

Shifts in Alaska construction jobs

Industry weathered the pandemic better than most

By SARA TEEL

During the first two years of the pandemic, lumber prices skyrocketed and hardware stores' sales hit records. Many people took on home improvement projects, and the shutdowns, remote work, and stimulus money drove up demand for building supplies and contractors to help remodel or expand.

This flurry of activity cushioned the blow to the construction industry in Alaska, which fared better than most industries during COVID and far better than it had during the previous decade's recession when it lost nearly 14 percent of its jobs.

In 2020, the construction industry lost about 3.6 percent of its employment while Alaska lost 8 percent overall. Of all the jobs Alaska lost that first pandemic year, only about 2 percent were from construction.

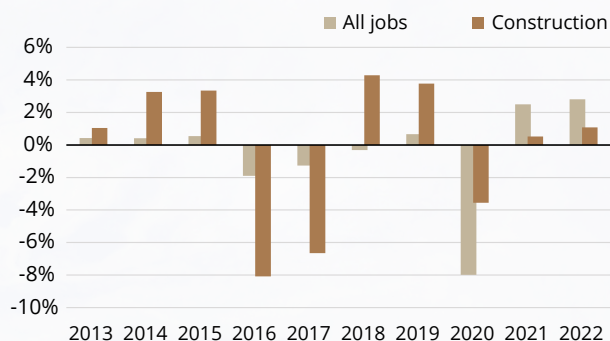
The industry has been slower than the state to recover its losses — the parts of the economy hit hardest have tended to bounce back at higher rates initially. As of 2022, construction had gained back about half of the jobs it lost, putting its job count about 2 percent below 2019.

Reshuffling among regions and in the types of work

The Anchorage/Matanuska-Susitna and Southeast regions have recovered and surpassed their pre-pandemic job levels, with Anchorage/Mat-Su construction employment up 1.5 percent over 2019 and Southeast by 7 percent. Interior construction employment still lags behind 2019 by almost 12 percent.

The balance of jobs by area has shifted somewhat since then, with the Matanuska-Susitna Borough increasing its share of the Anchorage/Mat-Su Region's construction from 25 percent in 2019 to 31 percent in 2022, which parallels Mat-Su's overall economic

How Alaska construction jobs weathered economic downturns



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

and population growth. (See the June 2023 issue of *Trends*.)

Just over 50 percent of new single-family homes built in Alaska in 2022 popped up in Mat-Su. Twenty-three percent were built in Anchorage.

The types of work have also changed with the pandemic. While the industry's broad makeup has remained about the same — 30 percent building construction, 25 percent heavy and civil engineering construction, and 45 percent specialty trades — there's been some reshuffling within.

Building construction shifted by about 5 percentage points from nonresidential to residential construction. For heavy and civil engineering, employment moved about 8 percentage points from utilities construction to highway, street, and bridge construction.

See the next page for more on these categories.

Funding and major projects ahead

Federal infrastructure and military spending plus

strong housing demand will further buoy the industry in the next few years.

Congress passed the \$550 billion Infrastructure Investment and Jobs Act in late 2021, which allotted \$4.9 billion for Alaska. The act will fund 370 projects so far, ranging from \$2,796 for Gunnak Creek Hydro in Kake to more than \$360 million for highways across the state.

The top 20 projects, shown in the table at right, represent almost half of Alaska's allotment. Construction companies will be the primary recipients.

Continued supply and labor constraints could create bottlenecks. According to the Associated Builders and Contractors, the national construction industry is about a half-million workers short of what it needs in 2023, and while lumber prices have decreased from the pandemic peaks, periodic shortages of various construction materials persist.

On top of the infrastructure allotment, the U.S. Department of Transportation awarded funds under a grant program that the infrastructure act expanded in 2021. Alaska will receive \$27.8 million for four projects: \$16.5 million for Juneau to complete the final design and document development for a second bridge to Douglas Island, \$10 million for road improvements between Kake and Petersburg, \$1 million for the State of Alaska to create a list of projects that will better connect Alaska communities, and \$380,000 to the Bristol Bay Native Corporation for a Koliganek-to-Aleknagik road study in the Dillingham area.

The National Defense Authorization Act for fiscal year 2023 includes \$332 million in military construction and equipment for Alaska and other arctic areas around the globe. The projects include \$63 million for an aircraft maintenance hangar at Joint Base Elmendorf-Richardson in Anchorage and a \$50 million upgrade for Fort Wainwright recreational facilities in Fairbanks.

Alaska's large military presence will likely increase in the coming years, given the state's proximity to Russia and China and the Arctic's marine shipping potential as climate change decreases sea ice.

Top 20 Alaska infrastructure act-funded projects

Funding	Community	Project
\$362,707,359	Statewide	National Highway Performance Program
\$250,000,000	Nome	Port of Nome
\$209,000,000	Statewide	Rural Ferry Service
\$187,000,000	ALCAN Border	ALCAN Border Station
\$185,000,000	Seward	Lowell Creek
\$176,452,228	Statewide	Surface Transportation Block Grant
\$130,000,000	Kodiak	Coast Guard Base Kodiak Fuel Pier Upgrade
\$88,000,000	North Pole	Moose Creek Dam
\$77,401,427	Statewide, Anchorage, Fairbanks	Federal Transportation Administration FY22 Apportionment
\$75,000,000	Statewide	Denali Commission
\$68,700,000	Anchorage	Port of Alaska
\$52,600,000	Calista Region	Calista for fiber across 10 villages in region
\$45,000,000	Statewide	Bridge Formula Program
\$42,000,000	Bethel, Platinum, Eek, Napaskiak, Oscarville	Bethel Native Corporation for fiber network
\$40,000,000	Kodiak	Coast Guard Base Kodiak Housing
\$40,000,000	Kodiak	Coast Guard Base Kodiak Childcare Development Facility
\$39,902,549	Statewide	Highway Safety Improvement Program
\$35,625,580	Statewide	Alaska Marine Highway System: Federal Highway Administration Ferry Boat Program
\$34,885,420	Bristol Bay Region	Deploy fiber for the Bristol Bay region
\$33,017,636	Haines, Hoonah Angoon CA, Skagway	Alaska Telephone Company fiber-to-premises network

