

# ALASKA ECONOMIC **TRENDS**

JANUARY 2010

## Employment Forecast for 2010

### WHAT'S INSIDE

#### Employment Scene

Unemployment rate at 8.7 percent in November



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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## Alaska's Job Losses Slowing

By Commissioner Click Bishop

This month's *Trends* focuses on our 2010 economic forecast for Alaska. Our state's 21-year streak of job gains was broken in 2009 with a loss of 2,100 jobs, a decline of 0.7 percent to 320,000.

Although Alaska's economy is showing signs of recovery, the forecast for 2010 is that we will lose an additional 1,400 jobs. While there's uncertainty about what the future holds and concern about a jobless recovery, improving U.S. and global economic conditions should benefit Alaska's work force in the near future.

Our economists predict that the biggest losses will be 800 leisure and hospitality jobs, 400 retail jobs, 300 transportation jobs, 300 oil and gas jobs and 300 construction jobs. Those losses are expected to be partially offset by gains of 800 federal and state government jobs and 500 health care jobs.

Alaska Department of Labor and Workforce Development staff are connecting job seekers with employers, and improving our services to prepare unemployed and underemployed workers. We're also working harder to close the gap, to train Alaskans for the high-paying jobs that currently go to nonresidents.

Our success will depend on strong partnerships with employers, industry and education, as our needs and resources complement each other.

Registered apprenticeship helps Alaska's youth "earn and learn" as they plug directly into the labor market. Apprenticeship also works for employers as they're able to establish training standards, and develop a local and loyal work force.

We recently unveiled a new statewide multilingual outreach program that introduces apprenticeship to youth and their parents, and employers. The outreach program is a collaboration between the Alaska Department of Labor's Office of Apprenticeship and the Department of Transportation and Public Facilities' Office of Civil Rights.

The outreach program includes a new Web site, [EarnAndLearnAK.Org](http://EarnAndLearnAK.Org), which is available in almost 40 languages. Two Alaska languages will soon be added, Yup'ik and Inupiaq.

Supporting materials will be available in 10 languages – English, Yup'ik, Inupiaq, Spanish, Korean, Tagalog, Russian, Samoan, Hmong and French. Videos posted on the Web site are also in multiple languages.

From accounting and welding, to health care and information technology – apprenticeship is emerging as an important component of Alaska's connected work force development and educational system.

Through this connected system, an individual can follow pathways from high school tech prep courses to a registered apprenticeship, or university or other post-secondary institution. With registered apprenticeship as a component of the system, apprentices can earn up to 38 credits with the University of Alaska. Moreover, with more than 80 percent of our high school graduates not prepared to go directly to a university, apprenticeship is a viable next step that opens a door to further education and training.

Alaska has about 80 apprenticeable occupations, 2,400 apprentices and 300 sponsors (employers and employer associations – both independent and union). Last year, more than 750 apprentices became journey-level workers.

As part of a connected system, apprenticeship is a talent development strategy that will help develop a current resident work force and future managers.



## The end of a streak

By Dan Robinson, Economist

Alaska's 21-year streak of job growth ended in 2009. (See Exhibits 1 and 2.) It was a good run, especially for an economy that earned a boom-and-bust reputation during the eventful 1970s and 1980s.

Over the course of the 21-year span that began in 1988, the state chugged right through two national recessions – one in the early 1990s and another in 2001 – without suffering a serious setback in terms of job losses.<sup>1</sup> Boom-and-bust Alaska had become old-reliable Alaska.

But the recession that began in late 2007 and probably ended sometime in the fall of 2009<sup>2</sup> has been especially severe and none of the 50 states escaped the downturn – including the

<sup>1</sup> Specific job numbers and references to job losses or gains are based on average monthly employment numbers for the calendar years. For example, the 2009 loss of 2,100 jobs means that the average monthly job count for 2009 was that much below the average monthly job count for 2008. One result of this method of annualizing the job counts is that during turning points – when the economy is transitioning from job growth to job loss and vice versa – the numbers can be slow to reflect the most current situation. If job growth resumes sometime toward the end of the year, for instance, it would probably not be enough to push the average monthly job count for the entire year into positive territory compared with the previous year's average.

<sup>2</sup> The National Bureau of Economic Research, a private group of economists charged with dating the start and end of national economic downturns, announced the December 2007 starting point in December 2008. It typically takes as long as a year to declare that a recession has started because of the lag in the availability of final economic data.

four other Western states that also had growth streaks of at least 21 years: Montana, New Mexico, North Dakota and Wyoming.

## More losses forecasted for 2010

Looking forward, there's considerably less economic uncertainty than there was a year ago, at least on the national and international scenes. The turmoil that began in the United States and spread throughout much of the world in the last two years has calmed considerably, though not completely.

Largely as a result, the 2010 forecast for Alaska is for a loss of 1,400 jobs, a slightly smaller number than the 2,100 jobs the state lost in 2009. The smaller decline in 2010 is based on the paired conclusions that broad national and global influences were primarily responsible for the state's job losses in 2009 and that improving economic conditions for the U.S. and world economies will also improve Alaska's job situation in 2010.

Aside from those broad conclusions, though, it's important to acknowledge that this forecast is based on the somewhat precarious assumption that no large changes will occur to either employment or prices in Alaska's all-important oil and gas industry in 2010.

## A glancing blow for Alaska

Certain segments of Alaska's economy struggled mightily in 2009 – tourism and air cargo, to name a few. Overall, though, the impact on Alaska of the near economic meltdown was very mild compared to what the nation and many other states experienced.

The state's job count fell an estimated 0.7 percent in 2009. National job losses were about



five times worse, falling 3.8 percent over the first 11 months of the year. Nearby states also saw significantly bigger losses over that period. Washington was down 3.3 percent, Hawaii 3.4 percent, California 4.5 percent and Oregon 5.2 percent.

The losses were smaller for Alaska because it had two assets in particular: a large and thriving oil industry and an especially heavy dependence on federal government spending. Alaska also benefited from *not* having some of what other states had going into the recession: durable goods manufacturing jobs to lose – Alaska makes no cars, to cite the most obvious example – or an especially vulnerable housing market and financial sector.

### Oil and federal spending as buttresses

The first advantage Alaska had was an economy-dominating oil industry that maintained high employment levels for much of 2009 and provided bountiful revenue to the state even as many other states struggled with debilitating budget deficits.

From 2004 to 2009, direct oil and gas employment grew from about 8,000 jobs to about 13,000 – an all-time high, despite steady declines in oil production. Oil revenue to the state was as low as \$2 billion in 2003 before ballooning to more than \$11 billion in 2008. Lower oil prices in 2009 cut revenue in 2009 to about \$6 billion, but employment still grew slightly.

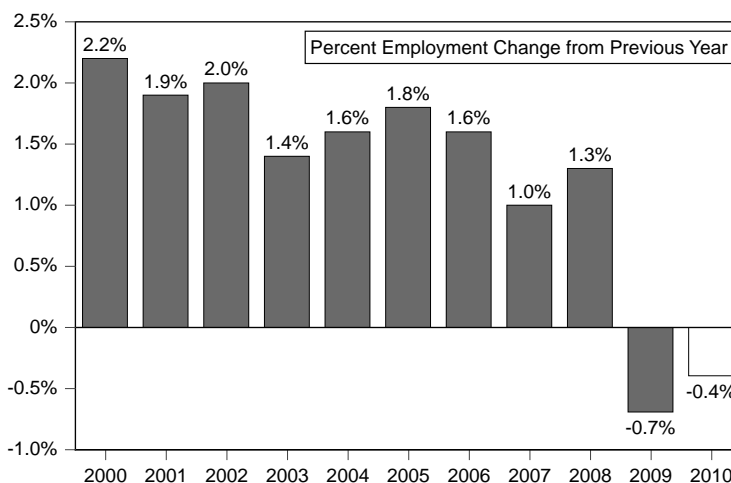
Declining production and reductions in exploration and development spending raise important questions about the industry's ability to sustain current high levels of employment, but there's little doubt that the oil industry played a major role in blunting the effects of the national recession on Alaska.

Federal spending was the other solid leg for the Alaska economy. In all, the U.S. government sent a total of \$9.4 billion to Alaska and Alaskans in 2008, more per capita than for any other state except Maryland and Virginia.<sup>3</sup>

<sup>3</sup> This amount includes military spending and direct payments to individuals, including Social Security, Medicaid, Medicare, etc.

## More Losses Forecasted for 2010

### Statewide job growth, 2000 to 2010



Note: Employment in 2009 is a preliminary estimate and employment for 2010 is a forecast.

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

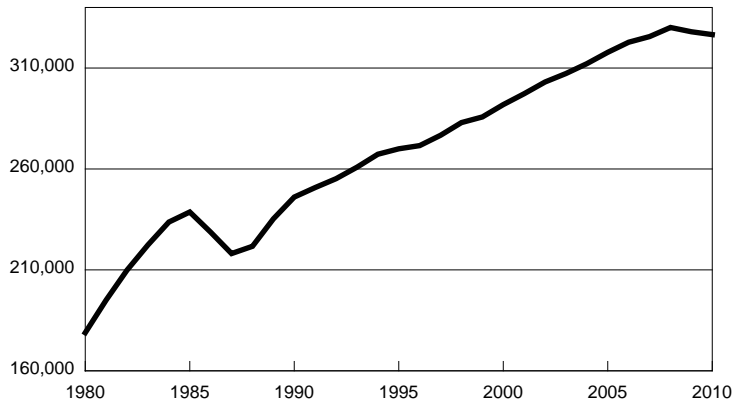
There was concern just a few years ago that federal spending in Alaska would decline from its very high levels, but stimulus spending has delayed that concern for at least the next year or two. There seems little doubt that federal spending increased in 2009 as a result of special programs such as extended unemployment insurance benefits and the first round of stimulus spending. More increases will come in 2010 as the bulk of stimulus money hits the state.

