

# Southeast loss forecasted at 0.6 percent

By **KARINNE WIEBOLD**

**S**outheast Alaska's employment is forecasted to decline slightly less in 2018 than it did in 2017. This year's forecasted loss is 200 jobs, or 0.6 percent, which is on par with the statewide outlook for 2018. Southeast lost 250 jobs in 2017.

The region underperformed the state as a whole over most of the last decade. Southeast lost a greater share of its jobs in 2009 — the only year Alaska lost jobs during the national recession — and regained fewer in the years that followed. (See Exhibit 1.)

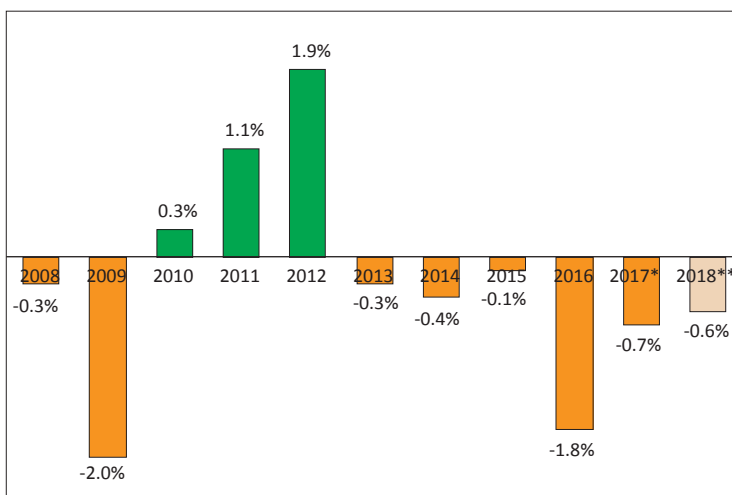
Southeast began to lose jobs with the rest of the state in 2015, when oil revenue's quick decline spurred state government job loss and steep cuts to the capital budget caused construction losses shortly thereafter. Other sectors of the region's economy, such as retail, are now feeling the effects of the early job losses. (See Exhibit 2.)

Weakness in state government affects Southeast more than the rest of the state, but the region has almost none of the oil and gas employment that has been Alaska's biggest source of loss. Southeast also has more of a buffer through tourism than other regions, which will further temper its losses.

## Net migration, older population drive population losses

Like the state as a whole, more people left Southeast than moved in between 2015 and 2016. This marked

## 1 Slightly Smaller Loss For Southeast PERCENT CHANGE FROM PRIOR YEAR, 2008 TO 2018



\*Preliminary \*\*Forecast  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

*Tourism is big in Southeast, and it has provided a buffer against deeper job losses.*

the fourth year of net migration losses for both, but while the state still gained overall population through natural increase (births minus deaths), that wasn't large enough in Southeast to offset net migration losses. Southeast lost total population in both 2015 and 2016 — the only years of overall loss since 2007, when the region's net migration bottomed out at -1,697.

Southeast lost more than 800 people to net migration in 2016, and while natural increase offset some of that loss, these components of change affect different parts of the population. Net migration losses mean fewer workers and less local spending because households that move tend to have at least one working-age adult, while births and deaths are concentrated at age extremes.

Net migration losses are likely to continue statewide with the current recession, particularly because the Lower 48's economy is relatively healthy and the U.S. unemployment rate is at its lowest level since late 2000.

The region is also older than the state overall. Southeast's largest age group is between 55 and 59, and the next-largest age groups are those that bracket it:



# 2

## Southeast Job Forecast by Industry

WAGE AND SALARY EMPLOYMENT, 2016 TO 2018

	2016 Monthly Average	2017 Monthly Average <sup>1</sup>	Chg 2016 to 2017	Percent Chg 2016 to 2017	2018 Monthly Average	Chg 2017 to 2018	Percent Chg 2017 to 2018
Total Nonfarm Employment <sup>2</sup>	36,350	36,100	-250	-0.7%	35,900	-200	-0.6%
Total Private Sector	23,850	23,700	-150	-0.6%	23,600	-100	-0.4%
Natural Resources and Mining	950	950	0	0%	950	0	0%
Construction	1,450	1,400	-50	-3.4%	1,350	-50	-3.6%
Manufacturing	1,950	2,000	50	2.6%	1,950	-50	-2.5%
Trade, Transportation, and Utilities	7,150	7,050	-100	-1.4%	7,000	-50	-0.7%
Information	550	500	-50	-9.1%	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%	1,650	0	0%
Educational <sup>3</sup> and Health Services	3,850	4,000	150	3.9%	4,050	50	1.3%
Leisure and Hospitality	4,200	4,100	-100	-2.4%	4,100	0	0%
Other Services	1,050	1,050	0	0%	1,050	0	0%
Total Government	12,500	12,400	-100	-0.8%	12,300	-100	-0.8%
Federal <sup>4</sup>	1,450	1,450	0	0%	1,450	0	0%
State <sup>5</sup>	4,950	4,800	-150	-3.0%	4,700	-100	-2.1%
Local <sup>6</sup>	6,100	6,150	50	0.8%	6,150	0	0%

<sup>1</sup>Preliminary and adjusted estimates

<sup>2</sup>Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

<sup>3</sup>Private education only

<sup>4</sup>Excludes uniformed military

<sup>5</sup>Includes the University of Alaska

<sup>6</sup>Includes public schools and tribal government

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

50 to 54 and 60 to 64. Many baby boomers arrived 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.

