

Has pay risen more than prices?

Overall, Alaska workers made real gains from 2012-2021

By LENNON WELLER

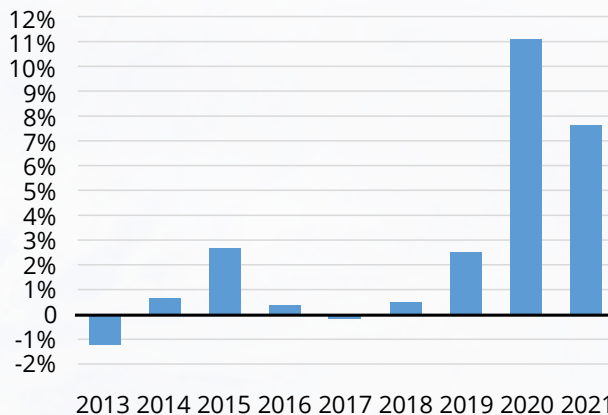
To gauge inflation's true effect on purchasing power, it's important to factor in the changes in how much people are paid. For example, if average wages rise to match the increase in the prices of goods and services, then there's no real change in how far our dollars can go.

Overall, wage increases in Alaska more than made up for inflation over the last decade. Between 2012 and 2021, Alaska's consumer price index, the CPI for Urban Alaska, rose 15.2 percent. Meanwhile, the average wage grew 24 percent, from \$50,097 to \$62,123.

Earners made real gains over that period as wages increased by 7.7 percent after accounting for price level changes. Only during two years — 2013 and 2017 — did wage growth fail to keep pace with inflation.

Especially high inflation in 2022 could reverse that relationship of wage growth exceeding inflation, however. The Urban Alaska CPI rose 8.1 percent in 2022 alone. Wage data for the full year aren't yet available, but wage growth would have to accelerate rapidly to keep pace with inflation that high.

Inflation-adjusted change in average wage relative to 2012 as base year

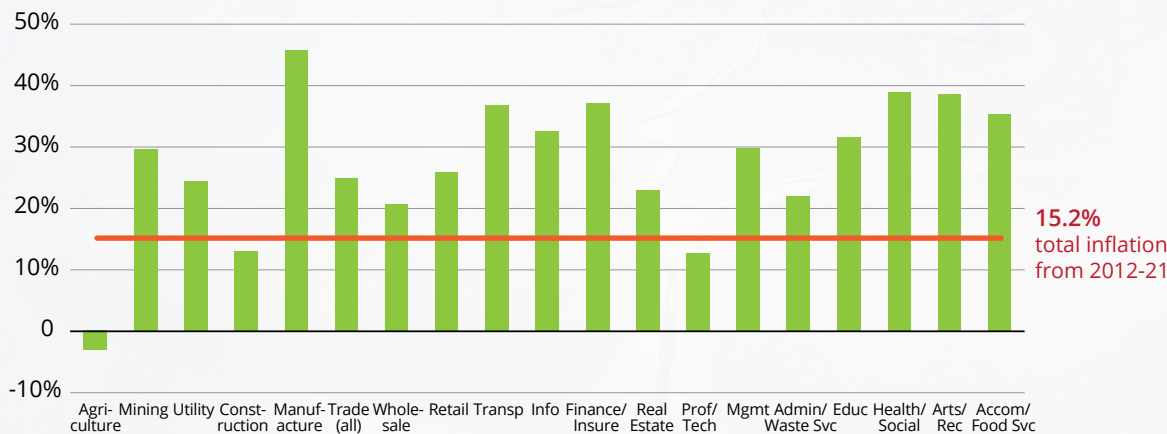


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Wage growth in the three largest industries accelerated in 2019

Wage growth by industry varied, although it outpaced inflation in most of them. In Alaska's three

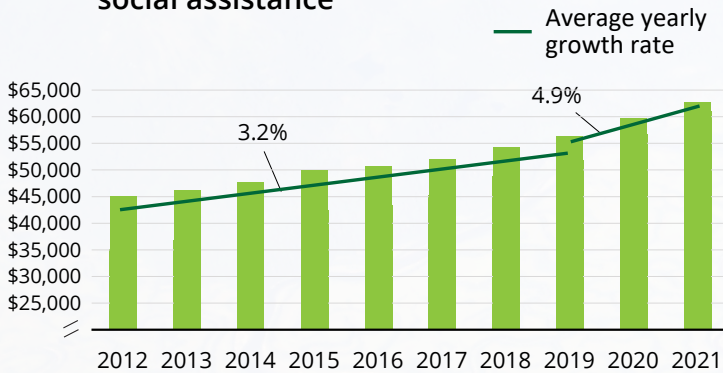
How industry wages kept up with total inflation from 2012-2021



