

EMPLOYMENT FORECAST FOR 2018

Third year of job losses expected to be comparatively modest

By **KARINNE WIEBOLD**

Alaska is expected to lose jobs again in 2018, although the losses appear to be tapering. Total employment is forecasted to decline by 0.5 percent in 2018 (-1,800 jobs) after falling 1.1 percent in 2017 and 1.9 percent in 2016. (See exhibits 1 through 3.)

Losses were deepest in 2016 when the state's economy shed 6,300 jobs, primarily in oil and gas and in state government. Then in 2017, Alaska lost an estimated 3,600 jobs. If it hadn't been for strong health care growth, the overall job loss would have been deeper.

If employment follows the forecasted pattern this year, that would put Alaska's total loss from 2015 through 2018 at 11,700 jobs (-3.5 percent).

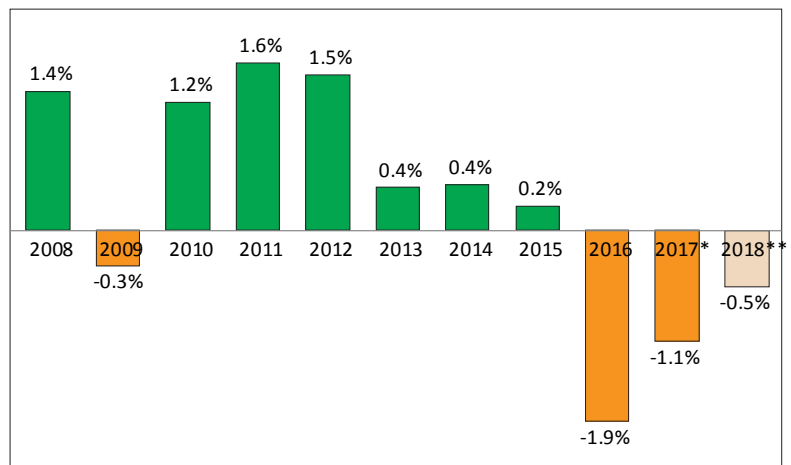
How job losses are panning out

One reason statewide losses are slowing is that oil

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Tapering Job Losses for Alaska

PERCENT CHANGE FROM PRIOR YEAR, 2008 TO 2018



*Preliminary **Forecast

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



and gas, state government, professional and business services, and construction have already taken significant hits over the last couple of years and their job counts are stabilizing at lower levels. However, the impact from those losses will reverberate into

stores, bars and restaurants, and a variety of other employers that depend on consumer, business, and state government spending.

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Statewide Job Forecast by Industry

WAGE AND SALARY EMPLOYMENT, 2016 TO 2018

	2016 Monthly Average	2017 Monthly Average ¹	Chg 2016 to 2017	Percent Chg 2016 to 2017	2018 Monthly Average	Chg 2017 to 2018	Percent Chg 2017 to 2018
Total Nonfarm Employment ²	332,600	329,000	-3,600	-1.1%	327,200	-1,800	-0.5%
Total Private Sector	251,300	248,300	-3,000	-1.2%	247,100	-1,200	-0.5%
Natural Resources and Mining	14,500	13,000	-1,500	-10.3%	12,500	-500	-3.8%
Oil and Gas	11,300	9,800	-1,500	-13.3%	9,300	-500	-5.1%
Construction	16,200	15,000	-1,200	-7.4%	14,500	-500	-3.3%
Manufacturing	13,600	13,400	-200	-1.5%	13,600	200	1.5%
Trade, Transportation, and Utilities	65,400	64,800	-600	-0.9%	64,500	-300	-0.5%
Retail Trade	37,100	36,600	-500	-1.3%	36,400	-200	-0.5%
Wholesale Trade	6,400	6,300	-100	-1.6%	6,300	0	0%
Transportation, Warehousing, and Utilities	21,900	21,900	0	0%	21,800	-100	-0.5%
Information	6,300	6,000	-300	-4.8%	5,900	-100	-1.7%
Financial Activities	12,100	12,100	0	0%	12,100	0	0%
Professional and Business Services	28,400	27,800	-600	-2.1%	27,400	-400	-1.4%
Educational ³ and Health Services	48,600	50,000	1,400	2.9%	50,600	600	1.2%
Health Care	35,600	37,400	1,800	5.1%	38,100	700	1.9%
Leisure and Hospitality	35,200	35,200	0	0%	35,100	-100	-0.3%
Other Services	11,000	11,000	0	0%	10,900	-100	-0.9%
Total Government	81,300	80,700	-600	-0.7%	80,100	-600	-0.7%
Federal ⁴	15,200	15,100	-100	-0.7%	15,100	0	0%
State ⁵	24,600	23,800	-800	-3.3%	23,300	-500	-2.1%
Local ⁶	41,500	41,800	300	0.7%	41,700	-100	-0.2%

