

Statewide jobs forecast for 2023

Alaska to add 5,300 jobs this year as recovery continues

By KARINNE WIEBOLD

Alaska is forecasted to add 5,300 jobs in 2023 — 1.7 percent — as the state continues to recoup pandemic losses, although at a slightly slower rate than the past two years. We expect some industries to regain and then top their 2019 employment levels while others will take longer.

The easiest gains appear to be behind us. In 2021, rebounds from pandemic lows came from re-openings and massive infusions of federal money through household stimulus checks, enhanced unemployment benefits, and direct support to businesses and state and local governments. Rising oil prices and strong Alaska Permanent Fund investment returns that year also lifted state revenue projections. In 2022, Alaska continued to add jobs as students went back to school, cruise ships returned in full, more people traveled and ate out, and oil prices climbed.

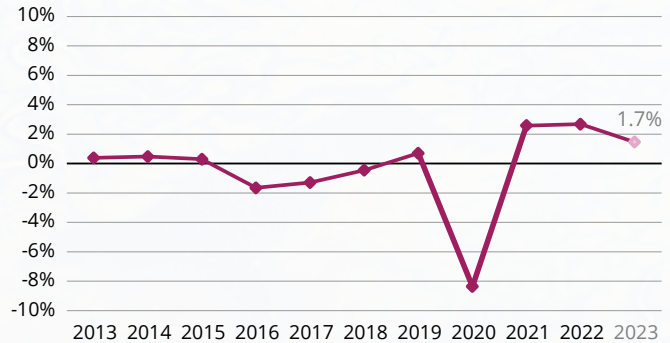
This year's gains will likely come in smaller amounts from a wider range of industries, as we expect all Alaska industries to grow or hold steady. Many of 2022's patterns will continue this year, and no major changes are on the horizon aside from the federal infrastructure bill. However, that spending will just begin to ramp up in 2023 and span at least five years, so the resulting growth and its timing are difficult to predict.

COVID, pre-pandemic weakness are still major influences in 2023

History is the best guide when forecasting, and 2022 provided plenty of clues about what to expect this year. Some economic uncertainty from the pandemic persists, and Alaska's pre-pandemic economy was weak following a 2015-2018 state recession. Alaska's job growth in 2022 was among the slowest in the country.

Supply chain disruptions from 2021 continued in 2022, and while some worked themselves out by

A third year of slow employment growth is still mostly recovery



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

the end of the year, COVID-19 is still a global problem. Future restrictions and supply chain disruptions, especially from China, remain possible.

Worker shortages, the rising cost of labor, and inflation also worked against recovery in 2022 and will cause ongoing friction in 2023.

More cruise ship visitors expected

Alaska anticipates cruise ship visitors in record numbers in 2023. The pandemic halted all types of travel early on, but cruise ships were an outsized problem because they put thousands of people in extended close contact, moving from one isolated community to the next. Cruises to Alaska halted in 2020, dropping to zero passengers from 1.3 million the year before.

About 100,000 passengers returned in 2021, followed by a surge in 2022 with a full slate of ships, though not filled to capacity. Even though ships were just three-quarters full on average, 1.2 million tourists arrived in 2022, putting the year's tally among Alaska's highest.

