

Alaska Economy Rising from the Ashes

by John Boucher

Like the mythical phoenix arising renewed from ashes of the Arabian desert, Alaska's economy emerged in 1988 from one of the severest recessions in state history.

The recessionary fire which consumed the economy statewide was smothered last year, and like the mythical Egyptian bird, Alaska's economy has been renewed with fresh strength. It is a strength which has come from a trying ordeal.

There were winners and losers during the recession. While the surplus of commercial and residential real estate was disastrous for construction companies, investors, and financial institutions, marginally profitable businesses and all home buyers were treated to reduced rent and mortgage payments.

No doubt, the 1986-87 recession has proven a tough pill to swallow. But it has caused Alaska to become more competitive in the global world of trade by lowering the costs of living and business.

Alaska Employment Forecast: 1989-1990

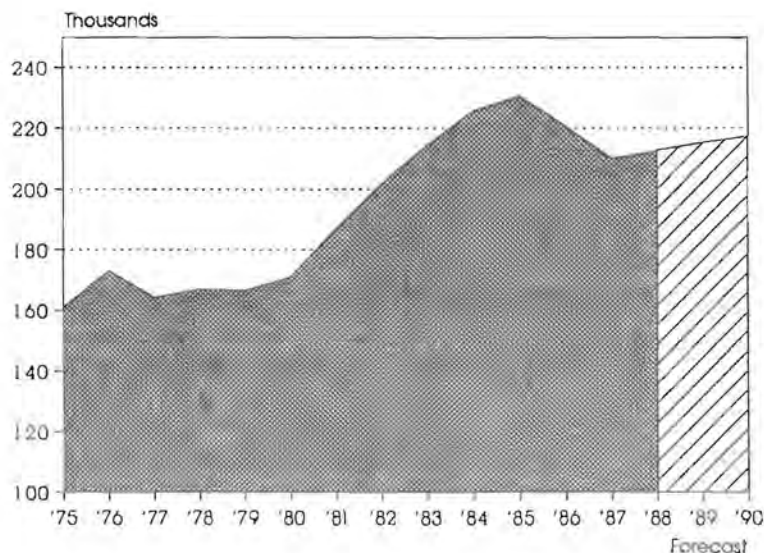
State Now Has 24% More Jobs Than in 1980

While the recession was one of the worst in state history, it followed the typical pattern of prior Alaska boom-bust cycles. Each time Alaska has been struck by recession its economy has emerged larger. The 1986-87 recession was no exception. Alaska now heads into 1989 with 24% more jobs than it had in 1980, and an annual growth rate (averaged over the last 10 years) of nearly 2.5%. (See Figure 1.) This is the backdrop which sets the scene for a two-year, statewide economic forecast.

Crucial Assumptions for the 1989-90 Alaska Economy

All forecasts rely upon assumptions about critical economic behavior patterns predicted to occur during the forecast period. It's crucial to understand that assumptions are the foundation upon which a forecast is built. The four assumptions which

**Alaska Annual Average Nonagricultural
Wage & Salary Employment 1975 - 1990**



Source: Alaska Department of Labor, Research & Analysis

Figure 1

Alaska's economy took major strides during 1988 in bouncing back from the 1986-87 recession. But the rebound didn't magically extricate the state from its significant economic ties to the oil market.

follow represent the best judgment of Alaska Department of Labor economists based on the best information available. Some assumptions are more crucial than others; those which follow are the most crucial. (Other less critical assumptions significant to regional forecasts have been incorporated into this statewide forecast but are not listed here.)

- There will be no dramatic change in revenue available to the State of Alaska for government expenditure. (Implicit in this assumption is a North Slope crude oil price averaging between \$14 and \$17 per barrel during the next two state fiscal years. Also implicit in this assumption is no lengthy interruption of oil production or transport of the oil. Additionally, it is assumed that there will be no change in the export ban of Alaskan oil.)
- Secondary employment effects related to the Exxon Valdez oil spill will wash each other out during the forecast period. In effect, for every indirect job created due to the clean up effort, one job will be lost due to the ill effects of the spill.
- The dollar will remain at its current level or depreciate further against the Japanese yen.
- The U.S. and Pacific Rim economies, primary markets for Alaska exports, will continue to post healthy growth rates throughout the forecast period.

Forecast for Alaska: Partly Cloudy With a Chance of Showers

Alaska's economy took major strides during 1988 in bouncing back from the 1986-87 recession. But the rebound didn't magically extricate the state from its significant economic ties to the oil market. Timber and seafood exports, mining, tourism, and transportation are all important facets of Alaska's economy. However, one of the single biggest engines driving this state's economy is the revenue that North

Slope oil provides the State of Alaska and its local government entities. In the next two years, current job growth could be reversed because so many government jobs are tied to revenue produced by North Slope oil.

Slower Job Growth Predicted for State and Local Governments

The manufacturing and mining industries led Alaska to employment growth in 1988; they did so against a backdrop of stabilizing — and in many instances, growing — state and local government employment. Looking to the immediate future, it's doubtful that current growth trends in state and local government will continue through the next two years. In fact, it's likely that state and local government employment will be trimmed back from current levels.

Critical to this statewide forecast are questions linked to government employment growth: By how much will state and local government employment be trimmed back? Will layoffs in state and local government, coupled with secondary job losses that would occur in the private sector, offset employment growth created by those industries which have placed Alaska back on a path of progress?

This forecast projects that Alaska will continue moving on a growth path during the next two years despite what layoffs and secondary effects may occur due to government spending reductions. The growth rate will be minimal, though, due to the effects of government reductions. (See Table 1.)

Mining and Manufacturing Growth Picture Promising

Leading 1988 employment growth among Alaska industries were manufacturing and mining firms. The employment growth outlook during the next two years for these two industries continues to be promising.

Nearly 90% of all mining employment in Alaska is related to the oil and gas

industry. Recent oil price jumps from the lows of 1986 stirred a 1988 resurgence in exploration and development activity. Continued growth should occur during the next two years. As the Prudhoe Bay field ages, it will gradually become more labor intensive. More wells will be needed to keep production at peak levels. Reported industry plans for 1990 call for the construction of a gas handling facility. This, too, will add to employment levels.

In addition to oil and gas growth, the hard rock mining boom should continue into the '90s. Early 1989 marked the beginning of production at the Greens Creek Mine on Admiralty Island near Juneau. And by the end of this year the Red Dog mine near Kotzebue should be in operation. This will add nearly 200 new employees to mining employment levels. This sudden jump will increase by nearly 25% that portion of mining employment not connected to the oil and gas industry.

Other significant projects affecting future mining employment growth are: the Wishbone Hill coal project in the MatSu Borough, the Kensington mine located north of Juneau, the possible re-opening of the Alaska-Juneau gold mine in Juneau, and the Jualin mine. Each of these projects has its own timetable. Most, though, will contribute primarily developmental employment during the next two years. It can be safely said that several of these projects will contribute significantly to employment gains early in the next decade.

Timber Industry Moves North; Bottomfish Boom Continues

During the past two years the manufacturing industry provided more new job opportunities than any other industry. Credited to the turnaround are a resurging Southeast timber industry and a burgeoning bottomfish industry stretching from the Southwest to the Kenai Peninsula. These two

As the Prudhoe Bay field ages, it will gradually become more labor intensive.

