the Tanana Hills of Alaska's interior. Gold was found there in 1902 and the ensuing gold rush led to the founding of Fairbanks. This field would eventually become one of the most productive

in Alaska. Gold was being discovered throughout the state during these early years but the largest strikes were in Nome, Fairbanks, and Juneau.

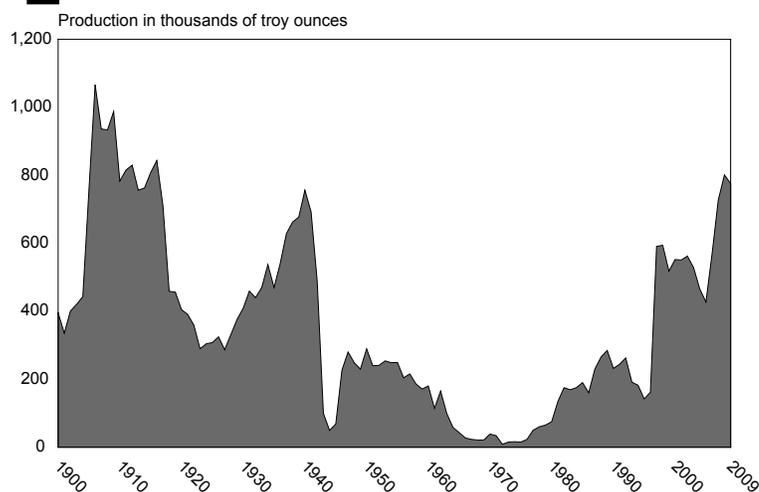
New mining practices also started to emerge during this time, as large companies began buying individual mining claims and hiring workers. Proceeds from stock sales were used to purchase equipment such as hydraulic hoses, draglines, and small dredges. New mills that could crush rock were built at the lode mines. The industrialization of gold mining practices continued until 1942, when President Franklin Delano Roosevelt ordered the closure of all nonessential mines to free up men for the war.

Meanwhile, the U.S Gold Reserve Act of 1934 kept gold prices fixed at \$35 an ounce, where they remained until 1972. Many of the mines that closed during the war remained closed post-war due to the low fixed price of gold and high costs of labor and construction. The Alaska-Juneau Mine was one of the mines that closed during the war. Attempts have been made to reopen this mine which is located near downtown Juneau, but all have failed so far.

The price is right

It wasn't until the 1970s that interest in metal mining picked up again, after the U.S. government ended its practice of setting the price of gold. With less government intervention, the price of gold climbed to \$850 an ounce in 1980; however, by the year 2000, the price had fallen to \$250 per ounce. The past decade saw a steady climb in gold prices and by 2009, gold was trading at \$900 per ounce. (See Exhibits 2 and 3.)

1 A Golden Past Alaska's gold production, 1900 to 2009



Source: Alaska Department of Natural Resources, Division of Geological and Geophysical Surveys

Gold still shines

Along with the recent resurgence in gold prices, statewide employment in gold mining also increased; employment rose by 604 jobs between 2000 and 2009. (See Exhibit 3.) Gold mining isn't the only hard-rock mining sector that has grown in recent years. Silver, zinc, coal, and lead have also added significantly to Alaska's economy. There were 2,126 mining jobs in 2009—an increase of more than 700 jobs since the recent low in 2004. (See Exhibit 4.)

High growth and earnings

The overall trend for mining¹ employment has been growth, followed by a few years of stability or slight declines, and then more growth. Between 1980 and 2009, mining employment grew by 1,600 jobs and \$174.9 million in wage and salary earnings. (See Exhibit 4.)

During the last 10 years, Alaska's mining employment has outpaced the nation's by nearly 40 percent and most of Alaska's other private industries. (See Exhibits 5 and 6.) These numbers do not include the self employed who were especially important in the 141 placer mines operating across the state in 2009. Consequently, mining's contribution to employment and earnings in the state could be underestimated.²

Mining jobs have higher earnings than any other industry except oil and gas. In 2009, the average-annual earnings for a job in mining were \$91,100. That's nearly twice as much as the statewide average-annual earnings of \$46,600. (See Exhibit 7.)

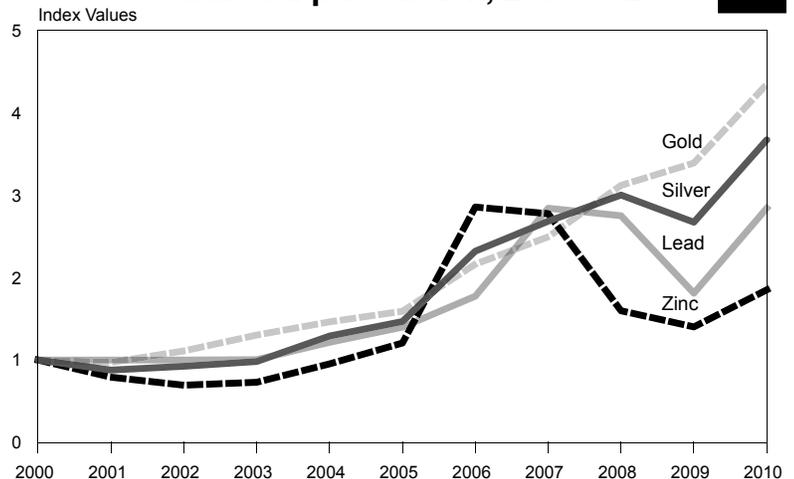
One reason for the high earnings is that the industry employs skilled occupations such as heavy equipment operators, miners, drillers, and others. (See Exhibit 8.) These types of occupations tend to pay well without requiring

¹ All references to mining in this article refer to mineral mining. This article does not include data related to oil and gas mining or exploration.

² Employment and earnings data do not include self-employed workers, fishermen, federal workers, uniformed military, and elected and appointed officials. There are many small scale mining operations around the state that are owner operated. These owner operators would be considered self-employed and therefore not counted in employment and earnings data.

Prices Explain Renewed Interest 2

Mineral price index, 2000 to 2010



Note: The index is based on the annual closing prices for gold, silver, lead, and zinc; 2010 prices are from August 15, 2010.

Source: United States Geological Survey

Gold, Selected Historical Events

1880-1906

Gold is discovered throughout Alaska. The largest gold strikes are in Fairbanks, Nome, and Juneau. Gold production peaks in 1906 at 1,066,030 troy ounces. (See Exhibit 1.)

1917

The Treadwell mine on Douglas Island collapses and floods. At the time, it was the largest mine in the world. The mine's collapse began the descent of production levels in Alaska.

1933

President Roosevelt raises the price of gold from \$21 to \$35 an ounce and production levels increase.

1942

Franklin Delano Roosevelt issues Executive Order E-208 closing all nonessential mines to free up men for the war. By 1944, production levels for Alaska's gold had dropped to record lows. (See Exhibit 1.)

1967

Congress lifts the 25% gold reserve requirement for all outstanding bank notes, and gold prices begin to rise.

1971

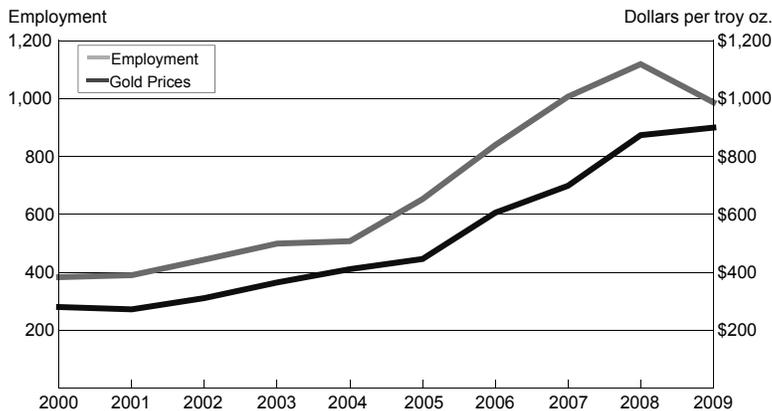
U.S. government abandons the practice of converting currency to gold.

1980

Prices are no longer set by the government and gold soars to \$850 per ounce. In the years that follow, production increases for Alaska.