The outlook for statewide jobs, by industry

	Monthly avg, 2021 ¹	Monthly avg, 2022 ¹	Change, 2021-22	Percent change	JOBS FORECAST		
					Monthly avg, 2023	Change, 2022-23	Percent change
Total Nonfarm Employment²	310,200	318,500	8,300	2.7%	323,800	5,300	1.7%
Total Private	233,000	241,500	8,500	3.6%	246,400	4,900	2.0%
Mining and Logging	10,500	10,900	400	3.8%	11,500	600	5.5%
Oil and Gas	6,700	7,000	300	4.5%	7,400	400	5.7%
Construction	15,900	16,300	400	2.5%	16,800	500	3.1%
Manufacturing	12,200	12,400	200	1.6%	12,900	500	4.0%
Trade, Transportation, and Utilities	61,000	63,800	2,800	4.6%	64,800	1,000	1.6%
Wholesale Trade	6,200	6,200	0	0%	6,300	100	1.6%
Retail Trade	34,300	34,900	600	1.7%	35,300	400	1.1%
Transportation, Warehousing, and Utilities	20,500	22,700	2,200	10.7%	23,200	500	2.2%
Information	4,800	4,800	0	0%	4,800	0	0%
Financial Activities	10,800	11,000	200	1.9%	11,100	100	0.9%
Professional and Business Services	26,400	27,100	700	2.7%	27,600	500	1.8%
Educational (private) and Health Services	50,500	49,900	-600	-1.2%	50,200	300	0.6%
Health Care	38,900	38,700	-200	-0.5%	38,800	100	0.3%
Leisure and Hospitality	30,400	34,300	3,900	12.8%	35,700	1,400	4.1%
Other Services	10,400	10,900	500	4.8%	11,000	100	0.9%
Total Government	77,200	77,000	-200	-0.3%	77,400	400	0.5%
Federal, except military	15,100	14,900	-200	-1.3%	14,900	0	0%
State, incl. University of Alaska	22,600	22,000	-600	-2.7%	22,100	100	0.5%
Local and tribal, incl. public schools	39,500	40,100	600	1.5%	40,400	300	0.7%

¹Preliminary and adjusted estimates. ²Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

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

Federal infrastructure money to start flowing

The federal infrastructure bill will route billions of dollars to the state over the next several years. Funds for roads, bridges, ferries, water and sewer facilities, and broadband will make long-term improvements to the state's infrastructure.

The projects will create jobs, and the improvements will lay the foundation for further economic growth. Port improvements in Anchorage and the development of a far north deep water facility in Nome will increase the state's ability to move goods, possibly on a global scale.

As mentioned earlier, while we expect some infrastructure money will come in 2023, we can't specify which projects or jobs could arise this year as a result.

Statewide forecasted job recovery to pre-pandemic levels, by industry

	2019 jobs	2023 forecasted	Difference from 2019
Total Nonfarm Employment	330,000	323,800	-1.9%
Total Private	250,200	246,400	-1.5%
Mining and Logging	13,400	11,500	-14.2%
Oil and Gas	9,900	7,400	-25.3%
Construction	16,400	16,800	2.4%
Manufacturing	13,100	12,900	-1.5%
Transportation, Trade, and Utilities	64,600	64,800	0.3%
Wholesale Trade	6,600	6,300	-4.5%
Retail Trade	35,600	35,300	-0.8%
Transp, Warehousing, and Utilities	22,500	23,200	3.1%
Information	5,400	4,800	-11.1%
Financial Activities	11,600	11,100	-4.3%
Professional and Business Services	27,700	27,600	-0.4%
Educational (private) and Health Svcs	50,800	50,200	-1.2%
Health Care	38,700	38,800	0.3%
Leisure and Hospitality	36,200	35,700	-1.4%
Other Services	11,000	11,000	0%
Total Government	79,900	77,400	-3.1%
Federal, except military	14,900	14,900	0%
State, incl. University of Alaska	23,200	22,100	-4.7%
Local and tribal, incl. public schools	41,800	40,400	-3.3%

Note: May not sum because of rounding. Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

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

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Worker shortages are ongoing

The nation is grappling with a worker shortage, which will be an ongoing constraint on job growth in 2023. As Alaska's economy continues to recover, the worker shortage will make filling positions, including those created by infrastructure spending, difficult to fill.

An aging and migration losses, especially of people in their working ages, will exacerbate that shortage.

An older population means fewer workers, now and in the future

Alaska's total population has been flat, increasing or decreasing by less than half a percentage point each year for most of the last decade. And, like the rest of the country, the state is getting older.

Alaska has historically been a young state and remains so relative to the U.S. as a whole, but the number and percentage of older people has grown dramatically over the last couple of decades, increasing fivefold as a percentage of our total population. Alaska's birth rate has fallen over the same period.