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 schools and tribal government

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

The recession's first wave: State government and oil

When oil prices plummeted in late 2014, state government was the first to feel the pinch as falling tax revenue from the oil and gas industry decimated state revenues. State government began to cut jobs in early 2015 as pressure mounted to reduce expenses, including its payroll and capital projects.

The oil and gas industry was able to maintain record high employment levels through most of 2015, but the losses that came in 2016 were swift and deep. (See exhibits 4 and 5.)

Oil and gas lost a whopping 2,900 jobs in 2016, followed by state government at 1,200 jobs, professional and business services (such as engineering, geological, and architectural firms) at 1,600, and

Losses are slowing, but recovery will depend on a long-term budget solution.

construction at 1,400.

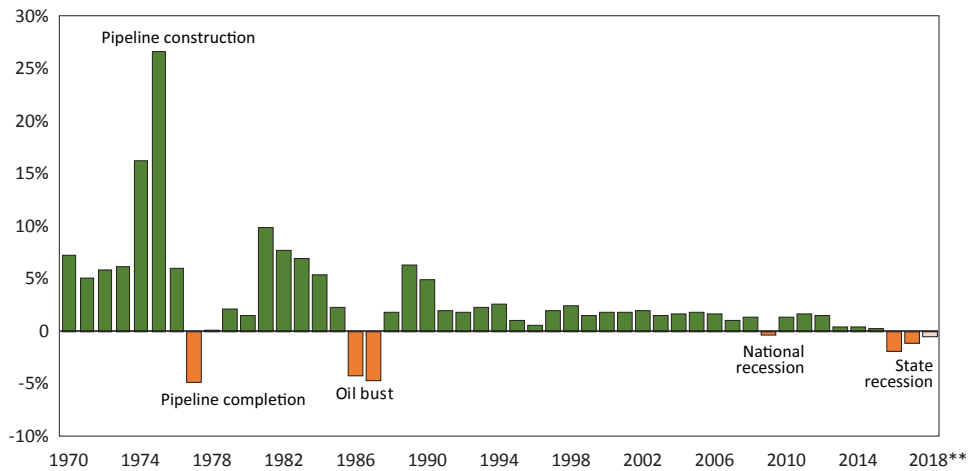
Alaska's oil and gas industry is expected to lose an additional 500 jobs in 2018. Although the industry is still losing jobs, the pace is nowhere near what it was in 2016. This forecasted

loss, representing 5.1 percent of the industry's overall employment, would be a third of what it lost in 2017. While multiple future projects have been announced, they are longer-term and the employment boost in 2018 from any resulting hires would be minor.

State government is likely to lose another 500 jobs in 2018, or 2.1 percent. Like oil and gas, state government declines hit early and hard, with losses of 700 jobs in 2015, 1,200 in 2016, and 800 in 2017. Although there were a handful of layoffs, the bulk of state government job losses were through attrition.

3 Alaska's Employment Growth History

PERCENT CHANGE FROM PRIOR YEAR, 1970 TO 2018 FORECAST



Note: 2017 is preliminary. **Forecast
 Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Many workers who retired or otherwise left haven't been replaced.

Continued calls for reducing state government costs and the state's target budget deficit will continue to put downward pressure on job counts.