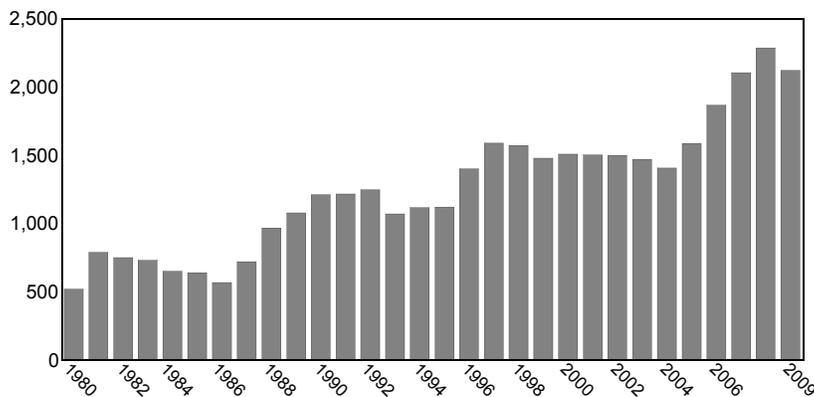
Currently, gold is trading at more than \$1200 per ounce.

3 Gold Mining Employment and Prices Alaska, 2000 to 2009



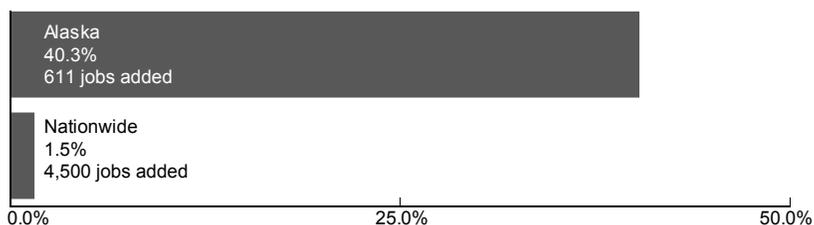
Note: Gold prices are based on average prices for the year rounded to the nearest dollar.
Source: Alaska Department of Labor and Workforce Development Research and Analysis Section; United States Geological Survey, Mineral Commodity Summaries

4 Staggered Growth is Still Growth Alaska's Mining Employment, 1980 to 2009



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

5 Alaska's Mining Industry Employment growth, 2000 to 2009



Note: Excludes oil and gas mining employment
Source: Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section

a college degree. For example, the average mining machine operator is paid approximately \$30 per hour.

Residents bring home the metal

Nearly three-quarters of all wage and salary earnings from mining stay within the state due to Alaska residents making up about three-quarters of all workers in the mining industry.³ In 2009, their wages totaled more than \$145.3 million, spread across the state. Workers in the industry live in 26 of Alaska's 29 boroughs and census areas, and they often reside in a different borough or census area than where they work.

The Fairbanks North Star Borough has 685 workers in the mining industry, the largest number in the state. Almost all of those workers are employed at the nearby Fort Knox Mine. Anchorage has the next largest number with 380 mine workers, but many of them work at mines outside of Anchorage. Juneau has 281 workers in the mining industry, the third largest in the state. The majority of those workers are at the Greens Creek or Kensington mines.

Often the mother lode of employment

Mines are often the largest, or among the largest, employers in their borough or census area. Mines also tend to be located in remote areas where other employment opportunities are scarce. (See Exhibit 9.) In 2009, the Greens Creek, Red Dog, and Pogo mines were the largest private employers in Juneau, the Northwest Arctic Borough, and Southeast Fairbanks Census Area respectively. The Fort Knox Mine and the Usibelli Coal Mine are both the third-largest employers in their respective boroughs.⁴ Increased employment at the newly

³ Alaska residency is determined by matching the Alaska Department of Revenue Permanent Fund Dividend file with the Alaska Department of Labor and Workforce Development wage file. The PFD file is a list of Alaskans who either applied for or received a PFD. The wage file contains quarterly earnings and industry information on workers covered by unemployment insurance within Alaska. Those who aren't subject to unemployment insurance laws include self-employed workers, fishermen, the uniformed military, federal employees, and elected and appointed officials. Workers included in the wage file were considered Alaska residents if they applied for a PFD in either 2008 or 2009.

⁴ Fort Knox Mine is located in the Fairbanks North Star Borough; Usibelli Coal Mine is located in the Denali Borough.

opened Kensington Mine will likely make it one of the top-ten private employers in Juneau after a year of full-scale production.

Volatile prices affect production values for metals

Increased production from the Kensington Mine is also likely to increase statewide production values for metals. The global recession led to declines in metal prices, which caused Alaska's primary metal production values to drop sharply from \$3.2 billion in 2007 to \$2.3 billion in 2008—a decrease of \$960 million. (See Exhibit 10.) By the end of 2009, a strong recovery in metal prices caused metal production values to increase by \$50 million and landed Alaska at sixth in the nation for overall mineral production values. (See Exhibit 11.)

More than metal

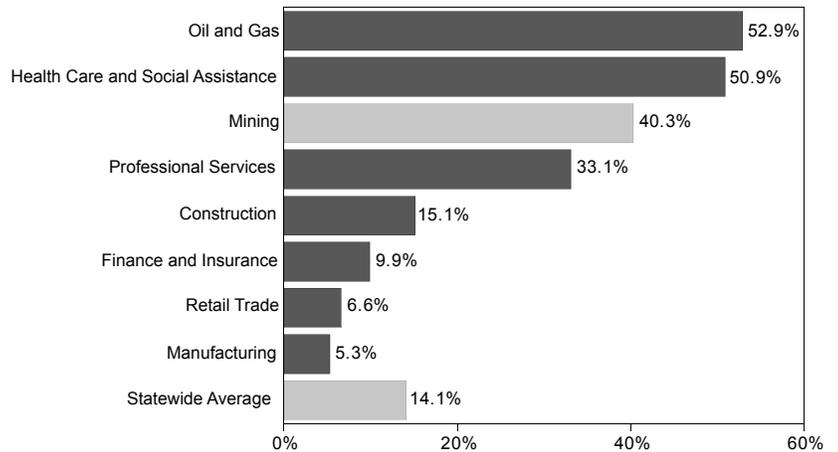
The value of Alaska's sand, gravel, and rock mining in 2008 was \$112 million—the highest value since 2004. Also in 2008, the value of coal production reached an all-time high of \$54 million. In 2009, employment in coal, sand, gravel, and all other nonmetallic mineral mining was at more than 300 jobs.⁵ The lion's share of this employment was at the Usibelli Coal Mine, located in the Denali Borough.

The Usibelli Coal Mine, founded in 1943, is Alaska's oldest operating mine. It produced 1.9 million tons of coal in 2009. About half of

⁵ Includes support activities

Growth by Select Industries in Alaska

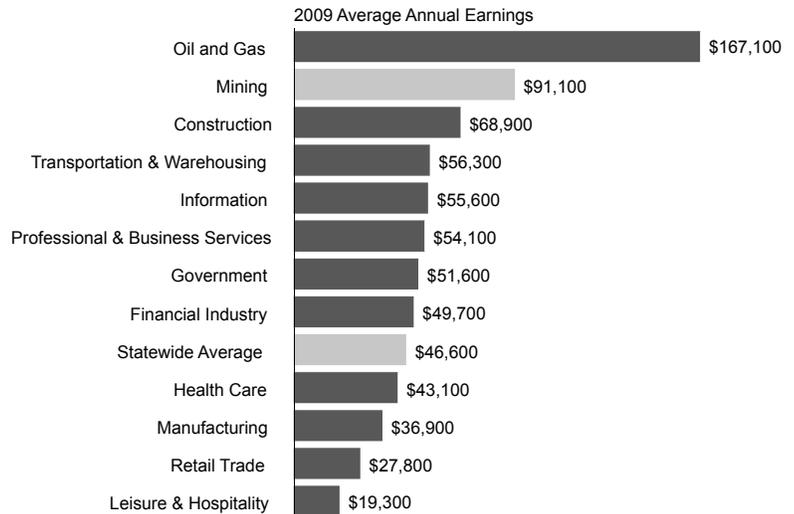
Percentage employment change, 2000 to 2009



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

Alaska's Second Highest Paid Industry

Average annual earnings, 2009



Source: Alaska Department of Natural Resources, Division of Geological and Geophysical Surveys

Types of Mining

Placer mining is a method of using water to excavate, transport, concentrate, and recover heavy minerals from alluvial or placer deposits. Deposits mined using this technique include the gold-bearing sands and gravel that settle out from rapidly moving streams and rivers at points where the current slows down. Placer mining takes advantage of gold's high density, which causes it to sink more rapidly from moving water than the lighter siliceous materials with which it is found.

