

ALASKA ECONOMIC **TRENDS**

DECEMBER 2009

The 2010 Census

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The Recession's Impact on Retail Jobs

In some ways, Alaska's not so different

Housing Affordability

Record affordability in Alaska's housing market



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Sean Parnell, Governor
Commissioner Click Bishop

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Cover: The Inupiat Eskimo village of Noorvik, pop. 642, shown, is 45 miles east of Kotzebue. The first residents of the nation will be counted there on Jan. 25, launching Census 2010. The photo was taken by Isao Yuguchi of Japan, an adventurer and small-plane pilot, in 2008 as part of his "2006-2008 Alaska Flight Journey" that he chronicles in photos, and mostly in Japanese, on his Web site, talkeetna.jp. Photo used with permission.

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First Resident Counted in 2010 U.S. Census Will Be an Alaskan

By Commissioner Click Bishop

This month's *Trends* focuses on the 2010 U.S. Census. Every 10 years since 1790, the U.S. government has taken a constitutionally mandated census of our nation's population.

The count is used to allocate congressional seats, electoral votes and government funding among states. Using population-driven financing formulas based on census data, the federal government will allocate more than \$400 billion among the states every year.

The concept of counting residents dates to Biblical times and, according to historians, the first census in North America was in 1576, 200 years before American independence from the British.

Alaska will be ground zero for the 2010 Census – the first U.S. resident counted on Jan. 25 will be from the Native village of Noorvik. Because of our challenging geography and climate, coupled with a multitude of cultures and languages, counting begins in rural Alaska prior to the official April 1 census kickoff.

Since 1981, the Alaska Department of Labor and Workforce Development's Research and Analysis Section, which works closely with the U.S. Census Bureau, has played a key role in Alaska census planning. Research and Analysis is the lead agency of the Census and Geographic Information Network, a group of 10 affiliate state agencies and local government planning offices.

Research and Analysis, on its recently redesigned Web pages on the census, labor.alaska.gov/research/census, has local, state and national information and links for more information.

The census is more than just a head count. Participating in the census is in everyone's interest. The federal government uses census numbers each year to allocate funds for everything from job training, housing and community development to health care services.

Our state, local and tribal governments use census data for planning and allocating funds for new schools and roads as well as the location of police and fire departments.

Community organizations use the numbers to develop social service and community action projects.

Businesses use census numbers to decide where to locate retail centers, movie theaters, banks and offices – most often leading to new jobs.

Census data are used to set Alaska legislative election districts.

Many emergency systems are based on maps developed for the last census. Census information helps health providers predict the spread of diseases. And during floods, tornadoes or earthquakes, census numbers help rescuers plan for how many people will need help.

Census counting will continue through at least July – all Alaskans need to be counted.

Why it's important and how it will work in Alaska

If the U.S. Census Bureau wants to count Alaskans living in remote areas they've got to be flexible enough to show up when people are home and that's exactly what they're planning to do.

On Jan. 25, 2010 – before spring breakup and when many rural Alaskans head off to their fish camps – Census Bureau Director Robert Groves plans to personally fly to Noorvik, to meet and tally the first residents in the nation to be counted for Census 2010. Noorvik, a primarily Inupiat Eskimo community of 642 residents, is 45 miles east of Kotzebue.

While the official census date is April 1, 2010, early counting in rural Alaska begins in January and census takers will be working through at least July 2010 to obtain a complete count for the nation.

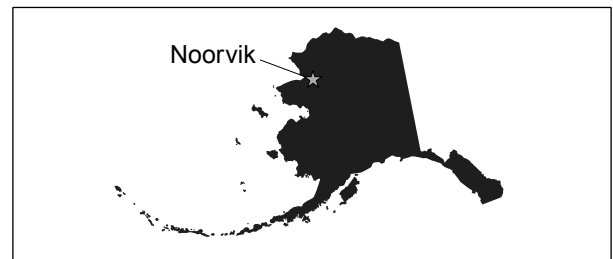
Alaska's challenging geography, climate and logistical issues along with multiple cultures and languages make Alaska an exciting place to launch the census.

How the census is conducted in Alaska

The Alaska Department of Labor and Workforce Development has worked in conjunction with the Census Bureau for the past decade to make sure the 2010 Census gets as complete a count of Alaskans as possible.¹

Soon after the 2000 Census was completed and data were delivered, evaluation and planning began for 2010. States, including Alaska, focused

¹ Research and Analysis has had a cooperative agreement with the Census Bureau since 1981 to help the bureau with census geographic programs, and to disseminate data when the data are released and to answer data requests. Research and Analysis does that work, along with nine other state and local government agencies in Alaska, through the Census and Geographic Information Network.



on updating boundary changes and indentifying new housing units to be included in 2010.

The process for counting Alaskans who have their mail delivered at home is quite simple. The Census Bureau will send a postcard in early March alerting people to be on the watch for the questionnaire. The questionnaire itself will be mailed between March 15 and March 17 and if the Census Bureau hasn't gotten it back within two weeks, a census worker will make a site visit.

If a household doesn't receive mail at home – usually those with post office boxes – an enumerator (census worker) will deliver the form and request it be mailed back. If the form isn't returned within two weeks, the census worker will make a site visit and collect the form. (The Census Bureau is persistent; the bureau will make up to six visits to collect the questionnaire!)

There has been concern that people who receive their mail at a post office box rather than a residential address will be missed in the census. That shouldn't happen.

All housing units across the state have been identified – whether they receive mail at their residence or not. If a census form is mailed and returned because there's no mailbox, a census worker will take a questionnaire to the home at the address. Since the address and housing unit had been verified earlier, a census worker in most cases will be able to either complete it

while there or leave it for someone in the home to complete and return.

Since the 1990 Census, the Census Bureau has worked with representatives of Alaska's Native villages to ensure all village residents are counted and that they're counted in the community where they live. Each village has identified a person to be the census liaison and to help with the census enumeration.

People who live in "group quarters" – nursing homes, prisons, dormitories, youth facilities, shelters and military barracks – and people displaced due to a natural disaster, will be counted in person at the facility where they're residing.

The shorter census form: easier to complete, but less data

The United States has had a census every 10 years since the first one in 1790, and the form for the 2010 Census is one of the shortest and simplest of any of the decennial censuses.² It should only take about 10 minutes to complete. There are 10 questions on the form; six for each person in the household and four for the household itself. Information collected on each person:

- Name
- Sex
- Age and date of birth
- Relationship to the person who owns or rents the residence
- If the person is of Hispanic origin
- Race
- If the person lives or stays elsewhere

Information collected on the household:

- If the housing unit is owned or rented
- Telephone number
- Number of people living in the residence
- If any additional people who lived at the residence on April 1, 2010, weren't included in the spaces for six people on the census form

² The decennial census is a count of the U.S. population conducted every 10 years by the Census Bureau in years ending in zero.

Past censuses have asked a sample of the population to complete what was commonly called "the long form."³ It asked detailed questions to create a "snapshot" of the social and economic characteristics of the population. It asked questions about education, income, occupation and commuting patterns of people in the household. The form also asked housing unit questions such as the type of housing structure, the year it was built and the number of rooms.

The "long-form" has been replaced by the American Community Survey and the ACS is a part of the Census 2010. ACS data will be more current as it collects detailed social and economic information every year rather than every 10 years. Instead of being a "snapshot" of characteristic data, the ACS provides a "moving image."

ACS data have been collected and tabulated since 2001 and so far are limited only to the areas in the state with larger populations.⁴

Am I required to respond to the census and why should I?

