In many ways, the Alaska and U.S. economies march to different drummers. Most notably, Alaska relies heavily on the oil industry to create and sustain jobs and provide government revenue. For the U.S., oil is a critical commodity, but the industry plays a much smaller role in providing jobs or in determining what happens in the overall economy.

As a result, Alaska doesn’t necessarily follow national economic trends. The state was only moderately affected by the last two recessions, for example, and continued to create jobs even as the national indicators turned negative.

National economic woes reached Alaska in 2009

But Alaska’s economic independence from the broader U.S. economy shouldn’t be overstated.

The current recession – determined to have begun in December 2007 – took a while to reach Alaska, but since May of this year the state has shown over-the-year job losses attributable mostly to the nation’s economic troubles.

The biggest job losses nationally have come in the manufacturing and construction industries, but consumers have been shaken by everything from the bursting of the housing market bubble and tighter credit to job losses and home foreclosures. Consequently, retail spending fell hard.

In all, the U.S. has shed more than 900,000 retail jobs since the recession began, a hefty decline of 6 percent. Alaska’s retail sector didn’t start registering consistently declining numbers until this year, and the losses have been smaller as a percentage, but it’s been a rough year for Alaska as well. (See Exhibit 1.)

Not surprisingly, the big losses in national retail numbers correspond with big declines in consumer confidence. (See Exhibit 2.) Both the Conference Board’s Consumer Confidence Index and the University of Michigan’s Consumer Sentiment Index fell sharply in 2007 and 2008 before rebounding slightly in 2009.

Every category lost jobs nationally

Of the major retail categories, motor vehicle and parts dealers have suffered the biggest losses nationally. (See Exhibit 3.) From June 2008 to June 2009, the number of motor vehicle and parts dealers jobs fell by more than 190,000 – a drop of more than 10 percent.

At the other end of the spectrum, general merchandise stores cut very few jobs. Typically dur-
ing a recession, consumers move some of their retail dollars to lower-cost stores – usually classified in the general merchandise category – and away from specialty stores.

**Are residents or visitors driving Alaska’s retail numbers?**

Although it’s no secret that the 2009 tourism season was a rough one for Alaska, and visitor spending appeared to be well below previous year’s levels, there are also clear indications that Alaskans cut way back on their retail spending.

As with the national numbers, the category with the biggest over-the-year decline in June – the most current month for which detailed Alaska data are available – was motor vehicle and parts dealers. These businesses depend primarily on local demand, although there was a lot going on in the struggling domestic car industry that had little to do with Alaskans’ reluctance to buy new cars. (See Exhibit 4.)

The next largest losses over the period came in clothing stores, which depend on a mix of summer visitors and Alaska residents. The only category showing a significant gain was general merchandise stores, which benefited from the opening of two Target stores and a Kohl’s store.

**Southeast has suffered the biggest retail losses**

The state’s population centers generally shared in the retail losses, with the biggest declines coming in Southeast. (See Exhibit 5.) The Anchorage/Mat-Su region lost more than 160 jobs total, but the two parts that made up that number are revealing: Anchorage’s retail job count fell by 318 from June 2008 to June 2009 while Mat-Su added 155 jobs over that period. Nearly all of the Interior region’s losses came from the shedding of 252 retail jobs in Fairbanks. The Southeast Fairbanks Census Area was also down slightly while the Denali Borough and Yukon-Koyukuk Census Area added a few retail jobs.

The Gulf Coast’s losses came primarily from the Kenai Peninsula Borough, which saw retail employment fall by 94, although Kodiak also recorded a loss of about 30 jobs. The Valdez-Cordova Census Area had a small gain.

Only the Southwest and Northern regions added retail jobs over the June 2008 to June 2009 period, and the gains there were small.

**Are stores going out of business?**

When consumers get stingy with their retail dollars – national sales were down more than 10 percent over the year in late 2008 and have
Southeast Retail Hit Hardest
June 2008 to June 2009

Southeast -375
Interior -259
Anchorage/Mat-Su -163
Gulf Coast -119
Southwest 18
Northern 14

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

rebounded only weakly since then – the natural assumption is that there are a lot of stores closing and very few opening.

For Alaska, at least, that’s only half true. From the second quarter of 2008 to the second quarter of 2009, a total of 147 retail employers went out of business. That’s a fairly large number, but the total jobs lost in those businesses was just 484 (see Exhibit 6), and nearly all of them were quite small.¹

Surprisingly, more stores opened than closed over the period from the second quarter of 2008 to the second quarter of 2009. A total of 152 stores opened, adding 1,356 retail jobs and $7.8 million in wages to the state’s economy. Both the jobs and wages added by new stores were roughly three times as high as the jobs and wages lost in closing stores.

Existing stores account for most of the change

When a retail store either opens or goes out of business it generally gets a lot more attention than when an existing store adds or cuts jobs, especially when the changes aren’t dramatic. But at least over the time period examined here, the most significant contributors to increases or decreases in jobs and wages came from stores that were already opened and stayed open.

During the second quarter of 2008, those stores provided 36,183 jobs and paid more than $240 million in wages. (See Exhibit 7.) By the second quarter of 2009 both numbers had fallen considerably, jobs by nearly 4.5 percent and wages by 4.1 percent.

Retail trade is a downstream industry

It may seem obvious, but retail jobs are heavily dependent on the other things happening in an economy. A growing population and job base generally creates retail growth, although Internet retailers complicate the connection somewhat in that they allow retailers to serve a much broader population base than they traditionally did.

Still, for the most part retail jobs rise and fall as a result of local economies’ broader growth and decline.

On the heels of the dramatic growth of the oil industry in Alaska in the 1970s and 1980s, for example, retail trade in the state steadily grew as it caught up to the needs of the new people in the state and the new money circulating in the economy.

It’s an industry with a lot of movement as new stores open and old stores close. Most of the jobs, though, are in the existing stores and those numbers are down significantly. But when Alaska employers in other industries start adding jobs again and the national economy moves solidly into recovery, Alaska’s retail sector will likely see a corresponding recovery.

¹ One possible explanation is that many companies go out of business in stages, first shrinking incrementally over an extended period of time before finally closing their doors.
About the Numbers

The data used to determine how many retail stores had opened and closed over the period from the second quarter of 2008 to the second quarter of 2009 came from reports that employers are required to file every quarter under state unemployment insurance laws. The program that converts these quarterly reports into employment and wages by industry is called the Quarterly Census of Employment and Wages.

The employment and wage levels for stores labeled “opening” are the numbers for stores that didn’t exist or didn’t have any people on their payrolls during the second quarter of 2008 and then did during the second quarter of 2009. Stores labeled “closing” had employment during the second quarter of 2008 but then none during the second quarter of 2009.

Determining the stores that opened and closed this way has its limitations because it’s hard to precisely account for stores that open new branch offices, for example, or to know whether a store is truly new or has just changed ownership.

This type of data is similar to a fairly new data set produced by the U.S. Department of Labor’s Bureau of Labor Statistics called Business Employment Dynamics. The BED data also show that much more of the net changes in jobs come from expanding and contracting establishments than from opening and closing stores. For more information about the BED data, see the October 2008 issue of Trends at labor.alaska.gov/trends/oct08.pdf.