

Southeast forecasted to lose about 600 jobs

By CONOR BELL

Southeast Alaska is forecasted to fare slightly better than the state as a whole in 2017, a first in recent years. Southeast has underperformed the state overall for some time, plus it lost a greater share of jobs in 2009 — the only year Alaska lost jobs during the national recession — and regained fewer in the years that followed. (See Exhibit 1.) With that tepid history, the region has less ground to lose.

Southeast began to shed state government and construction jobs in 2015, and like the rest of the state, the effects are seeping into the secondary industries that depend on how well the region's economic drivers fare. (See Exhibit 2.)

Southeast is disproportionately affected by weakness in state government, but the region has almost none of the oil and gas employment that has been the state's biggest source of loss. Southeast also has more of a buffer from tourism than other regions, which will further temper its losses.

Migration and an aging population

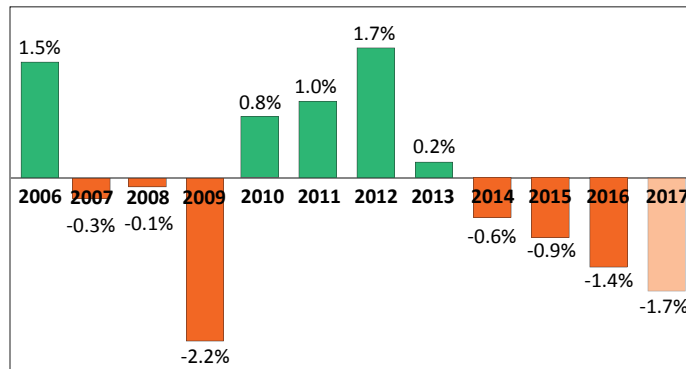
More people left Southeast than moved in between July 2014 and 2015, a trend that's likely to continue statewide. (See Exhibit 3.) The region lost about 500 people through net migration over the period, and though natural increase largely offset that loss, births don't mitigate migration's effect on the current working-age population. Fewer working-age people means less competition for jobs, but it also means fewer people spending money in their communities.

The region is also older than the state overall, and its largest age group is between 50 and 59. Many baby boomers moved in when Alaska was awash in oil money during the late 1970s and early 1980s, and they will continue to age out of the workforce in the near future.

In a lackluster economy, not all vacated jobs will be re-filled, but these retirements will open some job oppor-

1 Region Has a Longer Period of Loss

SOUTHEAST, PERCENT CHANGE, 2006 TO 2017



Note: The 2016 number is preliminary, and 2017 is forecasted.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

tunities despite lower employment. However, workers who have built up their salaries over time will often be replaced by young workers who will be paid less, dampening the region's total wages.

Most job loss will be in government

Southeast lost more than 500 state government jobs between 2014 and 2016, and state government is expected to remain the fastest-losing industry this year, at 300 jobs. (See Exhibit 4.)

Cuts will likely slow in the coming fiscal year, though, with less low-hanging fruit remaining. After two years of cutting costs in government, opportunities for savings will be harder to find. While layoffs seem certain, most state government losses will continue to come from attrition in 2017. Baby boomers are still reaching retirement age, and many of their positions will be eliminated or left unfilled.

Federal government employment has been flat for the past few years and is forecasted to decline slightly in 2017. Prior to its recent stability, federal employment fell continually for a decade except in 2010 when the U.S. Census was conducted.

Local government in Southeast has also remained fairly



2 Southeast Job Forecast by Industry

WAGE AND SALARY EMPLOYMENT, 2015 TO 2017

	2015 Monthly Average ¹	2016 Monthly Average ¹	Change 2015 to 2016	Percent Change 2015-16	2017 Monthly Average	Change 2016 to 2017	Percent Change 2016-17
Total Nonfarm Employment ²	36,850	36,350	-500	-1.4%	35,750	-600	-1.7%
Total Private	23,950	23,800	-150	-0.6%	23,650	-150	-0.6%
Mining and Logging	950	950	0	0%	950	0	0%
Construction	1,500	1,450	-50	-3.3%	1,350	-100	-7.1%
Manufacturing	2,300	2,200	-100	-4.3%	2,250	50	2.3%
Trade, Transportation, and Utilities	7,100	7,050	-50	-0.7%	7,000	-50	-0.7%
Information	500	500	0	0%	500	0	0%
Financial Activities	1,050	1,000	-50	-4.8%	1,000	0	0%
Professional and Business Services	1,650	1,650	0	0%	1,600	-50	-3.0%
Education ³ and Health Services	3,800	3,850	50	1.3%	3,900	50	1.3%
Leisure and Hospitality	4,050	4,150	100	2.5%	4,150	0	0%
Other Services	1,050	1,050	0	0%	1,000	-50	-4.8%
Government	12,900	12,500	-400	-3.1%	12,050	-450	-3.6%
Federal ⁴	1,450	1,450	0	0%	1,400	-50	-3.4%
State ⁵	5,300	4,950	-350	-6.6%	4,650	-300	-6.1%
Local ⁶	6,150	6,100	-50	-0.8%	6,000	-100	-1.6%

¹Preliminary and adjusted estimates

²Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

³Private education only

⁴Excludes uniformed military

⁵Includes the University of Alaska

⁶Includes public school systems

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

steady amid steep declines in state funding, with a small loss of 50 jobs in 2016. This year will likely be slightly harder for school districts and local governments due to diminishing state funding. Even if schools sustain sharp funding cuts, though, they won't feel them until the next school year begins in the fall.