Actually, yes, you're required to respond. Title 13 of the U.S. Code requires residents of the United States and its territories to fill out and return the census questionnaire. Though the law authorizes fines for noncompliance,⁵ the Census Bureau instead focuses on encouraging residents to take part in the census because of its importance to their communities.

The U.S. Constitution requires that the census be an actual count of every person living in the

³ For the 2000 Census, about one in five households in Anchorage and the Fairbanks North Star Borough received the long form, one in four households outside Anchorage and the Fairbanks borough, and one in two in many villages. Nationally, it went to one in six, or an average of 17 percent of the households.

⁴ The ACS data releases are staggered by the size of the population of the area; for areas with smaller populations, the data need to be collected over longer time periods to yield statistically relevant samples. For instance, for areas with populations less than 65,000, the data are released as three-year or five-year rolling averages. The ACS survey is collected in every U.S. county – census areas and boroughs in Alaska – from 12 independent monthly samples of randomly selected addresses. That equates to about 3 million of the nation's households being contacted each year. For more on the ACS, go to Research and Analysis' Web page on the ACS at labor.alaska.gov/research/census/acs.htm.

⁵ Anyone who fails to respond to the census or ACS could be fined up to \$5,000. Anyone who willfully gives a false answer could be fined up to \$500.

1 A Timeline Alaska, 2009 to 2013

2010 Census

Fall 2009

Recruitment began for local census jobs for 2010 Census operations.

Jan. 25, 2010

The U.S. census begins in Noorvik. Census workers will then continue the count in Alaska's remote areas.

February 2010 to March 2010

Census questionnaires are mailed between March 15 and March 17 or delivered to households.

April 1, 2010

Census Day!

April 2010 to July 2010

Census takers visit households that didn't return a questionnaire by mail.

December 2010

By law, Census Bureau delivers population counts to the U.S. President for apportionment on or before Dec. 31, 2010.

March 2011

By law, Census Bureau completes delivery of redistricting data to states.

April 2011 to September 2013

Census data products such as demographic profiles, summary files of aggregated data and reports will be released on a flow basis.

Sources: U.S. Department of Commerce, Economics and Statistics Administration, Census Bureau; Alaska Department of Labor and Workforce Development, Research and Analysis Section

United States – both citizens and non-citizens. No Census Bureau worker will ever ask anyone's legal residency status or citizenship.

The information gathered in Census 2010 will be a primary benchmark for measuring historical change and making population projections.

Redistricting – an important use of census data

Census data are used to determine the number of seats each state has in the U.S. House of Representatives, out of a total 435 seats. Each state uses census data to redraw voting districts after each decennial census – called redistricting – affecting the elections for state legislatures, borough assemblies, county commissioners, city councils, school boards and so forth.

The Alaska Legislature's 40 House election districts will likely shift as the state's population distribution has changed over the last decade. The Alaska Department of Labor has created electronic map files with the current voting precinct and district boundaries, and has given that information to the Census Bureau. Alaska's population data will then be available at the census block

and political geography levels to help members of the state's Redistricting Board with their work.

Government funds allocated by population

Every year, more than \$400 billion in federal funds are distributed nationally to local, state and tribal governments based on census data.

Governments at all levels use the data for purposes ranging from determining revenue sharing for communities, to locating schools, roads and hospitals, and forecasting future transportation needs.

Many federal and other governmental programs require census data to support grant applications for community services, such as school lunch programs, day care programs and services for the elderly.

Businesses use the data for planning and expansion, and private citizens can access the information for educational research or making personal decisions such as where they might like to live.

Census data is confidential

Some people are understandably concerned about giving out personal information. Census workers will be carrying government-issued identification and the Census Bureau encourages people to ask to see it. All census workers undergo an FBI name background check, get fingerprinted and take a lifetime oath of confidentiality.

The Census Bureau doesn't share individual census records with anyone – the courts, police, IRS, FBI, CIA or any other agency or individual⁶ – until 72 years after the record is collected. Then it's sent to the National Archives, where it will be used for genealogical research.

Filling out the census form

The majority of forms are in English, but for the first time, bilingual forms will be sent to areas with large numbers of Spanish-only households. People will also be able to call a toll-free number to request forms in five non-English lan-

⁶ The penalty for disclosing someone's census record is a fine of up to \$250,000 or five years in prison, or both.

guages – Spanish, Chinese, Korean, Russian and Vietnamese.⁷ Census form language assistance guides will be available in at least 59 languages. The Census Bureau also has Questionnaire Assistance Centers to help people unable to read or understand the form.

And in many communities throughout Alaska, community members who are census liaisons and local census workers will often be able to speak local languages – such as Inupiaq in Noorvik, for instance.

“Be Counted” forms are census forms that will be available at various community locations for people who either didn’t receive a census form or who believe they weren’t counted on any other census form. The “Be Counted” forms, due back to the Census Bureau by May 1, 2010, will be available in English and the same five languages as the regular census form.

Census jobs in Alaska

The Census Bureau said that since October 2008, it has hired 875 people in Alaska – mostly census workers who worked last summer, visiting every address in the state to verify that the Census Bureau knows where the address is and has a correct mailing address for it. The 875 also includes management staff in Anchorage.

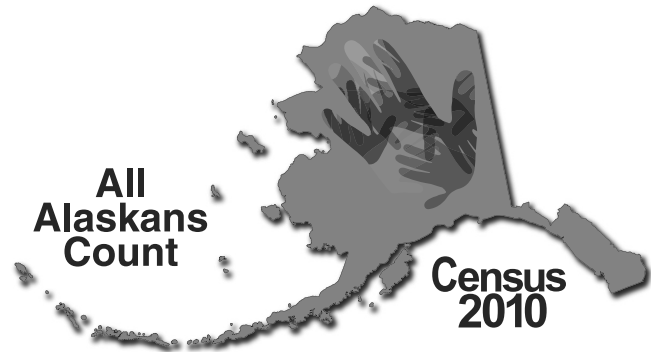
As April 1, 2010, gets closer, the Census Bureau will employ 2,000 people in Alaska to conduct the census. The pay for field staff ranges from \$17.50 an hour to \$20.50 an hour, and census-taker jobs last six to 10 weeks. Nationally, more than 1 million people will be hired.

Alaska’s Census 2010 promotion effort

The Alaska Department of Labor and the Census Bureau have been promoting Census 2010 across the state. A statewide Complete Count Committee has been established to enlist state agencies and local governments to be involved in census promotion. Complete Count Committees are volunteer committees set up by community leaders, and tribal, state and local governments that work with businesses, schools,

⁷ The actual phone number isn’t published yet.

The Census Logo Alaska **2**



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

churches and other community groups to increase public participation in the census.⁸

Alaska has its own “Alaska 2010 Census” logo (see Exhibit 2) for agencies or groups to use on their Web sites and in mailings. Posters and inserts for utility bills about the census are available to communities. The Census Bureau is providing promotional bookmarks, coffee mugs, pencils and notepads in an effort to remind people of the importance of the census.

One Alaska community, the Fairbanks North Star Borough, has been particularly active in promoting the census. The borough set up a Complete Count Committee, which has provided promotional materials throughout the borough, and had census programs at last summer’s Golden Days Celebration and the Tanana State Fair. And, in true Fairbanks’ tradition, the borough hired carvers to create two Census 2010 ice sculptures, one at the gates of Fort Wainwright and the other downtown.

⁸ For more about Complete Count Committees, go to another Research and Analysis’ Web page at labor.alaska.gov/research/census/cenc.htm.

