

Southeast Forecast for 2021

By SARA TEEL

By the end of 2019, Southeast had a few years of slight job growth under its belt following a four-year streak of losses earlier in the decade. The region's employment grew 0.8 percent in 2019, and that growth was expected to continue into the next year.

Initially, 2020 was on par. But COVID-19 hit Southeast harder than any other region in March because tourism and fishing are central to its economy. The region shed a staggering 15.4 percent of its jobs in 2020, or about 5,700.

The transportation and leisure and hospitality sectors, which are tied to tourism, represented 72 percent of the loss. No industry grew last year, and just three held steady: construction, finance, and the federal government.

We forecast the region will recover about a third of the lost jobs in 2021, which would be around 5.1 percent growth. Most industries will recoup only some of their losses, although we expect construction and mining, which have been robust in recent years, to bounce back to their pre-pandemic levels.

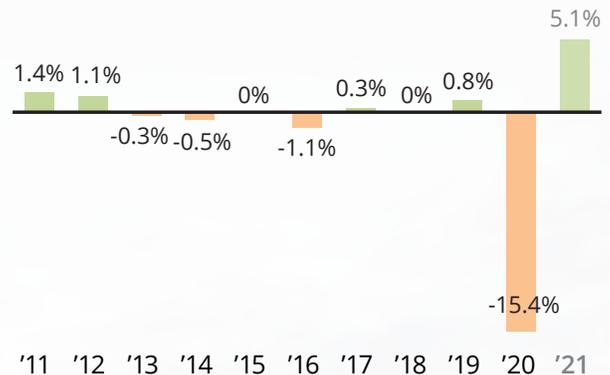
Southeast faces an expanding list of obstacles this year. The pandemic hasn't ended, and the uncertainty adds another layer of difficulty to ongoing state government cuts, further ferry service reductions, and fisheries volatility. On the plus side, cruise ship tourists are likely to return in the latter part of 2021.

COVID-19 hobbled tourism, and some restrictions will continue

Tourism, which comes mostly from cruise ships, helped many Southeast communities weather the past decade's three-year statewide recession, as visitor numbers continued to grow. Alaska anticipated a record 1.4 million cruise ship visitors in 2020, but the cruise industry was one of the first to buckle when the pandemic reached the United States.

The U.K.-registered Diamond Princess reported an outbreak in early February, and the U.S. Centers for Disease Control and Prevention issued a No Sail

A partial job recovery likely this year



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

Order that was effective from March 14 to Oct. 29. Canada also banned passengers from their waters until March 2021, and because the Jones Act requires foreign-flagged cruise ships sailing from the Lower 48 to stop in Canada, almost no ships sailed to Southeast last year.

Because Alaska's cruise ship season didn't materialize, leisure and hospitality lost almost 42 percent of its jobs, and some towns lost nearly all of them. Skagway lost over 80 percent of its industry's employment and Haines shed nearly three-quarters.

The cruise ship industry remains under a Conditional Sailing Order through November of 2021. The order will require ships to take health and safety measures and stage mock voyages to mitigate virus transmission risk. One possible tactic is "tourist bubbles," which would limit the number of businesses passengers could patronize when in port. While tourist bubbles would slow the spread of COVID-19, they would also hamper recovery for some tourism-focused Southeast businesses.

The CDC also recommends cruises last no longer than seven days this year, although that won't affect Alaska as much as some places. At the end of 2020, Carnival, Holland America, and Princess were booking their 2021 and 2022 itineraries for Southeast Alaska, and Norwegian Cruise Lines was planning a new dock for Juneau. Because of these developments, we forecast a gain of about 600 jobs in 2021 for Southeast's

The outlook for jobs in Southeast, by industry

	Monthly avg, 2019 ¹	Monthly avg, 2020 ¹	Change, 2019-20	Percent change	JOBS FORECAST		
					Monthly avg, 2021	Change, 2020-21	Percent change
TOTAL NONFARM EMPLOYMENT²	37,000	31,300	-5,700	-15.4%	32,900	1,600	5.1%
Total Private	24,500	19,400	-5,100	-20.8%	21,300	1,900	9.8%
Mining and Logging	1,100	1,000	-100	-9.1%	1,100	100	10.0%
Construction	1,300	1,300	0	0%	1,400	100	7.7%
Manufacturing	1,800	1,600	-200	-11.1%	1,700	100	6.3%
Transportation, Trade, and Utilities	7,500	5,200	-2,300	-30.7%	6,000	800	15.4%
Retail Trade	4,200	3,300	-900	-21.4%	3,600	300	9.1%
Information	500	400	-100	-20.0%	400	0	0%
Financial Activities	1,000	1,000	0	0%	1,000	0	0%
Professional and Business Services	1,600	1,400	-200	-12.5%	1,500	100	7.1%
Educational (private) and Health Services	4,200	4,000	-200	-4.8%	4,100	100	2.5%
Leisure and Hospitality	4,300	2,500	-1,800	-41.9%	3,100	600	24.0%
Other Services	1,200	1,000	-200	-16.7%	1,000	0	0%
Total Government	12,500	11,900	-600	-4.8%	11,600	-300	-2.5%
Federal, except military	1,400	1,400	0	0%	1,400	0	0%
State, incl. University of Alaska	4,700	4,400	-300	-6.4%	4,100	-300	-6.8%
Local and tribal, incl. public schools	6,400	6,100	-300	-4.7%	6,100	0	0%