### Alaska's industry mix also kept losses smaller

Two industries that were especially hard hit by the recession nationally were manufacturing and construction. Combined, construction and manufacturing jobs fell by 3.7 million from December 2007 to December 2009, more than half the total U.S. losses of about 7.2 million over that period.

The causes are well-known. After years of declines, two out of the big three U.S. auto makers had to be bailed out by the federal government to survive and the industry as a whole provides a small fraction of the jobs it did a few decades ago. Aside from cars, world demand for all kinds of other goods fell hard, and a nearly frozen

## 2 Losses in 2009 the First Since 1987 Alaska payroll jobs, 1980 to 2010



Note: Employment in 2009 is a preliminary estimate and employment for 2010 is a forecast.

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

banking system exacerbated the situation further.

For its part, construction was a victim of both the burst housing bubble and the financial sector's problems. The mass of foreclosures that resulted from sub-prime lending and job loss was a heavy drag on the national economy for a second year in 2009.

Alaska, as it often is, was different. The state has very few of the types of manufacturing jobs that disappeared in droves from the national economy. The bulk of the state's manufacturing employment consists of seafood processing, and food manufacturing is more resistant to recessionary declines in demand than other types of manufacturing.

For reasons that aren't entirely clear, Alaska's banks and mortgage lenders made far fewer sub-prime loans than the national average and Alaska homeowners were less likely to be delinquent or face foreclosures. Housing prices did decline in many local Alaska markets, but not nearly to the degree seen elsewhere.

Alaska's construction industry also entered the national recession leaner than in most parts of the country as a result of employment losses that began in 2006 and continued at a moderate pace through 2009. Small additional losses are expected in 2010, although stimulus money will provide a temporary boost.

## And yet there were losses here too

Oil, federal spending and the state's different industry mix insulated Alaska from much of the recessionary pain, but not all of it. Alaskans didn't have as much concern as other Americans about losing their jobs, but they did see investment portfolios tumble in value. Alaskans also had to get used to the idea that their homes might not increase in value for at least a few years. Like other Americans, many Alaskans experienced changing relationships with mortgage lenders and credit card companies.

The net effect was that Alaskans were a little jittery about spending, much like the tourists who visited during the 2009 season and American consumers in general, and jobs dropped off in industries like retail trade, hotels, restaurants and airlines. Those losses combined with declines in air cargo traffic to equal an overall decline that was modest though not inconsequential.

## National economy showing signs of improvement

A number of national indicators point to a reviving national economy, including tourism spending, retail spending, consumer confidence, home sales and even manufacturing activity. Yet there's no guarantee that the recovery will be robust or all-encompassing, and this recession was severe enough to leave a lingering imprint on certain industries like construction and manufacturing. But the situation heading into 2010 is considerably better than it was a year ago at this time, both for the country and much of the world.

## A big decline in cruise ship visitors is certain

As difficult as it can be to forecast economic change with any accuracy, there's little doubt that 2010 will be another challenging year for the tourism industry. Several cruise ships have been moved out of the Alaska market and the number of cruise visitors is expected to drop by about 15 percent from preliminary 2009 numbers of slightly less than 1 million.

Individual passengers are likely to spend more than they did during a very frugal year in 2009 once they get to the state. And yet a decline of that magnitude in the number who do get here will make it an uphill battle to match 2009's reduced job counts. Further, the number of independent visitors to the state has been drifting downward over the last few years and fell again in 2009, so that's an unlikely source to offset the cruise ship losses.

## Oil has put Alaska state government in an enviable position

According to a report published by the National Conference of State Legislatures, 48 of the 50 states expect to face budget deficits in fiscal year 2010.

Seventeen states expect shortfalls that are at least 5 percent of their general fund budgets and two – Arizona and Hawaii – expect shortfalls of around 30 percent of their general fund budgets.

Alaska is one of the two states likely to see a surplus in 2010, and after several years of surpluses, the state's rainy-day accounts are well-stocked. For the coming year, that means that state government will be in a position to stabilize and support the state's economy with both capital spending and a stable work force.

## A boost from the census and local government woes

The 2010 Census kicks off nationwide in the Eskimo community of Noorvik, Alaska, on Jan. 25 and once it's in full swing, more than 2,000

# Statewide Wage and Salary Employment Forecast for 2010 **3**

Forecast

	2008 Monthly Average	2009 Monthly Average <sup>1</sup>	Change 2008 to 2009	Percent Change 2008 to 2009	Forecast		
					2010 Monthly Average	Change 2009 to 2010	Percent Change 2009 to 2010
Total Nonfarm Wage and Salary <sup>2</sup>	322,100	320,000	-2,100	-0.7%	318,600	-1,400	-0.4%
Goods-Producing <sup>3</sup>	45,600	44,800	-800	-1.5%	44,300	-500	-1.3%
Service-Providing <sup>4</sup>	276,500	275,200	-1,300	-0.5%	274,300	-900	-0.3%
Mining and Logging	15,400	15,500	100	1.3%	15,300	-200	-1.9%
Oil and Gas	12,900	13,000	100	4.7%	12,700	-300	-3.1%
Construction	17,200	16,300	-900	-5.2%	16,000	-300	-1.7%
Manufacturing	13,000	13,000	0	0.0%	13,000	0	0.0%
Seafood Processing	9,000	9,200	200	2.2%	9,200	0	0.0%
Trade, Transportation and Utilities	64,600	63,000	-1,600	-2.5%	62,000	-1,000	-1.5%
Retail Trade	36,200	35,400	-800	-2.5%	35,000	-400	-1.1%
Transportation, Warehousing and Utilities	21,900	21,400	-500	-2.3%	21,100	-300	-1.4%
Information	7,000	6,600	-400	-5.7%	6,500	-100	-1.4%
Financial Activities	14,800	14,600	-200	-1.4%	14,500	-100	-0.7%
Professional and Business Services	26,200	26,000	-200	-0.8%	25,700	-300	-1.1%
Educational <sup>5</sup> and Health Services	37,600	38,700	1,100	2.9%	39,300	600	1.6%
Health Care	27,100	27,800	700	2.6%	28,300	500	1.8%
Leisure and Hospitality	32,200	30,800	-1,400	-4.3%	30,000	-800	-2.5%
Other Services	11,300	11,700	400	2.7%	11,700	0	0.0%
Government	82,800	83,800	1,000	1.2%	84,600	800	1.1%
Federal Government <sup>6</sup>	16,900	17,200	300	1.8%	17,800	600	3.6%
State Government <sup>7</sup>	25,000	25,400	400	1.6%	25,600	200	0.8%
Local Government <sup>8</sup>	40,900	41,200	300	0.7%	41,200	0	0.2%

<sup>1</sup> Preliminary estimates

<sup>2</sup> Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers

<sup>3</sup> Goods-producing sectors include natural resources and mining, construction and manufacturing.

<sup>4</sup> Service-providing sectors include all others not listed as goods-producing sectors.

<sup>5</sup> Private education only

<sup>6</sup> Excludes uniformed military

<sup>7</sup> Includes the University of Alaska

<sup>8</sup> Includes public school systems

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

people will be employed counting and gathering information about Alaskans. As a result, federal government employment will get a healthy, albeit short-lived, boost in 2010.

Unlike the relatively flush state government, many of Alaska's cities and towns face budget deficits and difficult decisions involving employment and city services. Sales tax revenues, in cities that have a sales tax, were way down in 2009 and investment losses contributed to budget gaps in Anchorage among other places. Local government is unlikely to contribute any job growth in 2010 as a result.

## Important issues hover on the horizon

In the background of the 2010 statewide job forecast are a number of simmering issues

that will affect the state's economy eventually, though perhaps not in obvious ways during the coming year.

More will be known about the prospects for the long-awaited natural gas pipeline after this summer's open season during which the two competing pipeline projects – one that joins Trans-Canada and Exxon Mobil and the other that combines British Petroleum and ConocoPhillips – seek commitments from potential shippers.

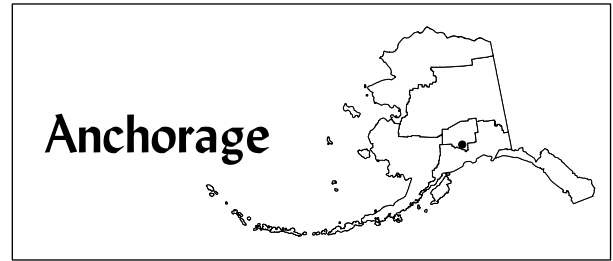
Although it's unlikely that the open season will definitively answer questions about whether or when a pipeline will be built, a strong signal in either direction would affect the economic mood of the state.

Other issues include the ongoing debate about the effects taxes are having on oil and gas exploration and development in Alaska and a similar debate about the effect of a statewide head tax on the cruise industry.

One mining dispute was resolved in favor of the Kensington gold project near Juneau, which is scheduled to begin production in 2010 after legal battles over tailings disposal methods were decided, and a bigger dispute continues between the backers of the Pebble project in Southwest Alaska and opponents who argue that it could affect salmon runs in the Bristol Bay watershed.

### **Status quo locally plus national recovery equals smaller losses**

The most likely scenario in 2010 is for only incremental movement on any of the big questions facing Alaska in the next decade or so. That, combined with at least a modest economic recovery for the nation, should eventually lead to renewed job growth for Alaska toward the latter part of the year. It's doubtful that the gains will be strong enough or come soon enough to create annualized growth in 2010, however. With any luck, another long stretch of employment growth will begin in 2011.



## **Some more losses could be coming**

**By Neal Fried**

Anchorage's 20 years of uninterrupted employment growth ended last year. (See Exhibits 4 and 5.) By the second quarter of 2009, Anchorage joined the national recession when it recorded its first significant year-to-year job losses. The job losses are expected to continue in 2010.

