

COVID-19 and Alaska's Economy

Answering initial economic questions about the virus disruption

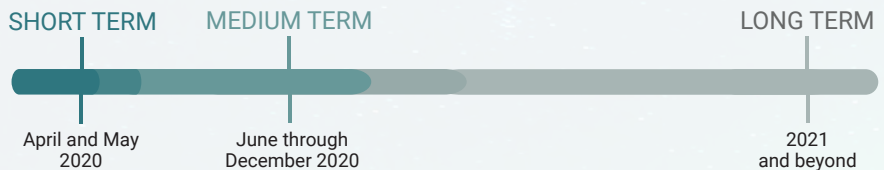
By RESEARCH AND ANALYSIS STAFF

With the arrival and spread of COVID-19 in Alaska, protecting public health and slowing further transmission have become clear first priorities — but efforts are under way to address the economic concerns, which are also serious.

The full impact of the resulting closures and disruptions will take months to assess, but providing information on vulnerabilities and baseline data for what a normal April would look like will help determine which people and industries need accommodations and assistance soonest.

We hope this will help readers who are trying to get a grasp on the economic outlook they and the state face. This issue of *Alaska Economic Trends* will focus on the short-term effects of the developing

Definitions of economic impact horizons for COVID-19



pandemic and address the handful of questions that preliminary and historical data can answer. We define that period as now through the end of May. While that could change as things evolve, it appears to be the most likely window for business closures and stay-at-home mandates.

The medium-term horizon is June through the rest of the year, and 2021 and beyond is the long-term horizon. Future *Trends* issues will look more at the medium- and long-term periods as more data become available.

Q: Which parts of Alaska's economy are most vulnerable to employment and wage losses?

Normally, Alaska employers would pay out more than \$1 billion in private sector wages in April and even more in May. There's little doubt that wages will fall by hundreds of millions of dollars over the short-term period due to virus-related shutdowns and efforts to slow the spread of COVID-19.

The table on the next page identifies the private sector industries likely to be hit hardest in the short term as well as the few that will see increased demand for services.

The categories are large, and in many cases their subcategories will have exceptions. The clearest example is retail trade, where employment and wages will drop precipitously overall as Alaskans stay at

home and do far less discretionary spending, but initially rose as people stocked up on food and household items in the early shutdown phase.

Traffic increased at grocery stores and general merchandise stores like Costco, Fred Meyer, and Walmart as people prepared to stay home, and some of those store have extended their hours to reduce congestion and provide designated shopping hours for vulnerable populations.

Another important example is health care. Hospitals will face dramatic increases in demand, but elective and nonemergency procedures in a range of outpatient health care facilities will fall dramatically in the short term.

Likely short-term effects on industries and how they looked last April

Likely effect In April 2020	Industry	April 2019 total jobs	April 2019 total wages*	Notes
	Retail Trade	34,941	\$94 million	Some exceptions, mainly grocery stores
	Restaurants/Eating Places	17,727	\$31 million	Some will continue to operate for takeout and delivery
	Air Transportation	5,948	\$29 million	Passenger traffic way down; cargo traffic much less so
	Seafood Processing	7,668	\$27 million	Worker shortages a major concern; 74 percent nonresident
	Real Estate, Rental/Leasing	5,593	\$22 million	Profits will suffer, but renegotiation of terms will create new work
	Hotels and Accommodations	7,240	\$17 million	Likely skeleton crews at most hotels except for isolation or quarantine
	Repair and Maintenance	2,728	\$11 million	Most of this activity will stop except for emergency services
	Arts, Entertainment, and Rec	4,320	\$8 million	Most of this activity will stop during shutdown, stay-at-home period
	Personal Care and Laundry	2,068	\$5 million	Nearly all of this activity will be suspended
	Scenic/Sightseeing Trans	1,582	\$4 million	Some preparation work for uncertain 2020 season
	Drinking Places (Bars)	1,309	\$2 million	Could be completely shut down for the month
	Professional/Business Svcs	27,239	\$144 million	Broad mix of activities; nonessential work to slow substantially
	All Other Private Sector	32,328	\$138 million	Worker disruptions and less spending except for short-term essentials
	Outpatient Health Care	21,144	\$103 million	With some exceptions (labs), most elective care will be suspended
	Oil and Gas**	9,903	\$108 million	Worker transportation to and from oil fields a concern; oil prices have plunged, and some layoffs have already been announced
	Local Government	42,583	\$206 million	Worker quarantines and changing working conditions
	State Government	24,269	\$118 million	Worker quarantines and changing working conditions
	Construction	15,223	\$102 million	Summer construction season will mostly continue
	Federal Government	14,462	\$97 million	Worker quarantines and changing working conditions
	Information	5,354	\$30 million	Increased demand for telecommunications/news but less overall
	Other Mining	2,830	\$24 million	Worker transportation a possible concern
	Truck Transportation	2,589	\$13 million	Goods shipments will mostly continue; some supply chain disruptions
	Utilities	1,566	\$12 million	Some demand shift from commercial to residential; otherwise steady
	Finance and Insurance	6,676	\$36 million	Profits will suffer, but demand for services will increase
	Social Assistance	9,114	\$24 million	Big increases in food, housing needs; closures will cut jobs elsewhere
	Nursing and Residential Care	3,871	\$11 million	Disruption to processes; availability of needed workers a concern; new safety procedures
	Hospitals	13,283	\$80 million	Demand for trained professionals will soar; wages will rise; few available workers

*Estimated

**Differs from the print edition of this issue due to major developments the day after publication

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



Substantial decline



Moderate decline



Slight decline



Substantial increase



Moderate increase



Slight increase



Neutral/Unknown

Q: Can unemployment benefits replace the wage losses?