Table 1

Alaska Nonagricultural Wage & Salary Employment Forecast 1989-1990

	1987 Annual Average	1988 Annual Average	Pct. Change 1987-1988	1989 Annual Average	Pct. Change 1988-1989	1990 Annual Average	Pct. Change 1989-1990
Total Nonag. Wage & Salary	210,025	212,250	1.1%	215,300	1.4%	216,800	0.7%
Mining	8,800	9,500	8.1	10,100	6.3	10,600	5.0
Construction	10,075	8,675	-13.9	8,000	-7.8	7,700	-3.8
Manufacturing	12,900	14,775	14.5	15,300	3.6	15,700	2.6
Seafood Processing	6,675	7,825	17.2	8,000	2.2	8,100	1.3
Lumber & Paper Products	3,050	3,600	18.0	3,800	5.6	4,000	5.2
All Other Manufacturing	3,175	3,350	5.5	3,500	4.5	3,600	2.9
Trans., Communications & Utilities	17,550	17,175	-2.1	18,375	7.0	17,325	-5.7
Trade	41,150	41,900	1.8	42,425	1.3	42,975	1.3
Wholesale	7,400	7,475	1.0	7,500	0.3	7,550	0.7
Retail	33,750	34,425	2.0	34,925	1.5	35,425	1.4
General Merchandise & Apparel	4,900	4,950	1.0	5,000	1.0	5,050	1.0
Food Stores	5,850	6,025	3.0	6,125	1.7	6,175	0.8
Eating & Drinking Places	12,450	12,725	2.2	12,950	1.8	13,100	1.7
Other Retail Trade	10,550	10,725	1.7	10,850	1.7	11,100	2.3
Finance, Insurance & Real Estate	11,325	10,700	-5.5	10,400	-2.8	10,300	-1.0
Services	42,450	42,925	1.1	43,500	1.3	44,200	1.6
Government	65,775	66,600	1.3	67,200	0.9	67,300	0.2
Federal	17,875	17,975	0.6	18,500	2.9	19,100	3.2
State	18,725	19,350	3.3	19,400	0.3	19,000	-2.1
Local	29,175	29,275	0.3	29,300	0.1	29,200	-0.3

Source: Alaska Department of Labor, Research & Analysis

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is expected to slow
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Growth in timber industry employment will slow because Southeast firms have nearly reached an employment peak. The Southeast's processing facilities worked at or near capacity in 1988. Further, logging employment is expected to slow as native corporations exhaust their timber resources. Significant new employment growth in this industry will either come from other regions of the state or from new investment in Southeast processing plants. Industry expansion into the Southcentral and Interior regions is taking place with timber industry activity gearing up in the Gulf Coast and MatSu areas. Nevertheless, it's expected that the industry will curb its torrid growth rates set in the past two years.

Although for different reasons, Alaska's bottomfish industry is also rapidly approaching peak employment levels. Future growth in the bottomfish industry is becoming more dependant upon the ability of the resource to support growth, rather than the capitalization problem that prohibited growth a few years ago.

There is tremendous potential for continued bottomfish industry growth should more of the current industry activity be captured. It's pertinent to remember that most bottomfish industry activity is based offshore, outside the state's three-mile jurisdiction. As a result, current Alaska Department of Labor statistics do not — and possibly never will — capture the bottomfisheries' total impact on Alaska. If more bottomfish activity became shore-based, or if more of the offshore processors were to become subject to Alaska unemployment insurance laws, growth statistics in this industry would be phenomenal. The growth rate projected for the seafood processing industry doesn't anticipate such a change. Yet it's predicted that that portion of the bottomfishery captured by government

statistics will register gains in the next two years.

That portion of manufacturing employment unrelated to timber and fish is dominated by newspapers, and printing and publishing firms. This portion of the industry will see some growth, but not as vigorous as the timber and fishing portions of the manufacturing sector.

Construction and Finance Sectors Will Continue Downward Spiral

The construction and finance industries posted heavy employment losses in 1988. They are expected to sustain more employment losses during the next two years. About the best news that can be offered for these two industries is that the projected losses are expected to be smaller than those of recent years.

Typically, 6% of all wage and salary jobs in the state have been linked to the construction industry. During past construction booms, that figure has grown to 8-to-9 percent of all jobs. In 1988, the construction industry's share of total employment fell to nearly 4%, the lowest percentage since pre-statehood days. The 1989-90 question for this industry is not whether construction employment will grow, but whether it will stop losing employment.

For at least the next two years, the outlook for the construction industry is for continued contraction. The only good news for the industry is that the rate of job losses will be slower than that of the past four years. Some projects will help buoy the industry: the Bradley Lake hydroelectric dam, continuing construction at the Red Dog mine site, North Slope development, and the backscatter radar construction project. Yet there still will remain drags on the total construction employment numbers throughout the rest of this year. These drags will be caused by dropoffs in military-related

construction and continued malaise in the commercial and residential construction market. Any rosier outlook for 1990 is dependant upon stabilized real estate markets in Alaska's two largest cities.

More Trouble Ahead for Banks

Alaska's financial sector — its banks, credit unions, and savings and loan institutions — were rocked by the recession. Unfortunately, not all of the financial establishments have returned to health. Alliance Bank, an institution which emerged at the end of 1987 from a consolidation of three struggling banks, is the industry's latest casualty.

While the worst is probably over for the financial sector, continued employment losses are expected this year. In 1990, these losses should level off as the predicted contraction runs its course.

Other portions of the finance, insurance and real estate sector are healthier than the financial industry and should contribute some employment growth. In particular, the outlook for many of Alaska's native corporations is good. Most native corporations turned a profit in 1988, and the corporation's traditional ties to the fisheries and the timber industries make it likely that they will be a positive influence on employment during the next two years.

Transportation Industry Will Gain from the Oil Spill

The transportation, communications and utilities sector covers a broad range of industries. This causes the outlook for the sector to be mixed. The air transportation industry will benefit from increased economic activity occurring in the northern, southwest, and southeast regions of the state. Additionally, Anchorage is gradually gearing up for what could be a boom in the air cargo handling business, what with Federal Express' expansion plans and its recent acquisition of Flying Tigers.

The biggest mover in the transportation industry will be with waterborne businesses. Showing up in this industry will be the majority of workers recently deployed to clean up the oil spill caused by the grounding of the Exxon Valdez. As of this writing, plans call for the oil spill work force to reach a peak of nearly 4,000 during the summer of 1989. Although these numbers will dwindle rapidly as winter approaches, it is likely that some employment will continue into 1990.

Tourism related transportation employment will remain stable during the next two years as the industry goes through some restructuring. In the Southeast, the transportation sector will sustain a drop in the number of cruise ship visits; at the same time however, many cruise lines are adding Southcentral destinations. Currently, it appears likely that changes in the tourism industry will cause transportation employment growth to shift from the Southeast to other regions of the state. This presumes, however, that the recent Exxon Valdez oil spill won't cause drastic changes in Alaska tourists' vacation itineraries.

Little or no change is expected for other sectors of the transportation industry. Statewide population losses subsided during 1988, so the pressure on population-driven utilities — such as telephone and electric companies — to meet new, lower levels of service have also subsided. The possible sale by the Municipality of Anchorage of its phone utility to private interests would dramatically affect the communications sector. This forecast presumes that if this sale were to occur, the employment shifts caused by the sale would develop outside of the forecast's two-year horizon.

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Slow, Cautious Growth Ahead for the Secondary Trade and Service Sectors

Employment in the services and trade sectors is driven predominantly by the availability of people's disposable income. When there is a large amount of disposable income, purchases of discretionary goods and services rise. This, in turn, creates employment in these sectors' industries. Also serving as a barometer for the health of the service and trade sectors are consumers' economic expectations; expectations must be conducive to spending. People must believe that spending is a prudent course of action. Otherwise, they will tend to save more than they would normally.