Helpful Web sites and other information

U.S. Census Bureau

2010.census.gov
ask.census2010.gov
blogs.census.gov/2010census
2010.census.gov/2010census/about/whole.php
2010.census.gov/partners/pdf/ConstituentFAQ.pdf

Alaska Department of Labor and Workforce Development

Research and Analysis Section
labor.alaska.gov/research/census¹

For more information about the census in Alaska, contact Ingrid Zaruba, an Alaska Department of Labor research analyst who specializes in census and geographic information. To contact her, call (907) 465-2439 or email her at Ingrid.Zaruba@alaska.gov.

¹ Or go to Research and Analysis’ Web site at laborstats.alaska.gov. On the left, click on “Population & Census,” then “Alaska Census Data.” (Another route to Research and Analysis’ site is to go to the Department of Labor’s Web site at labor.alaska.gov and click on “Researchers” in the gold ribbon at the top.)

In some ways Alaska's not so different

In many ways, the Alaska and U.S. economies march to different drummers. Most notably, Alaska relies heavily on the oil industry to create and sustain jobs and provide government revenue. For the U.S., oil is a critical commodity, but the industry plays a much smaller role in providing jobs or in determining what happens in the overall economy.

As a result, Alaska doesn't necessarily follow national economic trends. The state was only moderately affected by the last two recessions, for example, and continued to create jobs even as the national indicators turned negative.

National economic woes reached Alaska in 2009

But Alaska's economic independence from the broader U.S. economy shouldn't be overstated.

The current recession – determined to have begun in December 2007 – took a while to reach Alaska, but since May of this year the state has shown over-the-year job losses attributable mostly to the nation's economic troubles.

The biggest job losses nationally have come in the manufacturing and construction industries, but consumers have been shaken by everything from the bursting of the housing market bubble and tighter credit to job losses and home foreclosures. Consequently, retail spending fell hard.

In all, the U.S. has shed more than 900,000 retail jobs since the recession began, a hefty decline of 6 percent. Alaska's retail sector didn't start registering consistently declining numbers until this year, and the losses have been smaller as a percentage, but it's been a rough year for Alaska as well. (See Exhibit 1.)

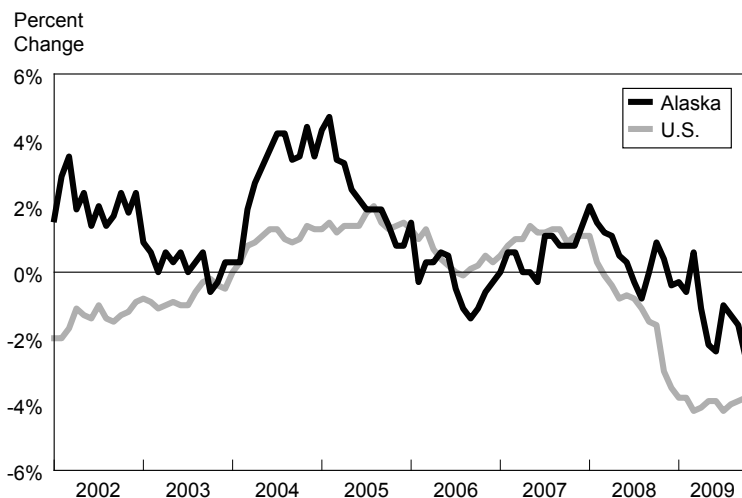
Not surprisingly, the big losses in national retail numbers correspond with big declines in consumer confidence. (See Exhibit 2.) Both the Conference Board's Consumer Confidence Index and the University of Michigan's Consumer Sentiment Index fell sharply in 2007 and 2008 before rebounding slightly in 2009.

Every category lost jobs nationally

Of the major retail categories, motor vehicle and parts dealers have suffered the biggest losses nationally. (See Exhibit 3.) From June 2008 to June 2009, the number of motor vehicle and parts dealers jobs fell by more than 190,000 – a drop of more than 10 percent.

At the other end of the spectrum, general merchandise stores cut very few jobs. Typically dur-

1 Retail Losses for Alaska and U.S. Over-the-year percent change, retail jobs



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

ing a recession, consumers move some of their retail dollars to lower-cost stores – usually classified in the general merchandise category – and away from specialty stores.

Are residents or visitors driving Alaska’s retail numbers?

Although it’s no secret that the 2009 tourism season was a rough one for Alaska, and visitor spending appeared to be well below previous year’s levels, there are also clear indications that Alaskans cut way back on their retail spending.

As with the national numbers, the category with the biggest over-the-year decline in June – the most current month for which detailed Alaska data are available – was motor vehicle and parts dealers. These businesses depend primarily on local demand, although there was a lot going on in the struggling domestic car industry that had little to do with Alaskans’ reluctance to buy new cars. (See Exhibit 4.)

The next largest losses over the period came in clothing stores, which depend on a mix of summer visitors and Alaska residents. The only category showing a significant gain was general merchandise stores, which benefited from the opening of two Target stores and a Kohl’s store.

Southeast has suffered the biggest retail losses

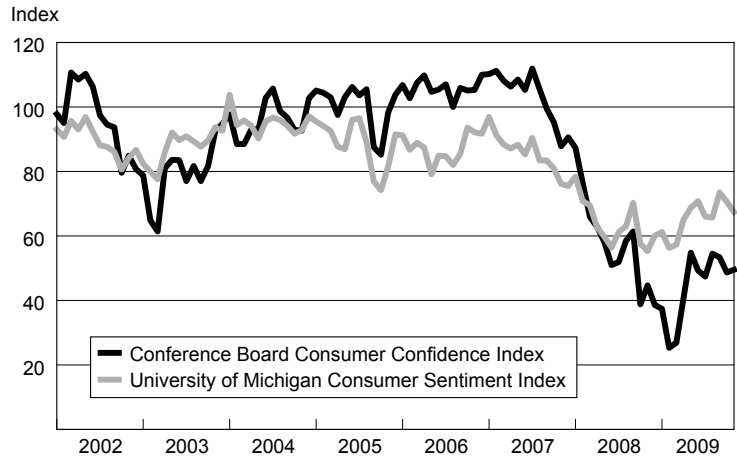
The state’s population centers generally shared in the retail losses, with the biggest declines coming in Southeast. (See Exhibit 5.) The Anchorage/Mat-Su region lost more than 160 jobs total, but the two parts that made up that number are revealing: Anchorage’s retail job count fell by 318 from June 2008 to June 2009 while Mat-Su added 155 jobs over that period.

Nearly all of the Interior region’s losses came from the shedding of 252 retail jobs in Fairbanks. The Southeast Fairbanks Census Area was also down slightly while the Denali Borough and Yukon-Koyukuk Census Area added a few retail jobs.