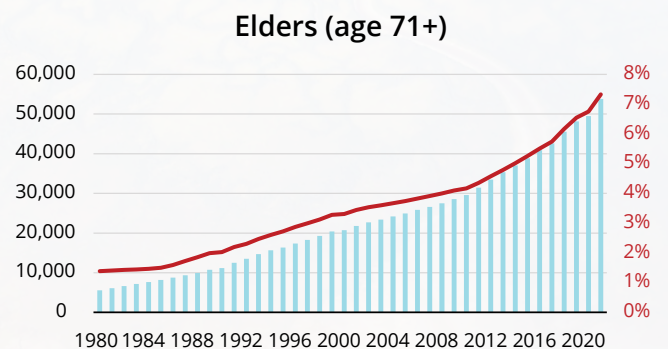
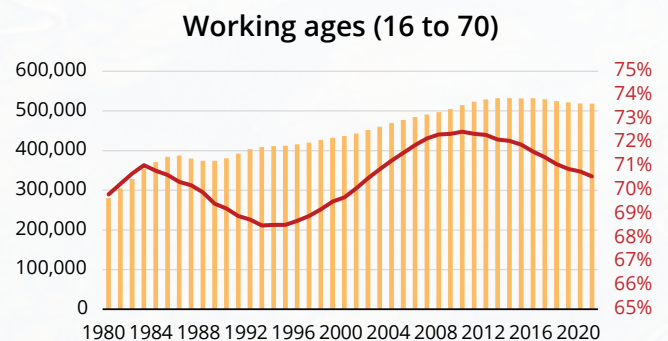
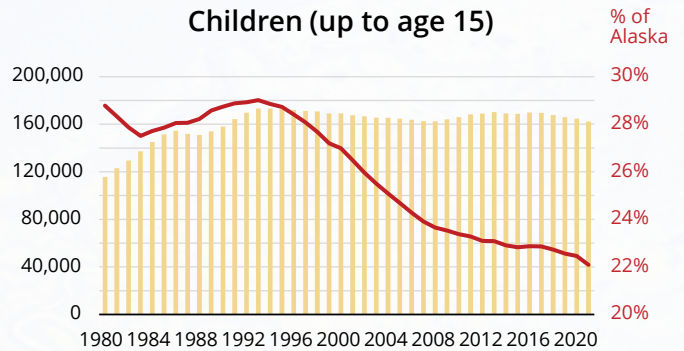
An older population means a smaller pool of working-age people, and a lower birth rate translates to fewer future workers.

Fewer moving here and staying

About 20 percent of Alaska's jobs are filled by nonresidents. Some stay — about 10 percent each year — but most come temporarily to work in our seasonal or remote industries: seafood processing, tourism, and oil and gas. A record number of job openings across the country means less draw to Alaska for both temporary and long-term work.

Fewer people have been moving to the state and staying long enough to apply for a Permanent Fund Dividend, which is how we gauge residency. (For more on movers' shorter stays, see the August 2022 issue.) As a share of our population, Alaska has always had the biggest yearly population flows both in and out, but in the last decade, the scale tipped to more loss than gain.

Alaska's age structure has shifted considerably since the early 1980s



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

Net migration losses were large enough in some years to cause an overall population decline, although those losses leveled out and the total population increased by a tenth of a percentage point in 2021.

Another consequence of net migration losses is that movers are disproportionately in their 20s and 30s — people of working age and those most likely to bring children with them.

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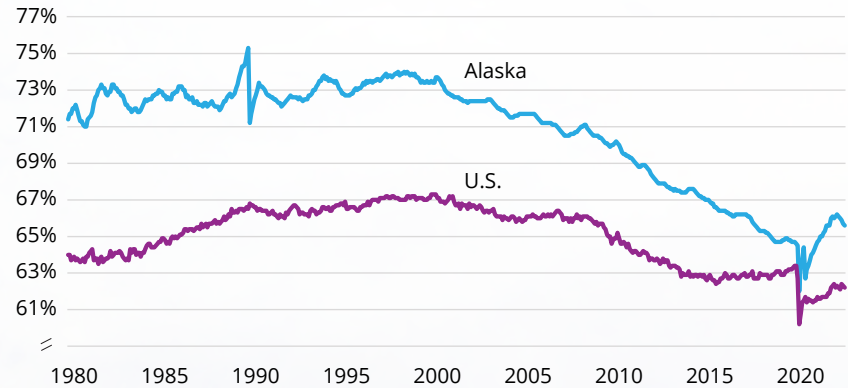
Less labor force participation

We have fewer workers to fill open positions than before the pandemic, but the percentage of the working-age population either employed or available to work had already been declining nationwide for decades.