State and federal legislation has already been passed to help fill gaps in the economy and household budgets caused by lost wages. The objective is to quickly get money to those who have had to absorb the biggest initial losses and to help shore up the economy during the next few months.

State legislation has extended eligibility for unemployment benefits to people who had to stop working due to COVID-19. It also removed the requirement that people actively seek work to receive benefits, raised the additional dependent allowance from \$24 a week per dependent to \$75 a week, and removed the limit on the number of dependents for which a claimant can receive the allowance. Normally, the maximum is three.

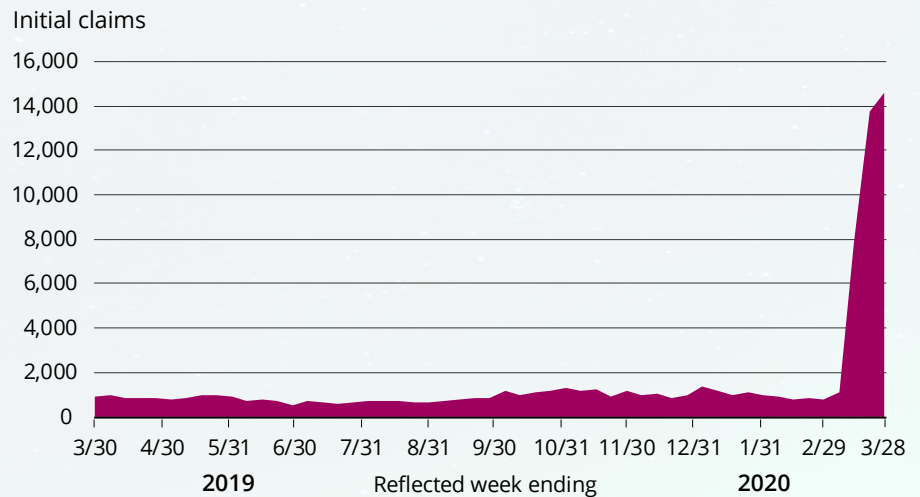
The state legislation, which will be in effect until April of 2021, also waives the normal waiting period for benefits and applies to all claims filed after March 1.

On the federal side, the two most significant wage-replacement features of the CARES Act — Coronavirus Aid, Relief, and Economic Security — are a provision that adds \$600 a week to the unemployment benefits people already receive and another that extends benefits to the self-employed, who aren't normally eligible because they don't pay into the system. However, there are too many questions about how that will work and how many people will access it to do more than mention it in this issue.

The additional \$600 is important because the average unemployed Alaskan receives about \$250 a week in benefits and the weekly maximum is \$370, so it will bring those totals up to \$850 a week on average and \$970 a week for someone who qualifies for Alaska's maximum weekly benefit.

As the chart on this page shows, benefit claims have soared in recent weeks. For the most current week available, the week that ended March 28, nearly 14,600 people filed initial claims for benefits. That was about 14 times as many as were filed the same week

Unemployment benefit claims jumped in March



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

in 2019. (For updates on weekly claims, see: <https://www.dol.gov/ui/data.pdf>, or sign up here to receive a weekly email message on Alaska's claims.)

The current claim numbers far exceed anything in Alaska's history. More increases are likely in the coming weeks before they plateau at a very elevated level for a while. Claims will start dropping when people eventually return to work.

Adding the 14,600 initial claims to the 19,900 continued claims (those filed in an earlier week) brings the total number of people filing for benefits in Alaska to around 34,400. The average weekly benefit amount of \$250 plus the \$600 from the federal CARES Act means the average amount people will receive is \$850. Multiplying that amount by 34,400 means benefits will total more than \$29 million a week, or \$120 million a month.

For context, Alaska's private sector employers would typically pay about \$1 billion in wages in April. It's unclear how much that will fall this year, but \$120 million would replace a meaningful percentage.

For many people, the temporarily larger benefits — the additional \$600 in federal benefits being the key piece — will more than replace their lost wages, which bodes well for them getting through the next few months without their normal paycheck.

Q: Can Alaska afford to pay that much more in unemployment insurance benefits?

Yes, for the immediate future and certainly through the short-term shutdown when claims will be especially high.

The first reason is that additional \$600 a week paid with federal funds. Second, Alaska's unemployment insurance system was well designed, has performed especially well among state systems over the years, and had extra funds going into this crisis.

This chart shows the balance of Alaska's unemployment insurance trust fund from 1983 to the present and the benefit amounts paid over that period. The trust fund holds unemployment insurance tax payments from Alaska employers and employees, and it's actuarially managed so the state can reliably pay benefits to qualifying workers.

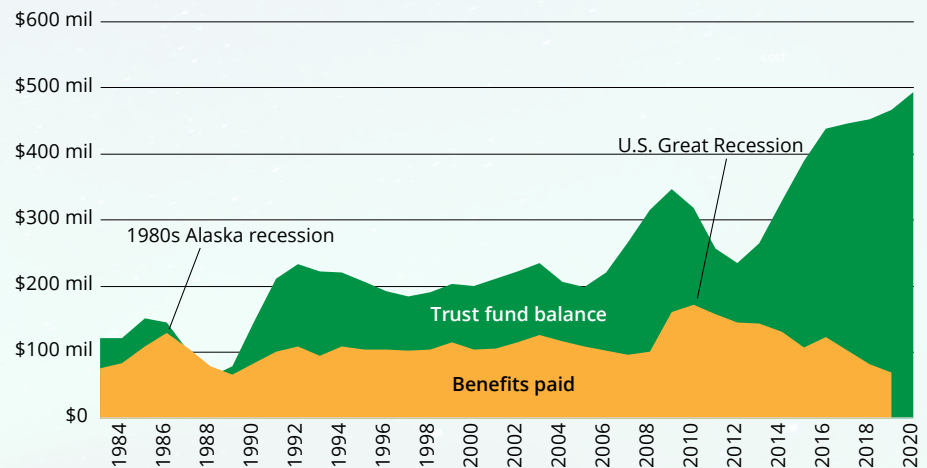
The system is designed to have in reserve a certain percentage of total wages for the workers it covers, which is about 98 percent of wage and salary workers in the state, so it can absorb economic downturns.