U.S. Confidence Low But Improving

Consumer confidence, 2002 to 2009

2

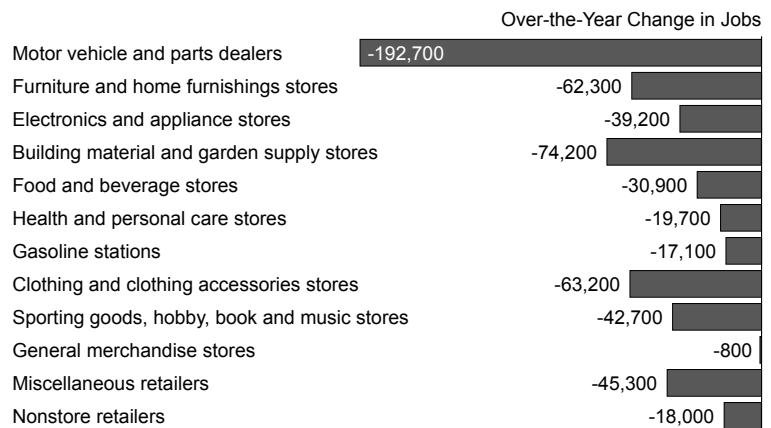


Sources: The Conference Board; University of Michigan

National Retail Numbers All Negative

June 2008 to June 2009

3



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

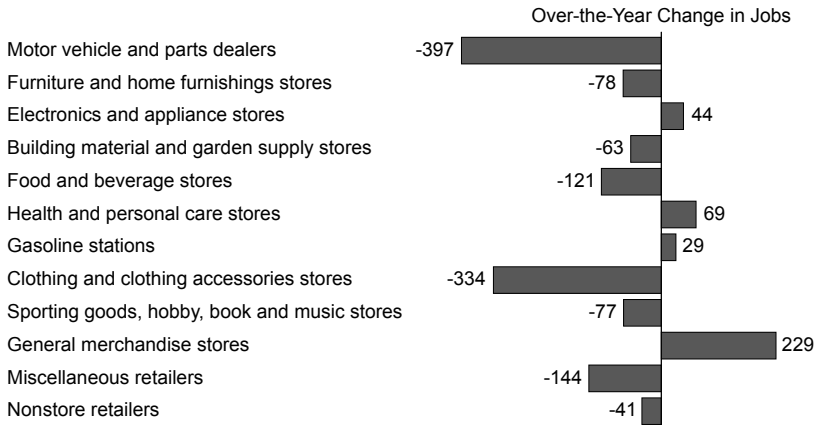
The Gulf Coast’s losses came primarily from the Kenai Peninsula Borough, which saw retail employment fall by 94, although Kodiak also recorded a loss of about 30 jobs. The Valdez-Cordova Census Area had a small gain.

Only the Southwest and Northern regions added retail jobs over the June 2008 to June 2009 period, and the gains there were small.

Are stores going out of business?

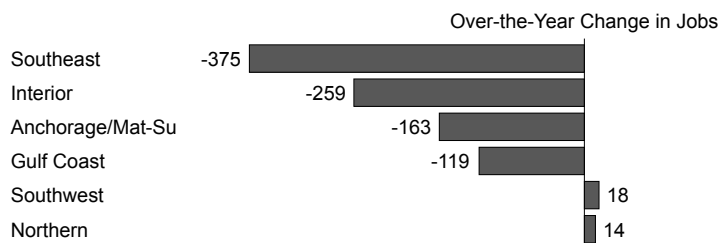
When consumers get stingy with their retail dollars – national sales were down more than 10 percent over the year in late 2008 and have

4 Alaska Retail Shows Similar Losses June 2008 to June 2009



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

5 Southeast Retail Hit Hardest June 2008 to June 2009



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

rebounded only weakly since then – the natural assumption is that there are a lot of stores closing and very few opening.

For Alaska, at least, that's only half true. From the second quarter of 2008 to the second quarter of 2009, a total of 147 retail employers went out of business. That's a fairly large number, but the total jobs lost in those businesses was just 484 (see Exhibit 6), and nearly all of them were quite small.¹

Surprisingly, more stores opened than closed over the period from the second quarter of 2008 to the second quarter of 2009. A total of 152 stores opened, adding 1,356 retail jobs and \$7.8 million in wages to the state's economy. Both the jobs and wages added by new stores

¹ One possible explanation is that many companies go out of business in stages, first shrinking incrementally over an extended period of time before finally closing their doors.

were roughly three times as high as the jobs and wages lost in closing stores.

Existing stores account for most of the change

When a retail store either opens or goes out of business it generally gets a lot more attention than when an existing store adds or cuts jobs, especially when the changes aren't dramatic. But at least over the time period examined here, the most significant contributors to increases or decreases in jobs and wages came from stores that were already opened and stayed open.

During the second quarter of 2008, those stores provided 36,183 jobs and paid more than \$240 million in wages. (See Exhibit 7.) By the second quarter of 2009 both numbers had fallen considerably, jobs by nearly 4.5 percent and wages by 4.1 percent.

Retail trade is a downstream industry

It may seem obvious, but retail jobs are heavily dependent on the other things happening in an economy. A growing population and job base generally creates retail growth, although Internet retailers complicate the connection somewhat in that they allow retailers to serve a much broader population base than they traditionally did.

Still, for the most part retail jobs rise and fall as a result of local economies' broader growth and decline.

On the heels of the dramatic growth of the oil industry in Alaska in the 1970s and 1980s, for example, retail trade in the state steadily grew as it caught up to the needs of the new people in the state and the new money circulating in the economy.

It's an industry with a lot of movement as new stores open and old stores close. Most of the jobs, though, are in the existing stores and those numbers are down significantly. But when Alaska employers in other industries start adding jobs again and the national economy moves solidly into recovery, Alaska's retail sector will likely see a corresponding recovery.

About the Numbers

The data used to determine how many retail stores had opened and closed over the period from the second quarter of 2008 to the second quarter of 2009 came from reports that employers are required to file every quarter under state unemployment insurance laws. The program that converts these quarterly reports into employment and wages by industry is called the Quarterly Census of Employment and Wages.

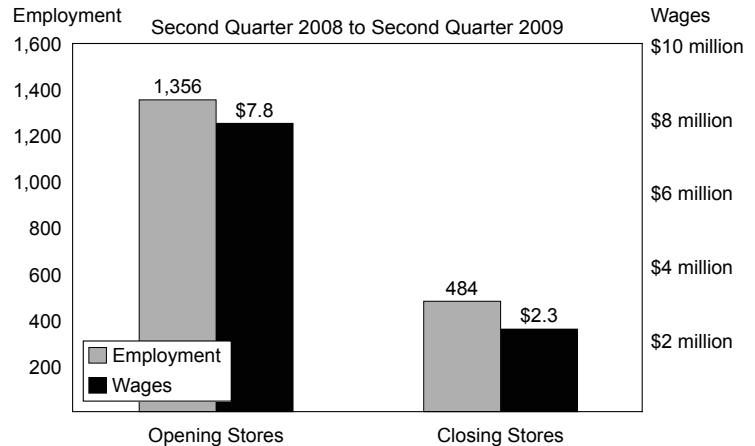
The employment and wage levels for stores labeled "opening" are the numbers for stores that didn't exist or didn't have any people on their payrolls during the second quarter of 2008 and then did during the second quarter of 2009. Stores labeled "closing" had employment during the second quarter of 2008 but then none during the second quarter of 2009.

Determining the stores that opened and closed this way has its limitations because it's hard to precisely account for stores that open new branch offices, for example, or to know whether a store is truly new or has just changed ownership.

This type of data is similar to a fairly new data set produced by the U.S. Department of Labor's Bureau of Labor Statistics called Business Employment Dynamics. The BED data also show that much more of the net changes in jobs come from expanding and contracting establishments than from opening and closing stores. For more information about the BED data, see the October 2008 issue of *Trends* at labor.alaska.gov/trends/oct08.pdf.