The most recent labor force participation data show Alaska exceeding our pre-pandemic rate, but these data have been difficult to collect and extrapolate in small states during the pandemic. This preliminary rate, which may be revised in the future, probably doesn't accurately represent our current labor market. Despite Alaska having fewer jobs now — about 11,000 below 2019 — the worker supply is still short. Job openings hit record numbers last year. The worker shortage was evident as businesses continued to reduce hours or services in 2022, even as the pandemic waned.

People bow out of the labor force for numerous reasons, including to care for children or other family members or because of health problems, school or training, burnout, or retirement. A booming stock market swelled retirement accounts, making that a more attractive or feasible option for many.

Less labor force participation a long-term trend



Note: Seasonally adjusted
Source: U.S. Bureau of Labor Statistics

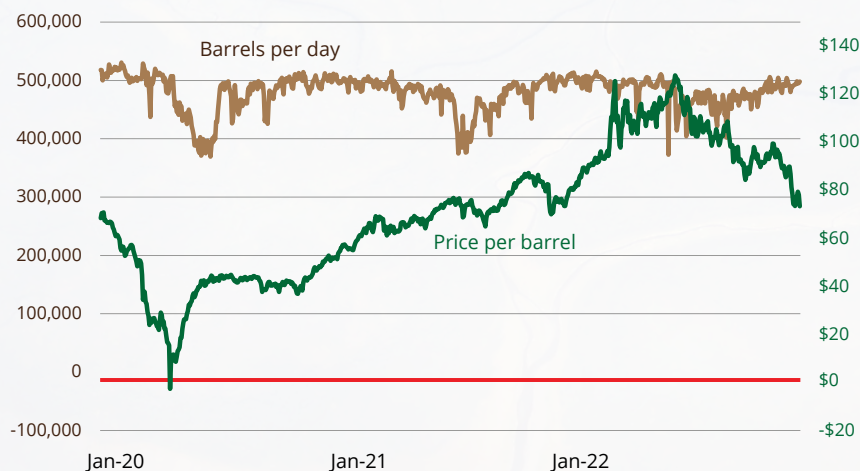
(For more on the decline in the labor force participation rate, see the October 2019 issue of *Trends*.)

Oil prices and revenue uncertainty

Oil prices were volatile in 2022. After averaging \$42 a barrel in 2020 and \$71 a barrel in 2021, prices soared to more than \$100 in 2022. Prices started to fall mid-year, from a \$128 summer peak to the upper-\$70s by December.

The Alaska Permanent Fund also took a wild ride over the last couple of years. After an unprecedented 30 percent return in 2021, 2022 dipped into negative territory (-1 percent) for only the third

Oil prices and production in the COVID era



Note: Price per barrel and barrels per day for Alaska North Slope West Coast oil
Source: Alaska Department of Revenue, Tax Division

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time in history. (The others were 2002 and 2009.) The fund's market value fell from \$81.9 billion to \$76.3 billion, and that's not accounting for the year's high inflation.

The majority of our state revenue has come from the fund's earnings reserve in recent years, funding government, schools, and the annual Permanent Fund Dividend, which was one of the largest ever last year at \$3,284 per Alaskan.

All Alaska industries to add jobs or hold steady in 2023

Oil, construction projects ramp up

We forecast 600 new jobs for the mining and logging sector this year, with the majority coming from oil and gas (400).

Mines weathered the pandemic downturn well, and their growth will come from small workforce expansions across the board. Oil and gas, on the other hand, was hammered during COVID, losing nearly a quarter of its jobs in 2020 (-2,300). The industry had resumed growing in 2019 after the three-year statewide recession spurred by falling oil prices, but demand plummeted in 2020 as travel, commuting,

and manufacturing slowed globally. The oil industry continued to lose jobs in 2021 (-900).

Oil prices have been volatile, falling into negative territory briefly in April 2020 and soaring to nearly \$130 a barrel after Russia invaded Ukraine in spring 2022. The invasion put pressure on the international market to avoid buying from Russia, the largest crude oil producer after the United States.

