

Alaska's Income Picture Brightened in 1987 & 1988

By Neal Fried

Alaska's total personal income broke the \$10 billion barrier in 1988. (See Table 1.) After losing ground in 1987, the growth in 1988 was additional confirmation that the recession was ending. (See Figure 1).

Alaska's personal income picture continued to improve in 1989, too. First quarter 1989 figures registered a 7.2% increase over 1st quarter 1988 levels.

Alaskans' 1988 Income Growth Sluggish Compared to Other States

Although Alaska's personal income has risen, it's been sluggish compared to other states. Alaska's personal income grew 3.4% in 1988; nationwide, it grew 7.6% that year. Alaska's 1988 rate of income growth found company among the bottom seven states in the nation. All of this company was with oil-producing and farm states.

The state's present income picture is lackluster compared to prior years. Between 1980 and 1985 Alaska's personal income grew 12% per year. During the 1970-1980 decade, it grew 14% per year. And although inflation in Alaska (measured by the Anchorage Consumer Price Index) fell to record lows during the past two years, income gains were stronger in past years when inflation was considerably higher. In inflation-adjusted dollars, personal income growth was 7.2% per year from 1980 to 1985. In 1988, inflation-adjusted personal income growth was 3.0%.

Table 1

Total and Per Capita Personal Income Alaska & U.S. 1970-1988

	Alaska total (in millions of dollars)	U.S. total (in millions of dollars)	Alaska per capita (in dollars)	U.S. per capita (in dollars)	Alaska percent of U.S. per capita
1970	\$ 1,517	\$ 825,528	\$ 4,986	\$ 4,051	123%
1971	1,671	888,453	5,279	4,296	123
1972	1,832	976,071	5,610	4,664	120
1973	2,160	1,095,076	6,482	5,181	125
1974	2,632	1,204,070	7,635	5,644	135
1975	3,755	1,307,539	10,121	6,069	167
1976	4,521	1,446,099	11,499	6,647	173
1977	4,674	1,601,844	11,764	7,289	161
1978	4,805	1,806,207	11,947	8,133	147
1979	5,017	2,026,684	12,435	9,025	138
1980	5,586	2,252,021	13,797	9,910	139
1981	6,449	2,514,231	15,492	10,949	141
1982	7,739	2,663,432	17,371	11,481	151
1983	8,758	2,834,385	18,164	12,098	150
1984	9,140	3,101,163	18,093	13,114	138
1985	9,802	3,317,545	18,795	13,896	135
1986	9,818	3,519,211	18,506	14,596	127
1987	9,680	3,766,075	18,461	15,472	119
1988	10,006	4,052,992	19,079	16,489	116

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The information presented in this article has a variety of uses. The income and wage data tell of Alaskans' purchasing power in different areas of the state. This same information can be used as a yardstick to measure the economic health of the entire state, of a particular area, or of a particular industry. The average monthly wage data provide one indication to employers about the cost of doing business. The poverty guidelines are used to determine eligibility for many federal programs. All of this income and wage data, when combined with cost of living information, can paint a picture of Alaskans' economic well being.

Personal Income ... According to BEA:

Personal income data are produced by the federal Bureau of Economic Analysis (BEA), an agency of the U.S. Department of Commerce. Personal income covers all sources of cash income that accrue to individuals during a specific time period. This income is then aggregated to produce figures for areas, states and regions. The personal income figures are adjusted for residency by subtracting income earned by nonresidents. For example, in 1988, \$456 million was subtracted from

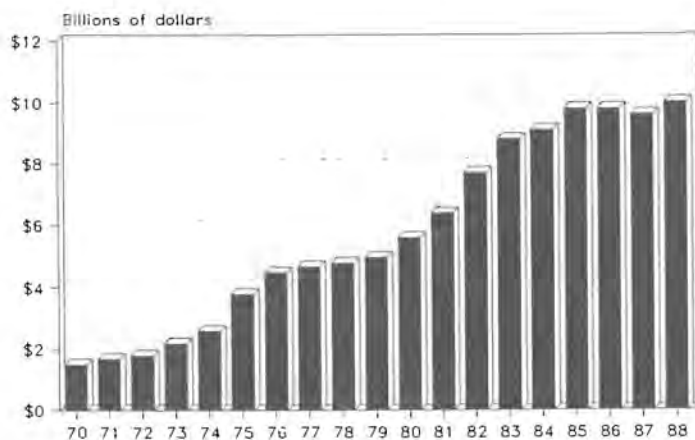
Alaska's total personal income to adjust for residency.