More Openings than Closings **6**

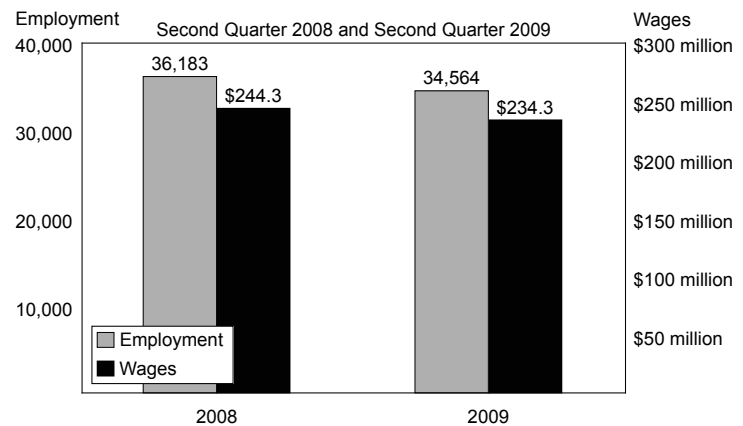
Alaska's retail jobs and wages



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

Change Comes from Existing Stores **7**

Alaska's retail jobs and wages



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

Record affordability in Alaska's housing market

Housing affordability is at a record high in Alaska, according to one index produced by the Alaska Department of Labor and Workforce Development. Stagnant home prices, increasing wages and record-low interest rates have all contributed to this phenomenon.

The Alaska Affordability Index measures those factors – home sales prices, incomes and interest rates – to monitor housing affordability levels over time.

What the index means

The index tells us how many average paychecks have to be earned to afford the average single-family home. An index score of 1.36 – the score for the first two quarters of 2009 – means a homebuyer must earn 136 percent of the average income to afford the average home, wheth-

er that homebuyer is an individual, a couple or a group of people.

The index assumes a 15 percent down payment on a 30-year fixed rate mortgage. An average monthly payment is determined based on the average sales price for a single-family home, and the average income and mortgage interest rate.

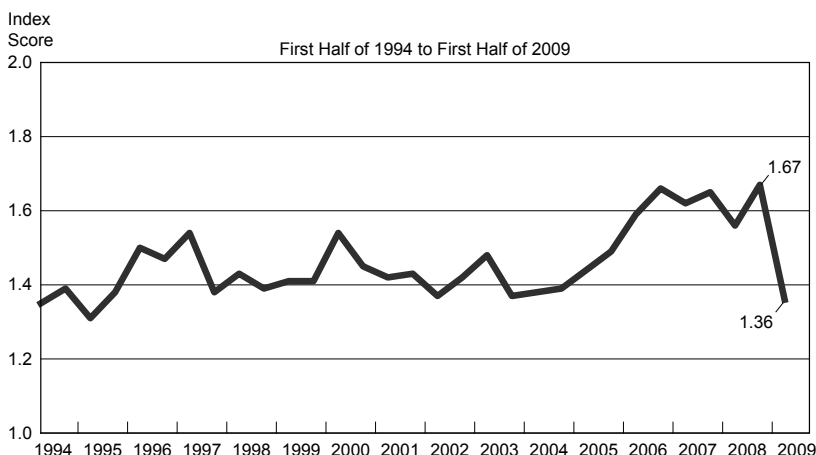
That monthly payment is used to calculate the required monthly income needed to qualify for the mortgage. The required monthly income is then divided by the average income to calculate the index value.

The lower the index score, the more affordable housing is. An index value of less than 1.0 means a less-than-average income is required to afford the average home, and an index value greater than 1.0 means a greater-than-average income is required. An index score greater than 2.0 indicates that more than double the average income is required to afford the average single-family home.

The index measures housing affordability based on factors that the Department of Labor regularly measures, but there are other variables that affect the cost of housing. Those variables aren't included in the index because they're often unique to the homebuyer's situation, or are difficult or impossible to measure.

Some of the variables include insurance costs, both for hazard and mortgage insurance; property taxes, which can vary by area and the size of the property; utility costs, a large part of monthly housing costs that can vary depending on energy type; and adjustable rate mortgages,

1 Alaska Affordability Index Single-family homes, Statewide 1994 to 2009



Note: The lower the index score, the more affordable housing is.

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

which can cause monthly payments to increase or decrease based on interest rate changes.

A 10-year affordability record

Single-family homes are more affordable now than they've been in the past 10 years, as measured by the Alaska Affordability Index. That's all the more striking when compared with the past three years of record low affordability. (See Exhibit 1.)

The record low index value for January through June (1.36) was immediately preceded by a record high (1.67) for July 2008 through December 2008. That drastic drop in the index value was precipitated by several important changes in the economic environment: changes to home prices, interest rates and wages.

Home price appreciation slows

Average single-family home prices increased at an average of 4 percent every six months from 2000 through 2006. (See Exhibit 2.) Appreciation has slowed more recently, and from January 2007 through June 2009, the average sales price of a single-family home increased at an average of 0.5 percent every six months. From the second half of 2008 to the first half of 2009, the average sales price of a single-family home hardly changed at all.

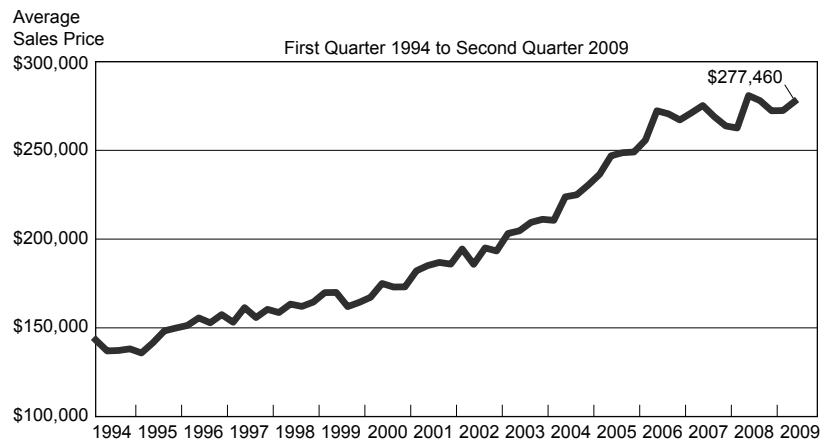
How could the affordability index score have fallen so rapidly, if home prices have simply leveled off? The value of a home is an important determinant of affordability, but it's not the only one.

Interest rates plummet

The average rate for a 30-year fixed-rate mortgage in Alaska hit bottom in the second quarter of 2009 at 4.86 percent. (See Exhibit 3.) Over the long run, interest rates have been trending down, and the beginning of 2009 was the first time since the data have been collected that interest rates have dropped below 5 percent. The Department of Labor began collecting the data in 1992.

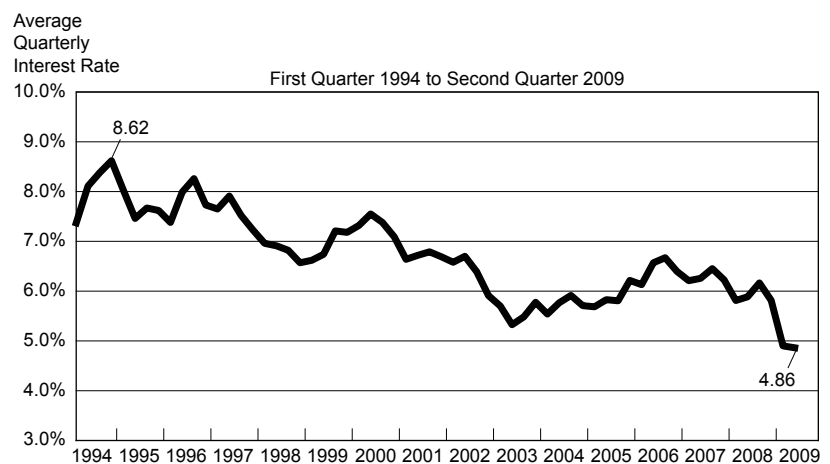
Interest rates are a major player in determining the affordability of housing. For those who