During 1988 it was apparent that Alaskans' economic expectations improved. Big ticket items, such as automobiles and durable goods, began selling. This movement was made evident by employment gains seen in these retail trade industries.

However, the return of growth in 1988 to various retail and services industries should not be considered a harbinger of future substantial employment growth for services and trade sectors' industries.

Slow Growth Predicted in Alaskans' Incomes

During the next two years there will be slow growth in Alaskans' income. Because it is expected that few sectors' wages will be bid upwards to compete for workers, it is unlikely that Alaska workers' incomes from wages and salaries will rise appreciably. The relatively slow growth projected for Alaskans' income translates into slow employment growth in the secondary sectors of trade and services. Further, to the extent that any amount of inflation erodes income growth, the growth in these two sectors would be additionally restrained.

State & Local Government Employment: Up This Year, Down in 1990

Despite uncertainties in the state's budget at this writing, the outlook for employment in state and local government is for slight growth in 1989, followed by declines in 1990. Part of this session's legislative agenda, it appears, is to pare state spending. Paring spending could have varied results, one of which would be cutbacks in state and local government employment.

Due to the probable delay as to when any government employment cuts would go into effect (remembering that July is the start of the state's fiscal year), overall growth can occur from the start of Calendar Year (CY) 1989 to the end of CY 1990 even though layoffs are enacted in the second half of CY '89. Suffice it to say that despite the forecasted growth projections for 1989, it's probable that the state's and local governments' current employment levels will be reduced during the next two years.

Federal Government Employment to Benefit from 1990 Census

Federal government employment is not normally prone to shifts from year to year. The year 1989 is expected to be normal; however, 1990 will prove to be an exception to the rule. At least 600 people will be temporarily added to the federal payroll to implement the 1990 census project. Additionally, the Alaska National Guard is expected to receive more staff over the next two years. Aside from these two developments, federal government employment is expected to remain stable.

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Conclusion: Slow Growth Over Next Two Years

The Alaska employment forecast for the next two years calls for slow growth. This forecast is based on predicted continued growth in manufacturing and mining industries and slight growth or stability in transportation, trade, and services industries. The construction and financial sectors will continue to struggle. This varied industry activity will occur against a backdrop of relatively stable—although somewhat declining—government employment.

This two-year forecast is predicated on the assumption that there won't be any dramatic shock startling the statewide economy. The magnitude of industry employment changes will be ordinary unless some kind of shock occurs.

While it's difficult to predict what, if any, economic shock might be forthcoming, it is useful to glance at what elements have recently affected the Alaska economy.

The past decade has been dominated by events occurring in the oil industry and by the associated Prudhoe Bay revenues paid Alaska's governments and citizens. It would seem almost foolhardy to look anywhere else for another event that might impact employment in a comparable way.

With that in mind, the Alaska employment picture over the next two years is likely to be marked by slow growth.

About the Author:

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A Free Practicum for Alaska Job Counselors

'How To' workshops in Anchorage and Fairbanks for teachers and counselors:

"Career Decision Making Using Labor Market Information"

These two-day workshops are designed to train teachers and counselors to help individuals use labor market information in making decisions about occupations and careers.

DATES: in Fairbanks — May 31-June 1 at Noel Wien Library Conference Room; in Anchorage — June 7-8-9 at East High School.

PRESENTERS: Sally Saddler, Paul Williams and Neal Fried of the Alaska Department of Labor (DOL), and Jan Smith and Kathy Libby of the Alaska Department of Education.

CREDIT: Counselors completing this workshop can receive credit toward professional recertification through the National Board for Certified Counselors.

Classes' limits: 50 in Anchorage and 30 in Fairbanks.

More information is available from DOL's Research & Analysis Section, 465-4500.

Workshop participants will:

- Observe videotaped dramatizations of case studies about 'special needs clients',
- Learn of the processes used to arrive at workable solutions for the clients, and
- Explore through exercises, lectures, and video presentations the role of labor market information in a changing world and how this information can improve career decision making.

Recovery Coming At A Snail's Pace

by Neal Fried

ANCHORAGE Employment Forecast: 1989-1990

If the forecast for 1989 and 1990 is on target, Anchorage's economy will finally enjoy some growth after three years of decline.

This forecast predicts that employment will move forward this year and the next, albeit slowly — employment will grow less than one percent in both years. (See Table 1, page 10.)

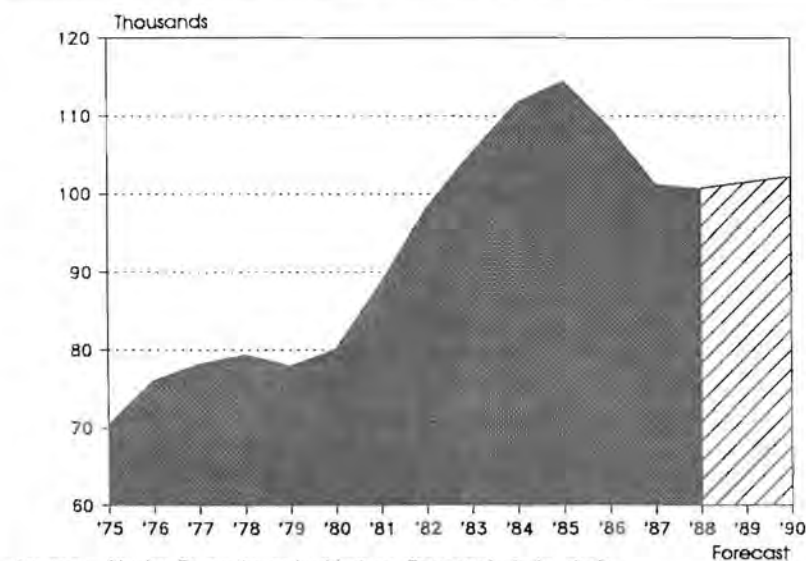
This would be the slowest recovery in Anchorage's history, but a recovery nonetheless. Considering Anchorage's historic growth rates, some might rightfully characterize this projected recovery as little better than stagnation. Nevertheless, this microscopic rate of growth does represent a vast improvement over the loss of 13,900 jobs from 1986 to 1988. (See Figure 1.)

Forecast Assumptions:

- The price of North Slope crude oil will be between \$14 and \$17 a barrel in 1989 and 1990.
- The state's operating budget will decline \$150 million from the FY '89 level.
- The Anchorage Telephone Utility (ATU) will not be sold during the forecast period.

Figure 1

Anchorage Annual Average Nonagricultural Wage & Salary Employment 1975 - 1990



Source: Alaska Department of Labor, Research & Analysis

- The Municipality of Anchorage will not create additional revenue sources, such as a sales tax.

The Alaska State budget shortfall is preventing a 'no holds barred' recovery in Anchorage. Because it's assumed that the state's budget will decline 6% to 7% in both years, the losses in local and state government will offset some growth in other industries. Timber, fishing and hard rock mining ventures are injecting oxygen into the blood of the statewide economy. The trouble is, though, Anchorage presently benefits little from any of these industries. Given the fragility of Anchorage's recovery, larger cuts in the state's budget could derail it.

Oil Industry Employment Will Grow About 16% in Next Two Years

Oil, the dominant player in the mining industry, has made a come back, and its employment is forecast to grow for the next two years. Oil industry employment started strong in late 1988; its employment will grow 8.8% in 1989 and only slightly less in 1990. The two major North Slope producers plan to spend more during the next two years on production and exploration. The reopening of Milne Point, coupled with development work at Prudhoe Bay, Kuparuk, and other fields, should keep the industries' employment numbers growing. One of the largest development projects will be a new gas handling facility scheduled for a sealift to Prudhoe Bay in 1990. At its peak, this project will employ 1,750 workers in Prudhoe Bay. This is all good news for Anchorage, Alaska's mining industry headquarters.