The trust fund held nearly \$500 million going into this period, which is above the state and federal actuarial targets. Another reason for the high balance is unusually low claims for unemployment benefits in recent years, a topic we covered in detail in the December 2017 issue.

See this year's February issue for more detail about how Alaska's unemployment insurance system works and how it has performed over the years.

(Answer continues on the next page.)

The trust fund balance and benefits paid, by year



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

Q: Will unemployment taxes go up to pay for the extra benefits?

Yes, but not right away. Although a big percentage of the additional benefits will be federally funded, the state will still pay much more in unemployment benefits than it typically does, which will eventually mean an increase in unemployment insurance taxes. However, the system is designed to delay the tax increases until the economy has had a chance to recover from the shock and to gradually build the trust fund balance back to its target range.

One thing to keep in mind is it's an insurance system and is not designed to provide benefits based purely on need. People receiving benefits qualified for them by working and through the taxes they and their employers paid into the system.

New exceptions allowing the self-employed or business owners to collect benefits temporarily due to the extreme circumstances will not affect the actuarial health of the state's system because they will be funded separately and with federal money.

Continued: Can Alaska afford to pay that much more in unemployment benefits?

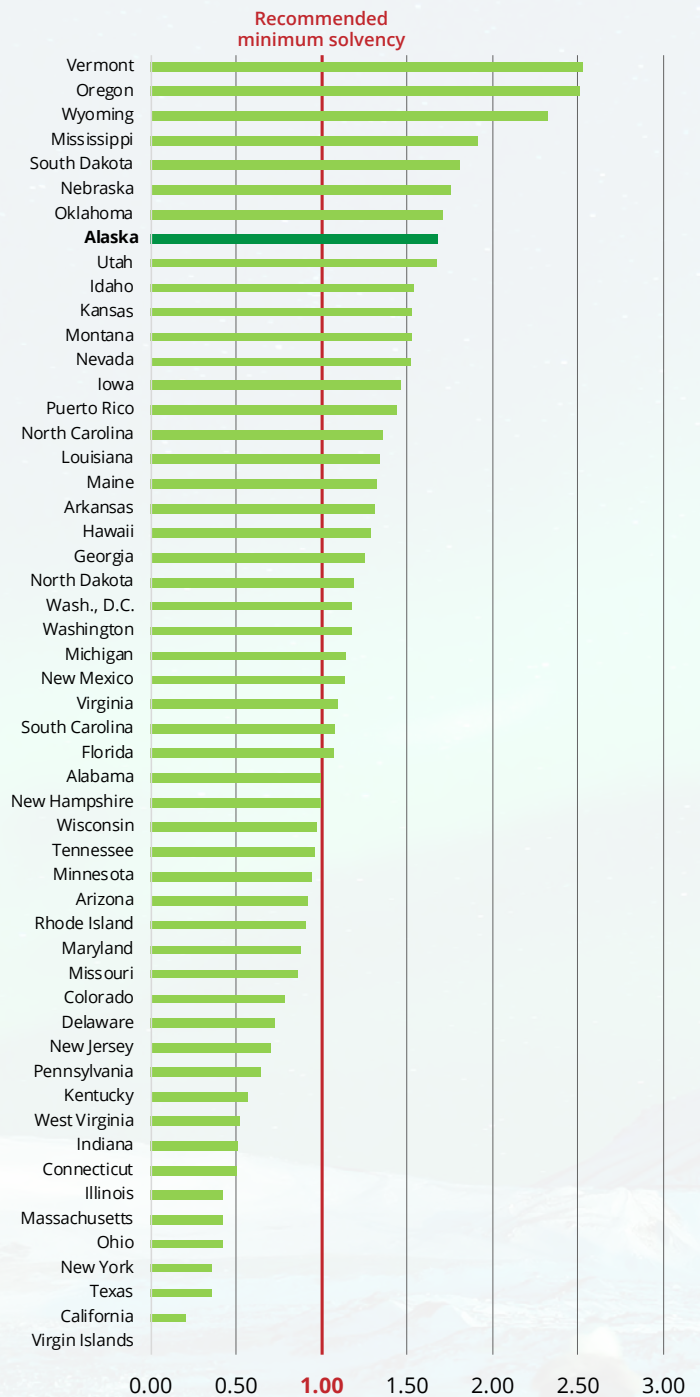
State unemployment insurance systems must meet certain federal requirements, but they vary substantially in terms of who qualifies and how much people receive. States also take different approaches to financing their systems, including how and when unemployment insurance tax rates change.

In Alaska, tax rates are calculated annually based on the amount of benefits paid out in recent years and how the trust fund balance measures up to a target range for solvency set in state law. Unlike many states, tax rates in Alaska fluctuate based primarily on the amounts being paid and the size of the state's economy rather than political factors.

That self-adjusting feature for tax rates is one of the reasons Alaska's system performed as well as it did during the national financial crisis more than a decade ago that drained more than 30 other states' unemployment insurance systems. Those states had to borrow from the federal government and impose additional costs on employers to rebuild their fund balances.

