

# Statewide Forecast for 2021

## Slow recovery after pandemic-related loss of 27,200 jobs

By KARINNE WIEBOLD

Alaska shed 27,200 jobs last year, dropping employment to 2003 levels. Before the pandemic, Alaska had weathered a long statewide recession followed by a single year of weak growth. Absent another shock, we'll recover some of the lost jobs this year — we forecast a gain of about 8,600 — but it will likely take several years to regain 2019's job levels.

Government and oil will continue to cut jobs in the short term, but all other industries will hold steady or begin to rebound. The industries likely to grow the most in 2021 will be those that suffered the steepest losses in 2020.

Leisure and hospitality lost more than any other sector in 2020 (-9,600 jobs) because the tourist season never materialized, and it will add about 3,500 jobs this year. Another casualty whose recovery depends on visitors returning is the transportation, warehousing, and utilities sector, which lost 3,600 jobs and might recoup just under half of them this year.

Clouds remain on the horizon as a crippling year

ends. Long-term state budget and revenue problems remain unresolved, and oil prices are forecasted in the mid-\$40s, Alaska's population has been dropping since 2017, and we've lost more movers than we've gained for the last seven years in a row.

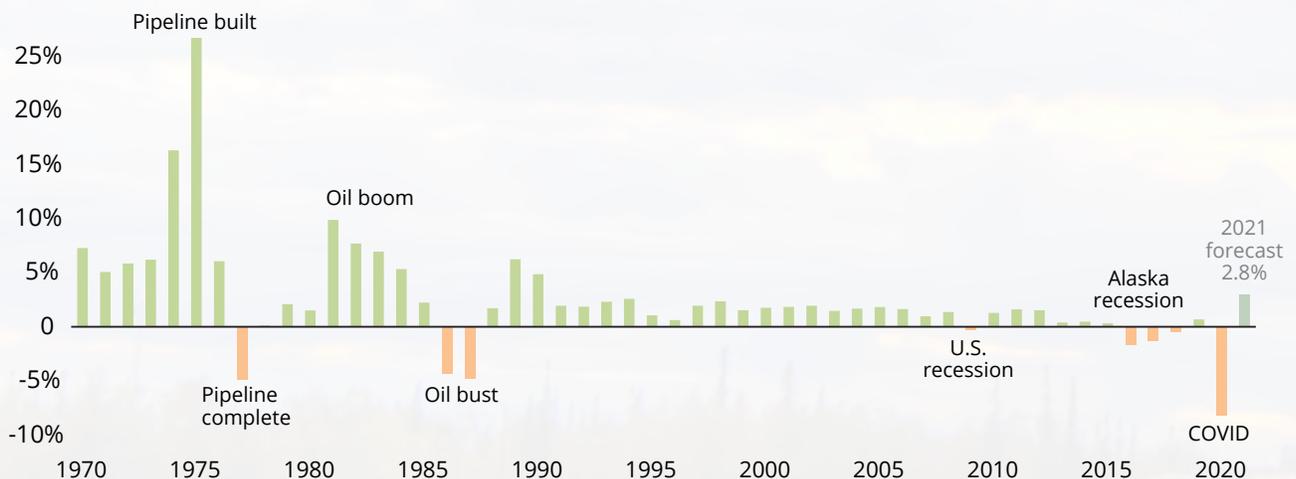
This year's success also hinges on several factors yet to be determined. The pandemic isn't over, and the timing and success of widespread vaccination will be a major determinant of 2021's course. Schools haven't reopened yet, the tourist season is up in the air, especially for cruise ships, and questions linger about people's appetites for traveling and shopping.

### Little improvement through Dec.

Last year began normally, but the seeds of crisis germinated early. The first U.S. case of COVID-19 was reported in late January, and Alaska's first recorded case came in early March. By mid-March, measures to curb the virus' spread pulled students from classrooms, suspended indoor dining, and postponed elective medical procedures.