Anchorage's employment is forecasted to fall 0.7 percent and those losses will come from a variety of industries. (See Exhibit 6.) When someone asks the fundamental question "What industry or set of industries could pull Anchorage's economy into positive territory in 2010?", it's tough not to come up mostly empty-handed.

Anchorage and Alaska have been way behind the job-loss curve. By early 2008, while most of the rest of the nation was hemorrhaging jobs, it took another year for losses to catch up to Anchorage. *Trends*, in its January 2009 issue, did forecast job losses for 2009, but by summer it was evident that those losses were running at least twice as high.

In fact, nearly every industry except health care and government were beginning to exhibit year-to-year fatalities. Losses were showing up in industries tied to tourism, air cargo, oil and construction. Local consumers appeared to be spending less, putting downward pressure on retail, eating and drinking places, real estate and other consumer-led industries. Even so, Anchorage's losses still pale in comparison to what was happening in most of the rest of the country.



## Small Losses in Store for 2010 Anchorage job growth, 2000 to 2010 **4**

Because Anchorage's employment losses began much later than the nation's, does that mean Anchorage's recovery will lag the nation's? The short answer is, we don't know. There's no play-book or historical precedent. In modern times, Anchorage has never before joined the nation in a recession.

What powers Anchorage's economy is still in important ways infinitely different from what powers the U.S. economy. Anchorage's economic destiny is very much in the hands of the oil industry and the federal government – hardly the drivers of the national economy. Despite those differences, though, the national recession was broad and powerful enough to sweep up Anchorage in its furor.

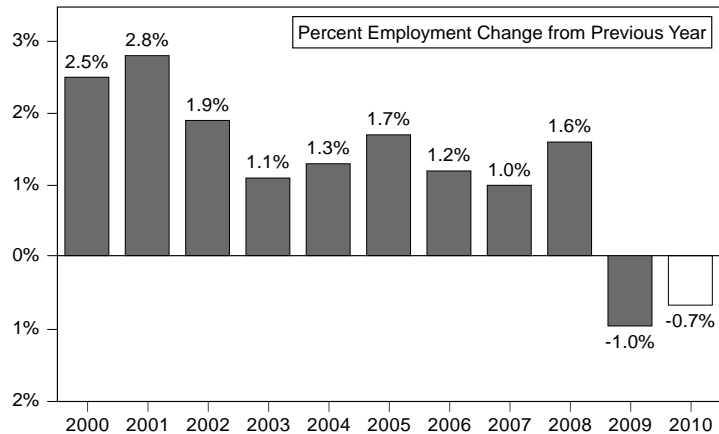
### Oil industry no longer fueling growth

After four years of spectacular growth on the North Slope, employment began to level off and drift downward during the second half of 2009. Employment will continue to fall in 2010 but will remain at above-average levels. Most of the losses will come from the oil field service companies. None of the big producers has announced sizeable layoffs. And high oil prices remain a big plus.

Less maintenance, less exploration activity and pressures on contractors to work more efficiently will be responsible for the losses. ConocoPhillips announced that its 2010 capital budget would decline and that the company would undertake no exploration activity – a first since 1965. BP said it would invest \$850 million in Alaska in 2010, 15 percent less than the company's 2009 budget.

ConocoPhillips will continue to develop satellite fields around Alpine and expand its West Sak heavy oil project. BP is also involved in heavy oil activity and will be in the thick of developing its \$1.5 billion Liberty project, which entails drilling from an existing onshore oil pad to six miles offshore in federal waters.

ExxonMobil will complete drilling two wells at its Point Thompson site and will develop those and possibly others for eventual production of liquid condensate by 2014.



Note: Employment for 2009 is a preliminary estimate and employment for 2010 is a forecast.

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

The story on the independents and other new players is mixed. The Italian firm ENI will continue to develop its Nikaichuq offshore prospect, which is near, and is similar to, Pioneer Natural Resources' offshore Ooguruk field project. Shell still hopes to drill wells in the Beaufort Sea in 2010 but legal challenges could further delay those prospects.

### Commercial construction, a weak link in 2010

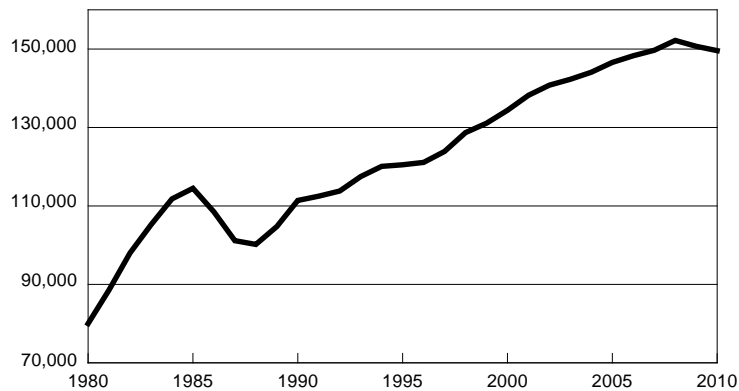
Construction employment – both commercial and residential – peaked in 2005 and has since declined moderately each year. It will fall again in 2010, possibly moving close to 2002 job levels.

During the first 11 months of 2009, building valuation in Anchorage was down \$16 million or 4 percent from a year before – the lowest figure in more than a decade. That provides a partial window into 2010.

Commercial construction is shaping up to be Anchorage's weakest link in the overall industry. Unlike past years, there are no plans for new hotels or major retail outlets and little new office space is on the docket for 2010.

Residential activity will also be a weak link. Residential permit activity remains soft and

## 5 Slow Declines After Years of Growth Anchorage payroll jobs, 1980 to 2010



Note: Employment in 2009 is a preliminary estimate and employment for 2010 is a forecast.

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

there's little chance of a major rebound in 2010.

Public construction should remain relatively strong, as activity on both Anchorage's military bases remains robust, and the capital budgets for state and local government are healthy. The U.S. Army Corps of Engineers has plans for a long list of \$10 million-plus projects for Fort Richardson and Elmendorf Air Force Base. Anchorage's highway and road work will remain stable.

"Already underway" projects will also help sustain construction activity. Those include a multiyear \$700 million expansion of the Anchorage Port, a new \$46 million University of Alaska Anchorage Health Sciences Building, a \$220 million Goose Creek Correctional Center near Mat-Su's Point MacKenzie and a variety of smaller projects.

Even with that activity, though, Anchorage's building contractors and their employees will feel the effects of a slowdown. Anchorage is headquarters to many of the state's contractors that perform work around the state, and the level of statewide activity is forecasted to continue to slow.

### Are we going to shop more or less in 2010?

The direction the retail industry will take is always a difficult call to make because there's

such a dearth of information on the city's largest private-sector employer. Anchorage doesn't have a local sales tax, so there's no historical or contemporary record of retail sales in Anchorage. And because retail is hypercompetitive, local retailers are very reluctant to divulge any information on sales or expectations. There's also not a way to jump into the average Anchorage resident's head to see how much he or she is spending or is ready to spend.

Despite the lack of information, there are some indicators. Retail employment has changed little over the past seven years, even though a long list of new retailers entered the market during that time. During 2009 alone, a new Lowe's, Kohl's, Best Buy, Sports Authority and two Walgreens opened, and a Wal-Mart expanded into a supercenter.

Combined, that represents a net gain of roughly 500 new jobs. Nevertheless, when all was said and done, overall retail employment in June still came in 300 lower than it was for June 2008.

It therefore appears those new stores' market gains were someone else's losses.

Another factor is the rapidly expanding Mat-Su retail market that's cannibalizing Anchorage as more Mat-Su residents spend their retail dollars closer to home. With no new major retailers opening their doors in 2010, a less-than-robust economy and consumers who are likely to remain relatively conservative, some additional losses in the retail industry are likely. How large those losses might be are a big unknown.

### Professional and business services less robust

Architectural, engineering, environmental and other consulting services are an important slice of the professional and business services sector. Because of the continued slowdown in construction and an absence of growth in the oil industry and mining exploration, professional and business services isn't forecasted to grow in 2010. The share of the sector tied to legal, accounting, computer and other professional-type

services should follow the trend of the rest of the economy.

### **Fewer cruise ship passengers will hit hard**

Eating and drinking places represent two-thirds of Anchorage's leisure and hospitality sector's employment, with accommodations as another fifth and the balance being entertainment. Most of the leisure and hospitality sector's stimulus comes from local consumption and business activity, but the visitor industry is also extremely important.

It's hard to guess how Anchorage residents feel about dining out and entertainment because there are no statistics that measure their consumer confidence, but it appears their confidence was shaken in 2009 and it's not likely to roar back in 2010.

The slice of the leisure and the hospitality sector dependent on visitors – including eating and drinking, hotels and entertainment – could be facing its worst outlook in recent times. That's because the cruise ship industry announced last year that it was pulling ships from Alaska. The industry said it would bring about 120,000 fewer passengers across the Gulf of Alaska into Southcentral in 2010. (The cruise ship industry brought a total of 400,000 passengers across the Gulf in 2009.)

Cruise ship passengers represent the single-largest group of visitors to Southcentral. Business owners and others in the leisure and hospitality sector who cater to those travelers are bracing themselves for the worst season in memory.

If it weren't for the loss of the cruise ship passengers, the outlook for Anchorage's visitor industry in 2010 might be much brighter. There are currently signs that the nation's visitor industry is beginning to show some strong signs of recovery. That could bode well for the broader independent segment of Alaska's visitor industry and convention business.

### **Not much change in the financial sector**

One of the big drivers in the financial sector is real estate and all the businesses connected to

it, including mortgage activity, title work and insurance. Home sales declined 13 percent in 2009, and loan activity was also down slightly. But because of near-record low interest rates, statewide refinance activity exploded – growing from 3,600 for the first three quarters of 2008 compared to 30,000 for the same period in 2009. That helped keep the sector busy. Things will likely slow down, though, in 2010.

The activity level for the balance of the sector, which includes banking, investments, financial brokers and other types of insurance, won't change a lot this year.