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

leisure and hospitality industry, or a third of the jobs it lost last year.

Retail is also tied to tourism, and it spikes in the summer in Southeast. Retail suffered a 21.4 percent loss of about 900 jobs in 2020 and is set to recover about a third of those jobs in 2021.

Transportation employment has grown in Southeast in recent years, but the cancellation of 2020's tourism season spurred a 30.7 percent job loss. Nearly half of the industry's jobs are in scenic and sightseeing transportation, such as fishing charters and bus, helicopter, tramway, and floatplane tours. In the first six months of 2020, these types of businesses took a 57 percent hit compared to the same period the year before.

The forecasted recovery for the broader transportation sector is about 800 of the 2,300 lost jobs.

It was a bad year for seafood, aside from the pandemic

The pandemic introduced a new set of obstacles for seafood processing in 2020, a shock even for an industry used to volatility. Thousands of people come from outside Alaska to work in the industry each year, and they live and work in close quarters. Businesses

spent tens of millions of dollars to mitigate the COVID-19 risk, which added higher operating costs to the lost profits that resulted from the global drop in demand for seafood, especially at restaurants. (For a detailed look at seafood processing in 2020, see the November 2020 issue of *Trends*.)

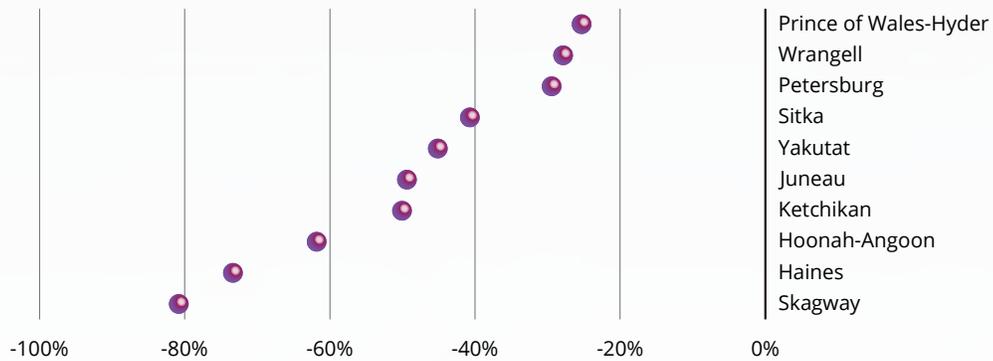
Tariffs with China further dented demand, although tariff relief programs softened the blow for some Alaska seafood businesses. In a typical year, China would buy a little over half of Alaska's seafood exports, and the U.S. would be China's second-largest supplier. That dropped to fourth this year.

Even if it weren't for COVID-19 and global political pressures, Southeast's seafood industry would have had a tough year. Salmon is the region's major fishery, and the 2020 season was the worst in more than 40 years. Permit prices dropped and several Southeast communities declared a disaster, including Petersburg, Ketchikan, and Sitka.

In total, 2020's catch was about 14.3 million fish, down from 32.2 million the year before. The total value dropped from \$101.8 million to just over \$50 million.

The Alaska Department of Fish and Game recently released the 2021 forecast for pink salmon, which make up about 59 percent of Southeast's salmon harvest. The forecasted run would be just below the 10-year average, at a harvest of around 28 million fish. Pinks

Southeast's leisure/hospitality loss in the first half of 2020*



*Percent change from the first six months of 2019

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

spawn every two years, and 2019's harvest was poor.

We forecast the industry will recover a little over half of the jobs it lost last year. Manufacturing, which in Alaska is mostly seafood processing, is set to recover about 100 jobs, which would be roughly half of what it lost in 2020.

Commercial fishermen are mainly self-employed, so they aren't covered by these job numbers. Their outlook is tied to that of seafood processing and the conditions they both face this year, such as lower global demand. (For more on commercial fishing employment, see the November 2020 issue.)

State government to continue its 10-year downward trend

Government is a major driver in Southeast, representing about one in three jobs in 2019. That proportion increased to 38 percent in 2020, but only because the private sector lost proportionally more jobs.