When BEA calculates personal income figures they include:

- Earnings (which consist of wages and salaries, other labor income, and proprietors' income),
- Dividends, interest, and rent on assets, and
- Transfer payments (which include private and government pension plans, social security, welfare programs and unemployment benefits.) In Alaska, Longevity Bonus payments and Permanent Fund dividends are also included.

Figure 1

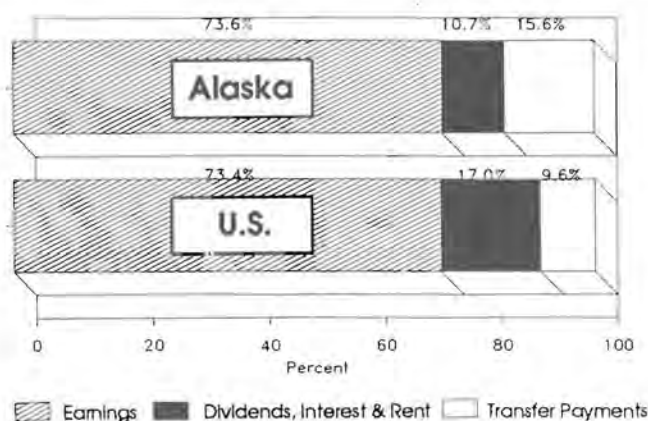
Alaska Total Personal Income 1970-1988



Sources: U.S. Department of Commerce, Bureau of Economic Analysis.

Figure 2

Personal Income by Source Alaska & U.S.



Sources: U.S. Department of Commerce, Bureau of Economic Analysis.

Earnings Are Largest Portion of the Income Pie

Figure 2 clearly identifies earnings as the major source of personal income. For both Alaska and the U.S., the proportions are nearly identical. But significant differences appear in the dividend, interest, rent, and transfer payment sources.

Part of the explanation for the differences is demographic. A younger population has had less time to accumulate capital assets than an older population. And Alaska's population is the second youngest in the nation.

The considerably larger share of transfer payments in Alaska is primarily due to the state's unique Longevity Bonus and Permanent Fund Dividend programs. This sum was nearly equivalent to all retirement and disability benefits (including social security benefits) disbursed in the state last year.

Income Sources Shift Over Time

All three major sources of personal income contributed to total Alaska personal income growth in 1988 and 1989. During the recessionary years of 1986-1987, earnings were falling because of job losses. At the same time, transfer payments were growing in importance because of growth in welfare, social security, and unemployment benefits.