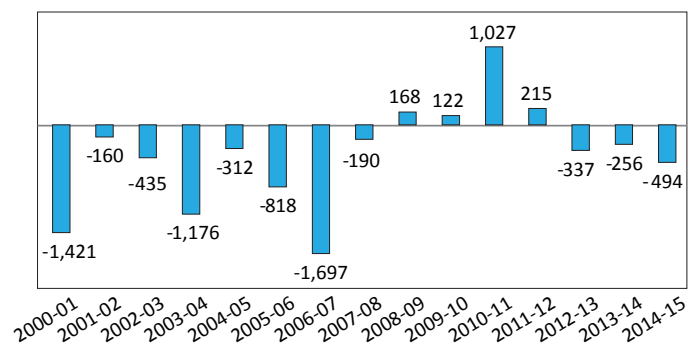
Tribal government, which is counted as part of local government, will likely fare better, as it's largely federally funded.

Fishing to rebound after a dismal 2016

Commercial fishing is a significant part of Southeast's economy, but because most harvesters are self-employed, their jobs aren't part of this forecast. Still, 2017 is set to be a markedly better year for fishermen than 2016, which had lower-than-expected pink salmon runs compounded by low prices.

Odd years tend to have bigger pink salmon runs, and the Alaska Department of Fish and Game forecasts

3 Several Years of Net Migration Loss SOUTHEAST, JULY TO JULY, 2000 TO 2015



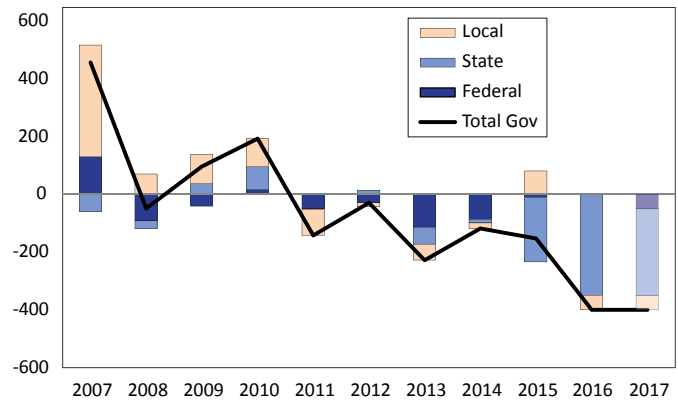
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

a higher-than-average harvest of 43 million pinks in 2017. Prices have also rebounded somewhat since last summer, partly due to the weaker-than-expected runs. A potential tariff on U.S. imports could hurt prices, though, as fish is commonly exported to China, processed, and imported back into the U.S.

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Government Job Losses Continue

SOUTHEAST, 2007 TO 2017



Note: The 2016 number is preliminary, and 2017 is forecasted.

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

While a better fishing season doesn't necessarily mean more people fishing, as many vessels operate with a fixed number of crew, those harvesting in 2017 are likely to earn more because they're typically paid a share of their vessels' revenue.

Seafood processing jobs, which make up the bulk of Southeast's manufacturing sector and are included in this forecast's data, are expected to get a corresponding boost this year from the higher catch volume.

Construction will continue to decline

A third year of minimal capital budgets is all but certain, and while the Southeast construction industry hasn't yet sustained the full impact of the change because past funding from larger budgets has carried over, that pool is diminishing.

A handful of major projects will continue in 2017. The Haines highway project, which received \$30 million in federal funding, is the biggest. Others include the Juneau capitol building upgrade, the Tenakee ferry terminal project, and improvements to Juneau's Glacier Highway.

Federal transportation funding will remain strong, with four years left of the generous Fixing America's Surface Transportation Act. Federal funding won't be enough to counter minimal state funding and dreary economic conditions, though, so the industry is forecasted to lose 100 jobs in 2017.

Tourism will boost some industries

Though decreased economic activity may put a dent in locals' spending, summer tourism will remain strong as long as the U.S. economy is growing.

Southeast had more than 1 million cruise ship visitors in 2016, and 2017 is set to be just as big. Tourism is more significant in Southeast than the state as a whole, and it will shield restaurants and stores from the drop in business anticipated elsewhere.

The trade, transportation, and utilities sector, which is tied to tourism as well as local consumption, fell by a modest 50 jobs in 2016. This year's forecast is similar. Walmart closed its Juneau location partway through 2016, so last year's data reflected only part of the loss. And while a strong tourism season will boost retail and transportation employers, declining local incomes will

reduce demand during the rest of the year and counter visitor-related gains.

Leisure and hospitality is even more heavily based in tourism, and it's forecasted to hold steady in 2017. While restaurants and bars will perform worse outside of the summer months due to less local spending, visitor spending on everything from tours to hotels will probably be enough to keep the industry stable.

Other private industries

- The education and health services sector includes private health care and social assistance as well as private education, though Southeast has little of the latter. Private health care in Southeast has historically underperformed the state overall, partly due to the region's recent economic stagnation, but it grew somewhat in 2016 and is likely to add jobs again in 2017. Growth is also likely in the long term, mostly to serve the region's aging population. Social assistance was stable in 2016 but will be vulnerable to decreased state and federal funding.
- Southeast mining employment is forecasted to hold steady through existing mines and contractors. Exploration employment is minimal, and no potential sites are expected to open in the near future.

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