### **Health care is one of the likely exceptions**

During the 2000s, and even before, the health care industry was hands-down the most dynamic industry in Anchorage. In most years, it has generated the largest number of new jobs. Between 2000 and 2009, health care employment grew by nearly 6,000 or 5.5 percent a year, versus 1.3 percent for Anchorage's overall employment.

And it looks as if the industry is still in the expansion mode. Just given the plans of Providence Health & Services, Southcentral Foundation and Alaska Native Tribal Health Consortium, Anchorage's three largest health-care providers, it appears health care will be one of a handful of industries that will grow in 2010.

### **Transportation – in a softer economy, there's less need to move stuff**

Since nearly every Alaska business depends in some way on transportation, the overall health of Alaska's economy is the best predictor of the transportation industry's future. And because less moving around takes place in a softer economy, this broad-based industry will lose some additional loft in 2010. Neither is help going to come from the industry that's transportation-intensive – tourism.

The brightest spot is tied to international cargo activity, which is recovering some as the world economy picks up.

# 6 Anchorage Wage and Salary Employment Forecast for 2010

					Forecast		
	2008 Monthly Average	2009 Monthly Average <sup>1</sup>	Change 2008 to 2009	Percent Change 2008 to 2009	2010 Monthly Average	Change 2009 to 2010	Percent Change 2009 to 2010
Total Nonfarm Wage and Salary <sup>2</sup>	152,200	150,700	-1,500	-1.0%	149,600	-1,100	-0.7%
Goods-Producing <sup>3</sup>	14,300	13,300	-1,000	-7.0%	12,600	-700	-5.6%
Service-Providing <sup>4</sup>	137,900	137,400	-500	-0.4%	137,000	-400	-0.3%
Mining and Logging	3,000	2,900	-100	-3.3%	2,600	-300	-11.5%
Oil and Gas	2,800	2,700	-100	-3.6%	2,500	-200	-8.0%
Construction	9,400	8,700	-700	-7.4%	8,400	-300	-3.6%
Manufacturing	1,900	1,700	-200	-10.5%	1,600	-100	-6.3%
Trade, Transportation and Utilities	34,000	33,000	-1,000	-2.9%	32,600	-400	-1.2%
Retail Trade	17,500	17,200	-300	-1.7%	17,000	-200	-1.2%
Transportation, Warehousing and Utilities	11,600	11,100	-500	-4.3%	10,900	-200	-1.8%
Information	4,400	4,100	-300	-6.8%	4,000	-100	-2.5%
Financial Activities	9,000	8,900	-100	-1.1%	8,800	-100	-1.1%
Professional and Business Services	18,400	18,200	-200	-1.1%	17,900	-300	-1.7%
Educational <sup>5</sup> and Health Services	20,100	20,800	700	3.5%	21,400	600	2.8%
Leisure and Hospitality	15,700	15,300	-400	-2.5%	15,000	-300	-2.0%
Other Services	5,800	6,000	200	3.4%	6,000	0	0.0%
Government	30,500	31,100	600	2.0%	31,300	200	0.6%
Federal <sup>6</sup>	9,400	9,500	100	1.1%	9,700	200	2.1%
State <sup>7</sup>	10,300	10,600	300	2.9%	10,700	100	0.9%
Local <sup>8</sup>	10,800	11,000	200	1.9%	10,900	-100	-0.9%

<sup>1</sup> Preliminary estimates

<sup>2</sup> Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers

<sup>3</sup> Goods-producing sectors include natural resources and mining, construction and manufacturing.

<sup>4</sup> Service-providing sectors include all others not listed as goods-producing sectors.

<sup>5</sup> Private education only

<sup>6</sup> Excludes uniformed military

<sup>7</sup> Includes the University of Alaska

<sup>8</sup> Includes public school systems

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

## Public sector will change little

Anchorage's public sector is forecasted to remain steady in 2010, providing some stability to the city's economy.

The federal sector will get a boost from the 2010 decennial<sup>1</sup> census. The Census Bureau plans to hire several hundred people in Anchorage – about 2,000 statewide – to work four to 10 weeks.

On the military front, the numbers also look positive. Fort Richardson and Elmendorf Air Force Base are merging into a single installation in 2010, but at least initially, no jobs will be lost.

<sup>1</sup> The decennial census is a count of the U.S. population that the U.S. Census Bureau conducts every 10 years in years ending in zero.

Anchorage's uniformed military numbers could continue to grow a little more in 2010. The 3,500 soldiers with the 4th Brigade Combat Team (Airborne) of the 25th Infantry Division will return to Fort Richardson in March, after a year-long deployment to Afghanistan.

At the state government level, employment will likely remain near current levels in 2010. State government, which includes both general government and the University of Alaska, probably would have grown, but because the Alaska Railroad and the Ted Stevens International Airport went through layoffs, the overall numbers will change little.

At the local government level, the story is more mixed. The Municipality of Anchorage's workforce is already in the downsizing mode – the 2010 budget has 200 fewer positions. On the flip side, school enrollment at the Anchorage School District increased by more than 1,000 – the largest increase since 1994. That translates into more teachers and staff, possibly offsetting some of the losses at City Hall.

## A trying year for job seekers

Anchorage's unemployment rate climbed by 1.5 points in 2009, going above 7 percent for the first time in more than 15 years. But relative to the nation's rate it still looks pretty good. Anchorage's rate was 6.9 percent in November compared to the national rate of 9.4 percent.

For more than a couple of reasons, upward pressure on Anchorage's jobless rate will probably continue in 2010. With fewer jobs in

Anchorage, the chance of finding a job goes down.

Additionally, it doesn't look as if the national numbers will improve dramatically in 2010. That means that for a second year in a row, fewer Anchorage residents than usual will leave the state for greener pastures and more residents from other states could continue to come to Anchorage looking for employment opportunities. As a result, there's little doubt that 2010 will be a trying year for many of Anchorage's job seekers.



## The recession hits Fairbanks

By Alyssa Shanks, Economist

"No man is an island" – or as it applies to Fairbanks, no economy is an island. That was the main lesson of 2009 as Fairbanks slipped with the state into the national and global recession. The preliminary job count for 2009 indicates a clear change of course from 20 years of job growth to a year of job losses, ending Fairbanks' streak of long-standing growth. (See Exhibits 7, 8 and 9.)

The preliminary count shows a loss of 600 jobs, a 1.6 percent decline, from 2008 to 2009. Fewer losses are forecasted for 2010 – perhaps the only silver lining.<sup>1</sup>

Fairbanks' sizable 2009 losses have softened the blow for 2010. Many of the effects of the national and global economic crisis have already hit Fairbanks, and with the job market already lean, the losses in 2010 will hit those industries with strong ties to Outside markets.

<sup>1</sup> This forecast covers the Fairbanks North Star Borough (pop. 89,986), which includes the City of Fairbanks (pop. 30,367). (Population numbers are 2008 numbers, the most recent available.)

The upside for Fairbanks in these still uncertain times is its large public sector. Government jobs – federal, state and local – make up a nearly a third of total payroll employment. The large university, federal-civilian and military presence have been a source of stability over the years and they will remain so in 2010. The return of 4,250 troops from the 1st Stryker Brigade Combat Team, 25th Infantry Division, in September after a yearlong deployment to Iraq will have a positive effect on Fairbanks' retail and leisure sectors.

However, the gains from returning soldiers will likely be overshadowed by declines from an even weaker 2010 visitor season and continued lackluster consumer spending – although the latter, if it follows national trends, may pick up.

### Tourism, the big black cloud

Fairbanks' tourism industry lost jobs in 2009, mostly because the area had fewer summer visitors.

By October, bed tax revenue was down 16 percent compared to the same time the year before. Visitor attendance at local attractions for July through September was down 20 percent to 30 percent, depending on the month and the attraction.

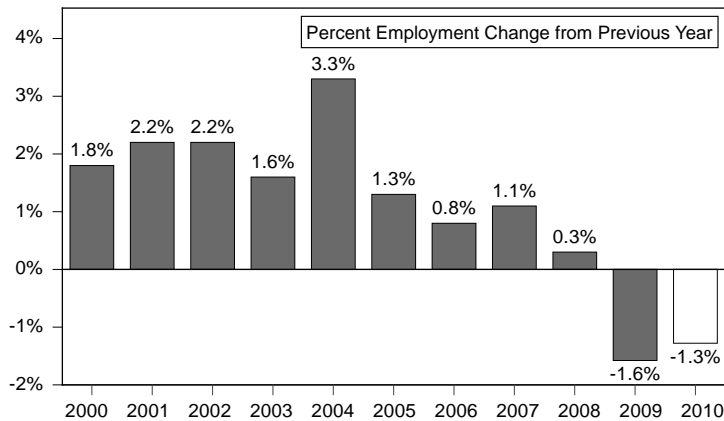
Ridership on the Alaska Railroad – most Fairbanks visitors start their vacations as cruise ship passengers and they usually get there by train or bus – was down 12 percent during the first half of 2009. Railroad officials expected passenger revenue statewide to decline \$2.26 million, or 9.2 percent, from 2008 to 2009.

The large employment sectors in Fairbanks' tourism industry are leisure and hospitality, and transportation; the latter is discussed in the next section.

Leisure and hospitality, a sector based on visitors and locals, was down by 300 jobs in 2009. About two-thirds of Fairbanks' leisure and hospitality employment is tied to eating and drinking places and a quarter is in accommodations.

Half of leisure and hospitality's 300 job losses were in accommodations, even though three ho-

## 7 More Fairbanks Losses Likely Fairbanks job growth, 2000 to 2010



Note: Employment in 2009 is a preliminary estimate and employment for 2010 is a forecast.

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

tels opened in Fairbanks in 2009 – the 71-room Hotel North Pole, 67-room Best Western Chena River Lodge and 101-room Hampton Inn.