Home Prices Double in 15 Years Single-family homes, Statewide 1994 to 2009 **2**



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

Interest Rates Drop to Record Lows Statewide, 1994 to 2009 **3**

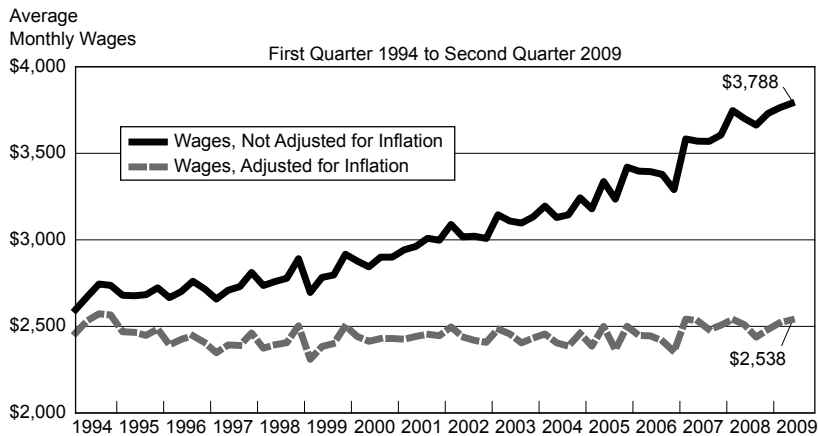


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

can't afford to pay cash for a new home – and that includes most of us – financing is the only option. Interest is the cost of borrowing money, and when that falls, the cost of housing essentially falls with it.

Interest payments can end up being the majority of the total costs of buying a home. A homebuyer who takes out a \$242,662 loan at 4.88 percent – the average loan amount and interest rate for the first half of 2009 – will pay more than \$215,000 in interest over the 30 years of his or her mortgage, barring refinancing. At the interest rate from a year before, 5.85 percent, total interest

4 Alaska's Average Monthly Wages Statewide, 1994 to 2009



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

payments would exceed the value of the principal – around \$272,750 in interest payments.

Interest rates are historically low, but they will eventually rise again. The Federal Reserve has already cut the federal funds rate (the short term rate at which banks borrow from each other) to nearly zero, so interest rates have few places to go but up from here.

Higher wages put homes within reach

Wages in Alaska have been rising at a slightly faster pace than home prices over the past year, which is a positive as far as affordability is concerned. (See Exhibit 4.)

For a monthly mortgage payment to be considered affordable by the Alaska Affordability Index, it can be no more than 24 percent of a homeowner's gross income. When average wages increase, potential homebuyers can afford a larger monthly payment on their mortgage.

Wage growth, low interest rates and cooling home prices have fortuitously coincided to make housing more affordable than it's been for years; still, this occurrence is likely short-lived.

Regional differences in affordability

The level of home affordability varies across Alaska, which should come as no surprise. Dif-

ferences in wages and home prices drive that variability. Examining the affordability index by region highlights cost of living differences across the state, as well as showcases the index's unique sensitivity to variable factors.

The Kodiak Island and Juneau boroughs, and the Bethel Census Area are the least affordable regions in the state. (See Exhibit 5.) Those three areas are historically the most expensive, and they've maintained that notoriety through the first half of 2009.

Bethel is the only region with a five-year average index value above 2.0, despite a much lower value in the first half of 2009. Bethel has the distinction of middle- to high-end housing prices and some of the lowest wages of the selected regions. It typically has a very low loan volume and is the only truly rural region measured.

Both the Kodiak Island and Juneau boroughs typically have wages below the statewide average, Kodiak dramatically more so. Juneau typically has either the highest or second-highest home sales prices in the state, competing with Anchorage. Those factors combine to make the two rainy, rocky boroughs expensive places to buy a house.

On the other side of the coin are Alaska's more affordable regions. Fairbanks North Star and Kenai Peninsula boroughs are the most affordable areas in the state. Fairbanks and Kenai have below-average wages, but they also have single-family home prices that are well below average.

The remaining areas – the Ketchikan Gateway and Matanuska-Susitna boroughs, and the Municipality of Anchorage – may be in the middle affordability-wise, but they're not without their own contradictions. Anchorage, along with Juneau, has substantially higher single-family home prices than any other area in the state. However, Anchorage has the highest average wages of any area, which makes the city reasonably affordable.

The Mat-Su Borough maintains a reputation for affordable housing that's only partially true. Mat-

Su's affordability index score is among the highest in the state, and that's because wages in the borough are low, even when compared to the low price of housing there.

Many Mat-Su residents don't work in Mat-Su. (Wages are measured where they're earned.) That's why, in addition to the normal Mat-Su index score, an index value is also calculated for an Anchorage worker who buys a Mat-Su house.

The index value for an Anchorage worker who buys a Mat-Su house is consistently the smallest, and for good reason. Anchorage wages are among the highest in the state, and Mat-Su housing prices are among the lowest. Therefore, the most affordable housing in Alaska requires a commute, and as suggested by the 8 a.m. traffic on the Glenn Highway, it's worth it for a lot of people. Of course, there are costs to commuting, like gas, vehicle maintenance and stress.

The one commonality between all regions is that in every area, the first half of 2009 index value is lower than the five-year average.

Record affordability, for now

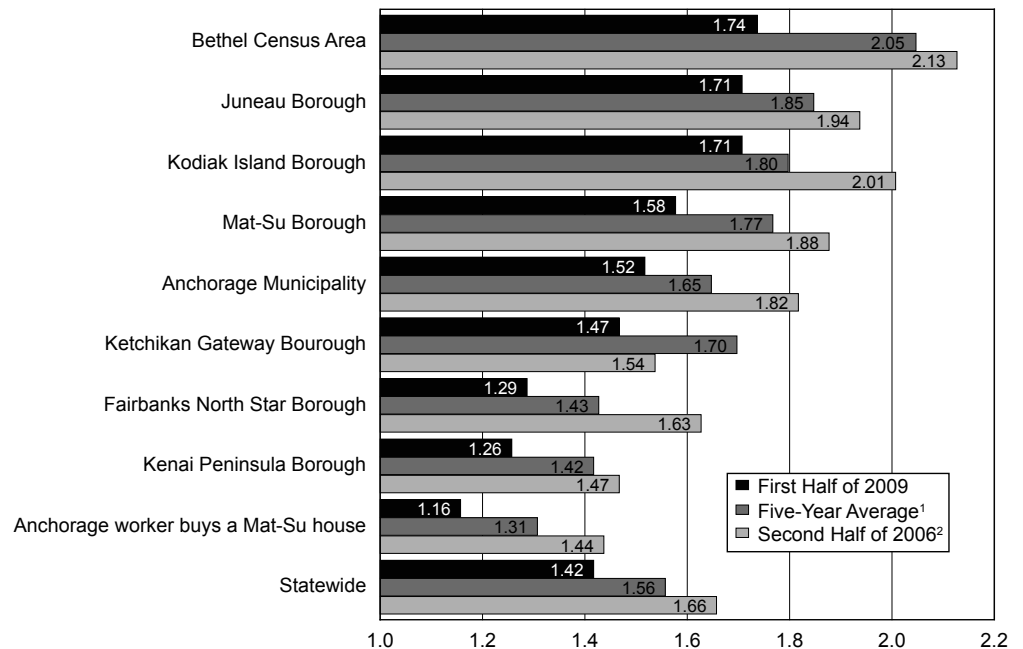
The record low value for the Alaska Affordability Index and the corresponding boost in affordability spells a relief for homebuyers, but the picture could look different in a few months.