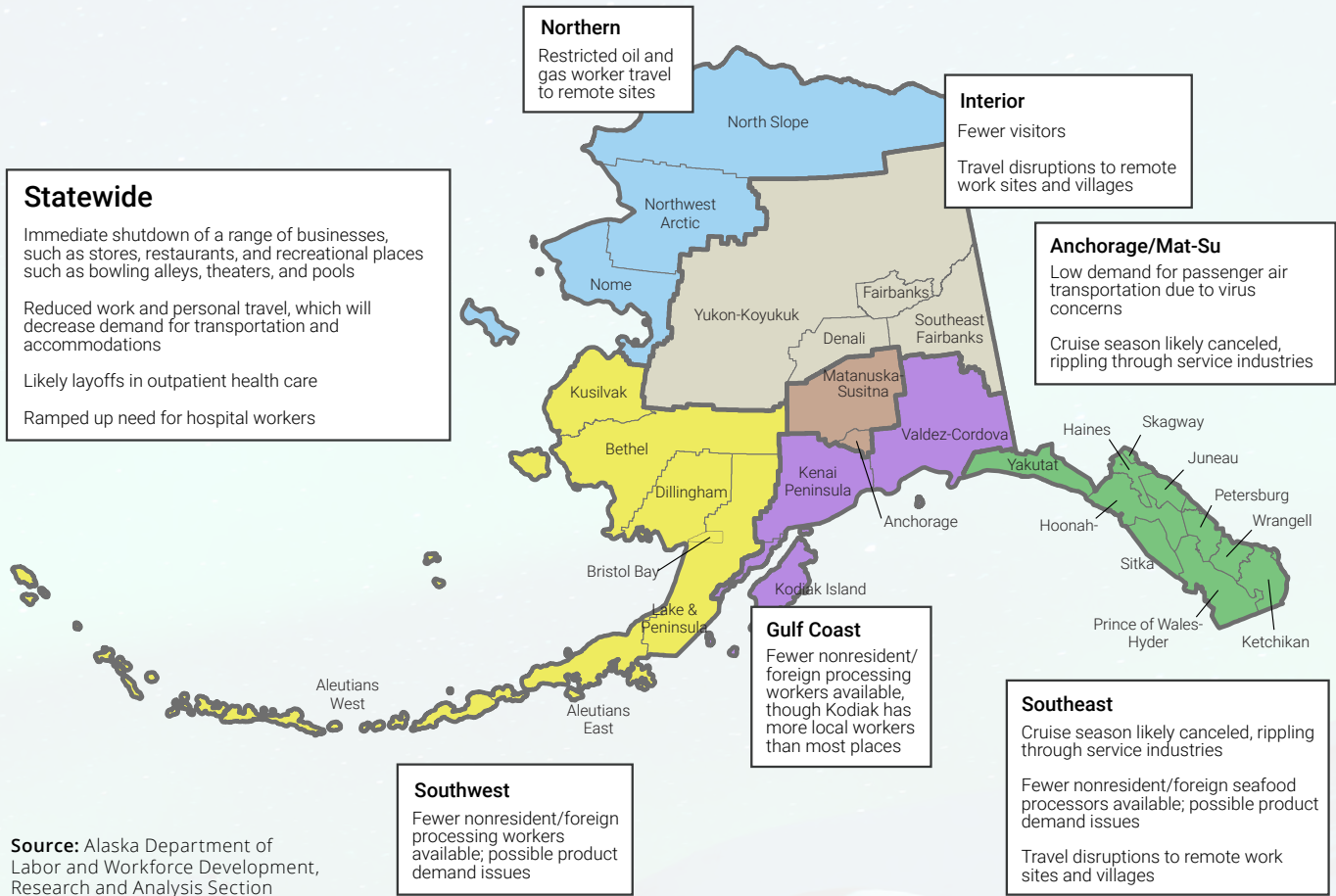
The chart at right shows Alaska's preparedness, relative to other states, to absorb a period of especially high payouts.

Solvency of unemployment insurance trust funds by state



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

Q: How will the initial COVID-19 response affect different parts of the state?



The state's regions will have different concerns and feel different effects depending on their key industries and transportation infrastructure. Nearly all areas will see radically different spending patterns in April and May, and both health care and government will play an outsized role over that period — otherwise, the concerns will vary.

In the Southwest, Gulf Coast, and Southeast regions, a major concern will be whether seafood processing companies can operate. The companies depend on international and nonresident workers to differing degrees (see the November 2016 issue for more), and travel restrictions create an additional obstacle.

It's too soon to say much about the peak salmon processing season of July and August, but capacity to process fish in April and May will be dramatically reduced because of worker supply. Secondary

concerns include a reduction or shift in market demand for different products, and the implications for commercial fishermen if seafood processors can't operate or can only operate at reduced capacity.

Southeast, and to a lesser extent the Gulf Coast, Anchorage/Mat-Su, and Interior regions, will be hit hard by the likely cancellation of the 2020 summer cruise ship season. Although June through August are the peak months, businesses throughout those regions would have started hiring in March and April to prepare for the anticipated 1.4 million 2020 cruise ship visitors.

The Northern Region will have a difficult time transporting workers to the North Slope oil fields and perhaps to the Red Dog Mine in the Northwest Arctic Borough. Keeping workers healthy in those unique environments will also be a high priority.

Q: What types of economic losses will create the most immediate and urgent concerns?

Depending on factors such as the availability of paid sick or family leave, the likelihood of losing a job and wages, and the amount of household savings, Alaskans will feel the short-term economic losses from the pandemic in different ways and to varying degrees.