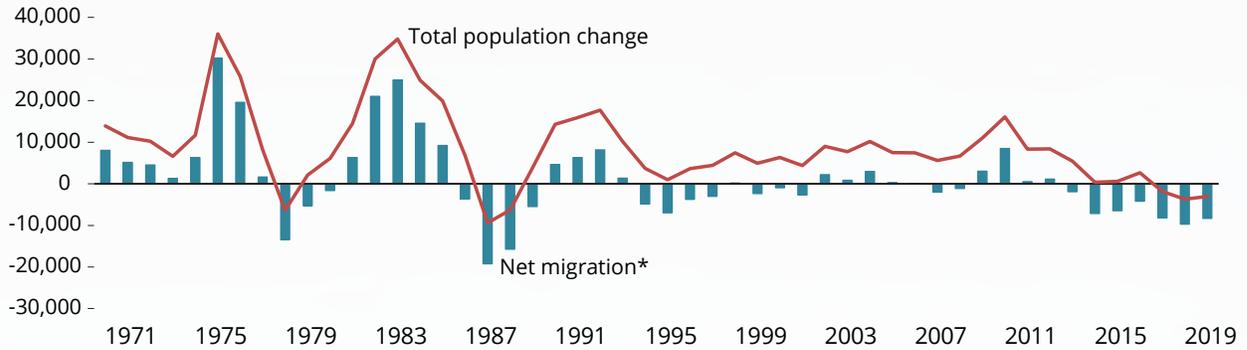
Pandemic disruptions don't show up in first-quarter employment data, but they were obvious by April. In

## The pandemic caused a historic drop in total Alaska employment in 2020



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

## Population began to decline in 2017 after streak of net migration losses



\*The number of people who moved to Alaska that year minus the number who left  
 Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

the months that followed, job losses swept the state and left no major industry unscathed.

COVID-19 surged in Alaska later in the year, with total monthly cases more than doubling from October to November. For context, Alaska's first 6,000 cases took nearly seven months to accumulate, but we recorded 6,000 in the first nine days of December. Anchorage entered another "hunker down" phase for the entire month of December.

Broad vaccination — not just FDA approval — will largely determine when life begins to return to normal. Two new COVID-19 vaccines were approved in December and others appear close, but widespread production and distribution are still months away. Public health experts predict vaccines will be available to all adults by June or July after vulnerable populations are vaccinated.

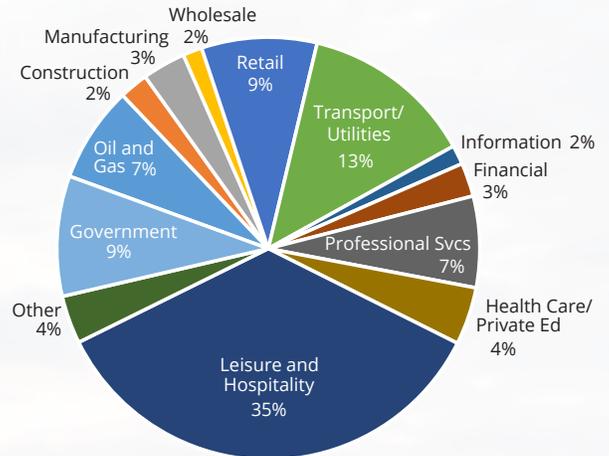
## Oil's job recovery will take time

The pandemic took a chunk out of two of Alaska's critical sectors — oil and tourism — and the oil and gas industry especially may take a while to bounce back.

The state had more than 15,000 oil and gas jobs in 2014 before a four-year decline that reduced the job count to as low as 9,300 in mid-2018. That number had gradually climbed to about 10,000 jobs in early 2020 before the pandemic drove oil and gas jobs below 7,000, where they remained at the end of the year.

Aside from the COVID-19 wreckage, BP, a longstanding presence in the state, sold its assets in 2020 to a

## Where 2020's losses came from



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

smaller independent producer, Hilcorp, which operates a leaner workforce. Job losses started showing up in the numbers after the sale announcement in late 2019 and continued into 2020.

On the growth side, ConocoPhillips will bring several rigs back online this year, having suspended all drilling in 2020. (For more on the oil industry, see the Anchorage forecast on page 9.)

Monthly jobs will likely trend upward in 2021, but when averaged over the year, 2021's employment is forecasted at around 500 fewer jobs than 2020. That's because 2020's employment was so much higher early in the year before the pandemic disrupted nearly everything.