Lode mining can refer to ground level and underground mining of lode deposits —minerals that are bound to other rock requiring that the rock be crushed and pulverized before extraction of the minerals begins. After lode ore is crushed, recovery of the valuable minerals is done by one, or a combination of several, mechanical and chemical techniques.

Surface mining is commonly called strip mining, which is actually only one possible form of surface mining. This is a type of mining in which soil and rock overlying the mineral deposit (the overburden) are removed. Surface mining is used when deposits of commercially useful minerals or rock are found near the surface and the overburden is relatively thin or the material of interest is structurally unsuitable for tunneling —this is the case with sand and gravel mining.

8 Highly Skilled Workers Needed

Top 20 occupations in mining

Rank	Occupation Title	Average Annual Earnings ¹	Required Education Level
1	Mining Machine Operators, All Other	\$58,360	Moderate-term on-the-job training
2	Extraction Workers, All Other	\$54,560	Moderate-term on-the-job training
3	Mobile Heavy Equipment Mechanics, Except Engines	\$60,510	Postsecondary vocational award/Associate degree
4	Millwrights	\$58,560	Long-term on-the-job training
5	Mining and Geological Engineers, Including Mining Safety Engineers	\$95,200	Bachelor's degree
6	Earth Drillers, Except Oil and Gas	\$49,860	Moderate-term on-the-job training
7	Construction Laborers	\$49,190	Moderate-term on-the-job training
8	Environmental Engineering Technicians	\$58,760	Postsecondary vocational award/Associate degree
9	Chemical Technicians	\$50,020	Postsecondary vocational award/Associate degree
10	Drilling and Boring Machine Tool Setters, Operators, and Tenders, Metal and Plastic	N/A	Moderate-term on-the-job training
11	Laborers and Freight, Stock, and Material Movers, Hand	\$35,520	Short-term on-the-job training
12	Crushing, Grinding, and Polishing Machine Setters, Operators, and Tenders	\$50,380	Moderate-term on-the-job training
13	Loading Machine Operators, Underground Mining	N/A	Moderate-term on-the-job training
14	Electricians	\$67,480	Long-term on-the-job training
15	Industrial Truck and Tractor Operators	\$38,490	Short-term on-the-job training
16	Plant and System Operators, All Other	\$72,390	Long-term on-the-job training
17	Truck Drivers, Heavy and Tractor-Trailer	\$49,480	Moderate-term on-the-job training
18	First-Line Supervisors/Managers of Mechanics, Installers, and Repairers	\$76,150	Work experience in a related occupation
19	General and Operations Managers	\$78,580	Bachelor's plus experience/Master's degree/First professional degree/Doctoral degree
20	Excavating and Loading Machine and Dragline Operators	\$50,680	Moderate-term on-the-job training

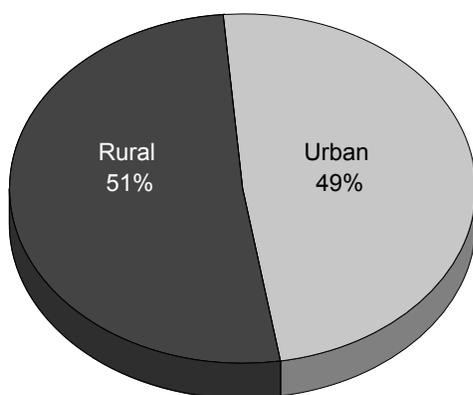
¹ May 2009 Alaska wage rates are statewide averages. Data are from the Occupational Employment Statistics (OES) survey and represent the average hourly wage for that occupation across all industries.

N/A = not available

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

9 2009 Mining Employment

Half of all jobs were in rural Alaska



Note: Urban Alaska includes Anchorage, Fairbanks North Star Borough, and Juneau

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

this coal was used to generate power, and the remainder was shipped out of state.

The next big thing

Mining employment often doesn't include jobs in the exploration and development phases of a project. These jobs are often found in the engineering, environmental, or construction industries. Exploration and development dollars can be used as an indicator of future mining activity.

Spending on exploration and development took off in 2004, rising to an all time high of \$744 million in 2008. (See Exhibit 12.) Part of the increase came from simultaneous construction at Pogo, Kensington, and Rock Creek mines; but most came from exploration expenditures made by Alaska's largest prospective mines—Donlin Creek and Pebble. Ground sampling continued in 2009 at Pebble and Donlin Creek mines, but statewide exploration spending dropped by \$178 million, largely because these two mines moved into the pre-permitting phase.

Donlin Creek and Pebble are Alaska's high-profile mining prospects.⁶ The Donlin Creek gold deposit, discovered in 1988, is located near Crooked Creek along the Kuskokwim River in the Bethel Census Area. There are an estimated 29 million ounces of gold resources⁷ resulting in an anticipated mine life of about 20 years and an estimated workforce of 600. The 27,000 acre property is owned by the Calista and Kuskokwim Corporations, but the project is managed by the NovaGold and Barrick Gold Corporations.

The Pebble Mine is a copper-gold-molybdenum project that was discovered in 1987. It is located 200 miles southwest of Anchorage near Iliamna in the Lake and Peninsula Borough. The 98,600 acre property is on state owned land, and the project is managed by Northern Dynasty Minerals Ltd. and Anglo American. The total estimated resources at Pebble are 72 billion pounds of copper, 91 million ounces of gold, and 4.8 billion pounds of molybdenum.⁸ According to estimates, there could also be commercially significant amounts of silver, rhenium, and palladium. The mine has an expected life of over 60 years and an estimated workforce of more than 1,000 employees.

Both of these mines expect to apply for permits in 2011.

Mining the future

Alaska has more than 190 million acres of federal, state, and Native lands open for mineral-related activities and mining.⁹ This potential combined with high mineral prices suggests that mining will continue to play a vital role in Alaska's long-term economic future—just as it did in the past.

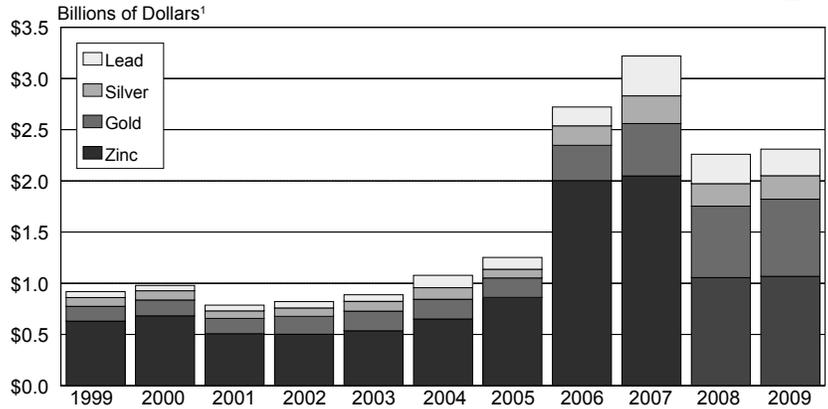
⁶ See the Alaska Department of Commerce Web site for a list of potential mining projects: <http://www.commerce.state.ak.us/oed/minerals/advmine.htm>

⁷ According to the Alaska Department of Natural Resources, Division of Geological and Geophysical Surveys, *Alaska's Mineral Industry 2009- A Summary*

⁸ See footnote 7

⁹ See the Department of Natural Resource's report, *Alaska's Mineral Industry 2008*, <http://www.commerce.state.ak.us/oed/minerals/pub/sr63.pdf>