Most urgent are food, housing, and access to critical purchases such as prescription medications for serious conditions. To determine the magnitude of those needs, we examined historical data on the amounts Alaskans normally spend on them, shown on this and the following page.

Q: How many people own and rent in Alaska, and what are our typical housing costs?

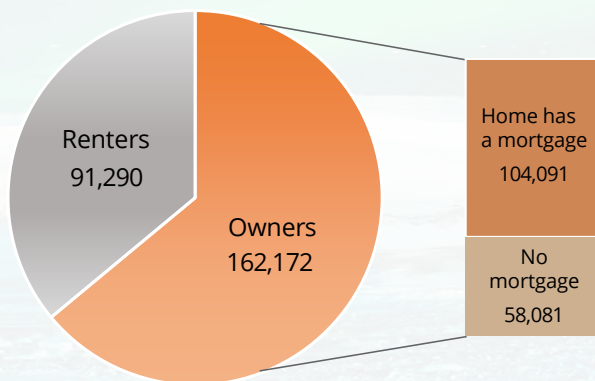
More than 90,000 Alaska housing units, which include houses and apartments, are occupied by renters, and the other 160,000-plus are owner-occupied. Of those owned homes, about 105,000 of the owners pay a mortgage.

While people without mortgages clearly have lower housing costs, those owners still pay property

taxes and utilities, and some older homes have additional short-term repair and maintenance needs that can't be easily delayed.

Among renters, the largest percentage of households pay from between \$1,000 and \$1,499 a month in housing costs, including utilities. For owners, the largest percentage pay between \$1,500 and \$1,999.

Significantly more homes* owner-occupied, most have mortgages



*Includes rental units, whether they are houses or apartments

Source: U.S. Census Bureau, American Community Survey 2014-2018

Monthly housing costs, Alaska owners vs. renters

	Owners	Renters
Occupied housing units	162,172	91,290
Monthly housing costs		
Less than \$300	6.2%	1.4%
\$300 to \$499	9.2%	3.8%
\$500 to \$799	14.6%	9.7%
\$800 to \$999	6.9%	13.7%
\$1,000 to \$1,499	15.9%	33.6%
\$1,500 to \$1,999	18.6%	16.5%
\$2,000 to \$2,499	14.1%	9.7%
\$2,500 to \$2,999	7.5%	2.3%
\$3,000 or more	7.1%	0.8%
No cash rent	-	8.5%

Source: U.S. Census Bureau, American Community Survey 2014-2018

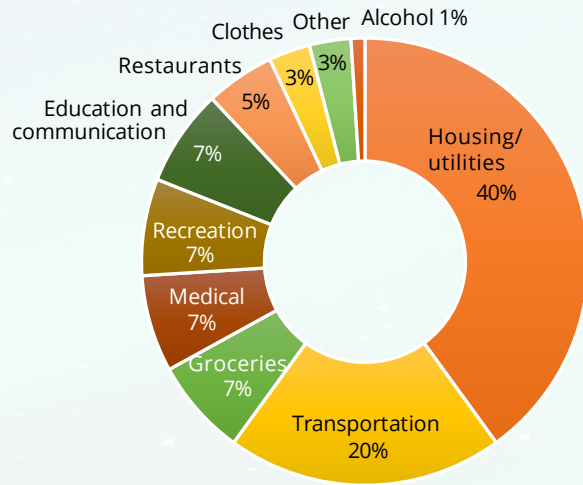
Q: How much do Alaska households typically spend in a month, and on what?

Housing takes the largest chunk of Alaskans' monthly spending, at about 40 percent. Transportation is the next highest-cost category, and one that will fall for most Alaskans as they work from home, shop and visit less, and otherwise move around much less. Similarly, other costs will fall in the short term because entertainment and recreation businesses will close.

Some of that spending will shift rather than disappear, such as to online entertainment and education subscriptions, or increase. Groceries and some essential costs, such as prescription medications, will remain about the same for most households.

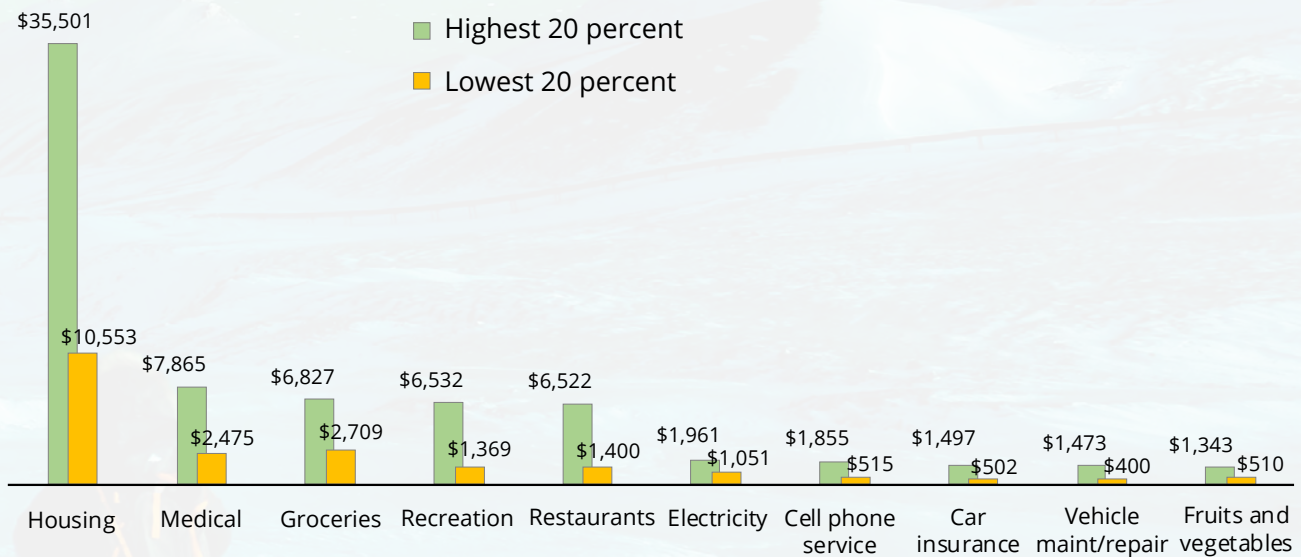
The amounts and types of household spending differ substantially based on income, however, as the chart below shows. And although nearly all Alaska households will change their spending patterns during the next two months, high-income Alaskans are more likely to have savings and more favorable employment situations, such as paid leave and job security, that will cushion the blow.