More job losses are expected in 2010 – another 300 jobs in leisure and hospitality – largely due to a 15 percent projected decline in the number of cruise ship passengers traveling to Alaska. The expected decline in passengers is because officials for the parent companies of five cruise lines announced in 2009 that they will pull ships from Alaska in 2010; officials for one of the five said they were rerouting some of the ships from the Gulf of Alaska to Southeast.

That means that 120,000 fewer cruise ship passengers, a drop of 30 percent, are expected to travel across the Gulf – from Southeast to Anchorage by way of Whittier or Seward and often onto Fairbanks, or the other way around.<sup>2</sup> It's unclear, though, how that drop will specifically affect Fairbanks.<sup>3</sup>

### Local transportation not enough

Because visitors were down, the scenic and

<sup>2</sup> According to the Alaska Travel Industry Association, a nonprofit visitor industry trade group with 1,100 businesses as members

<sup>3</sup> According to the Fairbanks Convention & Visitors Bureau, of the 1.6 million visitors to Alaska in the summer of 2006 – the most recent data available – 24 percent, or 391,560, visited Fairbanks, including day trips.

sightseeing portion<sup>4</sup> of local transportation was down by 50 jobs in 2009, but those losses were offset by the addition of nearly 100 jobs in local transportation, a category that includes driver jobs for trucking, towing and school busses. Local demand typically drives much of the growth in Fairbanks' transportation sector.

Air transportation was also down by roughly 50 jobs in 2009 despite the short-lived rerouting of planes to Fairbanks in March when the eruption of Mt. Redoubt stopped air traffic in and out of Anchorage.

The large reduction in 2010 cruise ship passenger traffic is expected to drastically reduce the number of visitors traveling to Fairbanks and quash any hopes for a rebound in the transportation sector, which is forecasted to lose 50 jobs, a 2.1 percent decline.

### Retail falls a little further

Retail trade in the area is less dependent on outside visitors than either the leisure and hospitality or transportation sectors. Outside visitors impact souvenir and gift shops the most – the shops represent 2 percent of all retail – but visitors also frequent other stores. Most retail, though, is dependent on local patrons.

Retail trade fell by roughly 200 jobs in 2009. Employment in food and beverage stores, such as Carrs/Safeway and Gold Star Liquor, dropped by nearly 50. Employment in general merchandise stores, such as Wal-Mart and Fred Meyer, dropped by another 100.

Retail trade is expected to continue to decline in 2010, but the declines will be less than in 2009. The main reason the losses won't be as heavy is the 4,250 troops that returned to Fort Wainwright in September. Their return, and the return of many of their families that left Alaska during the soldiers' deployment, will help retail sales em-

<sup>4</sup> Jobs in scenic and sightseeing transportation – ranging from those for backcountry sightseeing and dog-mushing tours to bus drivers to take people to salmon bakes – typically make up 10 percent of all Fairbanks' transportation employment in the summer and only 2 percent or 3 percent in the winter.



ployment in 2010 as the troops and their families buy everything from groceries to big-ticket items such as cars, pickups and flat screens.

## Construction stays slow in 2010

Fairbanks' construction employment, like other parts of the state, dropped in 2009. Fairbanks' fell by 250 jobs.

The number of loans issued to build new structures, residential and commercial, in the Fairbanks North Star Borough were down 25 percent, from 71 loans in the first half of 2008 to 53 in the same period in 2009.

The number of weeks of unemployment benefits claimed for workers whose last job was in Fairbanks' construction industry rose by 55 percent – 9,760 weeks<sup>5</sup> – from 2008 to 2009.

With the other sectors of Fairbanks' economy still losing jobs, it's unlikely that many businesses or residents will begin new construction projects in 2010.

Federal stimulus dollars will largely pay for various Fairbanks' construction projects, including a \$11.7 million satellite data collection center, \$5.5 million Chena Visitors' Center, \$22 million worth of construction and renovation projects for the Army and Air Force, and a potential \$273 million broadband project.

Federal non-stimulus money will pay for nine projects totaling \$200 million on Fort Wainwright and three projects totaling \$40 million on Eielson Air Force Base.

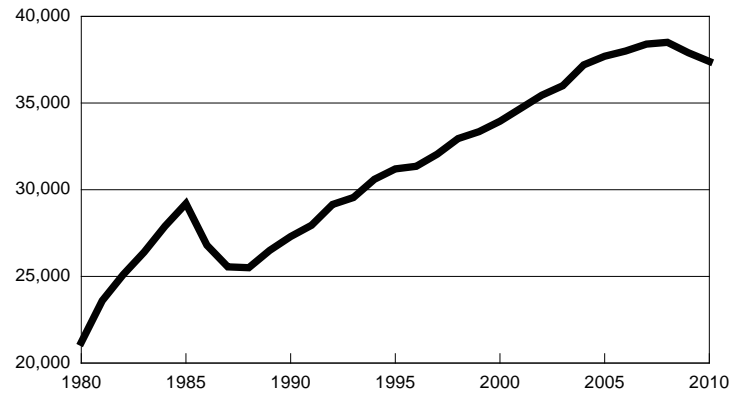
The stimulus projects will help, but even with the stimulus money, the total federal construction dollars in 2010 will stay about level with the amount spent in 2009.

Work is continuing on the state-funded \$46 million Ruth Burnett Sport Fish Hatchery.

Fairbanks' construction industry is expected to lose another 100 jobs in 2010.

<sup>5</sup> One week doesn't necessarily correlate to one worker.

## Slow Declines After Years of Growth Fairbanks payroll jobs, 1980 to 2010



Note: Employment in 2009 is a preliminary estimate and employment for 2010 is a forecast.

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

## Refinances reduce job losses in the financial activities sector

The number of mortgages and loans were down in the first half of 2009, as mentioned earlier. Consumer loans were down by 38 percent in the first half of 2009, construction loans were down by 25 percent, and commercial loans were down by 32 percent.

Yet refinance work as a result of record low interest rates has reduced the number of potential job losses in the financial activities sector. Mortgages – first mortgages and refinances – were up 50 percent in the first half of 2009. Without that additional work, financial activities would have lost more than the 50 jobs it did in 2009, a 3.3 percent decline.

The sector is expected to decline by an additional 50 jobs in 2010 as the boost in refinance work tapers off.

## Small growth in the public sector

Not including the uniformed military, Fairbanks had 3,500 federal government jobs in 2009, a number that has been steady since 2007. The 3,500 includes civilian jobs on Fort Wainwright and Eielson Air Force Base, plus jobs with the Federal Aviation Administration, FBI and Bureau of Indian Affairs and other entities.



# Fairbanks Wage and Salary Employment Forecast for 2010

					Forecast		
	2008 Monthly Average	2009 Monthly Average <sup>1</sup>	Change 2008 to 2009	Percent Change 2008 to 2009	2010 Monthly Average	Change 2009 to 2010	Percent Change 2009 to 2010
Total Nonfarm Wage and Salary <sup>2</sup>	38,500	37,900	-600	-1.6%	37,400	-500	-1.3%
Goods-Producing <sup>3</sup>	4,500	4,350	-150	-3.3%	4,300	-50	-1.1%
Service-Providing <sup>4</sup>	34,000	33,550	-450	-1.3%	33,100	-450	-1.3%
Mining and Logging	1,100	1,200	100	9.1%	1,250	50	4.2%
Construction	2,750	2,500	-250	-9.1%	2,400	-100	-4.0%
Manufacturing	650	650	0	0.0%	650	0	0.0%
Trade, Transportation and Utilities	7,700	7,500	-200	-2.6%	7,350	-150	-2.0%
Retail Trade	4,650	4,450	-200	-4.3%	4,350	-100	-2.2%
Transportation, Warehousing and Utilities	2,400	2,400	0	0.0%	2,350	-50	-2.1%
Information	600	600	0	0.0%	600	0	0.0%
Financial Activities	1,550	1,500	-50	-3.3%	1,450	-50	-3.3%
Professional and Business Services	2,350	2,300	-50	-2.1%	2,200	-100	-4.3%
Educational <sup>5</sup> and Health Services	4,400	4,550	150	3.4%	4,650	100	2.2%
Leisure and Hospitality	4,150	3,850	-300	-7.2%	3,550	-300	-7.8%
Other Services	1,250	1,200	-50	-4.0%	1,150	-50	-4.2%
Government	12,000	12,050	50	0.4%	12,150	100	0.8%
Federal Government <sup>6</sup>	3,500	3,500	0	0.0%	3,500	0	0.0%
State Government <sup>7</sup>	5,250	5,300	50	1.0%	5,350	50	0.9%
Local Government <sup>8</sup>	3,250	3,250	0	0.0%	3,300	50	1.5%

<sup>1</sup> Preliminary estimates  
<sup>2</sup> Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers  
<sup>3</sup> Goods-producing sectors include natural resources and mining, construction and manufacturing.  
<sup>4</sup> Service-providing sectors include all others not listed as goods-producing sectors.  
<sup>5</sup> Private education only  
<sup>6</sup> Excludes uniformed military  
<sup>7</sup> Includes the University of Alaska  
<sup>8</sup> Includes public school systems  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

The 2010 Census will create about 2,000 four- to 10-week jobs across the state; several hundred will be in Fairbanks. Yet with the census as the only source of growth, Fairbanks' federal government jobs are expected to remain at 2009 levels in 2010.

State government continued to grow slightly – by 50 jobs – in 2009, despite the hiring freeze that ran from the beginning of 2009 to June. Most of the growth came from the University of Alaska Fairbanks, as enrollment grew by nearly 300 students in the 2009-2010 school year. UAF jobs will likely grow again in 2010 due to that increase in students.

Seventy percent of local government jobs in Fairbanks are in public schools; the rest are in the borough and city government. Student enrollment at the Fairbanks North Star Borough School District – Fairbanks' largest

civilian employer – increased by 98 students in the 2008-2009 school year and by 262 students in the 2009 -2010 school year. The latter increase will likely mean the school district will hire a small number of new teachers and aides. Those new jobs are expected to increase local government employment by, at most, 50 jobs in 2010.