Although a tiny industry in Anchorage, hard rock mining activity will augment the mining industry's growth. In absolute numbers its contribution will be small. But spinoffs — from the Red Dog mine in Norton Sound, Southcentral mining operations, and exploration work elsewhere — will keep its employment numbers growing.

New Life Breathed into Transportation Industries

Transportation, an industry that followed most other industries into decline during the past three years, may finally push ahead during the next two. Both air and water transportation statistics are finally exhibiting new life as the local population stabilizes, the economy recovers, and international cargo traffic climbs.

The big surprise in the transportation industry was the recent announcement

by Federal Express about the construction of a new international air package sorting hub in Anchorage. By October 1989 when the sorting facility opens, company officials say they plan to hire 50 new employees; some observers predict the numbers could reach as many as 300 by 1990. In addition, now that Federal Express is acquiring Flying Tigers, some believe the combination of these two carriers could eventually push employment to the 1,000 mark. Optimists believe this may be the first step toward making Anchorage a major international cargo sorting hub.

There is also a downside to the air transportation story. The Soviet Union's new glasnost, coupled with new long range passenger jets, means there will be fewer international passenger jets touching down in Anchorage. Glasnost will also enable more jets bound for Europe and Asia to fly via Siberia instead of Anchorage. Japan Airlines and Lufthansa officials have already announced their intentions of cutting back their Anchorage operations. It's as yet unknown how many other international passenger airlines will follow suit. But additional losses are almost inevitable during the next decade as airlines acquire the new long range jets.

Personal Income Growing, Population Stabilizing

Anchorage's two largest secondary industries, trade and services, are exhibiting strong growth and are projected to continue to push ahead. Retail trade and services are both driven by population and income. Personal income is finally beginning to grow again, and it appears the city's population is stabilizing. Continued release of pent-up demand, caused by the recent years of consumer frugality, will also help to inject new life into these industries during the next two years.

The Soviet Union's new glasnost, coupled with new long range passenger jets, means there will be fewer international passenger jets touching down in Anchorage.

On Tourism: Hotels Booked, But Oil Spill Casts Doubt

Before the Exxon Valdez oil spill, the 1989 tourism season was shaping up nicely, despite abundant notoriety gained during the past several months as a result of nationwide publicity about the cold snap and trapped whales.

The tour package companies and hotels have reported healthy bookings for this season. A number of Anchorage hotels have already turned away summer business. Factors keeping visitors coming to Alaska include a weak dollar, an uncannily strong national economy, and various visitor promotions.

The oil spill has removed some of the sheen from this optimistic outlook for Anchorage. There have been cancellations of small Prince William Sound charter operations. At the same time, however, Anchorage tourism businesses haven't reported any large cancellations. It's too early to tell what impact the spill might have on

Anchorage's tourism industry. The spill does, though, cast a shadow of uncertainty on the industry's future health.

Federal Employment Levels Will Remain Stable

The federal government's overall employment levels should not change much. Consolidation of the Light Infantry Division in Fairbanks may eventually mean that 200 to 300 uniformed military positions will be transferred from Fort Richardson in Anchorage to Fort Wainwright in Fairbanks. But, according to military sources, no changes will occur in Anchorage's civilian military personnel levels. It is expected, however, that federal civilian employment will grow as Air and Army National Guard expansion plans are implemented. In addition, the 1990 census will gear up in 1990, boosting federal employment by another 50.

The oil spill has removed some of the sheen from a previously optimistic outlook for tourism.

Table 1

Anchorage Nonagricultural Wage & Salary Employment Forecast 1989-1990

	1987 Annual Average	1988 Annual Average	Pct. Change 1987-1988	1989 Annual Average	Pct. Change 1988-1989	1990 Annual Average	Pct. Change 1989-1990
Total Nonag. Wage & Salary	101,200	100,600	-0.6%	101,400	0.8%	102,050	0.6%
Mining	3,100	3,400	9.7	3,700	8.8	3,900	5.4
Construction	5,300	4,200	-20.8	3,800	-9.5	3,800	0.0
Manufacturing	2,300	2,500	8.7	2,600	4.0	2,650	1.9
Trans., Communications & Utilities	9,400	9,200	-2.1	9,200	0.0	9,300	1.1
Trade	23,400	24,100	3.0	24,700	2.5	25,300	2.4
Wholesale	5,600	5,600	0.0	5,700	1.8	5,800	1.8
Retail	17,800	18,500	3.9	19,000	2.7	19,500	2.6
Finance, Insurance & Real Estate	7,600	7,200	-5.3	6,900	-4.2	6,900	0.0
Services	24,100	24,400	1.2	24,900	2.0	25,300	1.6
Government	25,900	25,600	-1.2	25,600	0.0	24,900	-2.7
Federal	10,300	10,300	0.0	10,300	0.0	10,400	1.0
State	6,700	6,900	3.0	7,000	1.4	6,500	-7.1
Local	8,900	8,500	-4.5	8,300	-2.4	7,950	-4.2

Source: Alaska Department of Labor, Research & Analysis

State Government To Decline in 1990

Although state government employment has exhibited relatively strong growth over the past six months, this trend is not likely to last much longer. Declines are not predicted for 1989 because of the growth that occurred in the first half of the year. However, it is believed that revenue shortfalls will cause state employment numbers to fall in 1990. What form these declines will take is difficult to predict. State employment will decline, whether it be through attrition, early retirement, layoff notices, or any combination of the three.

Municipality of Anchorage Will Remain Strapped Financially

Little relief is foreseen for local government, particularly for the Municipality of Anchorage. The city reduced its budget once again in 1989. The year 1990 doesn't look much brighter. Property values are unlikely to rebound in the near future, and with the state desperately seeking revenues, a reduction in local government assistance is a likely scenario. The city will remain strapped for revenues during this forecast's horizon.

Construction Will Lose More Ground

Construction employment will lose more ground in 1989, and will finally reach bottom in 1990. An overabundance of commercial property and lack of public funds will cause additional down-sizing in the public and commercial construction sectors. This is not to say there will be no activity in these sectors. Some of the more visible projects include the expansion of the Alyeska Resort, construction of the Eagle River-Highland bridge, reconstruction of Raspberry Road and Minnesota Drive, and completion of the Rabbit Creek/DeArmond interchange. These projects,

though, simply do not represent enough activity to prevent additional small declines.

Residential construction is the only sector of the industry that will exhibit any sign of new life. From a low base of 220 single family building permits issued in 1988 (compared to 3,468 permits in 1983), the number of new single family home starts could grow to 250 or 300 in 1989. A majority of these homes will be custom built. There will be little or no construction of 'spec houses', and multifamily residential construction will remain dead.

Fewer Financial Industries on Critical List

Anchorage's financial industries will still try to pull themselves out of fiscal mire in 1989. Eleven Anchorage-based financial institutions have either closed or reorganized since 1986. This is especially significant when one considers that the last time any financial institution had to close its doors in Alaska was during the great depression. The good news may be that not many additional institutions are on the critical list. By 1990, most of the restructuring in the financial industry should be complete.

Anchorage's Job Market Looks Better Than its Economy

Although only slow employment growth is forecast, the job market will be more lively. All indicators are looking good. Column inches of newspaper want ads have grown by 33%. The number of job openings is climbing at the Anchorage Job Service Office. Some employers are complaining about a lack of applicants. Many graduates of University of Alaska-Anchorage career and vocational programs are being heavily recruited. However, job opportunities in the construction industry and the public sector will remain scarce.