Table 2

Per Capita Personal Income by State 1987-1988

	1988	1987	'87-'88 percent change	1988 percent of U.S.	1988 average persons per household	1988 average household income
Connecticut	\$23,059	\$21,258	8.5%	140%	2.60	\$59,953
District of Columbia	21,389	19,543	9.4	130	2.35	50,264
New Jersey	21,994	20,277	8.5	133	2.56	56,305
Massachusetts	20,816	19,131	8.8	126	2.66	55,371
Maryland	19,487	18,217	7.0	118	2.85	55,538
New Hampshire	19,434	18,083	7.5	118	2.66	51,694
New York	19,305	17,943	7.6	117	2.56	49,421
ALASKA	19,079	18,461	3.3	116	2.66	50,750
California	18,753	17,770	5.5	114	2.67	50,071
Virginia	17,875	16,539	6.9	107	2.63	46,485
Delaware	17,661	16,305	8.3	107	2.60	45,919
Illinois	17,575	16,394	7.2	107	2.62	46,047
Nevada	17,511	16,359	7.0	106	2.49	43,602
Rhode Island	16,892	15,683	7.7	102	2.99	50,507
Hawaii	16,753	15,569	7.6	102	2.56	42,888
Minnesota	16,674	15,789	5.6	101	2.58	43,019
Florida	16,603	15,594	6.5	101	2.49	41,341
Michigan	16,552	15,558	6.4	100	2.46	40,718
U.S.	16,489	15,472	6.6	100	2.62	43,201
Washington	16,473	15,634	5.4	100	2.54	41,841
Colorado	16,463	15,680	5.0	100	2.66	43,792
Pennsylvania	16,233	15,198	6.8	98	2.60	42,206
Kansas	15,759	15,089	4.4	96	2.52	39,713
Ohio	15,536	14,575	6.6	94	2.55	39,617
Wisconsin	15,524	14,674	5.8	94	2.59	40,207
Missouri	15,452	14,630	5.6	94	2.59	40,021
Vermont	15,302	14,267	7.3	93	2.55	39,020
Georgia	15,260	14,387	6.1	93	2.52	38,455
Maine	15,106	13,996	7.9	92	2.46	37,161
Arizona	14,970	14,322	4.5	91	2.68	40,120
Indiana	14,924	13,987	6.7	91	2.54	37,907
Oregon	14,885	13,906	7.0	90	2.67	39,743
Nebraska	14,774	14,100	4.8	90	2.51	37,083
Iowa	14,662	14,028	4.5	89	2.60	38,121
Texas	14,586	13,840	5.4	88	2.74	39,966
North Carolina	14,304	13,353	7.1	87	2.57	36,761
Tennessee	13,873	12,977	6.9	84	2.67	37,041
Wyoming	13,609	12,836	6.0	83	2.58	35,111
Oklahoma	13,323	12,607	5.7	81	2.54	33,840
South Carolina	12,926	12,078	7.0	78	2.62	33,866
Montana	12,866	12,304	4.6	78	2.75	35,382
Alabama	12,851	12,039	6.7	78	2.58	33,156
North Dakota	12,833	12,825	0.1	78	2.58	33,109
Kentucky	12,822	11,996	6.9	78	2.71	34,748
South Dakota	12,755	12,414	2.7	77	2.67	34,056
Idaho	12,665	11,797	7.4	77	2.75	34,829
New Mexico	12,488	11,889	5.0	76	2.57	32,094
Louisiana	12,292	11,506	6.8	75	2.77	34,049
Arkansas	12,219	11,421	7.0	74	2.59	31,647
Utah	12,193	11,530	5.8	74	3.17	38,652
West Virginia	11,735	11,013	6.6	71	2.61	30,628
Mississippi	11,116	10,301	7.9	67	2.78	30,902

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

depress an area's income because students' earnings are usually low.

The diversity in regional per capita income shown in Table 3 is astounding. It reaches a high of \$26,505 in the Haines Borough and dives to \$9,075, in the Wade Hampton Census Area of southwest Alaska. The cause of the difference usually can be attributed to the presence of a major industry in an area. For those local economies with a major industry such as fishing, oil, government or timber, per capita income tends to be higher. Areas with low per capita income typically don't have much economic infrastructure. This usually translates into lower incomes for Alaska's rural areas. For example, rural areas such as those near Bethel, Nome, and the Northwest Arctic Borough have low per capita income. There are, however, significant exceptions—the North Slope Borough, where oil development is dominant, and the Bristol Bay Borough, where the fisheries bring wealth. The more urban communities of the state, such as Fairbanks, Anchorage, Juneau, and Ketchikan, enjoy above average per capita income.

Household Income and Median Family Income:

Estimates for household income are shown in Table 2. They are derived by multiplying the per capita income figures by average household size as estimated by the U.S. Census Bureau. When comparisons are made to all of the U.S., Alaska's household income fares slightly better than personal income because Alaska's average household size is also above the national average.

Table 4 shows Alaska median family income statistics — broken out by boroughs and census areas — calculated by the U.S. Department of Housing and Urban Development.

Alaska's Wages and Salaries Also Grew In 1988

Like in the personal income picture, Alaska's wages and salaries also began to take out some growth in 1988. Alaska's total wage and salary income of \$5.9 billion grew by 2% in 1988. Alaska's wage and salary trends tend to dovetail personal income trends because wages and salaries make up such a large component of income.

The average monthly wage data presented in Tables 5 and 6 represent the gross wages paid per job. Gross wages don't necessarily portray what an individual earns because more than one individual may hold one of these jobs over the course of the year. This wage data also doesn't differentiate between part- and full-time workers. What it does provide is the average monthly wage cost to an employer (wage cost only, excluding benefits). Also, average monthly wage data provide broad wage trends and give an indication of average compensation by industry and geographic area.