### Most job loss will be in government

Southeast lost more than 700 state government jobs between 2014 and 2017 and is forecasted to lose another 100 jobs in 2018. (See Exhibit 3.)

Cuts will likely slow in 2018 because savings opportunities will be harder to find after three years of cuts. While layoffs remain possible, most state government losses will continue to come from attrition in 2018. Baby boomers are still reaching retirement age, and many of their positions will be eliminated or left vacant.

Federal government employment has been flat for the past few years, and that trend is forecasted to continue in 2018.

Local government in Southeast, which includes tribal government, added 50 jobs in 2017 despite steep declines in state funding, and its employment is fore-

casted to remain at that level in 2018.

### Fish harvest lower than last year

Commercial fishing is a significant part of Southeast's economy, but seafood harvesting jobs aren't part of this forecast because harvesters are considered self-employed. Still, harvests drive seafood processing employment, which is the bulk of the area's manufacturing industry.

Pink salmon make up most of Southeast's commercial salmon harvest. Last year's run came in lower than expected but still higher than the year before, and manufacturing added 50 jobs in 2017.

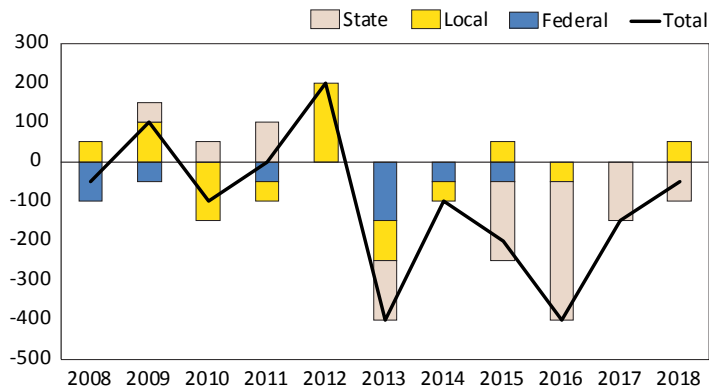
According to the Alaska Department of Fish and Game, even years tend to have smaller runs, and the 2018 pink forecast is about two-thirds of 2017's catch. As a result, manufacturing is expected to lose 50 jobs in 2018.

### Construction to continue decline

The next state capital budget will go into effect July 1, and while that budget won't be final for a while,

# 3 Breakdown of Government Job Losses

## SOUTHEAST ALASKA, 2008 TO 2018



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

another low year is all but certain. The Southeast construction industry hasn't yet sustained the full impact of the budget cuts because past funding from larger budgets has carried over, but that pool is diminishing.

Although legacy projects are wrapping up, a handful of projects funded by the 2018 capital budget will boost job counts, including \$4 million in improvements to the Alaska Permanent Fund headquarters in Juneau, \$2.5 million for Hoonah cruise ship docks, and \$2 million for Ketchikan's cruise ship berths.

Federal transportation funding will remain strong, with three years remaining of the generous Fixing America's Surface Transportation Act. Federal funding won't be enough to counter minimal state funding, though, so the industry is forecasted to lose 50 jobs in 2018.

### Tourism will boost some industries

Though decreased economic activity puts a dent in locals' spending in Southeast, summer tourism will remain strong as long as U.S. and international economies are growing.

Southeast had more than a million cruise ship visitors in 2017, and 2018 is anticipated to be even better. Tourism is bigger in Southeast than the state as a whole, and it will shield restaurants and stores from the drop in business anticipated elsewhere.

Employment in the trade, transportation, and utilities sector, which depends on tourism as well as local consumption, declined by 100 in 2017 and is forecasted

to decrease by another 50 this year. While a strong tourism season will boost retail and transportation employers, declining local incomes will reduce demand during the rest of the year and offset visitor-related gains.

Leisure and hospitality, which is heavily tourism-based in Southeast, is forecasted to hold steady in 2018 after losing 100 jobs last year. While restaurants and bars will perform worse in the off-season 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, although Southeast has little of the latter.

Private health care in Southeast has historically underperformed the state as a whole, partly due to the region's recent economic woes, but it grew in 2017 and is likely to grow again in 2018. Growth is also likely in the long term, mostly to serve the region's aging population.

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.

Karinne Wiebold is an economist in Juneau. Reach her at (907) 465-6039 or [karinne.wiebold@alaska.gov](mailto:karinne.wiebold@alaska.gov).