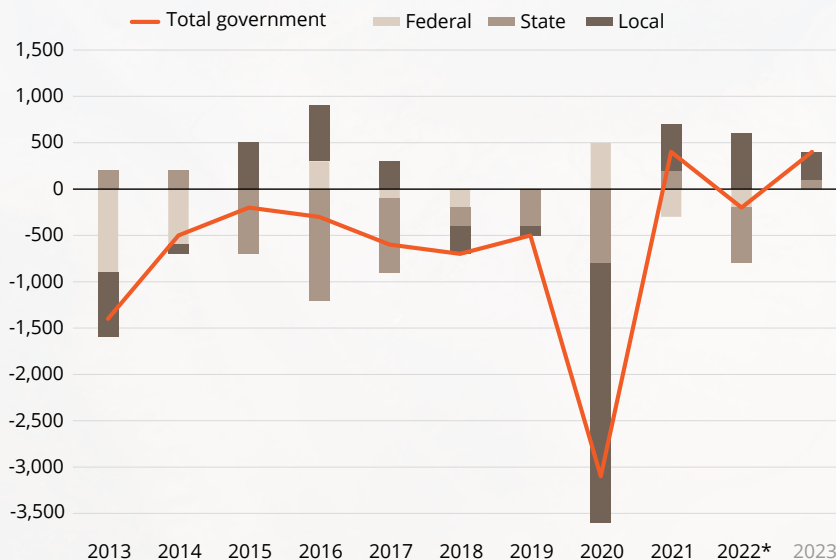
High oil prices in 2022 spurred only modest job growth, and the industry remained about 2,900 jobs below 2019 levels and at about half the 2014 peak.

Activity on the North Slope has increased, though, and that combined with preparation for the Pikka and Willow projects will boost employment by about 400 this year. (For more on the oil industry, see the Anchorage forecast.)

Construction also fared relatively well during the pandemic, losing just 600 jobs and recovering most of them by 2022. We forecast an additional 500 jobs this year, pushing the count well over 2019. Construction will benefit from the forthcoming federal infrastructure funds, although the impact in 2023 will be small because it takes time for projects to be funded, bid out, and launched.

Professional and business services, many of which support oil and construction, will also benefit from preparation for infrastructure projects. After major losses during the statewide and pandemic

More long-term government job losses than gains



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

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downturns, this sector grew over the last two years with an overall increase in economic activity.

We forecast 500 additional jobs for this year, which would bring employment within 100 jobs of the sector's pre-pandemic level.

Seafood processing recovers slowly

Manufacturing employment, which is mainly seafood processing in Alaska, has declined over the last decade. The pandemic was especially hard on an industry that relies on out-of-state workers for seasonal and remote work. (For more on seafood processing during the pandemic, see the November issues from 2020 and 2021.)

Weak fish runs have made it even harder for some plants to adapt, and federal disasters have been declared for some fisheries over the last three years. For example, Trident Seafoods in Wrangell closed in 2020 and has not reopened because of poor chum salmon runs.

Wild swings in seafood harvests further complicate forecasting jobs. While seafood processing employment has never tracked closely with harvest numbers, the uncertainty affects processors' hiring plans and recruitments.

Still, seafood processing is inching closer to its pre-pandemic employment level. After losing 1,300 jobs in 2020, the industry recovered 600 by 2022. We forecast an additional 500 this year, bringing the total job count within 200 of 2019.

Budget woes for government, mainly schools

A quarter of all jobs in Alaska are in government, with the largest share in local governments (which include public schools and tribal governments). State government, including the University of Alaska system, is second-largest and federal employment is a small slice.

Local governments shed 2,800 jobs in 2020, mostly from schools as they moved online. Some jobs returned over the two years that followed, but 2022's job count remained about 1,700 below 2019. We forecast a small bump of 300 jobs this year as some school districts normalize, but significant budget

deficits across the state will temper growth. Anchorage estimates a \$48 million deficit for the 2023-2024 school year and is considering closing as many as six schools. Juneau's school district faces a \$3.2 million deficit, and the Fairbanks North Star Borough reports a \$16 million shortfall.

General state government employment has fallen over most of the last decade. While temporary COVID-related positions mitigated losses in 2020 and provided some new jobs in 2021, employment fell by 600 in 2022 as those jobs disappeared.

The University of Alaska's losses put its 2021 employment about 2,200 jobs below the 2014 peak — that gap is more than a quarter of UA's total employment in 2014.

We forecast state government will add a handful of jobs in 2023. The State of Alaska had hundreds of job openings in late 2022, suggesting some growth is possible this year, even amid budget uncertainty.

North Slope activity has increased, and preparation for the Willow and Pikka projects will boost jobs.