Average Monthly Wages Vary Among Industries and Areas

The top average monthly wage of \$5,126 is paid by the mining industry (which is comprised almost entirely of the oil industry). This compares to the bottom wage paid by the retail trade industry, \$1,274. This disparity exists for two reasons: the industries compensate their employees differently, and the employees work a differing number of hours. Mining industry employment is characterized by lots of overtime work, while the retail industry is a major employer of part-time help.

The differences in average monthly wages attributable to geography is as dramatic as the disparity that exists in average monthly wages between industries. The geographical difference exists for most of the same reasons as those of personal income. Unlike personal income, however, the average monthly wage data aren't adjusted for residency. For example, the North Slope's average wage would be substantially lower if most of the oil industry's wages were subtracted from the area.

Table 3

Alaska's Per Capita Income by Census Area 1985-1987

	1985	1986	1987	Percent of U.S.	Rank in state	1986-87 percent change
ALASKA	\$18,795	\$18,506	\$18,461	119.0%	--	-0.2%
U.S.	13,896	14,596	15,472	100.0	--	6.0
Alutian Islands	16,786	17,063	17,309	111.9	11	1.4
Anchorage Borough	20,974	21,111	21,102	136.4	5	0.0
Bethel Census Area	11,243	11,313	11,466	74.1	22	1.4
Bristol Bay Borough	24,538	25,065	23,772	153.6	2	-5.2
Dillingham Census Area	14,780	14,815	14,657	94.7	15	-1.1
Fairbanks North Star Borough	18,473	17,031	16,780	108.5	12	-1.5
Haines Borough	21,512	24,366	26,505	171.3	1	8.8
Juneau Borough	23,163	21,666	21,949	141.9	3	1.3
Kenai Peninsula Borough	15,982	15,835	15,306	98.9	14	-3.3
Ketchikan Gateway Borough	19,360	20,603	21,944	141.8	4	6.5
Kodiak Island Borough	14,352	15,680	16,190	104.6	13	3.3
Matanuska-Susitna Borough	15,273	13,767	13,408	86.7	18	-2.6
Nome Census Area	13,899	13,344	13,886	89.7	16	4.1
North Slope Borough	25,041	20,499	19,861	128.4	8	-3.1
Northwest Arctic Borough	12,849	12,343	12,273	79.3	19	-0.6
Prince of Wales-Outer Ketchikan C.A.	14,502	14,283	13,440	86.9	17	-5.9
Sitka Borough	17,155	17,914	18,129	117.2	9	1.2
Skagway-Yakutat-Angoon Census Area	16,849	18,289	17,428	112.6	10	-4.7
Southeast Fairbanks Census Area	12,757	12,607	11,634	75.2	21	-7.7
Valdez-Cordova Census Area	20,982	20,635	20,672	133.6	7	0.2
Wade Hampton Census Area	8,453	8,550	9,075	58.7	23	6.1
Wrangell-Petersburg Census Area	19,633	20,020	20,708	133.8	6	3.4
Yukon-Koyukuk Census Area	12,288	12,235	11,788	76.2	20	-3.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Average Monthly Wage Peaked In 1984

Alaska's overall average monthly wage peaked at \$2,382 in 1984 and continued to fall through 1987. (See Figure 4.) Much of the decline can be attributed to a decline in the construction industry's share of total employment. The construction industry commands the second highest average monthly wage at \$3,315. (Commanding the highest average monthly wage is mining.)

Table 4

Alaska Median Family Income Federal Fiscal Year 1989 ^{1/}

ALASKA	\$46,000
U.S.	34,000
Aleutian Islands Census Area	34,900
Anchorage Borough	49,900
Bethel Census Area	25,500
Bristol Bay Borough	66,200
Dillingham Census Area	35,100
Fairbanks North Star Borough	41,600
Haines Borough	40,600
Juneau Borough	62,200
Kenai Peninsula Borough	42,300
Ketchikan Gateway Borough	54,000
Kodiak Island Borough	49,100
Matanuska-Susitna Borough	40,100
Nome Census Area	28,700
North Slope Borough	56,100
Northwest Arctic Borough	30,800
Prince of Wales-Outer Ketchikan	40,700
Sitka Census Area	57,200
Skagway-Yakutat-Angoon Census Area	41,100
Southeast Fairbanks Census Area	23,900
Valdez-Cordova Census Area	49,400
Wade Hampton Census Area	22,200
Wrangell-Petersburg Census Area	48,500
Yukon-Koyukuk Census Area	25,300

^{1/} (October 1988-September 1989)

Source: U.S. Department of Housing & Urban Development.