The second wave: Construction and professional services

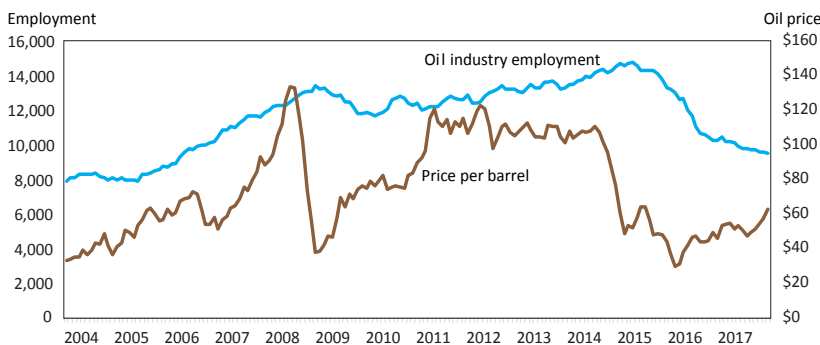
The second wave of job losses came from industries that depend heavily on the first two giants. When

the oil and gas industry cut projects, construction employment began to fall. Similarly, when the state capital budget dropped, the construction industry absorbed much of the blow. Projects that were already funded continued, but the last couple of capital budgets have been bare bones, which has meant less construction work.

Construction losses are forecasted to continue in 2018, at 500 fewer jobs. While losses are tapering, that's partly because the bulk of the losses have already happened. The construction industry sustained a small decline in 2015 (-200) but was hit with big losses in both 2016 (-1,400) and 2017 (-1,200). The state's capital budget is down again in fiscal year 2018, and oil and gas-funded construction projects are unlikely to increase this year.

4 Oil Prices and Industry Jobs

ALASKA, 2004 TO 2017



Note: Average West Coast spot price per barrel of Alaska North Slope crude oil
 Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

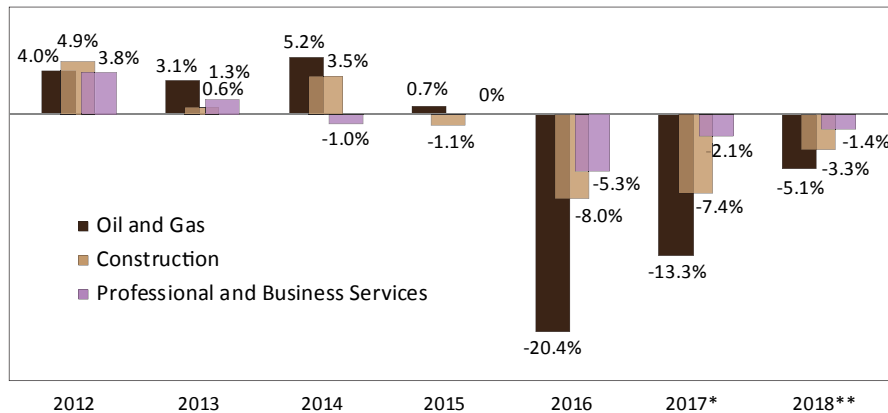
Professional and business services, which is closely tied to construction and to oil and gas, also suffered from the lack of projects and is forecasted to lose 400 jobs this year (-1.4 percent) due to continuing low demand for engineering, design, and accounting services. The job losses in 2018 will be milder than in previous years, however.

While this industry's employment began to fall in late 2015, the deepest plunge came in 2016 when it lost 1,600 jobs. In

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Jobs in Recession's Most-Affected Private Industries

PERCENT CHANGE FROM PRIOR YEAR, 2012 TO 2018



*Preliminary **Forecast

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

2017, ongoing downward pressure on projects funded by oil and state government reduced demand for services again, leading to a smaller loss of 600 jobs.

The third wave: Industries that rely on people's spending

Substantial upstream losses eventually reached the industries that depend on local demand and expendable income. Job loss in a local or state economy means less spending, which affects employers such as shopping centers, theaters, nonprofits that depend on donations, and bars and restaurants.