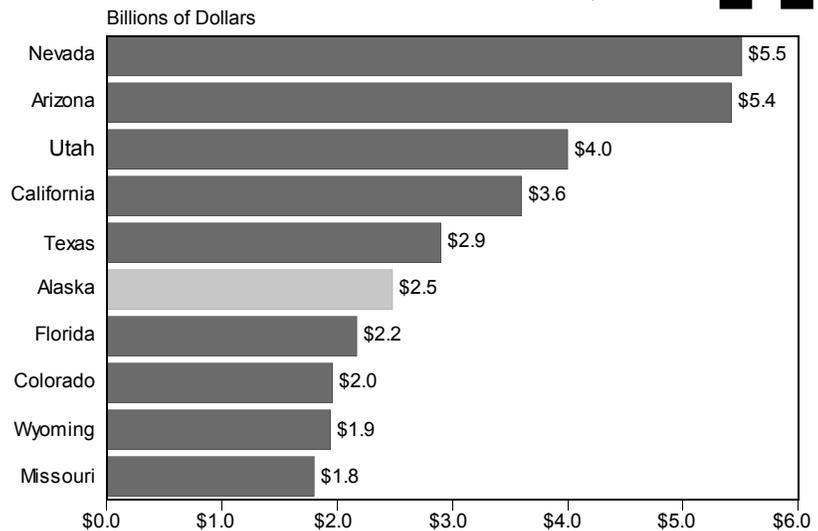
A Decade of Production Values **10**



¹Values are in nominal dollars.

Source: Alaska Department of Natural Resources, Division of Geological and Geophysical Surveys

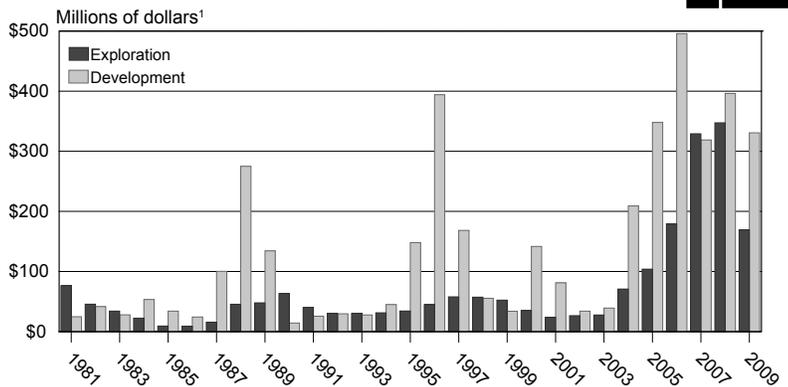
Alaska Ranks Sixth in Production **11**



Note: Includes all nonfuel minerals

Source: United States Geological Survey, Mineral Commodity Summaries 2008 and 2009

Exploration and Development **12**

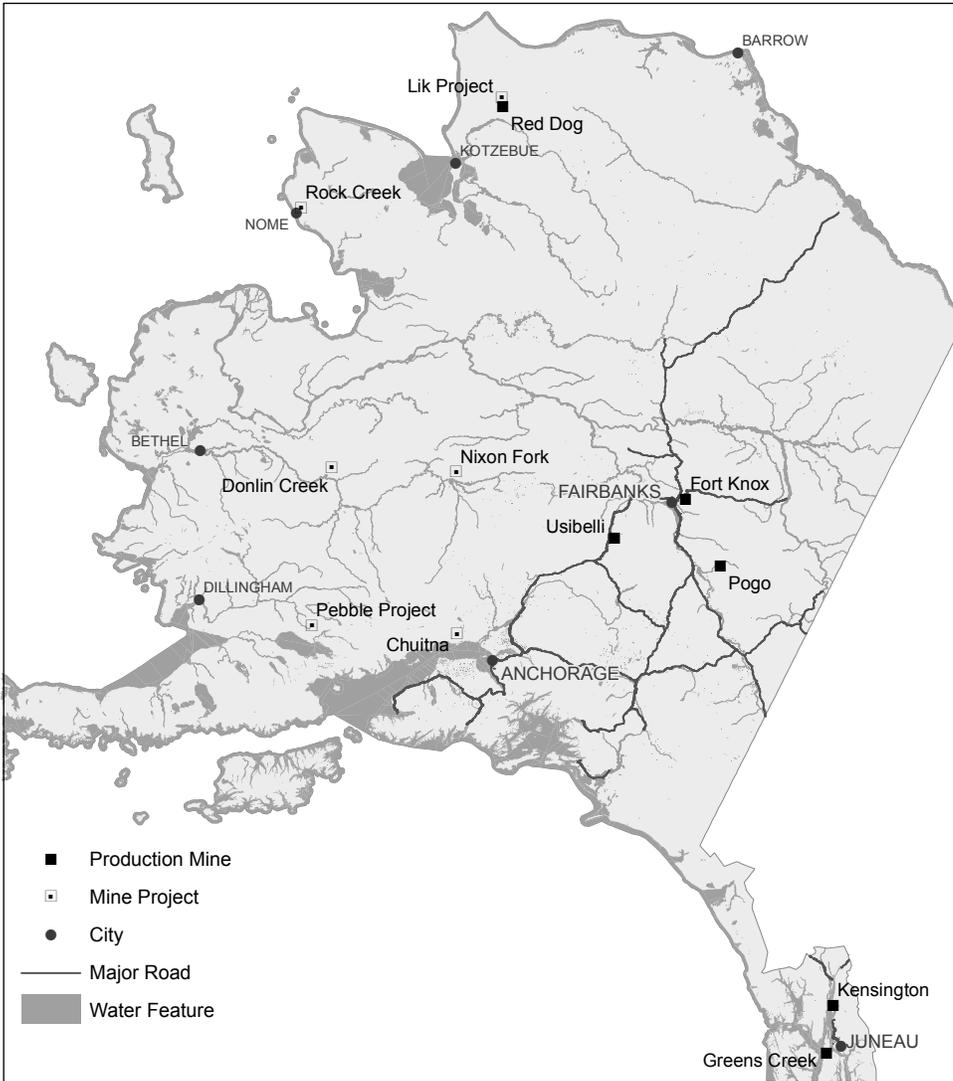


¹ Values are in nominal dollars.

Source: Alaska Department of Natural Resources, Division of Geological and Geophysical Surveys

Alaska Mines

Mines in Production and Planned Projects



Production Mines

Fort Knox Mine
 Commissioned in 1997
 Production in 2009:
 263,260 gold equivalent ounces¹

Greens Creek Mine
 Commissioned in 1989
 Production in 2009:
 7.5 million ounces of silver
 67,269 ounces of gold
 70,379 tons of zinc
 22,253 tons of lead

Kensington Mine
 Production began in June of 2010
 Proven and probable reserves:
 1.5 million ounces of gold

Pogo Mine
 Commissioned in 2006
 Production in 2009:
 389,808 ounces of gold

Red Dog Mine
 Commissioned in 1990
 Production in 2009:
 145,000 tons of lead concentrate
 642,100 tons of zinc concentrate
 8.114 million ounces of silver

Usibelli Coal Mine
 Commissioned in 1943
 Production in 2009:
 1,861,714 tons

Projects

Chuitna Coal Project
Under development/in construction
 Proven reserves reported to be 771 million tons

Donlin Creek Project
In advanced exploration status
 Proven and probable reserves of 29.3 million ounces of gold, measured resources of 6 million ounces of gold

Lik Project
In advanced exploration status
 Indicated resources of 3.3 billion pounds of zinc, more than 1 billion pounds of lead, and more than 31 million ounces of silver
 Note: Does not include inferred resources

Nixon Fork Mine
Under development /in construction
 Exploration is currently underway to confirm previous reports of mineral resources.

Pebble Copper–Gold–Molybdenum Project
In advanced exploration status
 Total global resource contains approximately: 72 billion pounds of copper, 91 million ounces of gold, and 4.8 billion pounds of molybdenum

Rock Creek
On care and maintenance status
 0.5 million ounces of probable gold reserves, 1.9 million ounces of measured and indicated resources, and 0.3 million ounces of inferred gold resources

Note: Reserves can be proven or probable and are an economic entity. Resources are measured, indicated, or inferred and have undergone less cost analysis and sampling than reserves.

