

ANCHORAGE JOBS: SENSITIVE TO A CAPITAL MOVE?

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Moving the capital from Juneau to Willow will reduce the level of Anchorage employment from what it otherwise would be, unless a "hold harmless" policy is adopted. By a hold harmless policy is meant public sector or subsidized private sector job creation designed to just offset the loss of jobs caused by the capital move. Said differently, given a capital move, a choice must be made between job loss in Anchorage (as well as in Juneau), on the one hand, and public sector enlargement on the other. A detailed analysis has yet to be done. Nevertheless, one can say with some confidence that the total number of jobs that could be lost in Anchorage as a result of the planned capital move to Willow could run as high as four or five thousand. This figure includes (1) reductions in direct State government employment; (2) losses due to reduced State purchases and reduced expenditure on travel, room and board; and (3) secondary job losses incurred as the result of the negative multiplier effect attending primary losses.

At presently forecasted rates of economic growth, Anchorage can expect to regain four thousand lost jobs in one to two years time. In this sense, therefore, potential job losses from a capital move do not threaten a catastrophic blow to the Anchorage economy. Indeed, given renewed growth in other sectors of the Anchorage economy, Anchorage firms trading with a sufficiently diversified portion of the local economy should experience little or no absolute loss of business.

Even so, the number of potential Anchorage job losses is large enough to warrant public discussion. Given the inability to fine tune the economy, one should not assume that new Anchorage economic growth will precisely compensate capital move

losers on a person-to-person or firm-to-firm basis. Those who are dependent upon State government spending in Anchorage are clearly in an exposed economic position.

WHY ANCHORAGE?

Anchorage is not the State capital. Why should a capital move cause Anchorage to experience a loss of jobs? That question can be answered by considering four potential causes of job loss in Anchorage.

First, even if no State government positions are moved from Anchorage to Willow, there will be a reduction in State government demand for Anchorage support services when Juneau is no longer the capital. State government employees now traveling from Juneau to Anchorage require air transportation, rental cars or taxicabs, lodging, and food. Because Willow is within driving distance of Anchorage, there is every reason to believe that many of the services presently required by the Juneau-based State government worker will not be required by the person filling that position after it is moved to Willow. Continuing this line of thought, if direct, regularly scheduled commercial air service to Willow is provided, at least a portion of the passengers and freight presently bound for the State capital at Juneau and routed through Anchorage, would likely be sent directly to Willow. If so, the demand for Anchorage overnight accommodations and related services would be further reduced, or transferred to Willow.

The remaining three possible sources of job loss in Anchorage are all associated with the actual transfer of State government positions to Willow. They are: (1) transfers to promote government efficiency (positions presently in Anchorage for

reasons of regional balance may be more efficiently maintained in Willow once the capital is moved; (2) the need to establish a population in Willow large enough to support the variety of year-round professional, recreational, business, and social services required by a capital city and (3) political and bureaucratic jockeying.

If, indeed, State government jobs are moved from Anchorage to Willow, the overall Anchorage job loss will be a multiple of the direct government job loss. In addition to the government jobs lost, there will be: (a) "multiplier" induced support sector losses in services, trade and other industries (including local government), associated with the move of resident Anchorage State government employees to Willow^{1/}; (b) a loss of support sector business associated with the transfer of State government contractual spending to Willow (utilities, office space, repair services, clerical services, etc.); (c) further job losses in travel related industries because the transferred employees would, henceforth, be visited in Willow; and (d) losses caused by the multiplier effect of (b) and (c).

SOME PRELIMINARY NUMERICAL ESTIMATES

In May 1979, the most recent month for which detailed departmental/regional employment estimates have been published, there were 3,213 central State government employees in Anchorage, and 3,595 in Juneau.^{2/} These figures exclude employees of the University of Alaska, Alaska Community colleges, and the Alaska Psychiatric Institute.

An "Anchorage-focused" State government agency is defined for purposes of this article to be one which exists primarily to serve Anchorage people. Examples include the local detachment of State Troopers and the local offices of the State employment service.

Not all of the State government agencies located in Anchorage are Anchorage-focus-

ed. Several which are not, are the Division of Minerals and Energy Management of the Alaska Department of Natural Resources, the Division of Energy and Power Development of the Alaska Department of Commerce and Economic Development, and the Division of Community Planning of the Alaska Department of Community and Regional Affairs. Agencies now located in Anchorage which are not Anchorage-focused, would seem to be the most likely candidates for movement to Willow, in the event of a capital move.