Little relief is foreseen for
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Probably the biggest plus for the local job market is that there are no immediate prospects for a large influx of job searchers from the Lower '48. National unemployment rates keep falling to new lows. The robust national job market means that fewer job searchers from the lower 48 states will pursue their fortunes in Alaska. But if the economists are finally right about a recession gripping the nation sometime in 1990, a more competitive job market will develop in Anchorage.

The Sights Are Set Low

The sights for Anchorage's economy have not been set very high for 1989 and 1990. Any amount of growth will represent a welcome change from the recent past. However, the present state's oil revenue shortfall casts a long shadow. Although the Anchorage economy is not one that characteristically muddles along, that may be just what's in store for it for the next two years.

Economy Heads Upwards (At Last)

by Holly Stinson

FAIRBANKS Employment Forecast: 1989-1990

After losing jobs for three years, the Fairbanks economy is expected to grow slightly in 1989. (See Table 1.) The growth will continue into 1990, but is projected to continue at a somewhat slower rate.

Fairbanks employment grew almost 40% from 1980 to 1985 when 8,000 new jobs were created. Then, in the recession of 1986-88, almost half of these jobs were lost. (See Figure 1.) Although the rate of job loss slowed in 1988, there were still 150 fewer jobs that year than in 1987.

Fairbanks Predicted to Gain 325 Jobs in 1989

Instead of losing this year, the Fairbanks economy should gain a few jobs in 1989. The 1989 growth projected for Fairbanks is small, a net gain of 325 jobs. But at least the economy is headed in the right direction.

Although Fairbanks' total employment growth began in October 1988, not all industries saw any glimpse of a turnaround then. And still today, there are some industries which have not yet seen increased employment. Some industries remain stagnant; worse, others are still declining. Construction employment continues — and will continue — to fall. The already weakened finance, insurance and real estate industries will do well to remain at 1988 employment

levels for the next two years. Those industries that actually see growth in the next two years will see it at a very small rate.

Three Assumptions Critical To This Forecast:

The following three assumptions provide the foundation upon which this article's forecast is built. This Fairbanks employment forecast pertains to the two-year period 1989-90. A change in any one of the three assumptions could alter the economic outlook considerably.

- The price of North Slope crude oil in 1989 and '90 will come in between \$14 and \$17 a barrel.
- The state operating budget will decline \$150 million from the FY '89 level.
- The military will increase uniformed personnel in Fairbanks, but not civilian employment, in 1989 and 1990.

The Pentagon's construction budget in Fairbanks will drop 25% in FFY '89 to just over \$100 million. That figure will be halved in FFY '90 to \$50 million. Thus, the construction industry's employment will decline as the military budget declines.

Local government building projects may help prevent a steep decline, but they won't fill the gap left by the military. Fairbanks city policymakers predict a 1989 construction budget amounting to two-thirds that of 1988. Meanwhile, in 1989 the Fairbanks North Star Borough will complete construction of a community center and two schools. After that, the borough's public works department has on its construction schedule only small repair and maintenance jobs. Highway construction will remain at current levels for the next two years. Finally, the state's FY 1990 capital budget includes only \$15 million for various city and university building projects. This figure, small as it is, is not a final one and could be lower yet.

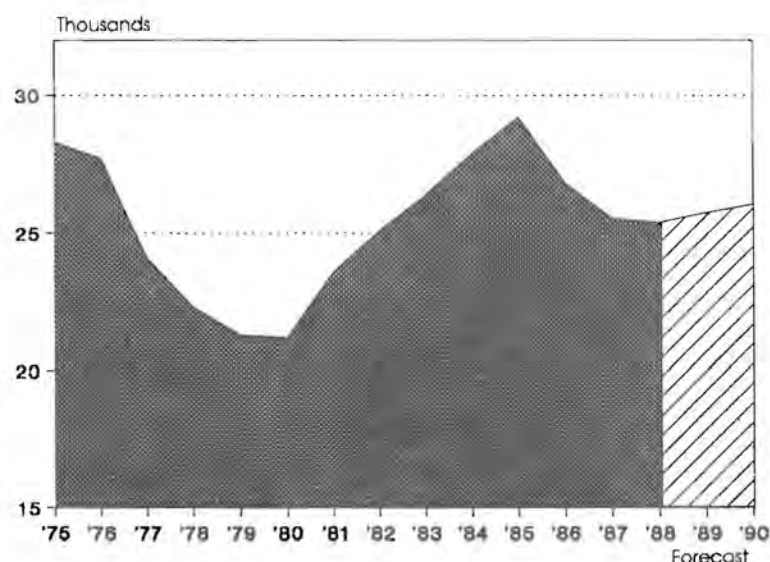
The Pentagon's construction budget in Fairbanks will drop 25% in FFY '89 to just over \$100 million.

Construction Employment Will Continue to Fall

As it will elsewhere in the state, the beleaguered construction industry will continue to lose jobs in Fairbanks. However, the loss will be small compared to the shrinkage of the mid-1980s.

By 1987, Fairbanks had only one-half as many construction jobs as it had in 1985. Since 1987, military related construction projects at Fort Wainwright and Eielson Air Force Base kept employment levels in this industry from declining even further. The military spent over \$140 million in Fairbanks in Federal Fiscal Year (FFY) '88 (Oct. '87 to Sept. '88). This money went into new construction, and remodeling and maintenance of existing buildings.

**Fairbanks Annual Average Nonagricultural
Wage & Salary Employment 1975 - 1990**



Source: Alaska Department of Labor, Research & Analysis

The area's only large project on the construction horizon, while not in Fairbanks, may employ some Fairbanks workers. The Air Force's backscatter radar projects near Gulkana and Tok will employ 100 people at each of the two sites during peak construction days. The projects are scheduled to begin in late 1989 or early 1990. Air Force officials estimate they will spend \$450 million before the new radar projects are completed in 1993.

In the private sector, BP Exploration will spend \$6 million and employ about 75 construction workers in 1989 to build modules destined for the newly developing Hurl State field on the North Slope.

State Payroll Shrinking

Even with the price of oil in the \$14 to \$17 a barrel range, there is a gap between the state's operating budget and revenues. Presuming there will be

a decline of at least \$150 million in the FY '90 operating budget and further declines in the FY '91 operating budget, state government employment in Fairbanks will drop by 1990. The projected \$150 million shortfall can be safely described as conservative. If the budget shrinks more, so too will the number of state jobs. A drop in the number of state workers and their paychecks would definitely have a negative impact on other Fairbanks sectors.

School District Expects Enrollment Drop; City is Short Revenue

During 1989 local government employment will remain at 1988 levels. The Fairbanks school district is anticipating a 1.5% enrollment decline in the 1989-90 school year. The borough's recent proposed annexation of land — on which oil pump station #7 (and its associated revenues) is located — was defeated by the legislature. The city is still short \$3 million to meet its

The city of Fairbanks is short \$3 million to meet its current fiscal year budget.