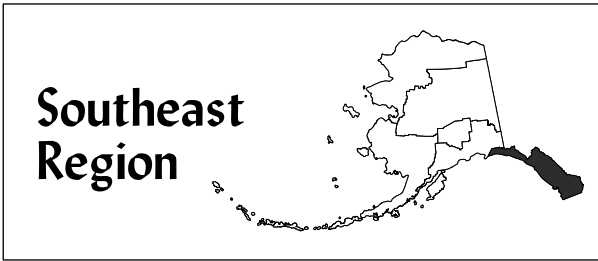
### Growth is expected in health care

Fairbanks' health care industry grew by 150 jobs, 3.4 percent, in 2009 and has grown by a total of 600 jobs since 2002. The growth hasn't been consistent – employment fell from 2006 to 2007 – but the industry is expected to continue its growth trend

into 2010, increasing by another 100 jobs, or 2.2 percent.

### A cloudy forecast

To say that the outlook for 2010 looks dire would be an overstatement, and to say that it looks good would be wrong. A loss of 500 jobs – a 1.3 percent decline from 2009 – is expected in 2010. A return to over-the-year job growth for Fairbanks might not happen until 2011 or even 2012.



## Southeast Region

### After a rough 2009, expect smaller losses in 2010

By Joy Wilkinson, Economist

The Southeast region lost about 750 jobs in 2009, due in large part to the nation's deepest and longest recession since the Great Depression. (See Exhibits 10 and 12.) That was a 2 percent decline, the largest drop in at least 35 years. The second-largest decline during those years was in 1998, when Southeast lost about 650 jobs, a year after Ketchikan Pulp Company's pulp mill closed.

The job losses in Southeast are, however, mild compared to those the country as a whole has experienced. Through the first 11 months of 2009, the U.S. job count was down by 3.8 percent over the year, a percentage loss that was almost twice as high as Southeast's.

Southeast is forecasted to lose additional jobs in 2010 due to the still-fragile national economy and a decline in cruise ship visitors. The job losses are expected to be more moderate as a result of the nation's potential emergence from the recession and the opening of the Kensington gold mine near Juneau.

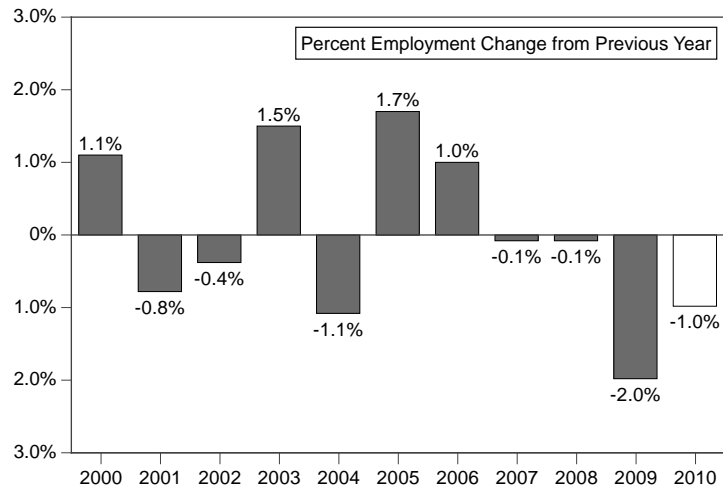
#### Employment growth has been slow in Southeast

Over the past 30 years, the number of jobs in Southeast has slowly increased in spite of economic setbacks. The Sitka pulp mill, like the Ketchikan pulp mill, closed in the 1990s and the region lost more than 1,000 logging jobs.

The fishing industry, which was thriving in the late 1980s, also struggled during the 1990s to

### Smaller Losses Likely in 2010 Southeast job growth, 2000 to 2010

# 10



Note: Employment in 2009 is a preliminary estimate and employment for 2010 is a forecast.

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

adapt to farmed salmon's impact on markets. That contributed to Southeast's steadily declining population during the 2000s, and by 2009 the number of people living in the region had returned to about 1990 levels.

Still, from 1980 to 2009, the number of Southeast jobs rose 10.8 percent from 33,400 to 37,000. (See Exhibit 11.) Tourism's dramatic growth – the number of cruise ship visitors quadrupled from 1990 to 2007 – partly compensated for the loss of logging and mill jobs and the difficult years for the salmon fisheries. Yet, many of the jobs created by tourism are seasonal and have not translated into population growth.

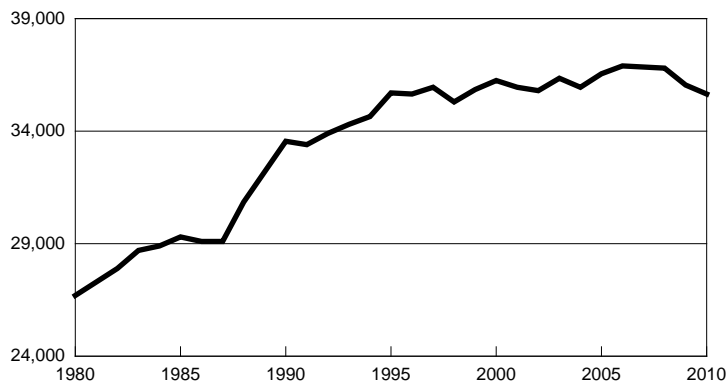
#### Southeast will likely lose more jobs in 2010

Based on the region's struggle with inconsistent job growth in recent years, and the current unfavorable economic conditions, Southeast employment is forecasted to fall further in 2010. However, the drop is projected to be not as steep as 2009 because of some positive signs in the national economy.

The nation's gross domestic product turned positive in the third quarter of 2009, a signal that the nation is likely emerging from the recession.

# 11 A Struggle in the Last Few Years

## Southeast payroll growth, 1980 to 2010



Note: Employment in 2009 is a preliminary estimate and employment for 2010 is a forecast.

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

Other indicators, including retail spending and consumer confidence, also began to show improvement in the second half of 2009.

Nonetheless, a big setback for Southeast's 2010 employment outlook will be the certain loss of cruise ship passengers. The numbers leveled off at around 1 million passengers a year in 2008 and stayed at about that level in 2009, but only through deep discounting of tickets. Several cruise ship companies have pulled ships from Alaska and total cruise ship visitors to Southeast are expected to fall by about 15 percent in 2010.

Further declines in tourism will adversely affect the retail trade, transportation, and leisure and hospitality sectors in 2010; tourism strongly influenced growth in these sectors in the past. Furthermore, the loss of passengers will impact local governments' finances as fewer retail sales and visitors mean less sales tax revenue.

### Mining to grow but the timber industry is gloomy

The mining and logging sector provided about 800 jobs in 2001. Since then it has steadily shrunk – mostly due to the timber industry's continued decline – and was at 550 jobs in 2009. Mining will, however, be a bright spot in 2010 as Kensington is scheduled to begin producing gold mid-year.

Although most of the Kensington facilities were completed in 2007, court battles on permitting and construction of a tailings disposal facility postponed the mine's production. The U.S. Supreme Court ruled in favor of the mine in June and Kensington officials now expect to hire 300 workers at peak construction and 200 workers once the mine begins to operate.

Logging and wood product manufacturing is forecasted to lose additional jobs in 2010. A small positive sign for the industry, however, is the development of wood-biomass as an energy source. This could create new markets for smaller and lower-quality wood. The U.S. Coast Guard is currently exploring the use of wood chips to heat buildings at its Sitka and Ketchikan stations.

### Recovery in construction will be slow

The current recession hit the construction industry hard nationwide and Southeast Alaska was no exception. The region's construction employment has gradually declined in the past decade and fell by an additional 150 jobs in 2009.

Some of the construction projects<sup>1</sup> that are ongoing or planned for 2010 include a \$43 million Juneau International Airport runway expansion, \$21.5 million Gustavus dock replacement, \$8 million areawide paving for Yakutat and \$5 million extension of Juneau's Glacier Highway from Echo Cove to Cascade Point. The construction of Kensington's tailings facility, worth about \$54 million, will also help improve construction employment in 2010.

Overall, little growth is expected in either the residential or commercial sector, but stimulus money and public projects are expected to keep the construction losses small in 2010.

### Retail will suffer from a tourism slowdown

Retail trade employment grew at a faster pace than the region's total employment growth from 2001 to 2008 due in part to the growing visitor

<sup>1</sup> The amounts for the projects include design and infrastructure costs; some of the projects are multiyear.

industry and the opening of a number of large retail stores.<sup>2</sup> In 2009, however, the retail industry took a deep dive and lost 250 jobs, a 6.3 percent drop, which was the steepest decline since 2001.

A large decline in sales tax revenue in the region reflects the retail slowdown. Juneau's revenue, for example, declined 10.2 percent through the first three quarters of 2009 over the year, while Skagway's declined 8.0 percent.

With the expected loss of cruise ship passengers in 2010, the retail industry is forecasted to suffer further losses.

## Government employment will hold steady

Government provides more jobs than any other sector in Southeast – 37 percent of total payroll jobs in 2009. State and local government have maintained generally steady job levels in recent years, although the federal government experienced some job losses. Government employment is forecasted to increase slightly in 2010 and bring some stability to the region's shaky employment outlook.

Federal government reached 2,050 jobs in 2004 and then steadily declined over the last five years to 1,750 jobs in 2009. Most of the decline is attributable to the loss of U.S. Forest Service jobs. Federal government employment is forecasted to increase marginally in 2010 as the U.S. Census Bureau hires temporary workers to conduct the 2010 Census.

<sup>2</sup> In Juneau, Home Depot and Wal-Mart opened in 2007, and Fred Meyer's expansion was completed the same year. In Ketchikan, Wal-Mart opened in 2001.