Typical household expenditures



Source: U.S. Bureau of Labor Statistics

Yearly spending differences among high- and low-income households



Source: U.S. Bureau of Labor Statistics

Q: How much will we lose in jobs and wages from Alaska businesses we know will be closed?

Although these two charts can't capture all of the businesses that will be closed during the next month or two, they show the major categories that won't operate in the short term. We don't yet know the extent to which those workers will remain employed and receive paid leave.

The largest numbers are for businesses like gyms and other recreation or fitness service providers, which would normally represent more than 3,000 jobs in April and pay more than \$5 million in wages.

Other notably large categories for closures include bars and other alcoholic drinking places (some of which are doing creative things to stay at least partly operational, such as shifting to the production of hand sanitizer) and a catch-all category that includes hair salons, massage studios, and tattoo and nail parlors.

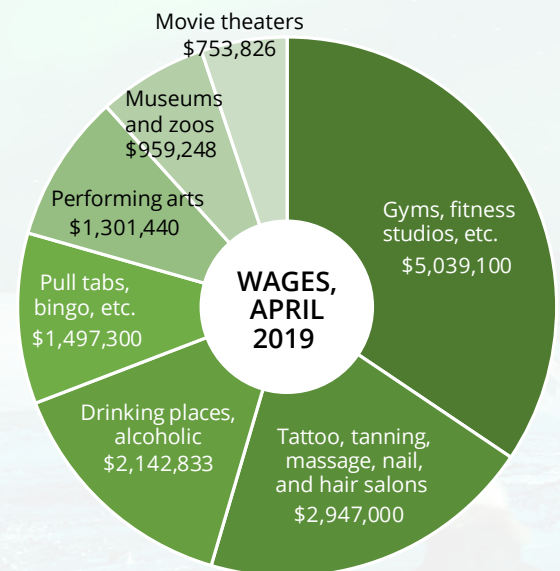
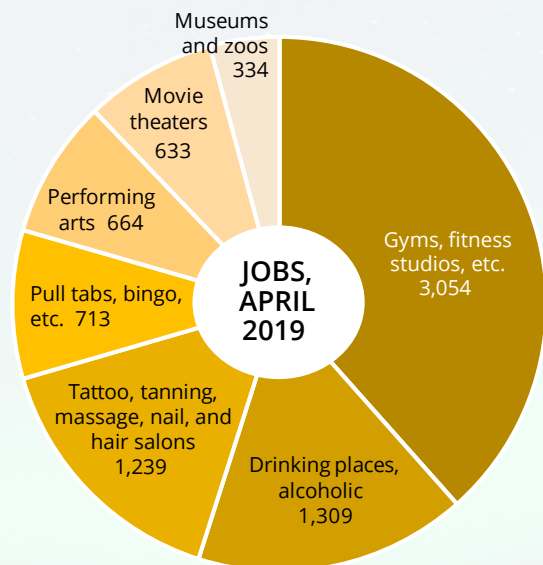
Wages for these jobs are generally lower than average for the state, because many are part time. For places like bars, tips are excluded from or undercounted in wage data.

Restaurant employment and wages are not included here because many restaurants are maintaining some of their business by offering takeout and delivery, and because fast-food restaurants and others with already limited on-site dining will sustain fewer losses. For reference, though, "restaurants and other eating places" employed more than 21,000 people in April 2019 and paid more than \$37 million in wages.

Another heavily impacted industry not included in these pie charts is hotels and other traveler accommodations. That category employed more than 7,000 people last April and paid out more than \$16 million in wages.

We will cover restaurant and hotel employment and wages in future issues. They will face some of the biggest losses in coming months because travel and gathering restrictions will likely extend, in some form, well beyond the next few weeks.

Typical April jobs and wages in heavily affected businesses



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Bureau of Labor Statistics

Q: Has the 2020 Census been postponed?

No, but timelines for some census operations have been delayed or extended.

One big change is for Alaska households that would have received an in-person visit from a census worker to update addresses and leave a census packet at the door. That part of the 2020 Census, called "Update Leave," was scheduled to begin March 16 but is suspended until at least April 15 to minimize travel and person-to-person contact. The Census Bureau uses Update Leave in communities that lack household mail delivery, including Bethel, Nome, Utqiagvik, Cordova, and Petersburg. Update Leave operations will remain on hold until isolation orders are lifted.



Respond online:
my2020census.gov

The Census Bureau had also planned to close the period for online responses on July 31. That has been extended to Aug. 14.

Another delay is in the count of homeless people living outside, which was scheduled for April 1 but has been pushed to May 1.

It's vital to respond to the 2020 Census. Census results are used to determine the number of seats each state has in Congress and direct billions of dollars in federal funds to communities for schools, roads, and other public services. Data from the census are also used to anticipate the resources communities will need in times of disaster, such as a pandemic.