Government shed about 600 jobs last year, or 4.8 percent, with all of the losses coming from state and local government. Federal employment held steady at about 1,400 jobs in 2019 and 2020 and is forecasted to stay at that level in 2021.

State government has been shrinking since 2011. Multiple departments had absorbed large budget cuts even before COVID-19, and the pandemic will likely exacerbate the continual drops in funding.

State government cut 300 jobs in Southeast in 2020 (-6.4 percent), and we forecast it will cut another 300 jobs in 2021 (-6.8 percent). About a third of the 2020

losses were from the University of Alaska Southeast, where enrollment fell 7 percent during the last school year.

Local governments lost 300 jobs in 2020 (-4.7 percent). Tourism-centered areas took in far less revenue from sales, bed, and head taxes and moorage fees. Skagway's annual sales tax revenue dropped 95 percent while Ketchikan lost an estimated 36 percent and Juneau's fell 25 percent.

Some communities, including Juneau, joined a remote sales tax program for items purchased online from other states. This program will mitigate some revenue loss in 2021, especially with online sales rising during the pandemic.

Many local governments will rely on reserves to fund services in 2021. School will likely resume in-person for at least half of 2021, which will bump up employment but probably won't counter losses elsewhere, resulting in a flat forecast for local government.

Overall, we forecast Southeast's government employment will continue its downward trend with a loss of another 300 jobs this year (-2.5 percent) — all from state government.

2020's damage to mining employment won't last

Southeast's mining and logging sector grew steadily over most of the last decade and will likely add jobs this year after a dip in 2020. Greens Creek Mine near Juneau is developing waste storage capacity

Continued on page 22

ANCHORAGE

Continued from page 11

we forecast flat employment for 2021.

State government, which includes the University of Alaska Anchorage, will continue to lose jobs in 2021. UAA employment fell by 15 percent, or 344 jobs, during the first half of 2020 because of deep budget cuts. Because 2021 is part of the three-year planned reduction, it will likely spur similar job losses.

General state government also faces continued budget constraints brought on by low oil prices and the spending-down of the constitutional budget reserve.

In 2020, all local government losses came from the Anchorage School District, which represents nearly three-quarters of local government employment. Its 2021 picture is murky. School employment fell 7 percent during the first half of 2020, which was a loss

of about 500 jobs, and the loss grew to 1,100 by the end of the year. The shift to remote learning required fewer staff, and it isn't clear whether the district will remain online or begin a mixture of online and in-person learning for the rest of this school year.

A return to normal schooling next year is probable, and this will boost employment. However, enrollment fell by nearly 4,000 last year, and decreased funding will follow if numbers remain depressed. Because decisions on delivery and funding are pending, we held the public education forecast at last year's levels.

The Municipality of Anchorage represents the balance of local government. Job levels were stable in 2020 and that scenario remains likely for 2021. The sale of Municipal Light and Power didn't cause a net loss, but it privatized some city jobs. The city ran ML&P until October 2020, when 200 city employees transferred to Chugach Electric.

Neal Fried is an economist in Anchorage. Reach him at (907) 269-4861 or neal.fried@alaska.gov.

SOUTHEAST

Continued from page 17

on Admiralty Island to extend its life to at least 2031. Kensington Mine will also expand waste storage facilities to extend its life another 10 years. The Niblack Project on Prince of Wales Island — a potential copper, gold, silver, and zinc mine — halted exploration in 2016 but will resume this year. The industry is also considering Skagway's docks for Yukon mining activity, a throwback to Skagway's past.

Mining wasn't unscathed by COVID-19, but 2020's damage appears temporary. The sector lost 100 jobs, a drop of 9.1 percent, but is forecasted to rebound to its 2019 employment level this year.

Additional funding sources will further boost construction

State and federal funding tend to steer construction trends in Southeast, and future stimulus packages might include additional infrastructure funding that will boost jobs this year. For now, the federal CARES Act has also waived some requirements for cities to

add matching funds. For example, Juneau anticipates winning a \$15 million FAA grant this year for its ongoing airport terminal reconstruction project.

Southeast construction has been remarkably resilient throughout the pandemic. Employment fell during the initial shutdown but rebounded to its prior levels within just a few months. After a flat 2020, we forecast 7.7 percent growth this year: a gain of 100 jobs.

Health care probably won't recover completely

Southeast health care took a hit in 2020, with the broader sector shedding 200 jobs (-4.8 percent) at the pandemic's onset. As in the rest of the state, the losses were mainly in doctors' and dentists' offices and other outpatient facilities that closed temporarily. Nursing homes and social assistance providers also lost some jobs.

Employment rebounded somewhat as services resumed, but it didn't recover completely. The industry will likely recover about half of its losses in 2021.

Sara Teel is an economist in Juneau. Reach her at (907) 465-6027 or sara.teel@alaska.gov.