Retail trade, which lost 500 jobs in 2017 and 200 in 2016, is expected to lose another 200 jobs in 2018 as consumers spend more cautiously. Increased visitor spending over the last couple of years has offset some of that reduced local consumption. Areas such as Southeast are particularly sensitive to visitor traffic and would have sustained deeper retail losses without strong tourism seasons.

The same factors that hurt retail have also weakened wholesale trade. The wholesale sector doesn't require as much labor as retail, though, and after two years of small losses, it is forecasted to hold steady in 2018.

The information sector is forecasted to lose 100 jobs in 2018, fewer than in 2017 when it shed 300. This sector includes newspapers, movie theaters, radio and television broadcasting, and cable and Internet

About the data

Job numbers and growth rates for 2017 are not yet available on our Web site because when we created these forecasts, employment estimates were only available for the first eleven months of 2017.

Additionally, the statewide, Anchorage/Mat-Su, and Fairbanks job numbers on our site for 2017 are from the federal-state cooperative program Current Employment Statistics. CES numbers have been especially volatile in recent years, and they are eventually replaced with more comprehensive and reliable data that nearly all employers are required to submit under state unemployment insurance laws.

To give users better statewide job numbers in the interim, we have been producing estimates based on projections of those employer-provided job numbers (from the Quarterly Census of Employment and Wages program). We use those alternative job estimates in our monthly economic press release and direct our Web traffic to those releases, although we also continue to provide the CES numbers online.

providers. In addition to the recession dampening spending, this sector is feeling the squeeze of technology-driven changes to how they provide services. Online streaming is cutting into demand for cable television, newspapers are available online, and with online content frequently free, some companies face declining subscription and ad revenue.

The leisure and hospitality sector encompasses ac-

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STATEWIDE

Continued from page 7

commodation and food services as well as arts, entertainment, and recreation. Demand for these services comes from both locals and visitors. Visitor spending has mostly buoyed this sector, and it grew slightly in 2016 and then held steady in 2017. A minor loss of 100 jobs is forecasted for this year.

The unaffected industries

Some industries have remained relatively unscathed by the state recession so far.

Manufacturing employment in Alaska is about 70 percent seafood processing, with the balance in breweries, bakeries, and manufacturers of wood products, boats, printers, cement makers, and petroleum and coal products. While some of these rely on local demand, outside forces such as commodity prices and national or international demand are larger industry drivers. Seafood processing depends on the size of yearly catches and seafood prices, and almost all of the final products are exported.

Health care growth has been robust for the last three decades and stronger than expected in recent years due to the increased health care needs of the state's aging population, Medicaid expansion, and broader health insurance coverage. Health care employment increased by 2,900 from 2015 through 2017 and the industry is forecasted to add an additional 700 jobs in 2018.

With increased coverage comes increased demand for and access to medical services. Medicaid and the Children's Health Insurance Program, or CHIP, have expanded coverage by 60 percent under the Affordable Care Act, providing insurance for an additional 73,600 Alaskans, according to the Henry J.

Kaiser Family Foundation.

The financial sector, which was decimated during the 1980s recession, has remained stable during the current contraction. In the 1980s, an overheated housing market and the resulting foreclosures hit the financial sector hard — but foreclosures have remained at historic lows. Employment has been stable for three years and is expected to continue that trend in 2018.

Local government employment, which includes tribal government and public schools, has grown by small amounts throughout the recession. Its funding comes from a variety of sources including property taxes, sales taxes, and state and federal appropriations. Although local government grew by 300 jobs in 2017, state financial constraints will likely lead to the loss of about 100 jobs in 2018.

Federal government, the smallest piece of Alaska's government sector, shed 100 jobs in 2017 after gaining 300 the year before. Federal employment is forecasted to remain flat in 2018, as no indicators of change are on the horizon and the next federal budget is uncertain.

The big challenge this year

While job losses will almost certainly continue in 2018, some industries that have been losing jobs appear set to resume adding them later in the year.

Alaska has been able to absorb some of the initial blow of low oil prices by spending from its savings, but that's a short-term solution. A longer-term fix that will balance the state's spending with revenues is still pending, and that creates uncertainty and hinders growth.

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