# The outlook for statewide jobs, by industry

	Monthly avg, 2019 <sup>1</sup>	Monthly avg, 2020 <sup>1</sup>	Change, 2019-20	Percent change	JOBS FORECAST		
					Monthly avg, 2021	Change, 2020-21	Percent change
<b>TOTAL NONFARM EMPLOYMENT<sup>2</sup></b>	<b>329,900</b>	<b>302,700</b>	<b>-27,200</b>	<b>-8.2%</b>	<b>311,300</b>	<b>8,600</b>	<b>2.8%</b>
Total Private	250,100	225,400	-24,700	-9.9%	234,700	9,300	4.1%
Mining and Logging	13,400	11,400	-2,000	-14.9%	11,000	-400	-3.5%
Oil and Gas	9,900	7,900	-2,000	-20.2%	7,400	-500	-6.3%
Construction	16,400	15,800	-600	-3.7%	16,100	300	1.9%
Manufacturing	13,100	12,200	-900	-6.9%	12,900	700	5.7%
Transportation, Trade, and Utilities	64,600	58,200	-6,400	-9.9%	61,700	3,500	6.0%
Wholesale Trade	6,600	6,200	-400	-6.1%	6,200	0	0.0%
Retail Trade	35,500	33,100	-2,400	-6.8%	34,900	1,800	5.4%
Transportation, Warehousing, and Utilities	22,500	18,900	-3,600	-16.0%	20,600	1,700	9.0%
Information	5,300	4,900	-400	-7.5%	4,900	0	0%
Financial Activities	11,700	11,000	-700	-6.0%	11,200	200	1.8%
Professional and Business Services	27,700	25,800	-1,900	-6.9%	26,400	600	2.3%
Educational (private) and Health Services	50,800	49,600	-1,200	-2.4%	50,200	600	1.2%
Health Care	38,500	38,000	-500	-1.3%	38,400	400	1.1%
Leisure and Hospitality	36,100	26,500	-9,600	-26.6%	30,000	3,500	13.2%
Other Services	11,000	10,000	-1,000	-9.1%	10,300	300	3.0%
Total Government	79,800	77,300	-2,500	-3.1%	76,600	-700	-0.9%
Federal, except military	14,800	15,300	500	3.4%	14,800	-500	-3.3%
State, incl. University of Alaska	23,200	22,400	-800	-3.4%	22,000	-400	-1.8%
Local and tribal, incl. public schools	41,800	39,600	-2,200	-5.3%	39,800	200	0.5%

<sup>1</sup>Preliminary and adjusted estimates. <sup>2</sup>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

## Tourism remains uncertain in 2021

Concerns about the virus and restrictions halted Alaska's 2020 tourism season. Southeast anticipated a record number of cruise ship passengers but ended up with almost none. While some travelers came other ways, the numbers were nothing like we're used to.

Southeast communities bore the brunt of the lost season, as did the Denali Borough in the Interior. The more populated and economically diverse areas — Anchorage, the Kenai Peninsula, and Fairbanks — felt the absence, but to a lesser degree.

Bars, restaurants, and hotels — the biggest slice of the leisure and hospitality sector — lost the most jobs as locals and tourists alike stayed home. The sector as a whole lost about a quarter of its employment last year.

We expect the industry to recover 3,500 jobs in 2021, which would be about 40 percent of what it lost. The question is how many establishments can hold out until the pandemic ends and demand resumes. Tourist-dependent businesses, especially in places with little local demand, will have weathered 18

months without substantial income before the earliest, most optimistic possibility of a visitor season. (See the Southeast forecast on page 14 for more information on the restrictions that will persist in 2021.)