Table 1

Fairbanks Nonagricultural Wage & Salary Employment Forecast 1989-1990

	1987 Annual Average	1988 Annual Average	Pct. Change 1987-1988	1989 Annual Average	Pct. Change 1988-1989	1990 Annual Average	Pct. Change 1989-1990
Total Nonag. Wage & Salary	25,550	25,400	-0.6%	25,725	1.3%	25,925	0.8%
Mining	150	150	0.0	175	16.7	200	14.3
Construction	1,550	1,500	-3.2	1,450	-3.3	1,400	-3.4
Manufacturing	550	600	9.1	625	4.2	625	0.0
Trans., Communications & Utilities	2,000	1,850	-7.5	1,850	0.0	1,875	1.4
Trade	5,550	5,700	2.7	5,825	2.2	5,925	1.7
Wholesale	750	700	-6.7	725	3.6	750	3.4
Retail	4,800	5,000	4.2	5,100	2.0	5,175	1.5
Finance, Insurance & Real Estate	850	800	-5.9	800	0.0	800	0.0
Services & Miscellaneous	5,800	5,700	-1.7	5,800	1.8	5,900	1.7
Government	9,150	9,150	0.0	9,200	0.5	9,200	0.0
Federal	2,850	2,750	-3.5	2,800	1.8	2,900	3.6
State	3,750	3,850	2.7	3,850	0.0	3,700	-3.9
Local	2,600	2,550	-1.9	2,550	0.0	2,600	2.0

Source: Alaska Department of Labor, Research & Analysis

current fiscal year budget. The city's potential source of additional revenue, a 3% sales tax, was to have taken effect April 1. But it is still in legal limbo, and if instituted at all will not generate the \$6 to \$8 million in 1989 revenue originally anticipated.

Feds Are Expanding

Federal government employment will grow slightly in 1989 and considerably more in 1990. Civilian employment at the Fairbanks area bases will remain at current levels. By 1990, the Air National Guard stationed at Eielson is expected to double its fleet of tanker planes. For Eielson, this translates to about 70 new full-time jobs and over 400 part-time Guard jobs. (Alaska Department of Labor employment numbers include civilian employees on military bases but not the uniformed military. Included also are full-time National Guard employees.) Lastly, federal census bureau employees, hired to conduct the decennial census, should account for an annual average increase of 25 workers in 1990.

Military Contributes to 'About Face' in Economy

The already sizeable Fairbanks military presence will increase even more over the next two years. (See Figure 2.) The numbers of uniformed military at Eielson Air Force Base will remain steady for 1989-90; Fort Wainwright, though, will gain almost 1,200 new soldiers in the next two years. Some of this rise is attributed to the continued increased staffing of the 6th Light Infantry Brigade. Another portion of the rise is linked to the relocation of Army headquarters staff from Fort Richardson to Fort Wainwright.

The 700 soldiers stationed in Fairbanks during 1988 were mostly young singles; they brought with them only 70

dependents. In contrast, the total number of dependents relocating to Fairbanks in 1989 and 1990 will outnumber the total number of new soliders. These dependent family members will compete for existing jobs in Fairbanks. At the same time, however, their demand for goods and services will also help create jobs. Those families who live off the military bases will absorb some of the current housing surplus.

The increased number of military and their dependents will help the trade and services industries slowly expand in both 1989 and 1990. The trade and service sectors should also gain employment as a result of a projected rise in tourism. Large tour operators anticipate a better tourist season in 1989 than 1988 (and no one is complaining about the 1988 season). It will be the personal side of the service sector (for example, the hotel and health industries), rather than the business side (the accounting and engineering industries), which will account for most of the growth in this sector.

FIRE Industries Caught in a Lingering Recession

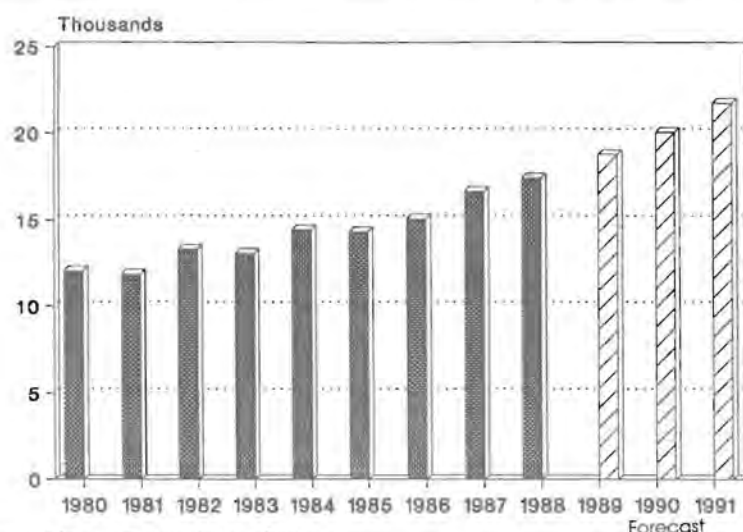
The military will help the Fairbanks economy execute an 'about face' in 1989 and 1990. But even 2,600 new soldiers and dependents arriving in Fairbanks during the next two years will not create enough additional demand to turn around the local real estate market. Additional on base housing now being built for soldiers and their families will translate into declining pressure on Fairbanks' private real estate market in coming years.

Fairbanks' surplus of residential properties contributed to declining prices in 1989 for the third year in a row. The commercial market also continues to wallow in excess capacity. And financial institutions are still reeling from the impact of foreclosures

The already sizeable Fairbanks military presence will increase even more over the next two years.

Figure 2

Military & Dependents Stationed in Fairbanks



Source: Military Public Affairs Office

and bankruptcies. During 1988, the number of foreclosed properties and bankruptcies (including both personal and business bankruptcies) remained near the high numbers of 1987. As a result of all these factors, no growth is projected for FIRE (Finance, Insurance and Real Estate) industries over the next two years.

About the Author:

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Slow Growth Seen for the Mining and Manufacturing Sectors

Encountering some employment growth over the next two years, albeit slow, will be the mining and

manufacturing sectors. The rise in mineral exploration activity seen in 1988 should continue. However, mineral prices must remain healthy if exploration is to turn into development. And even if mineral prices remain at encouraging levels, any significant mining development in the Fairbanks North Star Borough is not expected to occur in the next two years.

Manufacturing jobs increased 9% in 1988. Several small enterprises contributed to this rise; their contribution should lessen in 1989. Flow Line, a small, private firm, added 30 jobs to this sector earlier this year when it received a six month contract to insulate pipe for North Slope oil companies. Meanwhile, a local manufacturer of batteries hopes to export products to Canada, and a manufacturer of dog food is shipping its product to Norway. Small enterprises like these will, in the aggregate, contribute to a few more jobs in the manufacturing sector.

Conclusion: Very Small Expansion In Next Two Years

Although no large projects are planned for Fairbanks' immediate future, an increasing military presence, combined with slow growth for many industries, will contribute to an expanding economy in 1989 and 1990. The expansion is indeed very small, but for those who have weathered the last three years' recession, even a small amount of growth is an encouraging trend.

1.2% Annual Employment Growth Projected

by Brian N. Rae

If in the Southeast the years 1986 and 1987 are best remembered for economic decline and the year 1988 for economic revival, then 1989 and 1990 will likely be remembered as the years of moderation. Southeast employment should continue to rise over the next two years, but at a much slower rate than 1988. (See Figure 1.) The increase is expected to amount to about 700 jobs — a 2.4 percent gain over the next two years.