¹ Gold equivalent ounces includes silver ounces that are produced, sold, and converted to a gold equivalent based on the ratio of the average spot market prices for the commodities for each period.

Source: Alaska Department of Natural Resources, Division of Geological and Geophysical Surveys, Alaska's Mineral Industry 2009- A Summary : <http://www.dggs.alaska.gov/webpubs/dggs/ic/text/ic060.PDF>

A Brief Summary of Mining Activity in Alaska and the Mineral's Industrial Applications

Mineral Name/ Chemical Symbol	Mineral Summary
Gold (Au)	Gold has been mined in Alaska since the 1880s. Roughly 80 percent of gold in the U.S. is used for jewelry. Other current uses include electronics, currency, and dental applications.
Lead (Pb)	Minor amounts of lead have been mined in Alaska since the 1880's. Except for a brief swell in the late 1920's, production growth started in 1989. Most lead is used in acid-lead batteries that power many different types of equipment. It is also currently used for ammunition, alloys like bronze and a variety of other industrial applications. Environmental concerns have caused a reduced role for lead in gasoline, paint additives, solder, and pipes.
Zinc (Zn)	Zinc production had a brief stint from 1947 to 1949. The 1989 opening of the Red Dog Mine raised production levels. Over half of domestic zinc is used for galvanizing. Zinc is also an important component in alloys like bronze and brass.
Copper (Cu)	Copper production started in 1901 and peaked in 1916 with the help of the Kennecott Mine near McCarthy. It slowly petered out by the 1960's. Minimal production was reported between 1996 and 2002. The bulk of copper use is in construction and electronics, but it is also used for many types of machinery and consumer products.
Antimony (Sb)	Used in flame retardants and shrapnel alloys, antimony production was reported during the first and second World Wars from 1914 to 1918 and again in 1937. Also used in lead-acid batteries and plastic, antimony mining continued sporadically in Alaska until the mid-1980's.
Chromium (Cr)	This ingredient for stainless steel was produced in Alaska from 1942 to 1943 and 1954 to 1957 in minimal amounts.
Platinum (Pt)	Platinum was dredge-mined in Southwest Alaska and is a by-product of copper mining. It is used in vehicles as a catalyst for air-pollution abatement. Platinum's properties make it useful for many chemical and electronic technologies. It is also made into jewelry.
Tin (Sn)	Tin production was first reported for Alaska in 1902 and halted in 1993. Tin is used for tin cans, containers, and electronics. Other uses include construction, vehicles, and solder.
Mercury (Hg)	Production of this transition metal was reported to some degree from 1940 to 1973, though not in high economic amounts. This toxic metal was historically used in thermometers, batteries, cosmetics, and paint. Due to EPA restrictions mercury is now mostly used for chlorine caustic soda. It occurs as a by-product of gold mining and was once used by miners to separate gold from placer gravels.
Molybdenum (Mb)	There is no history of molybdenum mining in Alaska, but it is a prospective product of the Pebble Mine. This metal is used in steel alloys and superalloys.
Coal	Coal doesn't have a set formula because it is classified as a rock, not a pure mineral. Coal is composed of mostly carbon, oxygen, and hydrogen. Coal occurs in a variety of forms depending on metamorphic grade and volatile concentration. Usibelli Coal Mine produces subbituminous coal that is used as fuel for electricity generation. Alaska has produced coal in every decade since the 1880's and had record production in 2009.

Source: Alaska Department of Natural Resources, Division of Geological and Geophysical Surveys; United States Geological Survey, Mineral Commodity Summaries 2009

Fallen on hard times

Alaska's forests support vibrant ecosystems and economies. They provide a backdrop against which many Alaskans live, work, and play.

The economic importance of Alaska's forests has changed over time. Forest products—including timber—have been harvested in Alaska for more than 10,000 years by Alaska Natives, who relied on traditional uses of available resources for survival. Alaska's commercial, sport, and subsistence salmon fisheries rely on forests to provide productive nursery habitat for spawning salmon. Tourism, which is foundationally important to many Alaska communities, relies on splendid scenery and magnificent wildlife to draw the crowds.

The commercial timber industry in Alaska was a major economic driver in Alaska, particularly Southeast Alaska. Now, the timber industry is

a shadow of its former self. Timber harvest in Alaska peaked in 1989, with more than one billion board feet harvested. (See Exhibit 1.) The most recent harvest estimates from 2007 measure total harvest in millions of board feet—not billions. Harvest levels haven't been so low since 1954, the year Alaska's industrial timber economy was born.

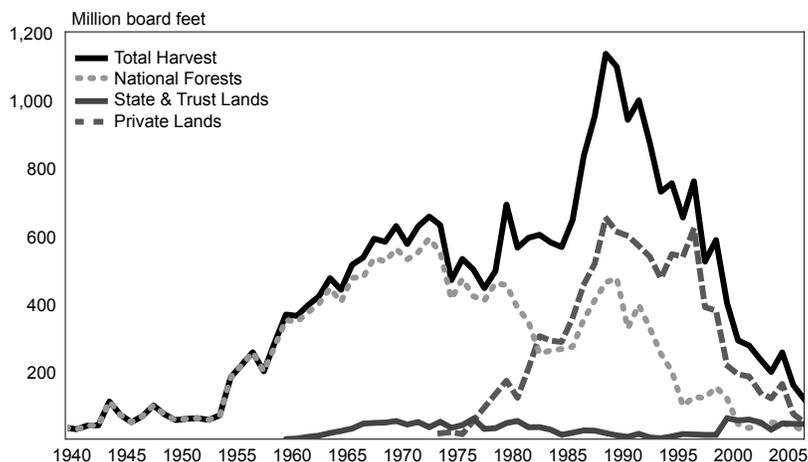
An early Alaska industry

For most of Alaska's history, timber and other forest products were harvested for subsistence purposes. Timber was used across Alaska for a wide variety of purposes such as wooden frames for bidarka boats in the Aleutians, fish traps in the Yukon, and bark used in the Chilkat blankets of Southeast. Many of these traditional uses for timber are still employed.

Through the early part of the 20th century, Alaska's timber industry supplied local demand and engaged in minimal export activity, but major development was stunted by the Great Depression in the 1930s. World War II propelled the United States out of the economic hardships of the previous decade, and Alaska's bountiful natural resources were called upon.

After the war, the Alaska statehood movement gained traction. Statehood advocates in Alaska and Washington D.C. knew that the territory's small population was a liability for the statehood movement. A pulp industry, supplied by the ample forests of Alaska's southeast coast, would provide an economic base and a population boom in Southeast Alaska. The United States Forest Service began to offer long-term timber contracts. The first was swept up in 1948 by the

1 Alaska's Timber Harvest Historic estimates by landowner, 1940 to 2007



Sources: United States Forest Service; Alaska Department of Natural Resources, Division of Forestry

Puget Sound Pulp and Timber Company and American Viscose Corporation, which formed the Ketchikan Pulp Company (KPC). They were awarded a contract for 8.25 billion board feet over 50 years, and in 1954 the KPC pulp mill began operation near Ketchikan.

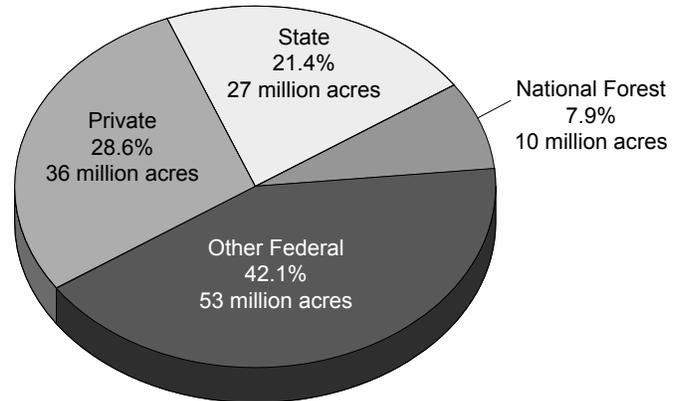
A second large, long-term timber contract was awarded to Japanese investors, who formed Alaska Lumber and Pulp Company (APC). This contract was also for 50 years and 5 billion board feet. The APC mill opened near Sitka in 1959, and Alaska's industrial-scale timber industry was born.