## Some industries on a long slide

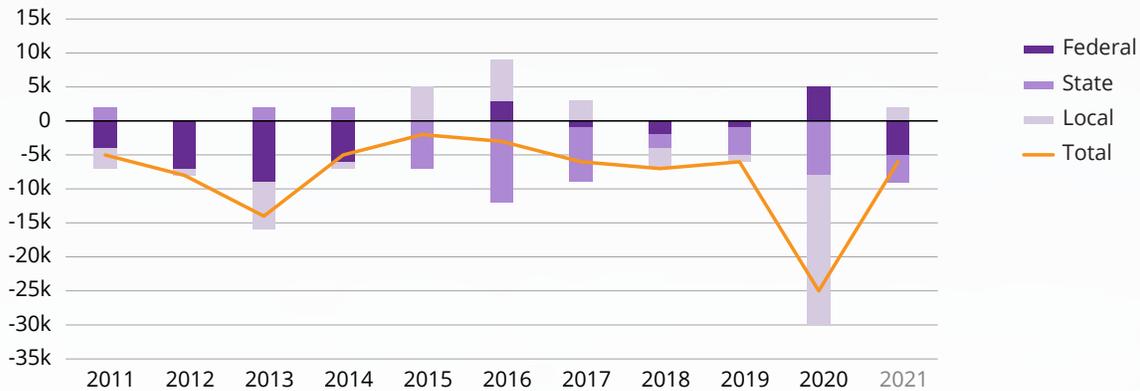
Retail has been shrinking since 2016, in concert with the state recession. The growing popularity of online shopping will continue to compound the losses, and other technological changes, such as self-checkout, will further reduce the need for staff.

Similarly, the ability to do more with less labor has spurred multi-year employment losses in sectors like information and finance — think online banking instead of tellers and digital media rather than print.

## State revenue troubles persist

Government has been on a similar multi-year dive, losing jobs every year for a decade, and it will absorb further cuts in 2021. We forecast losses for state and federal government and a gain of 200 jobs

## Change in the numbers of government jobs over the last decade



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

for local government — but that would recapture just a fraction of the 2,200 jobs local governments lost in 2020.

First-quarter public school employment will remain well below early-2020 pre-pandemic levels, as distance learning will probably continue early in the year. Broad vaccination would put students back in classrooms at least by fall, which is also a requirement for many parents to return to their workplaces.

The federal government added 500 jobs in 2020, but they were mostly temporary positions for the decennial census that kicked off in Toksook Bay in January. Federal employment will shrink back to pre-census levels this year.

State government lost 800 jobs in 2020, but not all were pandemic-related. State government has been shedding jobs for six years with declining revenues and tighter budgets, but most cuts so far have come through attrition. The drying-up of oil revenues over the past decade has put tremendous pressure on the state, and long-term solutions remain elusive.

The steepest state government losses came from the University of Alaska. In recent years, UA has weathered deep funding cuts and grappled with dwindling enrollment — problems that persist this year.

For decades, most of the state's discretionary revenue came from oil, but low prices and diminishing production have dragged the industry down in recent years. More recently, some large investment banks have stopped providing capital to companies working on the North Slope, in a controversial blend of politics and economics. The outgoing Trump administration's move in late 2020 to quickly open

parts of the Arctic National Wildlife Refuge to drilling amplified the sense of short-term opportunity but also the tumult. Regardless, the trends for oil and gas jobs and revenue paid to the state have been distinctly downward over the last decade.

## Parts of the economy are strong

While Alaska faces considerable headwinds, pieces of the economy remain positive. Our resources — mining, oil and gas, tourism, and our strategic location for military operations and transportation — will continue to attract new money to the state. These cash infusions will be vital as we move toward long-term recovery.