The most likely scenario for the near future is waning affordability, but not nearly to the degree seen from 2006 through 2008. Interest rates are subject to change at any time, but they're also unlikely to drop much below their first quarter 2009 level. Average wages will be most affected by the makeup of job gains and losses in the upcoming months. Home prices are

Regional Affordability Comparison

Alaska Affordability Index scores, 2006, 2009 and average

5



Note: The lower the index score, the more affordable housing is.

¹ The five-year average is an average of the half years from the second half of 2004 to the first half of 2009.

² The year 2006 was chosen for comparison because it was the highest year in the five-year span.

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

Notes

The Alaska Affordability Index is calculated using average wages and an estimated monthly mortgage payment.

The average wage is based on the wages that employers report to the Alaska Department of Labor and Workforce Development. Employers report the wages when they submit their unemployment insurance tax reports each quarter.

Wages are reported as total earnings rather than hourly wage rates, and can be affected by the industry mix and the number of full- and part-time jobs.

The estimated average monthly mortgage payment is based on the average home sales price and interest rate. The Department of Labor surveys Alaska mortgage lenders each quarter to collect that information for the Alaska Housing Finance Corporation. The survey results, called the Survey of Mortgage Lenders, are published quarterly.

The Alaska Affordability Index, which the Department of Labor also creates for AHFC, is published twice a year.

For both the mortgage lender survey and index, go to the AHFC Web site at www.ahfc.state.ak.us, type "Housing Market Indicators" into the search bar and select "Housing Market Indicators" in the middle of the page. Once you're at the Housing Market Indicators Web page, click on "Data and Tables" for the Survey of Mortgage Lenders and "Publications" for the Alaska Housing Market Indicators publication, which contains the Alaska Affordability Index.

subject to both the demand and supply of housing, and while rapid appreciation isn't likely, neither is rapid depreciation. Those changing factors, especially interest rates, will likely push up the affordability index score.

Another important consideration not otherwise included in the affordability index measure is unemployment, since the affordability index represents the number of average paychecks required to buy a home. If there's a growing

portion of the population losing their paychecks, the index value may not change, but the reality is very different.

So much of the news about the economy has been bad lately that there's no shame in reveling in the positive, even if it turns out to be short-lived. Alaska is fortunate to have experienced the affordability boon without the accompanying housing crisis that has plagued other states.

The Retail Industry and Violence in the Workplace

The U.S. had 351 fatalities in the retail industry in 2006, and of those, 39 percent were due to assaults and other violence, according to the U.S. Department of Labor's Bureau of Labor Statistics. Another BLS survey shows that a large number of U.S. retailers, particularly small businesses, lack programs to prevent violence.

The federal Occupational Safety and Health Administration recommends a prevention program with five essential elements: (1) a cultural commitment – including management leadership and employee participation; (2) a careful analysis of the worksite – common high-risk conditions are contact with the public, exchange of money, delivery work, working alone, working nights and early morning, and working in high-crime areas; (3) hazard prevention and control (see below); (4) training and education – including training in operational procedures, use of engineered security features, behavioral strategies and emergency action procedures; and (5) evaluation – keeping records of incidents and paying attention to recommendations from police, advisors, employees and consultants.

What is workplace violence? It can be categorized under the three following types. Here are various ideas for employers:

(1) Violence by strangers or outsiders. Install silent alarm systems, use mirrors or raised platforms to ensure that employees can easily see customers throughout the business; make sure employees and customers can see the area where money is exchanged; use bright and effective lighting; make sure that you have enough staff members for safety, particularly if your business is open at night; use drop safes so that there's only a limited amount of cash on hand (and post signs telling people that); use height markers on exit doors so witnesses can describe assailants' height; use video surveillance equipment to monitor activity; control or limit access to the facility; install locks on doors that lead to staff-only areas; and use physical barriers, such as bullet-proof glass, to protect employees.

(2) Violence by people receiving services. Ensure that workers never work alone; allow workers to carry pagers or cell phones; ensure that employees have access to working phones in each work area; and train employees on what to do in a violent situation.

(3) Violence by acquaintances or employees. Have a written policy clearly stating that violence in the workplace won't be tolerated. The policy should explain what workplace violence is, and what is and what is not acceptable behavior.

Safety consultants with the Alaska Department of Labor and Workforce Development's Occupational Safety and Health are available to provide employers with ideas for diffusing possible violence in the workplace and for developing a safety plan. AKOSH is within the Labor Standards and Safety Division. For more information, call (800) 656-4972.

Unemployment rate climbs to 8.9 percent

Alaska's seasonally adjusted unemployment rate rose six-tenths of a percentage point in October to 8.9 percent and payroll jobs were down 3,000 compared to October 2008. (See Exhibits 1 to 4.)

For much of 2009, the unemployment rate has failed to show a clear trend. In the last two months, though, the rate climbed a total of eight-tenths of a percentage point, raising questions about whether a new upward trend is being established.

U.S. rate still well above Alaska's

The U.S. rate, which hit 10.2 percent in October, has been higher than Alaska's for most of 2009, after having been well below it for more than two decades. That's one indication, among several others, that the recession has so far had a much deeper impact on the nation as a whole than on Alaska.

What about after the recession?

There are signs in the national numbers that the recession is losing steam, even if it's not actually

over.¹ Either way, history suggests that both the U.S. and Alaska unemployment rates will continue to rise for at least several months after a recovery starts taking hold.

The 1990-1991 recession ended in March 1991, but the U.S. rate continued to rise for more than a year before it began falling. (See Exhibit 1.)

For Alaska, that recession had little impact in terms of job losses, but the state's rate rose from 7.6 percent in March 1991 to 9.4 percent in January 1992 as more people moved to Alaska and fewer left.

The same pattern can be seen in the 2001 recession. Although the recession ended in November 2001, the U.S. rate didn't show a clear downward trend until almost two years later, and Alaska's rate also rose significantly over that period.

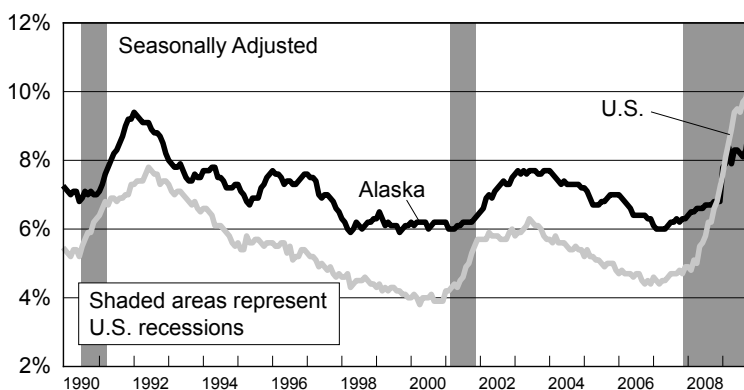
Is this recession different?

In some ways, the current recession is quite different from the last two. Most importantly, it has been especially deep and broad. None of the states have escaped job losses or higher unemployment rates.

Although the nature of the national recovery is still very much in doubt, barring additional shocks, Alaska's natural resource industries and strong public sector should continue to help the state's economy perform relatively well. The key word, though, is relatively, because although much of the panic has subsided, an unusual amount of uncertainty persists in the national economy.

¹ The National Bureau of Economic Research's Business Cycle Dating Committee is generally considered the authoritative source for determining the starting and ending points of U.S. recessions. The specific months determined to be the ones marking the beginning or ending of a recession aren't announced by the committee for at least several months because all the necessary information isn't available immediately. The determination that the current recession began in December 2007 was announced in November 2008.