You can respond online, *even if you haven't yet received anything in the mail*, at: www.my2020census.gov, or you can respond over the phone: (844) 330-2020.

How Alaska has responded to the 2020 Census, as of April 7

City or place	Response rates	
Juneau	44%	Households entirely or mostly self-response; Census materials have already been mailed
Anchorage	43%	
Palmer	41%	
Soldotna	37%	
North Pole	37%	
Wasilla	37%	
Kodiak	34%	
Kenai	34%	
Fairbanks	33%	
Ketchikan	31%	
Sitka	27%	
Homer	25%	Households entirely or mostly "Update Leave"; operations suspended until at least April 15
Kachemak	18%	
Hoonah	13%	
Seward	12%	
Saxman	9%	
Wrangell	8%	
Bethel	7%	
Cordova	7%	
Nome	6%	
Valdez	5%	
Anderson	5%	
Tenakee Springs	5%	
Angoon	5%	
Delta Junction	4%	
Gustavus	4%	
Utqiagvik	4%	
Seldovia	4%	
Craig	3%	
Klawock	3%	
Dillingham	3%	
Sand Point	3%	
Kotzebue	3%	
Houston	2%	
Thorne Bay	2%	
Unalaska	2%	
Whittier	1%	
Hydaburg	1%	
Kake	1%	
Coffman Cove	1%	
Kasaan	0%	
Kupreanof	0%	
Cold Bay	0%	

Source: U.S. Census Bureau

Q: Does Alaska have enough health care workers?

Alaska hospitals will be under increasing pressure in the coming months to meet the increased demand for COVID-19 patient care. Hospitals represented about 13,000 jobs in April 2019, a little more than a third of all health care employment.

About 3,900 people were working in a nursing or residential care facility last April, and this is another group of workers that will feel the stress of higher demand and changed procedures to protect the especially vulnerable population they care for.

The remaining 21,000 health care jobs were in outpatient care, which includes everything from doctors' and dentists' offices to physical therapists, outpatient surgical centers, and home health services. Those employers will be divided roughly into two categories: those on the front lines of the COVID-19 work and those who will suspend much of their activity (elective or nonemergency surgeries, for example) to slow its spread.

Workers in the second category with relevant training may be available to assist with COVID-19 patient care. Another potential source is trained health care workers who are licensed but retired or otherwise not working.

To provide an idea of how many people typically work in the most relevant occupations, the table above right shows worker counts from this time last year.

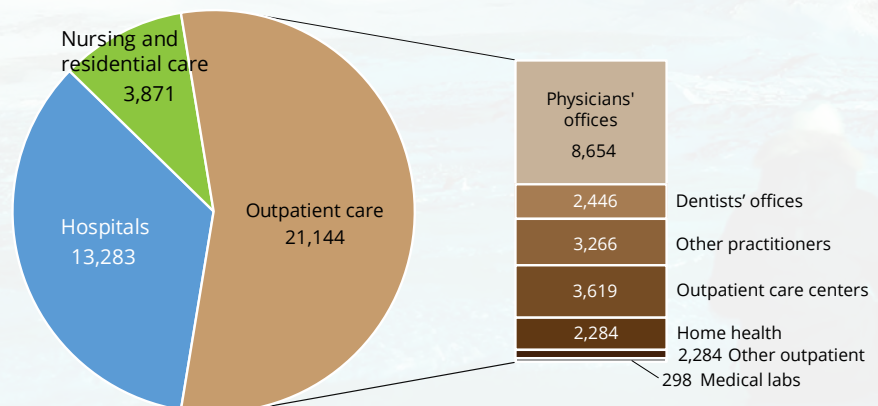
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Bureau of Labor Statistics

Alaska's key health care occupations

Select occupations	Worker counts,* Q2 2019
Registered Nurses	6,730
Pharmacy Technicians	561
Licensed Practical and Licensed Vocational Nurses	559
Physician Assistants	546
Radiologic Technologists and Technicians	487
Family Medicine Physicians	482
Nurse Practitioners	432
Pharmacists	412
Physicians, All Other	409
Medical and Clinical Laboratory Technicians	354
Medical and Clinical Laboratory Technologists	324
Health Care Practitioners and Technical Workers	318
Emergency Medical Technicians	315
Health Care Diagnosing/Treating Practitioners	265
Surgical Technologists	258
Health Technologists and Technicians, All Other	254
Respiratory Therapists	199
Paramedics	131
Diagnostic Medical Sonographers	130
General Internal Medicine Physicians	118
Cardiovascular Technologists and Technicians	84
Nurse Anesthetists	76
Emergency Medicine Physicians	59
Magnetic Resonance Imaging Technologists	56
Community Health Aide/Practitioners (CHA, CHA/P)	38
Radiologists	28
Surgeons, All Other	25
Cardiologists	15

*Workers who changed employers during that quarter may be double-counted. Physicians and other specialists are undercounted because many own their practices, and these data don't include the self-employed.

Most health care jobs are in outpatient care



Q: How many jobs would Alaska lose if we had no summer tourism this year?