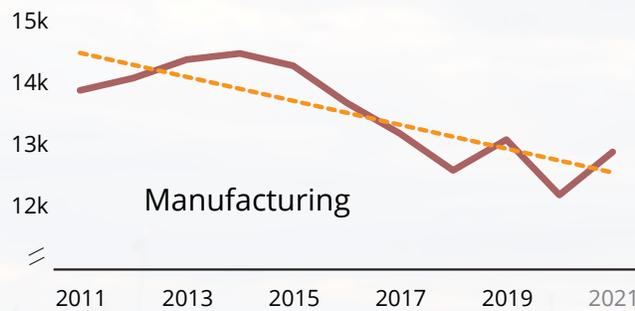
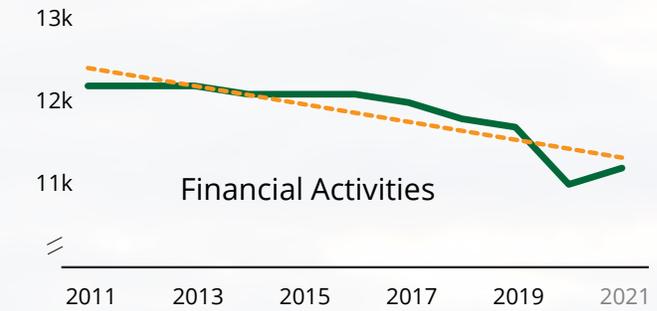
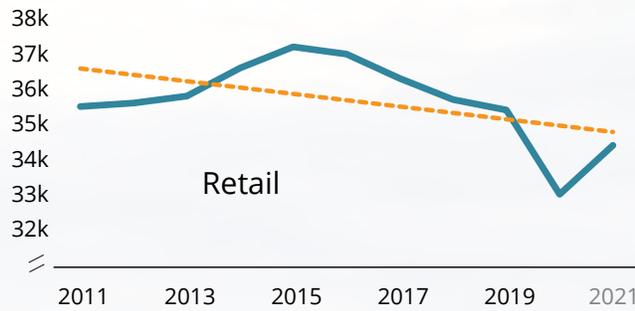
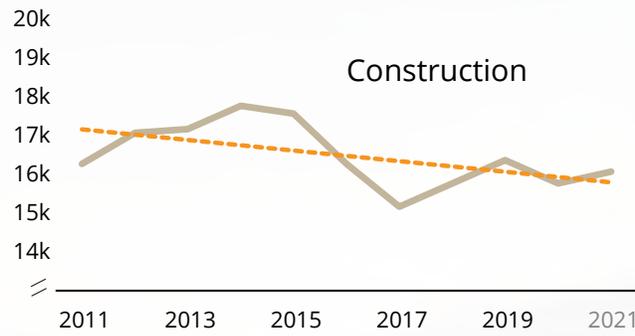
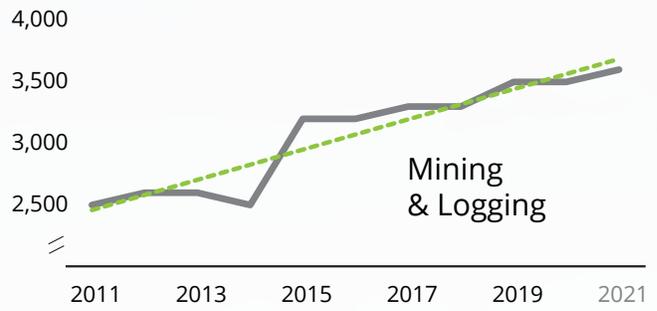
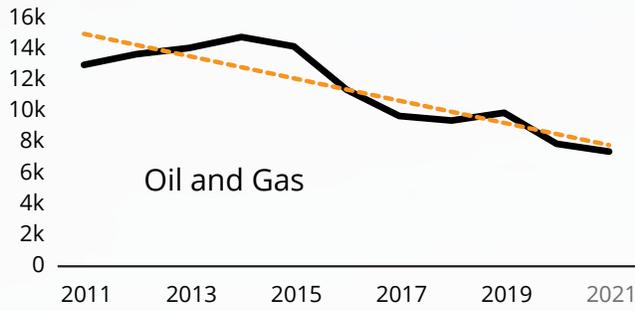
It may take a couple of years for visitor numbers to return to pre-COVID levels, and some tourists' preferences may change, but Alaska will continue to draw visitors. Investments in Juneau, Hoonah, Skagway, and other coastal communities — such as new cruise ship docks — were expected to pay off sooner, but they will eventually bear fruit.

Alaska has an outsized military presence that provides economic ballast and will continue to stabilize many areas with consistent infusions of federal money. (See the Fairbanks forecast on page 12 for more on the military.)

Finally, Alaska's mining opportunities and oil and gas reserves remain abundant. Oil industry jobs and oil-derived revenue are likely to stay depressed by historical standards, but both will continue to contribute significantly to Alaska's economy.

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# Long-term employment trajectories of select Alaska industries



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