During the 1960s and 1970s, the biggest player in Alaska's timber industry was the Tongass National Forest, which supplied the pulp mills and sawmills in Southeast Alaska. In 1973, timber harvested from national forests in Alaska peaked at around 590 million board feet, almost all of which was from the Tongass National Forest. The Tongass is the largest national forest in Alaska. In fact, it is the largest national forest in the United States. Half of Alaska's forests are federally owned, but less than a fifth of federal timberland is part of a national forest.

Considerably less logging occurred in Interior Alaska, but smaller sawmills did operate near Fairbanks and in the Matanuska-Susitna area. Interior forests yielded more hardwood than the coastal forests and often supplied local lumber and whole logs for log houses. Most timber processing occurred in coastal Alaska, from Kodiak Island to the Kenai Peninsula and along the Southeast Panhandle.

In 1990, under pressure from environmentalists and fiscal hawks, Congress passed the Tongass Timber Reform Act. It established more wilderness and roadless area in the Tongass, and it eliminated the guaranteed annual timber supply to the mills. This act—along with a depressed international market for pulp, a stagnating economy in Japan, and further lawsuits by environmental groups—brought an end to the pulp mills in Southeast Alaska. The APC mill in Sitka, which employed 427 workers, announced in June 1993 that it would close its

Alaska's 126 Million Acres of Forest 2 Half is federal land



Source: Alaska Department of Natural Resources, Division of Forestry

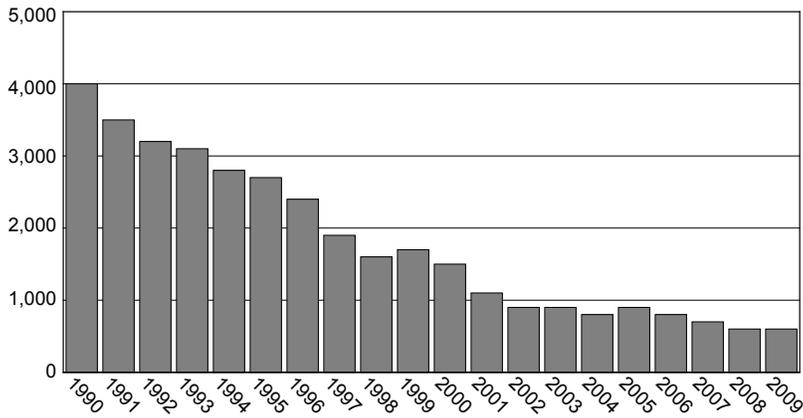
doors. Between 1993 and 1994, Sitka's total earnings fell by \$12 million, or 11 percent, and didn't return to pre-closure levels until 2000.

The KPC mill in Ketchikan held on for another four years but closed permanently in 1997, laying off 516 workers. Earnings fell 7 percent, or \$18 million, the first year after the closure and continued to fall the next four out of five years. Ketchikan didn't return to pre-1996 earnings until 2007. From 1995 through 2002, when the economy hit bottom, total earnings in Ketchikan fell by \$39 million.

After the pulp mills closed, the going didn't get any easier for what remained of the timber industry in Alaska. The Asian economic collapse in 1997 reduced demand for Alaska's timber products in the Pacific Rim. The Forest Service also drastically reduced the number of timber sales offered in the Tongass. Alaska's remoteness and higher costs of operating did not help the fragile sawmills get their lumber to market.

In 1990, there were about 4,000 timber industry jobs spread between the pulp mills, sawmills, and logging operations. (See Exhibit 3.) By 1999, the number of jobs had been reduced by more than half. There were 2,300 timber industry jobs lost in Alaska in the 1990s, almost all in Southeast Alaska, amidst a decade of growth in the rest of Alaska's economy.

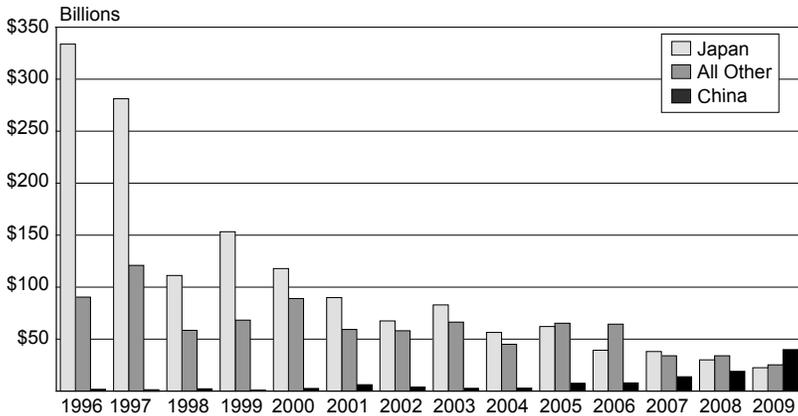
3 Timber Industry Employment Slides Alaska, 1990 to 2009



Note: Data are based on the Current Employment Statistics Program. Timber includes logging, sawmill, and pulpmill jobs.

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

4 Alaska's Timber Exports Values by select countries, 1996 to 2009



Source: Office of the Governor, Alaska Office of International Trade

Down, but not out

In 2009, there were about 600 jobs in the timber industry, down from 1,500 jobs in 2000. (See Exhibit 3.) The remaining sawmills and logging businesses are small and owned by individuals and families. Mills used to rely on timber harvested from federal lands, but timber from the national forests is less available. In 2009, sawmills in Southeast Alaska were operating at 5 percent capacity. Faced with low lumber prices and a low and inconsistent supply of timber, sawmills in Alaska are extremely troubled.

Since 1983, most timber in Alaska has been harvested on Native corporation lands. About 30 percent of forested land in Alaska is privately owned, most of it by Native corporations. (See Exhibit 2.) The amount of timber harvested from Native lands has been in decline, as much of the commercially available timber has already been harvested. The prominence of harvest from Native lands has not contributed to Alaska's wood product manufacturing employment, as those logs are not required to undergo any in-state processing.

International integration

Alaska exports much of its timber, and its timber markets are tightly integrated with the North American and Pacific Rim markets. Most of Alaska's milled lumber is sold domestically, while whole logs are most often shipped overseas. Alaska timber products are shipped to Canada, the Pacific Rim, or even domestically—depending on where suppliers can get the best price for their timber. In some cases, whole logs or rough-cut timber may be shipped to domestic or Canadian mills for further milling for eventual shipment to Asia. As a result, more Alaska timber ends up across the Pacific than our direct export numbers to Asia indicate.

Alaska wood-product exports were valued at \$88 million in 2009, up from \$83 million in 2008. Wood-product exports only make up about 3 percent of Alaska's total exports but are still one of Alaska's top export commodities. Competition from British Columbia and the Pacific Northwest, international economic contraction, and lower harvest volumes in Alaska have all contributed to declining timber exports from Alaska.

China is emerging as a major importer of Alaska's softwood logs. While log exports to Japan have fallen in recent years, exports to China have risen. (See Exhibit 4.) In 2009, for the first time ever, China surpassed Japan as the largest importer of Alaska wood products. China will likely become an even more significant buyer of Alaska wood products in the future, especially if coordinated efforts are made at marketing Alaska timber.

Looking forward

The high cost of transporting lumber to market, the current recession, and an uncertain supply of timber present significant challenges for sawmills in Alaska. Mills that supply local markets, like those that produce logs for building log houses, may have more success. But unless the 1890s come back in style and log homes enjoy a massive resurgence in popularity, small niche markets won't bring the timber industry back to decade-ago levels.

Alaska's forests produce more than just timber; they produce energy. Biomass energy sources abound in Alaska's forests, from the sawmill waste produced in Southeast Alaska to the acres of brushy alders in the Interior. Some communities in Alaska are already using biomass for heat and power for residential, commercial, and public buildings. With the high cost of heating fuel in rural Alaska, these projects are demonstrating that biomass can be a cheaper alternative to petroleum products. And unlike oil, forests are a renewable resource—if managed properly.