In 1983, the construction industry was responsible for 9.6% of total employment in the state, compared to 4.1% in 1988. The average monthly wage in construction also took a beating, falling from its 1982 peak of \$3,941. Fewer construction workers earning smaller wages dragged down Alaska's average monthly wage. Other industries' average monthly wages were also battered by the recession, contributing to the overall decline.

The state's average monthly wage finally stabilized in 1988. And even making small comebacks that year were average monthly wages in a number of industrial sectors, including construction, trade, and services.

The Valdez-Cordova Census Area's average monthly wage should experience a strong surge in 1989 because of the effects of the oil spill. Also increasing to a lesser extent should be the Kenai Peninsula and the Kodiak Island Borough's average monthly wages. Other major gains in the average monthly wage aren't expected in the near future. Instead, small statewide gains are anticipated in 1989.

Table 5

Alaska's Average Monthly Wage by Industry 1980-1988

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Mining	\$3,802	\$4,030	\$4,254	\$4,550	\$4,703	\$5,311	\$4,921	\$5,171	\$5,126
Construction	3,342	3,756	3,941	3,860	3,651	3,383	3,425	3,315	3,399
Manufacturing	1,846	1,828	1,955	2,065	2,115	2,000	2,019	2,116	2,143
Trans., Comm. & Utilities	2,458	2,731	2,915	2,931	2,946	2,797	2,896	2,718	2,699
Trade	1,342	1,446	1,522	1,598	1,624	1,546	1,610	1,409	1,487
Wholesale	2,156	2,286	2,446	2,533	2,558	2,558	2,601	2,484	2,468
Retail	1,154	1,244	1,302	1,373	1,397	1,316	1,376	1,272	1,274
Finance, Ins. & Real Estate	1,565	1,687	1,915	2,017	2,122	2,252	2,173	2,258	2,216
Services	1,404	1,614	1,792	1,831	1,837	1,719	1,802	1,655	1,692
Government	1,945	2,142	2,296	2,420	2,480	2,627	2,565	2,641	2,641
Federal	1,741	1,952	2,019	2,172	2,268	2,348	2,298	2,414	2,520
State	2,312	2,433	2,567	2,683	2,698	2,387	2,829	2,895	2,859
Local	1,847	2,071	2,295	2,397	2,464	2,617	2,539	2,615	2,567
Statewide	1,931	2,140	2,301	2,379	2,382	2,369	2,345	2,308	2,310

Source: Alaska Department of Labor, Research & Analysis Section.