# Southeast Wage and Salary Employment Forecast for 2010 **12**

## Forecast

	2008		2009		Change		Percent Change 2008 to 2009	Forecast		Percent Change 2009 to 2010
	Monthly Average	Monthly Average <sup>1</sup>	2008 to 2009	2009	2010 Monthly Average	Change 2009 to 2010				
Total Nonfarm Wage and Salary <sup>2</sup>	36,800	36,050	-750		-2.0%	35,700	-350	-1.0%		
Goods-Producing <sup>3</sup>	3,950	3,800	-150		-3.8%	3,800	0	0.0%		
Service-Providing <sup>4</sup>	32,850	32,250	-600		-1.8%	31,900	-350	-1.1%		
Mining and Logging	600	550	-50		-8.3%	650	100	18.2%		
Construction	1,550	1,400	-150		-9.7%	1,350	-50	-3.6%		
Manufacturing	1,800	1,850	50		2.8%	1,800	-50	-2.7%		
Seafood Processing	1,300	1,400	100		7.7%	1,400	0	0.0%		
Trade, Transportation and Utilities	7,650	7,200	-450		-5.9%	6,900	-300	-4.2%		
Retail Trade	4,700	4,450	-250		-5.3%	4,200	-250	-5.6%		
Information	550	550	0		0.0%	550	0	0.0%		
Financial Activities	1,350	1,300	-50		-3.7%	1,300	0	0.0%		
Professional and Business Services	1,250	1,300	50		4.0%	1,300	0	0.0%		
Educational <sup>5</sup> and Health Services	3,600	3,650	50		1.4%	3,650	0	0.0%		
Leisure and Hospitality	3,850	3,600	-250		-6.5%	3,500	-100	-2.8%		
Other Services	1,200	1,200	0		0.0%	1,200	0	0.0%		
Government	13,400	13,450	50		0.4%	13,500	50	0.4%		
Federal Government <sup>6</sup>	1,800	1,750	-50		-2.8%	1,800	50	2.9%		
State Government <sup>7</sup>	5,450	5,450	0		0.0%	5,450	0	0.0%		
Local Government <sup>8</sup>	6,150	6,250	100		1.6%	6,250	0	0.0%		

<sup>1</sup> Preliminary estimates

<sup>2</sup> Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers

<sup>3</sup> Goods-producing sectors include natural resources and mining, construction and manufacturing.

<sup>4</sup> Service-providing sectors include all others not listed as goods-producing sectors.

<sup>5</sup> Private education only

<sup>6</sup> Excludes uniformed military

<sup>7</sup> Includes the University of Alaska

<sup>8</sup> Includes public school systems

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

After two years of incremental declines, state and local government employment is expected to stay virtually the same in 2010. Oil revenue will continue to fuel state government and although local governments will likely suffer losses in tax revenues due to the weak economy, federal stimulus funds will help offset the losses.

## Seafood processing will be steady

In recent years, seafood processing<sup>3</sup> grew from 1,300 jobs in 2001 to 1,500 jobs at its peak in 2006. Then after two consecutive years of small declines, the industry added 100 jobs in 2009.

Fishing and the seafood processing industry have been a relatively bright spot for the region's

<sup>3</sup> Fishermen are considered self-employed and are generally not covered by Alaska's unemployment insurance laws. As a result they are not included in this forecast, although they play an important part in the industries and sectors that are.

economy over the last several years. Health-conscious consumers have increased demand for heart-healthy fats – with salmon near the top of the list – and seafood has become a fast-growing food category for the nation and world.

Although consumers may continue to shy away from more pricey seafood as a lingering influence of the recession, economic slowdowns generally have smaller effects on food-related industries. For the 2010 forecast, the seafood processing employment is expected to hold steady.

## A resilient and diverse economy

Southeast had a rough year in 2009. It was the third consecutive year of employment declines and the losses were broader and deeper than

the region has seen in years. Yet the region's economy has been resilient in the last few decades, responding fairly well to major economic setbacks. One reason has been the diversity provided by its four major economic drivers – fishing, tourism, mining and government. That same diversity will help cushion another year of losses in 2010 and help generate resumed growth in the years to follow.

### Trends Index 2009

#### January

Employment Forecast for 2009: State's 21-year growth streak forecasted to end in 2009  
Alaska's 10-Year Occupational Forecast: A look at industries and occupations, 2006 to 2016  
Employment Scene – Unemployment rate at 7.3 percent in November

#### February

Apprenticeships in Alaska: A measurable path to employment success  
Employment Scene – Unemployment rises to 7.5 percent in December

#### March

Alaska's Residential Foreclosures: Alaska's foreclosure rates – at a 15-year high – are still much lower than the nation's  
Alaska's Workplace Fatalities: Work-related deaths decline  
Employment Scene – Job growth continues in Alaska

#### April

Youth Working in Alaska: An important component of Alaska's work force  
The Alaska Career Ladder: A new tool for workers, businesses and career counselors  
Employment Scene – Alaska's unemployment rate rises to 8.0 percent

#### May

Building the Next Pipeline: Assessing and training the gas line work force  
Alaska's 2008 Population: State and local estimates  
Employment Scene – Unemployment rate climbs to 8.5 percent

#### June

The U.S. Economy and Alaska Migration: A historical connection between the two  
Yakutat: Fishing then, fishing now  
Alaska's Direct Care Jobs: Home health care aide occupations are growing fast  
Employment Scene – Unemployment rate falls to 8.0 percent

#### July

The *Trends* 100: Alaska's 100 largest private employers in 2008 – Wal-Mart becomes the state's second-largest  
Valdez: A story that mirrors Alaska's  
Employment Scene – Unemployment rate rises to 8.4 percent

#### August

The Cost of Living in Alaska: Volatile energy prices and a new geographic study  
Northwest Arctic Borough: A look at an economy in the remote North  
Employment Scene – Alaska's economy affected by national recession

#### September

The Denali Borough: Steady as she goes  
The Anchorage Rental Market: A look at renting a home in Anchorage  
Employment Scene – Alaska's job losses remain mild

#### October

The Unemployment Rate: A frequently used and occasionally misunderstood economic indicator  
Unemployment Claims and the Insured Unemployment Rate: What are they saying about Alaska's economy?  
Alaska Local and Regional Information: A snapshot of an area's work force down to the community level  
Employment Scene – Unemployment rate shows little change

#### November

Employment in Alaska's Seafood Industry: A look at harvesting and processing jobs  
The Bethel Census Area: Home to the largest rural community in Alaska  
Employment Scene – Unemployment rate at 8.4 percent in September

#### December

The 2010 Census: Why it's important and how it will work in Alaska  
The Recession's Impact on Retail Jobs: In some ways, Alaska's not so different  
Housing Affordability: Record affordability in Alaska's housing market  
Employment Scene – Unemployment rate climbs to 8.9 percent



## Unemployment rate at 8.7 percent in November

**A**laska's seasonally adjusted November unemployment rate was unchanged from October's revised rate of 8.7 percent. October's preliminary rate was revised down two-tenths of a percentage point from 8.9 percent.

### No clear trend

Alaska's unemployment rates have been up and down for much of 2009, due more to statistical volatility than to real economic swings. Overall, the rate has risen slightly over the year, but the total distance between November's 8.7 percent rate and March's 8.4 percent is small enough to be statistically insignificant.

### Job numbers reveal a little more

As is often the case, the state's monthly job estimates give a little more information about what's happening with Alaska's economy. Total payroll jobs in November were down by about 3,300 compared to November 2008, a decline of 1.1 percent.

The losses were widespread with only health care and government showing job growth. The

biggest losses continue to show up in construction (-1,100), food services and drinking places (-1,100) and retail trade (-700).

### Echoes of the national recession

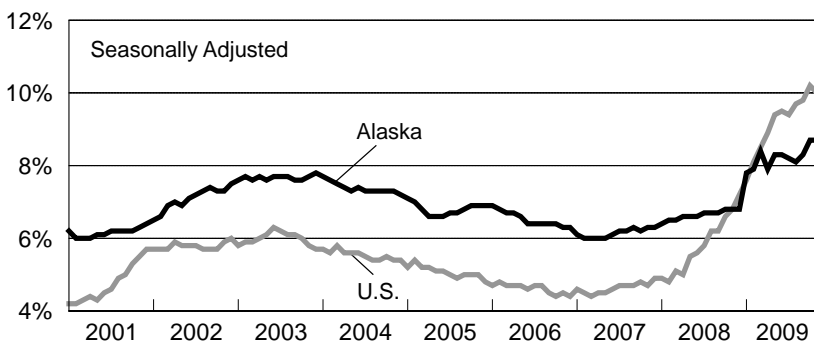
Alaska's job losses continue to be mild compared to the national numbers. The state's over-the-year November decline of 1.1 percent was less than a third as big as the national drop of 3.4 percent over the same period.

Nationally, some of the biggest losses have come in manufacturing as falling global demand for goods accelerated a decades-old trend of declining U.S. manufacturing jobs. Alaska has fared better than the nation on that front, primarily because the state's manufacturing sector consists mostly of seafood processing. Typically, food-based manufacturing is less susceptible to recessionary downturns since people have to eat even if they can give up a lot of other things.

Construction jobs are way down nationally as a consequence of the burst housing bubble and related difficulties in the financial sector. Alaska has also lost its share of construction jobs, but the losses began before the recession and have less to do with reckless lending and unsustainable price increases than other factors. From March 2007 to November 2009, national construction jobs fell by 22 percent. Alaska's construction declines have been more gradual and haven't added up to such a large total percentage loss.

Other sectors' losses, both nationally and in Alaska, are easy to connect to reduced consumer confidence and spending. Retail jobs and those in industries connected to tourism and other types of discretionary spending have generally taken a hit, although the last few months have brought signs of improvement for both consumer confidence and retail sales.