Definitive estimates of the number of Anchorage State government jobs which are susceptible to being transferred to Willow have yet to be made. However, using the notion of "Anchorage-focused" as a guide, as many as eight hundred jobs (twenty-five percent of the Anchorage State government total), does not seem too high. If, in addition, certain South central regional State government functions now filled from Anchorage are judged to be more efficiently filled from Willow (serve the region and be close to related State functions), a total transfer of two thousand State jobs from Anchorage to Willow would not be out of the question.

Private sector Anchorage job losses caused by the transfer of State government jobs

1/ Some observers have suggested that federal revenue sharing losses might represent a significant part of the fallout from a capital move. For the year ending September 30, 1980, the Municipality of Anchorage received \$6.8 million in federal revenue sharing funds or \$37.38 per civilian resident. At this amount per capita, the capital move would cost Anchorage at most \$250,000 in revenue sharing funds. Given pressure from the Reagan Administration to cut back the program, the actual impact should not be even that great.

2/ "Government Occupational Employment Statistics, 1979," Alaska Department of Labor, Research and Analysis Section.

from Anchorage to Willow would not be restricted to just the fallout from lost State government payrolls. In fact, if enough of the persons holding the transferred State jobs lived outside of Anchorage to begin with, the private sector job loss caused by reduced State payrolls could be less than the direct and multiplier losses from factors such as cuts in government purchases and contractual spending, reduced State government demand for office and warehouse space, and lowered State government demand for travel services, and for overnight room and board. (The transferred workers would henceforth be visited in Willow).

Studies done both here in Alaska and elsewhere, as well as simulations of the State econometric model, suggest that, all things considered, approximately 0.8 to 1.2 extra jobs would be lost in Anchorage for every State job transferred to Willow. Using the low end of this range (0.8), to allow for the fact that some Anchorage workers live outside of the city proper, it can be shown that a transfer of Anchorage State government jobs to Willow could result in a total loss of approximately 3600 (i.e. 2000 x 1.8) Anchorage jobs in the public and private sectors combined, in addition to visitor industry job losses caused by the drop in overnight Juneau business.

It was noted earlier that even if there are no State government jobs transferred from Anchorage to Willow, the transfer of Juneau positions to Willow will reduce the demand in Anchorage for visitor services. State government workers stationed in Willow will need less visitor-industry support when they visit Anchorage on business than they presently need when visiting from Juneau. In addition, the Anchorage visitor industry would very likely experience a reduction in demand from other Alaska travelers, once Willow had its own fully equipped commercial airport. Direct commercial air service to Willow from Fairbanks, Nome, Bethel and elsewhere, could noticeably reduce the demand for overnight visitor services in Anchorage, even if Anchorage loses none of its State government employment.

Definitive estimates of capital move-related Anchorage visitor industry losses have not been made. One can, however, gain some feel for the numbers involved by examining the statistics on Juneau-Anchorage air traffic kept by Alaska Airlines and Wien Air Alaska.

If we assume (1) that 25 percent of the Juneau to Anchorage passenger air traffic originates in Juneau, with the remainder being return trip and through traffic, and (2) that the capital-move-induced percent drop in this traffic is the same as the estimated capital-move-induced percent drop in Juneau employment; then the Anchorage visitor industry stands to lose 1,000 Juneau originating air visitors per year as a result of the capital move for every 500 state jobs transferred from Juneau to Willow, even if no State government jobs are transferred from Anchorage to Willow.^{1/} Business visits from Willow to Anchorage may numerically substitute for the lost Juneau visits, but are likely to be a poor economic substitute for them, given the relative ease with which Willow visitors can return home after a day's trip to Anchorage, and, therefore, their reduced demand for visitor services.

CONCLUSION

Contrary to widespread public opinion, a move of the Alaska State capital from Juneau to Willow may well entail the loss of both public and private sector jobs in Anchorage. Some of these potential Anchorage job losses represent gains in government efficiency, others simply a transfer of activity to Willow. In total, between four thousand and five thousand jobs could disappear from the Anchorage economy.

^{1/} Air traffic data were supplied by Alaska Airlines, Wien Air Alaska. There were approximately 48,000 Juneau-Anchorage air passengers in 1980 and about the same number of Anchorage-Juneau passengers.