Alaska's Average Monthly Wage by Census Area 1980-1988

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Aleutian Islands Census Area ^{1/}	\$1,549	\$1,590	\$1,702	\$1,693	\$1,769	\$1,875	\$1,892	\$2,009	--
Aleutians East Borough ^{1/}	--	--	--	--	--	--	--	--	\$2,310
Aleutian Island West C.A. ^{1/}	--	--	--	--	--	--	--	--	2,140
Anchorage Borough	1,921	2,075	2,208	2,239	2,327	2,346	2,395	2,363	2,382
Bethel Census Area	1,197	1,466	1,634	1,735	1,792	1,756	1,830	1,743	1,727
Bristol Bay Borough	1,695	2,045	1,989	1,904	2,099	1,860	1,960	2,013	1,970
Dillingham Census Area	1,637	1,764	1,849	2,150	1,862	1,858	1,863	1,828	1,850
Fairbanks North Star Borough	2,049	2,210	2,384	2,474	2,414	2,432	2,347	2,320	2,236
Haines Borough	1,256	1,539	1,728	1,897	2,008	2,089	2,237	2,360	2,373
Juneau Borough	1,873	2,093	2,195	2,283	2,267	2,295	2,320	2,341	2,339
Kenai Peninsula Borough	2,031	2,197	2,313	2,309	2,344	2,343	2,255	2,189	2,245
Ketchikan Gateway Borough	1,868	1,904	2,069	2,137	2,110	2,099	2,107	2,138	2,178
Kodiak Island Borough	1,534	1,636	1,878	2,003	1,857	1,968	1,920	1,757	1,807
Matanuska-Susitna Borough	1,585	1,745	1,926	1,918	2,036	1,725	1,976	1,974	1,902
Nome Census Area	1,481	1,648	1,898	1,933	1,980	1,970	1,988	2,022	2,024
North Slope Borough	3,800	4,415	4,778	4,849	4,911	1,951	4,341	4,079	4,053
Northwest Arctic Borough	1,576	1,717	1,729	1,986	2,020	4,681	1,914	1,958	2,122
Prince of Wales-Outer Ketchikan C.A.	1,866	1,851	1,955	2,124	2,091	1,937	2,039	1,954	2,089
Sitka Census Area	1,838	2,062	2,140	2,082	2,088	2,000	2,009	2,040	2,045
Skagway-Yakutat-Angoon C.A.	1,435	1,623	1,832	2,055	1,703	1,759	1,786	1,746	1,807
Southeast Fairbanks Census Area	1,479	1,661	1,637	1,765	1,807	1,900	2,036	1,914	1,890
Valdez-Cordova Census Area	2,222	2,407	2,488	2,411	2,501	2,507	2,483	2,475	2,417
Wade Hampton Census Area	1,150	1,328	1,444	1,447	1,463	1,414	1,450	1,570	1,452
Wrangell-Petersburg Census Area	1,524	1,766	1,909	2,084	1,950	2,098	2,058	2,006	2,065
Yukon-Koyukuk Census Area	2,126	2,318	2,405	2,465	2,393	2,063	2,090	2,046	2,082
Statewide Average	\$1,931	\$2,140	\$2,301	\$2,379	\$2,382	\$2,369	\$2,345	\$2,308	\$2,310

^{1/} Aleutian Island Census Area split into Aleutians East Borough and Aleutians Islands West Census Area in 1988.

Source: Alaska Department of Labor, Research & Analysis Section.

Table 7

1989 Poverty Guidelines

Family Size	Alaska	All states except Alaska and Hawaii
1	\$ 7,480	\$ 5,890
2	10,030	8,020
3	12,580	10,060
4	15,130	12,100
5	17,680	14,140
6	20,230	16,180
7	22,780	18,220
8	25,330	20,260

For each additional
family member add: \$ 2,550 \$ 2,040

Source: Federal Register, Vol. 54, No. 31, February 16, 1989.

Table 8

1989 Lower Living Standard Income Level (LLSIL)

Family Size	Income Criteria for 100% of the (LLSIL)	Income Criteria for 70% of the (LLSIL)
1		\$ 7,480
2		10,950
3		15,030
4	\$ 26,510	18,560
5		21,900
6		25,610
7		29,320
8		33,030
For each additional family member add:		\$ 3,710

Source: Federal Register, Vol. 54, No. 63, April 4, 1989.

The Alaska guidelines are aligned with the national guidelines, with a 25% cost of living adjustment added on. The Alaska guidelines are also adjusted annually to account for an increase in the cost of living (as reflected by the U.S. Consumer Price Index). The 1990 census will provide the next profile of Alaska's poverty population.

Summary

Alaska's personal income and average monthly wage picture finally began to improve in 1988 after experiencing two straight years of decline. However, these gains were considerably smaller than they had been in prior years.

Alaska's per capita income is now ranked 7th in the nation and enjoys only a 16% income advantage over the rest of the U.S. If the cost of living is taken into consideration, it appears Alaska's position, relative to the rest of the nation, has been steadily narrowing.

Poverty Guidelines

Although the most recent data on the number of Alaskans who live in poverty is dated 1980, new poverty guidelines are issued yearly. These guidelines are used for many government programs to determine individual eligibility for a variety of assistance programs and services. The two most common sets of guidelines are the Poverty Income Guidelines and the Lower Living Standard Income Level (LLSIL). (See Tables 7 and 8.)

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Within Alaska, both per capita income and the average monthly wage varies dramatically. Generally speaking, per capita income and the average monthly wage are considerably lower in rural Alaska than in more urban parts of the state.

The average monthly wage also varies between industries. The 1988 range stretches from a high of \$5,126 earned in the mining industry to a low of \$1,274 earned in retail trade.

The immediate outlook for both income and wages is continued slow growth. The fate of both are tied to Alaska's economic prosperity. Slow economic growth is forecast for the next couple of years.