Source: U.S. Sen. Lisa Murkowski

More details about the industry

The categories of Alaska construction

Building construction, which makes up about 30 percent of the industry's jobs, includes residential, commercial, or industrial buildings. These companies may hire other construction companies to complete the work, often in the specialty trades. Examples include homes, hospitals, retail outlets, and canneries.

While heavy and civil engineering construction (25 percent) companies may build buildings, they aren't the primary focus. These companies concentrate on large projects needing specialized equipment such as asphalt pavers or dragline excavators. Highways, bridges, dams, parks, refineries, pipelines, and railroads are examples of heavy and civil engineering construction projects.

Companies in specialty trades (45 percent of the industry) are contracted to work on parts of a construction project but are not responsible for the entire project. Examples include pouring concrete, site preparation, plumbing, painting, and electrical work.

It's not unusual for a construction project to span all three categories.

Wages are high but inflation took a toll

Construction represents about 7 percent of all private-sector jobs, making it the fifth-largest industry in Alaska. Its pay is second-highest, though, with an average annual wage that tops the Alaska average by nearly \$20,000. In 2022, construction's average annual wage was \$85,079.

Construction wages are a distant second to the mining industry, which includes oil and gas. Mining paid 82 percent more last year on average, at \$155,072.

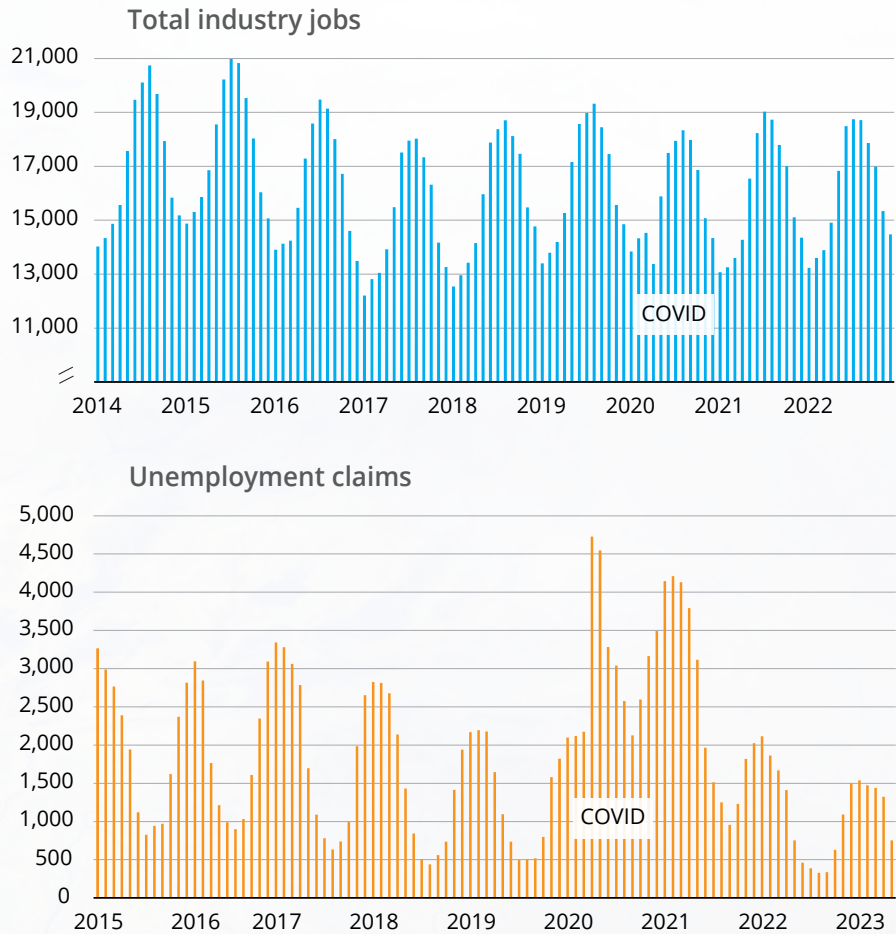
While the construction industry is high-paying, its recent increases didn't keep up with inflation. Wages in 2022 were about \$4,000 higher than in 2019, but just breaking even with inflation over those three years would have required a \$10,000 boost.

The job count is 5,900 higher in the summer

Construction is seasonal in most places but especially in Alaska, which has about 5,900 fewer construction jobs in winter than summer. The industry's unemployment benefit claims reflect that seasonal swing, as the graph on this page shows.

While 2019 had logged fewer claims than the previous few years, construction workers' claims skyrocketed during the pandemic. Then, as the economy rebounded, construction claims fell in 2022 to the lowest summer level in a decade.

Jobs, claims show construction's seasonality



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

The unemployment rate was low last year and the number of job openings hit record highs. While high numbers of job openings have been a national phenomenon in recent years, mainly because of demographic shifts, Alaska's 10 years of net migration losses contributed to an even smaller worker pool for the construction industry.

Sara Teel was an economist in Juneau, and this is her last *Trends* article. Contact economist Dan Robinson at (907) 465-6040 or dan.robinson@alaska.gov with questions about this article or the construction industry.