1 Unemployment Rates, Alaska and U.S. January 2001 to October 2009



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

2 Nonfarm Wage and Salary Employment

	Preliminary 10/09	Revised 9/09	Revised 10/08	Changes from:	
Alaska				9/09	10/08
Total Nonfarm Wage and Salary¹	317,700	333,700	320,700	-16,000	-3,000
Goods-Producing ²	44,000	49,500	46,000	-5,500	-2,000
Service-Providing ³	273,700	284,200	274,700	-10,500	-1,000
Natural Resources and Mining	15,300	15,500	15,800	-200	-500
Logging	200	200	300	0	-100
Mining	15,100	15,200	15,600	-100	-500
Oil and Gas	12,800	12,900	13,200	-100	-400
Construction	17,600	19,000	18,600	-1,400	-1,000
Manufacturing	11,100	15,000	11,600	-3,900	-500
Wood Product Manufacturing	300	300	400	0	-100
Seafood Processing	7,100	11,000	7,500	-3,900	-400
Trade, Transportation, Utilities	62,200	65,800	63,700	-3,600	-1,500
Wholesale Trade	6,300	6,600	6,300	-300	0
Retail Trade	35,100	36,200	35,800	-1,100	-700
Food and Beverage Stores	6,000	6,300	6,200	-300	-200
General Merchandise Stores	9,700	9,800	9,700	-100	0
Transportation, Warehousing, Utilities	20,800	23,000	21,600	-2,200	-800
Air Transportation	6,200	6,300	6,300	-100	-100
Truck Transportation	3,200	3,200	3,200	0	0
Information	6,800	6,900	7,100	-100	-300
Telecommunications	4,300	4,300	4,700	0	-400
Financial Activities	14,700	14,900	15,000	-200	-300
Professional and Business Services	25,100	26,600	25,200	-1,500	-100
Educational⁴ and Health Services	39,700	39,300	37,700	400	2,000
Health Care	28,600	28,300	27,200	300	1,400
Leisure and Hospitality	27,600	34,700	29,200	-7,100	-1,600
Accommodations	6,100	9,500	6,900	-3,400	-800
Food Services and Drinking Places	17,700	19,700	18,300	-2,000	-600
Other Services	11,600	11,300	11,700	300	-100
Government	86,000	84,700	85,100	1,300	900
Federal Government ⁵	16,800	17,100	16,500	-300	300
State Government	26,400	26,100	25,700	300	700
State Government Education ⁶	8,100	7,600	7,800	500	300
Local Government	42,800	41,500	42,900	1,300	-100
Local Government Education ⁷	24,400	23,000	24,100	1,400	300
Tribal Government	3,600	3,700	3,600	-100	0

Notes for Exhibits 2 and 4:

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

Sources for Exhibit 4: 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

3 Unemployment Rates By borough and census area

	Prelim. 10/09	Revised 9/09	Revised 10/08
SEASONALLY ADJUSTED			
United States	10.2	9.8	6.6
Alaska Statewide	8.9	8.3	6.8
NOT SEASONALLY ADJUSTED			
United States	9.5	9.5	6.1
Alaska Statewide	8.3	7.6	6.3
Anchorage/Mat-Su Region	7.4	7.2	5.5
Municipality of Anchorage	6.9	6.9	5.1
Mat-Su Borough	9.2	8.7	7.0
Gulf Coast Region	10.5	8.4	7.7
Kenai Peninsula Borough	11.0	9.4	7.9
Kodiak Island Borough	7.9	6.4	6.0
Valdez-Cordova Census Area	10.7	6.2	9.2
Interior Region	8.1	7.1	6.5
Denali Borough	16.2	3.4	13.1
Fairbanks North Star Borough	7.4	6.8	5.9
Southeast Fairbanks Census Area	10.0	8.0	7.6
Yukon-Koyukuk Census Area	13.9	13.2	12.2
Northern Region	9.2	9.2	7.0
Nome Census Area	11.4	11.5	8.6
North Slope Borough	5.9	5.5	4.1
Northwest Arctic Borough	12.2	12.5	10.1
Southeast Region	8.4	6.7	6.5
Haines Borough	10.2	6.3	8.5
Juneau Borough	6.5	5.8	5.0
Ketchikan Gateway Borough ¹	7.9	5.9	5.9
Prince of Wales-Outer Ketchikan CA ¹	14.7	13.6	12.4
Sitka Borough	7.3	5.8	5.5
Skagway-Hoonah-Angoon CA ¹	18.7	7.4	13.9
Wrangell-Petersburg Census Area ¹	11.2	9.6	8.8
Yakutat Borough	6.7	6.4	5.4
Southwest Region	13.1	12.1	10.5
Aleutians East Borough	10.9	9.7	9.2
Aleutians West Census Area	9.9	8.4	5.6
Bethel Census Area	13.9	14.6	12.6
Bristol Bay Borough	8.6	3.5	4.5
Dillingham Census Area	11.0	9.4	8.8
Lake and Peninsula Borough	7.2	5.6	5.8
Wade Hampton Census Area	20.3	19.9	15.8

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

4 Nonfarm Wage and Salary Employment By region

	Preliminary 10/09	Revised 9/09	Revised 10/08	Changes from:		Percent Change:	
				9/09	10/08	9/09	10/08
Anch/Mat-Su	171,600	174,100	173,400	-2,500	-1,800	-1.4%	-1.0%
Anchorage	152,200	153,900	154,100	-1,700	-1,900	-1.1%	-1.2%
Gulf Coast	27,500	31,250	27,900	-3,750	-400	-12.0%	-1.4%
Interior	44,500	47,800	44,700	-3,300	-200	-6.9%	-0.4%
Fairbanks ⁸	37,800	39,000	38,300	-1,200	-500	-3.1%	-1.3%
Northern	20,650	20,900	20,650	-250	0	-1.2%	0.0%
Southeast	34,350	38,650	35,350	-4,300	-1,000	-11.1%	-2.8%
Southwest	18,850	20,650	19,000	-1,800	-150	-8.7%	-0.8%

For more current state and regional employment and unemployment data, visit our Web site:

laborstats.alaska.gov

Employer Resources

Fidelity Bonding: An incentive to hire at-risk job applicants

The Alaska Department of Labor and Workforce Development's Fidelity Bonding Program allows employers to insure an employee, for free, for six months against job-related theft and other crimes as an incentive to hire hard-to-place or at-risk job applicants.

Virtually any full-time or part-time employee can be bonded through the program. It's designed to help a whole range of people who might have trouble finding a job due to their background – ex-offenders, recovering drug abusers or alcoholics, those with military dishonorable discharges, and even economically disadvantaged youth, welfare recipients, adults without a work history, people with poor financial credit and others.

The program is administered by the Department of Labor's Employment Security Division. It began as a federal program in 1966, and the states began administering their own programs in 1998.

The bond insurance reimburses employers for any loss due to employee theft, forgery, larceny or embezzlement, both on and off the worksite. There's no deductible. The bonds are typically issued for \$5,000; higher amounts must be approved by the program's bonding coordinator, Shannon Williams.

To be bonded, people must be of legal working age and have federal taxes automatically deducted from their paychecks. The self-employed aren't eligible.

Bonds can also be issued to cover a current employee who needs bonding in order to avoid being laid off or to get a transfer or promotion within his or her company.

For more information, check with your nearest Alaska Job Center (job center staff can put the bond into effect within minutes), go to the Fidelity Bonding Program Web site at labor.alaska.gov/bonding/, or contact Williams. To reach her, call (907) 465-5952 or email her at Shannon.Williams@alaska.gov.

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