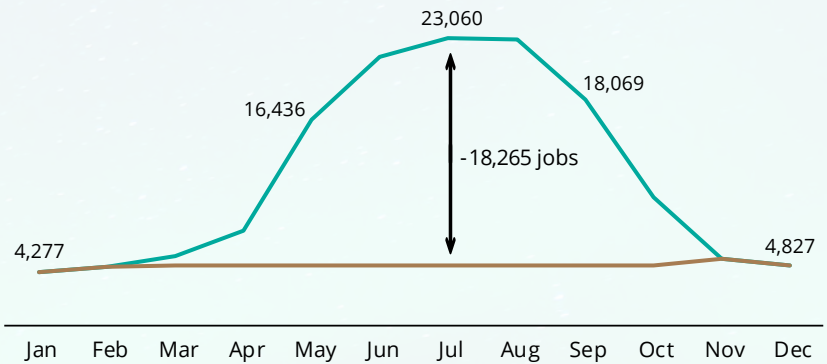
A preliminary analysis of businesses directly tied to summer tourism shows we'd have around 18,000 fewer jobs during the July peak if there were little to no tourism, which seems likely at this point. Most of the businesses we identified had employment throughout the year, but significantly more in the summer.

The losses are understated to the extent that some of the businesses only stay open in the off-season to prepare for the summer peak, and some are only able to serve locals the rest of the year because of their summer sales. The losses also don't include any indirect effects.

When assessing these types of losses, remember that a meaningful percentage of the summer tourism workforce is nonresident. A little over 30 percent of workers in "visitor-related" industries were nonresidents in the most recent year for which data are available. (See the most recent report on nonresident workers in Alaska, available at laborstats.alaska.gov, for more on the numbers and percentage of nonresidents in various industries.)

As far as mitigating the harm from the losses, keep in mind the differences between someone in the

Monthly jobs* with and without tourism



*Baseline data from 2018 for businesses directly tied to tourism; does not include the self-employed

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

state losing a job and someone out of state not coming here for a seasonal job. People in the second group will still need to absorb the lost income, but they will do so in their home states or countries.

In the coming months, we'll begin to quantify the economic losses related to tourism, which will be significant. Alaska is unusual for having such a summer-dominated tourism season. Hawaii and Florida, for example, have a much more steady year-round flow of visitors, and their impacts will differ.

Q: How many private employers does Alaska have, and how many people work for them?

Most Alaska businesses are small, employing one to four workers. As the illustration shows, Alaska had 7,800 of these smallest employers last April, which was 20 times the businesses that employed 100-plus.

Small employers are more likely to be hurt by the temporary shutdown and are one focus of emergency relief from the federal CARES Act and corresponding state legislation meant to help people financially through the shutdown period. (See page 6 for more on the CARES Act and related state measures.)

Although the number of small employers eclipses the number of large ones, far more Alaskans work for large employers. Of the roughly 240,000 people who were working in the state last April, more than 205,000 worked for businesses with 10 or more employees and nearly half worked for businesses with 100 or more.

These numbers are especially relevant now because large businesses are more likely to provide paid sick and family leave as well as other benefits. Also, while there will be exceptions, large businesses are generally better able to absorb the costs of temporary shutdowns.

Alaska's employers and how many workers they have

Largest employers (100+ employees)	337 businesses 116,429 total workers
Employers with 50-99 employees	385 businesses 26,839 total workers
Employers with 10-49 employees	3,144 businesses 62,354 total workers
Employers with 5-9 employees	3,131 businesses 20,742 total workers
Smallest* employers (1-4 employees)	7,771 businesses 15,841 total workers

*Does not include self-employed sole proprietors

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

Contacts for questions or more information

Statewide employment and wage data and the unemployment rate: Karinne Wiebold (karinne.wiebold@alaska.gov)

Anchorage/Mat-Su, Gulf Coast, and Southwest region employment and wage data, household expenditures, cost of living, and general economic questions: Neal Fried (neal.fried@alaska.gov)

Southeast, Northern, and Interior (including Fairbanks) region employment and wage data: Sara Teel (sara.teel@alaska.gov)

Data on unemployment insurance claims and actuarial questions about Alaska's unemployment insurance system: Lennon Weller (lennon.weller@alaska.gov) or Jenna Luhrs (jenna.luhrs@alaska.gov)

Housing data and nonresident worker information: Rob Kreiger (rob.kreiger@alaska.gov)

Worker counts and wages by occupation, occupational projections, and preliminary analysis of tourism-related impacts: Paul Martz (paul.martz@alaska.gov)

2020 Census and population: Liz Brooks (liz.brooks@alaska.gov) or David Howell (david.howell@alaska.gov)

General questions about the data Research and Analysis produces or about the state's economy: Dan Robinson (dan.robinson@alaska.gov)

Q: If I can work at home, have paid leave, or am retired, will I be financially unscathed by these shutdowns?

The broader effects of a lost job

Example: An Alaska bartender



No. This partial shutdown of the economy will remind us how interconnected we are when we face a shock this large.

As one example, in the short-term, increased unemployment benefits can replace lost wages, but that doesn't replace lost business profits — and we'll have to pay for the increased government spending on benefits eventually, through higher taxes or reduced spending elsewhere.

Governments at all levels will face additional costs to expand hospital and public health resources and to provide temporary economic relief to affected workers and businesses. At the same time, they face near-certain declines in various types of tax revenue.

Retirees and others invested in the stock market have seen historically large losses recently and can expect more volatility and uncertainty in the

coming months.

Specific to Alaska, oil prices have fallen to levels we haven't seen since the early 2000s, and the state will face even starker choices between reduced government services and new taxes. The Alaska Permanent Fund will continue to play a critical role in state finances, but the state will likely revisit former assumptions in an attempt to ensure the fund's long-term viability.

Unlike some economic shocks that affect specific industries in isolation, the scale and breadth of the disruptions related to COVID-19 will affect almost all of us in our various roles as workers, consumers, business owners, nonprofit agencies, government service providers, tax payers, and investors.

The illustration above shows an example of the most basic ways a lost job due to a temporary business closure can ripple through other parts of the economy.