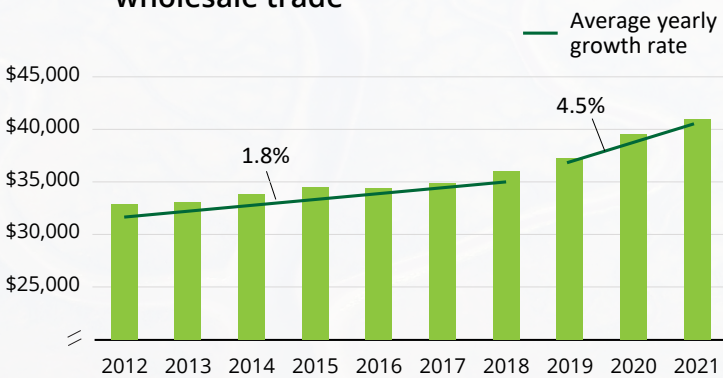
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Largest Alaska industries' wage growth rates sped up in 2019

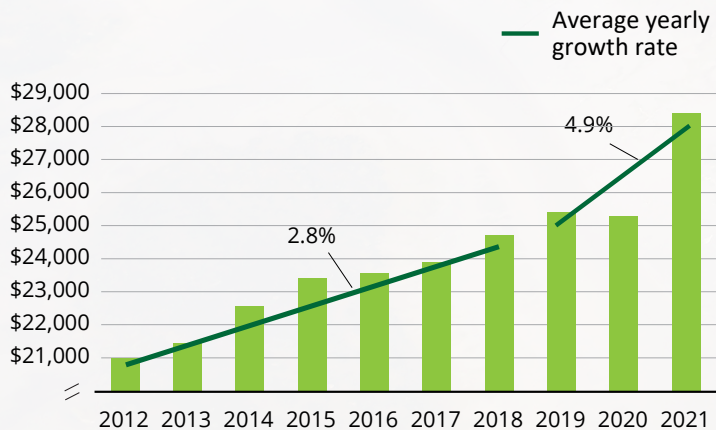
Health care and social assistance



Retail and wholesale trade



Accommodation and food services



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

From 2012-2021, average wages in Alaska grew 7.7 percent faster than prices.

largest sectors by employment, wages not only rose considerably over that period, but their wage growth rate accelerated starting in 2019.

The health care and private social assistance sector accounts for 15 percent of Alaska's jobs, or a little more than 48,000. This industry has grown robustly for decades, and from 2012 to 2021, its average annual wage grew 38.7 percent while prices rose 15.2 percent. When adjusted for inflation, health care wages went up about 20.5 percent in real terms over that decade.

Per year, health care's wage growth averaged about 3.2 percent — and in 2020 alone, wages rose 6 percent.

Alaska's second-largest sector is retail and wholesale trade, at 13.1 percent of the state's total jobs. Most of this sector is retail, at 11.1 percent of Alaska jobs on its own.

Trade wages rose 24.8 percent over the period, with retail and wholesale both increasing by double-digit margins (20.7 and 18.8 percent, respectively). When adjusted for price level changes, the trade sector's average wage increase was 8.4 percent.

Retail and wholesale wages both rose steadily year after year, but retail's rate accelerated during the pandemic. From 2012 to 2019, the average retail wage increased by about 1.8 percent per year before jumping to 5 percent a year from 2019 through 2021.

Demand drove much of the steeper rise for health care and retail, especially during the pandemic. The need for workers ramped up with COVID-19, but even before that, the health care industry had been growing for years to serve the needs of an aging population and underserved parts of the state. Retail bled jobs during

the pandemic, and as restrictions and health concerns eased, the relatively low-paying industry had to compete for a shrinking pool of available workers.

The state's third-largest sector, accommodation and food services, was also hit hard by the pandemic, and its wage growth accelerated over the last few years for similar reasons as retail.

Accommodation and food services represents about 9.3 percent of jobs in Alaska and pays 4.3 percent of all wages. While wages in this labor-intensive sector are comparatively low, they rose 35.2 percent from 2012 to 2021, with a third of that increase in 2021 alone.

Three industries didn't keep up

Most industries' average wages rose faster than inflation over the period, with three exceptions. Wages in construction and the professional, scientific, and technical services sector went up between 2012 and 2021 but didn't keep pace with inflation, so their average wages declined in real terms.

Just one industry, agriculture, recorded an outright decrease in its average wage, even before accounting for inflation's effects. Agriculture is a very small and shrinking industry in Alaska.

The types of work done in these industries and their occupational mix have shifted (automation has played a role, for example), and construction and professional services are both high-paying industries with large numbers of people retiring. People tend to make more as their careers go on, so higher-paid workers leaving pushes down the average wage.

Also, because these are high-paying industries to begin with, their wages wouldn't necessarily rise at the same rate as lower-paying industries.

Lennon Weller is an economist in Juneau. Reach him at (907) 465-4507 or lennon.weller@alaska.gov.