Federal government employment has been flat or slightly down for most of the last decade (-200 in 2022). We forecast steady employment in 2023, at 14,900 total jobs.

Retail recovers but faces headwinds

Retail lost 2,200 jobs in 2020 with pandemic closures, altered shopping behavior, and absent tourists. The industry regained most of those losses, and we expect the forecasted gain of 400 jobs in 2023 will bring retail within 1 percent of its pre-pandemic level.

E-commerce continues to take market share away from traditional stores, however, and that trend will likely continue.

Transportation to grow past 2019 levels

Transportation is another industry we expect to surpass its 2019 job count this year. The industry shed thousands of jobs as travel virtually halted with the pandemic and regained few in 2021, but it neared full recovery in 2022.

By late 2022, airport traffic around the state had either approached or exceeded pre-pandemic numbers, and transportation employment had come within 100 jobs of 2019.

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In 2023, the broader sector that includes transportation, warehousing, and utilities is forecasted to add 500 jobs, mainly in transportation, and end up 700 jobs above 2019.

Warehousing continued to grow when the pandemic hit, then lost jobs in 2021 and 2022. We expect some growth in 2023 as Amazon increases its Alaska footprint. Amazon opened an air cargo gateway and sorting facility at the Fairbanks International Airport in 2021 and will open a distribution and warehouse center in Anchorage this year.

Tourism to boost leisure and hospitality

Leisure and hospitality sector captures much of the visitor industry, although it doesn't cover quintessential tourist adventures such as whale-watching or helicopter tours, which fall under transportation. The sector's jobs are mostly in bars and restaurants, followed by roughly a quarter in accommodations and the remainder in arts, entertainment, and recreation (such as museums, zoos, gyms, and bowling alleys).

Leisure and hospitality bounced back from its steep pandemic job losses — a quarter of its total employment — with the return of cruise ships and local consumers in 2022. The additional 1,400 jobs we forecast for 2023 would put the sector around 500 jobs below 2019.

A national recession could dampen tourism, and so could a falling U.S. dollar relative to other currencies, but 2023 looks like a banner year for cruise ship visits. Independent visitors also made a strong showing in 2021 and 2022, and the industry hopes they'll do the same this year.

Some growth for health, social assistance

Health care employment patterns have been mixed. Doctors' offices and other outpatient services lost 3,000 jobs in April 2020 relative to the previous April. Employment continued to shrink for the rest of the year, but by 2021 these providers had recovered and continued growing. Hospitals didn't lose jobs until later in 2020, again recovering in 2021 and growing some in 2022. Nursing home employment leveled out at 4,500 for several years, until 2016. Nursing homes have fallen by 700 jobs since 2016, although most of those losses predate the pandemic.

The broader sector includes private social assistance and a small amount of private education and tutoring. Social assistance took a hit recently, losing jobs in 2020 and 2022 and ending up more than 1,000 jobs below its pre-pandemic level. However, 2022's declines were largely technical rather than real-world losses. Many social assistance jobs were recategorized into other industries, which at least on paper will keep social assistance from reaching its 2019 job count this year.

Social assistance will add 200 forecasted jobs in 2023, private education will remain level, and health care will add 100. This would put the sector slightly above its pre-pandemic level by year's end.

Technology restrains finance, info growth

The information sector, which includes newspapers, radio stations, and telecommunications, has been on a long decline. Information jobs peaked more than 20 years ago, then recorded the steepest losses during the 2015-2018 recession and continued declines during COVID. Technology changes are the culprit; print publications, news, and radio have shifted online. On a smaller scale, call centers and other support functions have been outsourced.

While federal infrastructure investments in broadband may stimulate growth in the next couple of years, we forecast flat employment in 2023.

Financial services — including banks and credit unions, mortgage brokers, financial managers, and insurance brokers — have also been on a long-term although less dramatic decline, and for similar reasons. Online banking, accessing insurance through the internet, and working with out-of-state financial managers have lessened the need for local workers. High interest rates, including for mortgages, will further reduce demand for some services in the coming year.

Finance peaked in 2006 at 12,600 jobs, and after the years of decline that followed, including the pandemic, employment leveled off at 10,800. The industry grew modestly in 2022 and we expect the same in 2023, which would bring financial services about 500 jobs below pre-pandemic levels.

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