Assumptions:

**Tongass Harvests Will Stay the Same,
and Metal Prices Will Remain High**

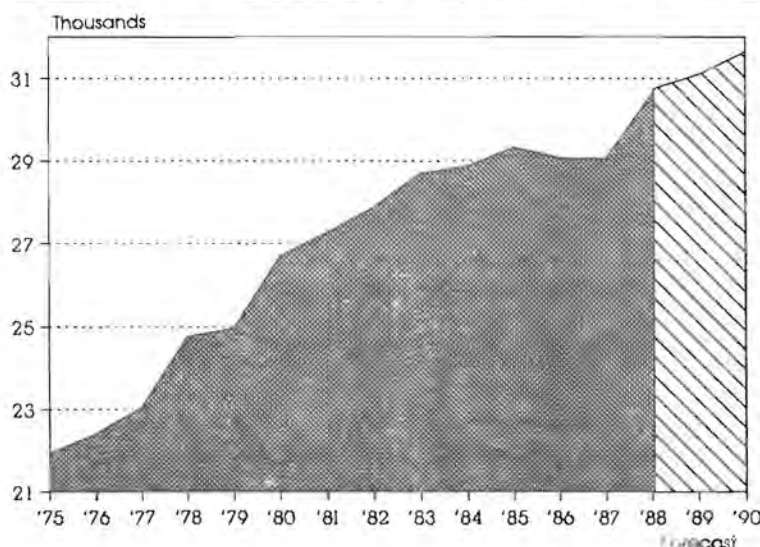
When forecasting any region's employment, certain assumptions must be made about future economic events important to the entire state. The following list of assumptions/predictions are those which Alaska Department of Labor (DOL) economists view as most plausible. Some of these assumptions are more important than others to the Southeast economy. Any assumption proved wrong will affect this article's projections.

For this two-year forecast period, it's assumed that:

- There will be little change in state oil revenue, with the price of Alaska North Slope crude staying within the \$14 to \$17 per barrel range;
- The dollar will not strengthen appreciably against the Japanese yen;
- Even if new legislation on the Tongass National Forest is passed, there will be no reduction in harvest levels;
- World metal prices will remain high enough to attract continued mining development.

SOUTHEAST Employment Forecast: 1989-1990

Figure 1
**Southeast's Annual Average Nonagricultural
Wage & Salary Employment 1975 - 1990**



Source: Alaska Department of Labor, Research & Analysis

The Tongass National Forest debate and the dwindling supply of native timber continue to be of concern to Southeast timber companies.

Diversification Has Brought Stability

The Southeast economy has remained stable primarily due to the diversity of its basic sector industries. While not all these industries have fared equally well over the last two years (see Table 1), their combined impact on the Southeast economy has served to buffer economic shocks that have stunned other regions of the state. This forecast projects growth pattern changes among basic sector industries. These predicted changes are not expected to affect, however, the industries' combined strength. Nor will the changes interrupt the basic sector industries' continued ability to provide new opportunities for growth in the support sector industries.

Timber Supply Uncertainty Will Retard Investment

The Southeast's manufacturing sector set the pace of the region's 1988 economic turnaround. This sector's major industries—seafood processing

and timber—will see employment gains level off during the next two years. (See Figure 2.)

In the timber industry there are several impediments to continued growth. Many industry facilities are at or near full capacity. Although some new facilities have been brought on line or have added shifts, this increased capacity will not sustain the growth seen over the past two years. Markets are now good for Alaska timber products, but uncertainty within the industry about future timber supplies have hampered additional investment in plants and facilities. Both the Tongass National Forest debate and the dwindling supply of native timber have been—and will continue to be—a concern to Southeast timber companies.

The opportunity to expand the value-added processing of Alaska timber products over the past several years has been good for two reasons: 1) Alaska timber products have held and continue to hold a strong position in world

Table 1

Southeast Nonagricultural Wage & Salary Employment Forecast 1989-1990

	1987 Annual Average	1988 Annual Average	Pct. Change 1987-1988	1989 Annual Average	Pct. Change 1988-1989	1990 Annual Average	Pct. Change 1989-1990
Total Nonag. Wage & Salary	29,100	30,650	5.3%	30,925	0.9%	31,425	1.6%
Mining	100	200	100.0	275	37.5	350	27.3
Construction	1,100	1,050	-4.5	1,050	0.0	1,100	4.8
Manufacturing	4,350	5,150	18.4	5,225	1.5	5,250	0.5
Seafood Processing	1,150	1,400	21.7	1,375	-1.8	1,375	0.0
Lumber & Paper Products	2,950	3,450	16.9	3,525	2.2	3,525	0.0
All Other Manufacturing	250	300	20.0	325	8.3	350	7.7
Trans., Communications & Utilities	2,150	2,250	4.7	2,300	2.2	2,375	3.3
Trade	4,600	4,800	4.3	4,850	1.0	4,975	2.6
Wholesale	400	450	12.5	450	0.0	475	5.6
Retail	4,200	4,350	3.6	4,400	1.1	4,500	2.3
Finance, Insurance & Real Estate	1,050	1,050	0.0	1,000	-4.8	1,000	0.0
Services	4,600	4,800	4.3	4,900	2.1	5,000	2.0
Government	11,200	11,450	2.2	11,325	-1.1	11,375	0.4
Federal	2,000	2,000	0.0	2,025	1.3	2,075	2.5
State	5,000	5,150	3.0	5,050	-1.9	5,000	-1.0
Local	4,200	4,300	2.4	4,250	-1.2	4,300	1.2

Note: Numbers may not add due to rounding.

Source: Alaska Department of Labor, Research & Analysis

markets due to the low yen/dollar ratio; 2) There remains little competition from other suppliers as there are few perfect substitutes for Alaska timber. These two factors have provided and still provide the opportunity for additional value-added processing, all the while maintaining a competitive price for the finished product.

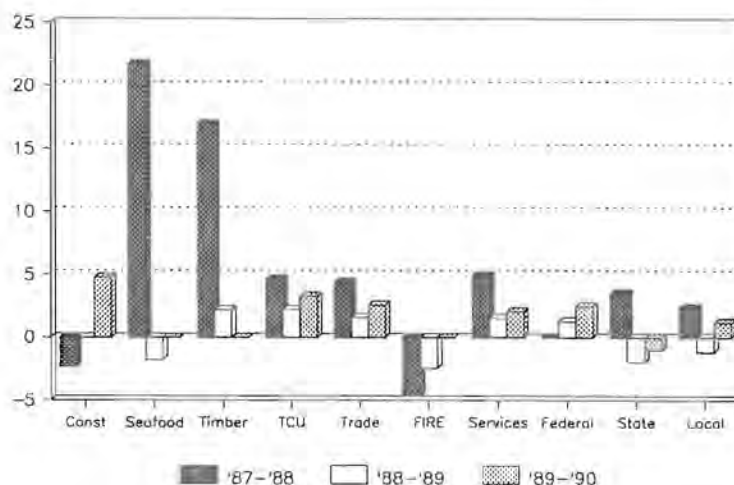
Concerns about the future supply of Alaska timber impedes additional value-added processing. The capital investment needed for these new plants and equipment would likely take several years to return a profit. The outcome of pending legislation changing the amount of timber available for harvest from the Tongass National Forest will greatly determine the future of value-added processing of Alaska's timber products.

Seafood Processing Job Numbers Will Remain Stable

Like the timber industry, Southeast seafood processing industry employment levels should, over the next two years, be similar to those of 1988. Some nervousness in this industry over the past two years has been caused by lower than projected salmon returns. Because most Alaska commercial fisheries have brief openings and product quality concerns keep processing plants running at full tilt during these brief openings, the number of persons employed should remain stable. For this reason, if there are decreased commercial harvests the number of *hours* workers are employed would drop; not necessarily decreasing, though, would be the *number* of workers.

Processors report higher than average inventories of many products. This may lower prices from their unusually high levels of the last two years, possibly reducing wages and the amount of money flowing through the Alaska economy.