More importantly, a thriving biomass energy economy could help existing sawyers and loggers. Since the pulp mills shut down, low grade timber harvested in Alaska has not had a market; consequently, loggers often harvest selectively. Selective harvesting, the practice known as high-grading, can be less

economical than harvesting all commercial timber from an area. Biomass generators and wood pellet manufacturers create demand for low-grade timber, which would make previously uneconomical timber tracts profitable for loggers. Increased logging activity could yield more lumber-grade timber as well, providing material for struggling sawmills. A boost like biomass energy could invigorate the ailing industry.

The changing role of Alaska's timber industry has had a dramatic effect on the economy and population of Southeast Alaska. Alaska's timber industry today more resembles the early 1900s than the 1990s. Bright spots—like exports to China and alternative energy projects—do shine some hope on an otherwise gloomy prognosis.

Unemployment rate at 7.7 percent in August

Alaska's seasonally adjusted unemployment rate for August was 7.7 percent. July's preliminary rate did not change—staying at 7.7 percent. The comparable national jobless rate for August was 9.6 percent, up slightly from 9.5 percent in July. One year ago, the national unemployment rate was 9.7 percent compared to 8.2 percent for Alaska. August was the 22nd consecutive month that Alaska's rate was lower than the nation's.

Alaska's two metropolitan areas performed relatively well

Not seasonally adjusted unemployment rates increased slightly in August for all six of the state's economic regions. Last month, the U.S. Bureau of Labor Statistics reported that 192 out of 372 of the nation's metropolitan areas had unemployment rates higher than one year ago. The Bureau of Labor Statistics collects data for two metropolitan areas in Alaska, the Anchorage/Mat-Su MSA and Fairbanks North Star Borough. Both areas have less unemployment than one year ago.

Highest and lowest unemployment are in rural Alaska

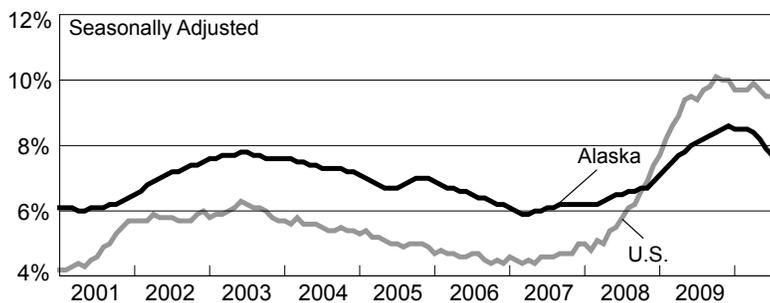
In August, both the highest and lowest unemployment rates were found in rural areas of the state. The Bristol Bay Borough and Skagway Municipality had the lowest unemployment rates, and the Wade Hampton and Bethel census areas had the highest. The latter two areas' rates will remain high for the rest of the year. Bristol Bay and Skagway are also likely to have double digit unemployment rates by the end of the year—as the fishing and visitor seasons close down for the summer.

A few more facts about our labor force

The U.S. Census Bureau conducts a monthly household survey for the Bureau of Labor Statistic, collecting data on the state's labor force. This Current Population Survey (CPS) data are a major ingredient of Alaska's monthly labor force statistics. The monthly sample of households is relatively small at approximately 1,100; therefore, other data are used to supplement the production of Alaska's labor force data.

Nevertheless, the annualized CPS data provides some interesting insights into Alaska's labor force. For example, in 2009 the unemployment rate for men was 9 percent versus 6.7 percent for women. One explanation for the higher rate for men is their concentration in seasonal industries like fishing and construction. Not surprisingly, younger workers' unemployment rates are considerably higher than the overall average of 7.9 percent. Jobless rates for the 16-19 and 20-24 age groups were 14.7 and 11.2 percent respectively versus 5.9 percent for 45-54 year olds, the group with the lowest jobless rate. More information is available at www.stats.bls.gov.

1 Unemployment Rates, Alaska and U.S. January 2001 to August 2010



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

3 Statewide Employment Nonfarm wage and salary

	Preliminary		Revised		Year-Over-Year Change		
	8/10	7/10	8/09	8/09	90% Confidence Interval		
Alaska							
Total Nonfarm Wage and Salary¹	340,400	350,800	342,600	-2,200	-9,583	5,183	
Goods-Producing ²	56,200	63,200	55,600	600	-2,284	3,484	
Service-Providing ³	284,200	287,600	287,000	-2,800	-	-	
Mining and Logging	14,700	17,800	15,400	-700	-1,493	93	
Mining	14,400	17,400	15,000	-600	-	-	
Oil and Gas	12,000	12,000	12,700	-700	-	-	
Construction	19,400	20,000	19,800	-400	-2,983	2,183	
Manufacturing	22,100	25,400	20,400	1,700	706	2,694	
Seafood Processing	16,500	19,300	16,400	100	-	-	
Trade, Transportation, Utilities	66,000	68,100	68,000	-2,000	-4,372	372	
Wholesale Trade	6,500	6,900	6,600	-100	-656	456	
Retail Trade	36,900	38,400	37,300	-400	-2,428	1,628	
Food and Beverage Stores	6,700	7,000	6,600	100	-	-	
General Merchandise Stores	10,100	10,500	10,100	0	-	-	
Transportation, Warehousing, Utilities	22,600	22,800	24,100	-1,500	-2,538	-462	
Air Transportation	5,600	5,700	6,400	-800	-	-	
Truck Transportation	3,200	3,200	3,300	-100	-	-	
Information	6,400	6,400	6,600	-200	-781	381	
Telecommunications	4,200	4,300	4,300	-100	-	-	
Financial Activities	15,000	14,100	15,300	-300	-2,243	1,643	
Professional and Business Services	26,500	26,000	27,400	-900	-2,693	893	
Educational⁴ and Health Services	40,500	40,600	39,400	1,100	-168	2,368	
Health Care	29,200	28,900	28,500	700	-	-	
Leisure and Hospitality	36,500	40,100	37,800	-1,300	-3,337	737	
Accommodations	10,300	11,600	10,900	-600	-	-	
Food Services and Drinking Places	21,000	22,800	21,200	-200	-	-	
Other Services	11,700	10,900	11,700	0	-3,176	3,176	
Government	81,600	81,400	80,800	800	-	-	
Federal Government ⁵	18,400	19,000	17,800	600	-	-	
State Government	24,700	24,700	24,900	-200	-	-	
State Government Education ⁶	5,900	5,700	5,900	0	-	-	
Local Government	38,500	37,700	38,100	400	-	-	
Local Government Education ⁷	19,500	18,000	18,800	700	-	-	
Tribal Government	3,800	4,100	3,900	-100	-	-	

5 Regional Employment Nonfarm wage and salary

	Preliminary		Revised		Changes from		Percent Change	
	8/10	7/10	8/09	7/10	8/09	7/10	8/09	
Anch/Mat-Su	174,300	174,000	174,200	300	100	0.2%	0.1%	
Anchorage	153,500	152,100	153,600	1,400	-100	0.9%	-0.1%	
Gulf Coast	34,100	34,400	34,300	-300	-200	-0.9%	-0.6%	
Interior	48,550	48,250	48,700	300	-150	0.6%	-0.3%	
Fairbanks ⁸	39,600	39,900	39,700	-300	-100	-0.8%	-0.3%	
Northern	19,850	19,850	20,350	0	-500	0.0%	-2.5%	
Southeast	41,600	41,200	42,200	400	-600	1.0%	-1.4%	
Southwest	22,900	25,650	22,650	-2,750	250	-10.7%	1.1%	

A dash indicates that confidence intervals aren't available at this level.

¹ Excludes the self-employed, fishermen and other agricultural workers, and private household workers; for estimates of fish harvesting employment, and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm

² Goods-producing sectors include natural resources and mining, construction and manufacturing.

³ Service-providing sectors include all others not listed as goods-producing sectors.