## 1 Unemployment Rates, Alaska and U.S. January 2001 to November 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	Revised	Revised	Changes from:	
	11/09	10/09	11/08	10/09	11/08
<b>Alaska</b>					
<b>Total Nonfarm Wage and Salary<sup>1</sup></b>	309,900	317,100	313,200	-7,200	-3,300
Goods-Producing <sup>2</sup>	39,500	43,800	41,500	-4,300	-2,000
Service-Providing <sup>3</sup>	270,400	273,300	271,700	-2,900	-1,300
<b>Mining and Logging</b>	15,200	15,300	15,700	-100	-500
Logging	300	200	200	100	100
Mining	15,000	15,100	15,500	-100	-500
Oil and Gas	12,800	12,800	13,100	0	-300
<b>Construction</b>	15,100	17,500	16,200	-2,400	-1,100
<b>Manufacturing</b>	9,200	11,000	9,600	-1,800	-400
Wood Product Manufacturing	300	300	400	0	-100
Seafood Processing	5,000	6,600	5,600	-1,600	-600
<b>Trade, Transportation, Utilities</b>	61,700	62,300	63,200	-600	-1,500
Wholesale Trade	6,200	6,300	6,200	-100	0
Retail Trade	35,500	35,300	36,200	200	-700
Food and Beverage Stores	6,100	6,200	6,100	-100	0
General Merchandise Stores	9,900	9,800	9,900	100	0
Transportation, Warehousing, Utilities	20,000	20,700	20,800	-700	-800
Air Transportation	6,100	6,200	6,100	-100	0
Truck Transportation	3,200	3,200	3,200	0	0
<b>Information</b>	6,800	6,800	7,100	0	-300
Telecommunications	4,200	4,300	4,700	-100	-500
<b>Financial Activities</b>	14,300	14,600	14,700	-300	-400
<b>Professional and Business Services</b>	24,600	25,300	24,900	-700	-300
<b>Educational<sup>4</sup> and Health Services</b>	39,400	39,400	37,700	0	1,700
Health Care	28,900	28,900	27,200	0	1,700
<b>Leisure and Hospitality</b>	26,900	27,800	28,100	-900	-1,200
Accommodations	5,700	6,100	6,400	-400	-700
Food Services and Drinking Places	16,700	17,300	17,800	-600	-1,100
<b>Other Services</b>	11,600	11,600	11,600	0	0
<b>Government</b>	85,100	85,500	84,400	-400	700
Federal Government <sup>5</sup>	16,200	16,500	16,200	-300	0
State Government	26,200	26,400	25,800	-200	400
State Government Education <sup>6</sup>	8,100	8,100	8,000	0	100
Local Government	42,700	42,600	42,400	100	300
Local Government Education <sup>7</sup>	24,300	24,100	24,000	200	300
Tribal Government	3,400	3,700	3,500	-300	-100

Notes for Exhibits 2 and 4:

<sup>1</sup> 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](http://labor.alaska.gov/research/seafood/seafood.htm)

<sup>2</sup> Goods-producing sectors include natural resources and mining, construction and manufacturing.

<sup>3</sup> Service-providing sectors include all others not listed as goods-producing sectors.

<sup>4</sup> Private education only

<sup>5</sup> Excludes uniformed military

<sup>6</sup> Includes the University of Alaska

<sup>7</sup> Includes public school systems

<sup>8</sup> 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

SEASONALLY ADJUSTED	Prelim.	Revised	Revised
	11/09	10/09	11/08
<b>United States</b>	10.0	10.2	6.8
<b>Alaska Statewide</b>	8.7	8.7	6.8
<b>NOT SEASONALLY ADJUSTED</b>			
<b>United States</b>	9.4	9.5	6.5
<b>Alaska Statewide</b>	8.5	8.1	6.8
<b>Anchorage/Mat-Su Region</b>	7.5	7.3	5.9
Municipality of Anchorage	6.9	6.8	5.4
Mat-Su Borough	9.8	9.1	7.9
<b>Gulf Coast Region</b>	11.7	10.2	8.9
Kenai Peninsula Borough	11.6	10.8	8.8
Kodiak Island Borough	11.9	7.7	8.0
Valdez-Cordova Census Area	11.6	10.7	10.1
<b>Interior Region</b>	8.6	8.0	7.1
Denali Borough	18.9	15.7	13.2
Fairbanks North Star Borough	7.9	7.3	6.3
Southeast Fairbanks Census Area	10.2	9.6	8.9
Yukon-Koyukuk Census Area	14.6	13.6	14.2
<b>Northern Region</b>	9.0	8.9	7.1
Nome Census Area	11.5	11.0	9.1
North Slope Borough	5.4	5.7	4.0
Northwest Arctic Borough	12.1	11.6	9.6
<b>Southeast Region</b>	8.8	8.2	7.4
Haines Borough	12.0	10.1	10.2
Juneau Borough	6.5	6.4	5.4
Ketchikan Gateway Borough <sup>1</sup>	8.6	7.7	6.7
Prince of Wales-Outer Ketchikan CA <sup>1</sup>	16.1	14.4	14.3
Sitka Borough	7.2	7.1	5.9
Skagway-Hoonah-Angoon CA <sup>1</sup>	23.2	18.1	21.8
Wrangell-Petersburg Census Area <sup>1</sup>	11.6	10.6	9.7
Yakutat Borough	11.7	6.2	8.7
<b>Southwest Region</b>	13.4	12.9	11.3
Aleutians East Borough	13.2	10.4	11.8
Aleutians West Census Area	8.1	9.3	7.2
Bethel Census Area	14.1	13.8	12.4
Bristol Bay Borough	11.6	8.9	6.5
Dillingham Census Area	11.6	10.9	9.1
Lake and Peninsula Borough	7.8	7.1	5.7
Wade Hampton Census Area	20.4	20.2	16.6

<sup>1</sup> 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	Revised	Revised	Changes from:		Percent Change:	
	11/09	10/09	11/08	10/09	11/08	10/09	11/08
Anch/Mat-Su	169,700	171,400	171,300	-1,700	-1,600	-1.0%	-0.9%
Anchorage	150,500	152,000	152,900	-1,500	-2,400	-1.0%	-1.6%
Gulf Coast	26,200	27,550	26,850	-1,350	-650	-4.9%	-2.4%
Interior	42,900	43,900	43,900	-1,000	-1,000	-2.3%	-2.3%
Fairbanks <sup>8</sup>	36,300	37,000	37,600	-700	-1,300	-1.9%	-3.5%
Northern	20,350	20,750	20,350	-400	0	-1.9%	0.0%
Southeast	33,700	34,550	33,950	-850	-250	-2.5%	-0.7%
Southwest	17,050	18,700	17,300	-1,650	-250	-8.8%	-1.4%

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

[laborstats.alaska.gov](http://laborstats.alaska.gov)

# Employer Resources

## Alaska's Minimum Wage Increases to \$7.75

Alaska's minimum wage increased to \$7.75 an hour on Jan. 1, which is 50 cents above the \$7.25 federal minimum wage.

"Under the new law, when the federal minimum wage increases, the Alaska wage will automatically adjust to 50 cents higher," said Labor Commissioner Click Bishop.

When Alaska's increase was signed into law in June, it called for a two-step increase – the first was a 10-cent increase to match the \$7.25 federal minimum wage, then the Jan. 1 increase. Those were the first increases to Alaska's minimum wage in more than six years.

Economists with the Alaska Department of Labor and Workforce Development say it's too early to predict the impact of the increase, but real earnings have steadily been declining, meaning that wages haven't kept pace with inflation in Alaska.

The Alaska Wage and Hour Act (Alaska Statutes 23.10.050 – 23.10.150) sets minimum wage and overtime pay standards for employment subject to its provisions. Those standards are generally applicable to all employees, with some exceptions. School bus drivers, for instance, are required to be paid at least two times the Alaska minimum wage. Other exceptions to the minimum wage are listed in the Summary of Alaska Wage and Hour Act, a poster that employers are required to post in a prominent place, according to AS 23.10.105.

To download a printable version of the Summary of Alaska Wage and Hour Act from the Labor Standards and Safety Web site, go to [labor.alaska.gov/lss/forms/sum-wh-act-1.pdf](http://labor.alaska.gov/lss/forms/sum-wh-act-1.pdf). The Department of Labor's Labor Standards and Safety Division enforces compliance with minimum wage and other wage-related requirements.

For more information, go to the Labor Standards and Safety Web site at [labor.alaska.gov/lss/whhome.htm](http://labor.alaska.gov/lss/whhome.htm). Or call the nearest Wage and Hour Administration office: Anchorage (907) 269-4900; Fairbanks (907) 451-2886; and Juneau (907) 465-4842. For your local Alaska Job Center, call (877) 724-2539 (ALEX).

## Governor's Safety and Health Conference is March 23-25

The 29<sup>th</sup> annual Alaska Governor's Safety and Health Conference will be held March 23-25 at the Sheraton Anchorage. Alaska employees and employers, after three days of instruction, discussion and demonstration of safety in Alaska, will come away with an understanding of the importance of safety and health and how it directly impacts the bottom line.

This year's theme, "Driving Safety for Alaska's Future," will highlight transportation and highway safety. Every Alaska industry is exposed to transportation accidents; the seminars will provide the tools to address those hazards. Other training will include youth safety, safety education, and safety and health in rural Alaska.

On March 23-24, the Alaska Department of Labor and Workforce Development's Occupational Safety and Health, or AKOSH, will present two 10-hour safety training classes, one on general industry standards and another on construction standards. Participants will get a U.S. Department of Labor Occupational Safety & Health Administration 10-hour card. All the other training seminars will be held March 24-25.

The Governor's Office, at the conference, will recognize companies, organizations and individuals for their achievements in workplace safety and health. Award nominations will be accepted through Feb. 26.

For more information about the conference and award nominations, go to the conference's Web site at <http://www.regonline.com/builder/site/tab2.aspx?EventID=790447>.