Percent Employment Change in Southeast Industries



Source: Alaska Department of Labor, Research & Analysis

175 New Mining Jobs Seen in Next Two Years

Although still a small employer in the Southeast, the impact of mine development is being felt throughout the economy and particularly in the Juneau area. During the next two years, mining is expected to provide 175 new jobs. Of greater importance, though, is the amount of money and other jobs created during the mines' exploration and construction phases. For example, prior to the hiring of about 200 miners at the Admiralty Island Greens Creek mine, start up projects boosted employment in the local construction and transportation industries. The recent influx of dollars into the Juneau economy helped bolster other sectors of the economy, too. As other mines in the Southeast develop, this same scenario will be repeated.

Until recently, workers in the Southeast mining industry didn't search for precious minerals. Instead, they worked for firms which provided sand, gravel and stone for construction jobs. The construction downturn hurt many of these firms, causing them to trim back

The recent influx of mining dollars into Juneau helped bolster other sectors of the economy.

operations to meet depressed construction levels. The future of these sand and gravel firms should closely parallel that of the area's construction industry.

No Growth Seen in Construction

The Southeast construction industry started its decline before the oil price shock affected the rest of the Alaska economy. While most other Southeast industries turned the economic corner either in late 1987 or 1988, the construction industry still hasn't grown yet. The next two years show no optimistic promise. While there are new building projects coming on line, others are nearing completion. Projected 1989 employment is flat; no rise is expected over 1988 levels. Some gains might occur in 1990 if the outlook for mining remains bright.

On an even darker side, state and local capital projects will probably number few during the next two years. Although there exist plans for some public construction projects, the demand for a smaller state budget, coupled with the negative economic impacts of employment cuts, make it unlikely that there will be any increased spending on capital projects. During the next two years, construction employment will likely remain only at a maintenance level — the minimum level necessary to maintain existing facilities with some marginal infrastructural growth. Given these factors, further construction industry employment declines are unlikely.

Support Sector Industries Will Pace Those of Basic Sector

As the Southeast economy has aged and matured, support sector industries (that is, the TCU, FIRE, trade and service industries) have gained a larger share of total employment. Some of the companies which comprise the support sector rely on particular industries for their economic strength. Others follow the health of the overall economy and are more insulated from specific

industry fluctuations. Still, the support sector firms can only be as financially healthy as their clients. With one notable exception, FIRE, all support sector industries have gained by the Southeast's new economic health and have posted employment gains. As Southeast basic sector (that is, the manufacturing, mining and construction industries) growth moderates, so too will gains in the support sector.

Trade Sector Employment to Rise by 4%

Employment in wholesale and retail trade should rise by four percent — 175 jobs — in the next two years. This growth rate is higher than that of the total economy. The reason? Trade sector employment, like most other support sector industries, is a trailing indicator of the economy's health. Last year's large gains in the basic sector industries should translate into strong employment growth in the support sector during this two-year forecast period.

One possible stumbling block to growth in the trade industries would be a major reduction in state and local government employment. Studies conducted by the University of Alaska-Anchorage Institute for Social and Economic Research have attempted to determine what economic impact is caused by the loss of public sector jobs. Significant government job losses could negate the positive impacts of last year's growth in basic sector industries.

Service Sector Employment: Up by 4%, Too

The service industries will perform in the next two years much like the trade sector industries: employment gains are expected to amount to about four percent. Many of the same factors determining the future of trade sector employment are also at work in the service industries. Basic sector employment gains will help feed the service industries' employment

growth. Meanwhile, possible public sector employment declines could reduce service sector gains.

Both the services and trade sectors benefit from tourism. There are potential problems for tourism in upcoming years. First, the severity of this winter received much attention in the lower 49 states. Some Alaskans worry that this wintry impression may reduce the number of future visitors here. Second, the recent Exxon Valdez oil spill, though affecting a very small portion of Alaska, will negatively impact the number of future visitors.

Further, the recent bankruptcy of Exploration Travel has reduced the number of ships docking in the Southeast. Many business owners say the loss of this firm will have much less of an impact than would the loss of some of its competitors. Business owners are hopeful that tourists travelling independently will compensate for this reduction. Still, many of the cruise ship line officials worry that the Exploration Travel bankruptcy will reflect badly on their lines and cause a reduction in the total number of travelers.

A 5% Job Rise Predicted For Transportation, Communications and Utilities Industries

TCU (Transportation, Communications, and Utilities) industries will strengthen over the next two years. With the projected addition of 125 jobs, the TCU sector should post an employment rise of more than five percent. Many different factors affect the industry. In the Southeast, transportation employment depends on the health of the timber, mining, and tourism industries, as well as the volume of migration in the area. The economic well-being of both the communications and utilities industries is closely linked to migration and population growth and to new commercial ventures.

Five percent growth in the TCU sector over the next two years will occur for several different reasons: The timber and seafood processing industries, which have helped TCU industries over the past two years, will not see reductions in activity. Increased mining activity will lead to some job increases. Population increases, expected because of the Southeast's strengthened economy, will lead to more utility industry jobs. And while employment declines in the transportation sector could develop if tourism falls significantly below 1988 levels, this is not likely to occur at least during the next two years.

1989 & 1990 Will Be Flat Years For Finance, Insurance, and Real Estate Industries

Although faring better than the rest of the state, Southeast FIRE (Finance, Insurance, and Real Estate) sector employment should amount to about 1,000 for 1989 and 1990 (slightly below 1988 levels). FIRE industries have sustained losses as a result of numerous loan foreclosures and declines in real estate markets. Most of this damage seems to have already occurred in the Southeast. Surviving companies should remain viable.

Government Employment: Down by Less than 1% in Next Two Years

Overall, Southeast government employment is projected to fall in 1989 by more than one percent. It is expected to show little increase in 1990. Federal, state, and local government hiring levels in the next two years will be dissimilar.

Federal government employment is projected to show growth during both years of this forecast. Most of this growth will occur in 1990 when enumerators are hired to conduct the decennial census. These new positions will be temporary, but there will be many of them.

State government employment is projected to fall by 150 during the next two years as the state budget is reduced. Much of the reduction will impact the Juneau area. Loss of even a few state jobs in the Southeast's smaller, more rural areas could have a noticeable impact on those local economies.

Reducing the state budget is a high priority for many Alaskans. Large work force reductions are unlikely, however, due to the significant economic upset that would occur. Most state employees are currently working without a contract; the outcome of labor negotiations could impact the number of state government jobs funded during the next two years.

Local government employment is projected to decline during 1989, but then again show growth one year later. Local governments, particularly this year, may receive less municipal assistance funding than expected. This might cause more local governments to finance various projects independent of state help. If local governments make up this funding difference, there may be employment shifts from state government to local governments.

Conclusion: Total 1.2% Job Gain Predicted for the Southeast

These projections depend on the assumptions stated at the start of this article. Some of the assumptions are more critical than others, but changes in any one could affect all of Southeast's employment growth over the next two years. Particularly important during this next two-year period will be oil revenues. If large employment cuts in state or local government are implemented to balance the state budget, Southeast employment growth will be severely hampered.

International currency fluctuations are important to Southeast's natural resource industries. There is little likelihood of exchange rate movements large enough to depress the demand for these products. Likewise, international

metal prices should remain strong enough to spur continued exploration.

Compared to last year when employment levels rose dramatically, the next two years may appear slow. Employment gains are projected to average 1.2 percent per year during the next two years. In any place other than Alaska, this would be seen as extremely strong growth. But for Southeast Alaska, this rate of growth is moderate. This projected growth is a reliable sign that the most recent recession and its aftershocks are now history.

About the Author:

Brian Rae is a labor economist employed four years with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. He is based in Juneau.