⁴ Private education only

⁵ Excludes uniformed military

⁶ Includes the University of Alaska

⁷ Includes public school systems

⁸ Fairbanks North Star Borough

Sources for Exhibits 1, 2, 3 and 4: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

Sources for Exhibit 5: Alaska Department of Labor and Workforce Development, Research and Analysis Section; also the U.S. Department of Labor, Bureau of Labor Statistics, for Anchorage/Mat-Su and Fairbanks

4 Unemployment Rates Borough and census area

	Prelim.		Revised
	08/10	07/10	08/09
SEASONALLY ADJUSTED			
United States	9.6	9.5	9.7
Alaska Statewide	7.7	7.7	8.2
NOT SEASONALLY ADJUSTED			
United States	9.5	9.7	9.6
Alaska Statewide	7.1	6.8	7.2
Anchorage/Mat-Su Region	6.8	6.5	7.0
Anchorage Municipality	6.6	6.2	6.6
Mat-Su Borough	7.8	7.6	8.5
Gulf Coast Region	7.4	7.1	7.5
Kenai Peninsula Borough	8.3	7.8	8.5
Kodiak Island Borough	5.8	6.2	5.4
Valdez-Cordova Census Area	5.5	5.3	5.6
Interior Region	6.7	6.4	6.7
Denali Borough	3.3	3.8	3.4
Fairbanks North Star Borough	6.3	6.0	6.4
Southeast Fairbanks CA	8.7	8.3	8.1
Yukon-Koyukuk Census Area	13.4	13.2	13.6
Northern Region	10.3	10.0	9.4
Nome Census Area	14.1	14.5	13.5
North Slope Borough	5.5	5.2	4.9
Northwest Arctic Borough	13.3	12.6	11.8
Southeast Region	6.0	5.8	6.0
Haines Borough	4.3	4.3	4.8
Hoonah-Angoon Census Area ¹	9.2	9.3	7.7
Juneau Borough	5.5	5.1	5.4
Ketchikan Gateway Borough ¹	5.5	5.3	5.1
Prince of Wales-Outer Ketchikan CA ¹	13.1	12.8	13.2
Sitka Borough	5.2	5.2	5.4
Skagway Municipality ¹	2.7	2.1	5.1
Wrangell-Petersburg CA ¹	6.7	6.7	6.8
Yakutat Borough	7.7	7.9	8.1
Southwest Region	10.9	9.6	11.0
Aleutians East Borough	6.2	5.7	7.0
Aleutians West Census Area	4.9	5.0	5.4
Bethel Census Area	15.1	14.2	14.9
Bristol Bay Borough	1.8	0.9	1.7
Dillingham Census Area	7.2	6.6	7.8
Lake and Peninsula Borough	6.2	4.9	6.6
Wade Hampton Census Area	21.0	22.4	21.3

¹ Because of the creation of new boroughs, this borough or census area has been changed or no longer exists. Data for the Skagway Municipality and Hoonah-Angoon Census Area (previously Skagway-Hoonah-Angoon Census Area) became available in 2010. Data for the Wrangell Borough, and Petersburg and Prince of Wales-Hyder census areas will be available in 2011. Until then, data will continue to be published for the old areas.

Changes in Producing the Estimates

The U.S. Department of Labor's Bureau of Labor Statistics has implemented a change to the method used to produce statewide wage and salary employment estimates. That change has resulted in increased monthly volatility in the wage and salary estimates for many states, including Alaska. Therefore, one should be very cautious in interpreting any over-the-year or month-to-month change for these monthly estimates. The Quarterly Census of Employment and Wages series may be a better source of information for trends analysis (<http://labor.alaska.gov/qcew.htm>).

For more current state and regional employment and unemployment data, visit our Web site: laborstats.alaska.gov

A Safety Minute

Planning and Preparation: Do It or Die! (Or just have a miserable hunt)

By Robert Wright

Heart wrenching headlines begin to appear this time each year announcing the loss of another hunter's life and a family forever changed by it. Headlines such as "Family Anxiously Awaiting Word on Missing Hunters" or "Body of Missing Hunter Found" are too common. Sadly, we read these headlines every year.

And while we read the smaller print of the accompanying story, somewhere in the back of our minds we are connecting the dots that led up to the loss of a fellow hunter. At the end, with heartache, we sit back and ask what if?

Some say that fate plays a hand in the demise of hunters. Perhaps, but the sad truth is that most hunting accidents can be prevented. Ask a hunter what single factor made their last hunt a success. Some might say the caliber of their gun, shot placement, proper harvest and care of the meat, good equipment, or an extra shoelace (don't laugh, a spare shoelace can make all the difference on a long hike). Indeed, all these things can play a major role in ensuring success. But ask any seasoned Alaskan hunter the same question and they will answer, "Planning and preparation." People don't plan to fail; they fail to plan. This axiom has been so overused in seminars, conferences, and other venues that its truth has been lost on us. Seasoned Alaskan hunters know otherwise. They know, from personal experience, the painful and often expensive consequences of poor planning or preparation.

The difference between a successful or catastrophic hunt could be as simple as finding yourself deep in the woods with the battery on your trusted GPS suddenly dying. Why did my battery just die? I only purchased this thing four years ago. Maybe you should have changed the battery? Murphy's Law and his ugly cousin *Misery* have been trailing you all day, and they just caught up with you. They'll be glad to provide anything else you might have missed in the Lack-of-Planning-and-Preparation department! Their job is to make you feel really dumb while at the same time usually inflicting pain and costing you money, and they do it well.

If you are planning on a hunt this year please give careful thought to every aspect of it. Take your time to think it out and don't wait till the last minute. First, make sure that you've gathered all the necessary gear, food, and supplies. Then do some extensive research on the hunting area you plan to be in. Get the most updated weather forecast and let someone know where you are going. When are you leaving? When are you returning? What route(s) will you take to get there and back? Be sure to let more than one person know your intentions. Accurate communication of intent is paramount—stick to your plan and do not deviate!

No single element of a hunting trip can prove as frustrating for searchers and sometimes even fatal for the imperiled hunter as not letting someone know where you are going, or deviating from the original plan. Once you need help, the entire rescue effort is compromised because of it. The last thing we want to hear about this year is a search for another hunter going from rescue to recovery. Stay out of the news unless it's because your trophy broke a world record. Plan and prepare for your hunt! Lack of planning and preparation may not kill you; but at the very least, it is sure to result in a miserable hunting experience for you and quite possibly for those who care about you.

The Alaska Department of Labor and Workforce Development's Alaska Occupational Safety and Health Consultation and Training Section would like to encourage all hunters to plan carefully and stay safe during the hunting season.

Employer Resources

The Fidelity Bonding Program

The Fidelity Bonding Program allows employers to insure an employee, at no cost to them, for six months against any job-related theft, forgery, larceny, or embezzlement by the employee. Virtually any full-time or part-time employee may be bonded through the program, which is designed for “at-risk” job applicants.

The Fidelity Bonding Program, which is administered by the Employment Security Division within the Alaska Department of Labor & Workforce Development, is the only program that bonds ex-offenders. It began as a federal program in 1966; the states began administering their own programs in 1998.

The bond insurance reimburses employers for any loss due to employee theft of money or property at the worksite or away from it. There’s no deductible. The bonds are typically issued for \$5,000; higher amounts are possible dependent upon the particular job and employment circumstances. Higher amounts are approved by the program’s bonding coordinator.

Who Is Eligible for Bonding Services?

- Any at-risk job applicant is eligible for bonding services, including: ex-offenders, recovering substance abusers (alcohol or drugs), welfare recipients and other persons having poor financial credit, economically disadvantaged youth and adults who lack a work history, individuals dishonorably discharged from the military, and others.
- Anyone who cannot secure employment without bonding.
- All persons bonded must meet the legal working age in Alaska.
- Self-employed persons are NOT ELIGIBLE for bonding services (bondee must be an employee who earns wages with Federal taxes automatically deducted from paycheck).
- Bonds can be issued to cover current employees who need bonding in order to (a) prevent being laid off, or (b) secure a transfer or promotion to a new job at the company.

Employers who would like to bond an employee should call their nearby Alaska Job Center. Job Center staff can put the insurance into effect within a few minutes.

For more information about the bonding program, check with your local job center or go to the Fidelity Bonding Program Web site: www.labor.alaska.gov/bonding or you may contact the program’s coordinator, J. Allan MacKinnon at (907) 465-5955 or email him at allan.mackinnon@alaska.gov.

To find the nearest job center, go to: www.jobs.alaska.gov and click on “Alaska Job Centers” on the left or call (877) 724-2539