

# Employment Forecast for 2011

## Alaska's regional and statewide outlook



2010. (See Exhibits 1 and 2.)

The outlook is similar for 2011: There will be a bit of growth, with some industries in a holding pattern while most make incremental moves in both directions. (See Exhibit 3.)

## Modest growth ahead this year

By NEAL FRIED and ALYSSA SHANKS, Economists

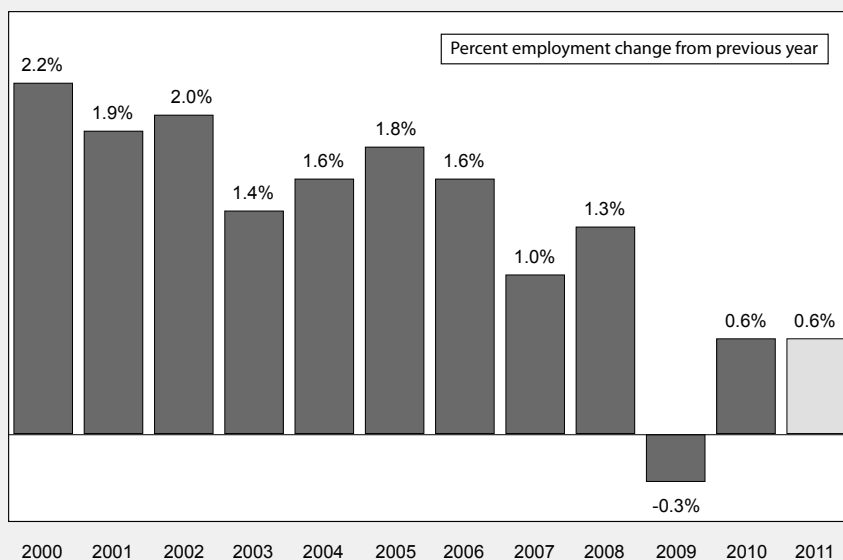
The national recession created some unusual times in Alaska over the last three years. Initially, the state's economy kept growing while the nation shed a record number of jobs. Then, in 2009, Alaska put to bed its 21 years of uninterrupted employment growth and appeared to follow the national downturn. However, its overall employment levels quickly began to recover in

Some Alaska industries that lost ground in 2010 could begin to recover in 2011, but others will probably decline. For example, the public sector was a positive force in 2010, but that's unlikely for 2011. Conversely, tourism-related industries whose performance was subpar last year are positioned to lift Alaska's economy in 2011.

Although most state governments around the nation will continue to struggle with funding and budget cuts this year, Alaska is and will remain fiscally sound.

### 1 Job Growth Continues After Brief Dip

Alaska forecast for 2011



Note: 2010 is a preliminary estimate, and 2011 is a forecast.

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

### We're thanking our lucky stars

Alaskans have felt fortunate for our relative economic well-being over the past three years. Even through rising unemployment and increasing difficulty making a profit and finding jobs, it's been a cake walk compared to our national brethren. One could argue that Alaska nearly skipped the recession — or as one Alaskan economic analyst said, it was a “glancing blow.”

While the nation lost 7.5 million wage and salary jobs from December of 2007 to June of 2009 (the recession's official dates), Alaska grew a bit overall. Alaska's redemption was the structure of our economy; it is dissimilar enough to the rest of the U.S. that Alaska wasn't swept up in the nationwide furor.

The question is what comes next, and whether the forces that helped us through the worst of the past recession will help us grow and prosper in the future.

## High commodity prices are a big strength

Many of Alaska's strengths will continue to help us in 2011, including strong oil and commodity prices. Oil averaged \$78 per barrel (the second highest on record) in 2010 and the Alaska Department of Revenue forecasts high prices again for 2011. (See Exhibit 4.) These provide big profits for the industry, and a hope for continued future investment to keep state government finances healthy.

Strong commodity prices also benefit Alaska's mining industry. Gold prices exceeded \$1,400 per ounce in mid-November, and most other mineral prices remain at healthy levels. (See Exhibit 5.) During the past ten years, mining has been one of the state's stellar employment performers, growing by over 40 percent compared to 14 percent for the overall wage and salary workforce.

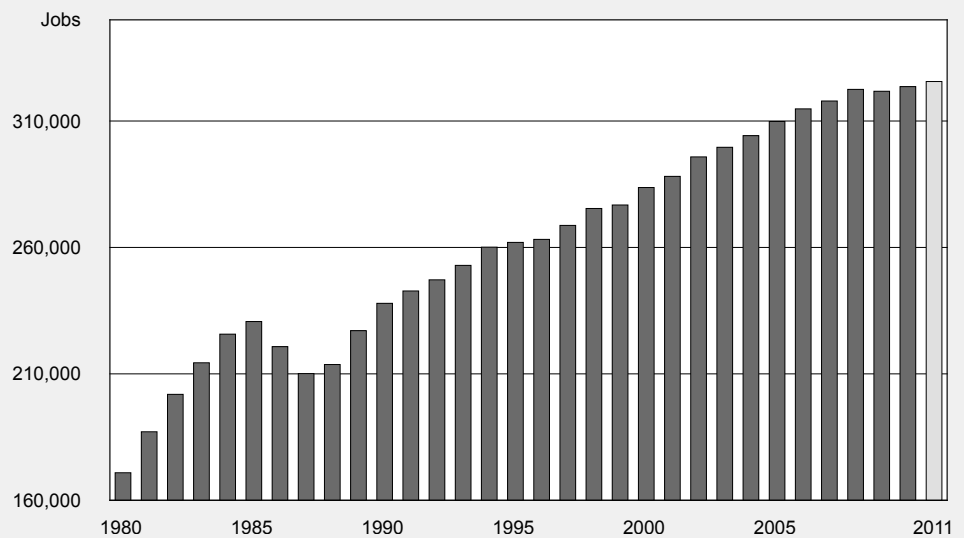
Mining employment will continue to grow in 2011, which will be the first full year of operations for the Kensington Mine, just outside of Juneau. High mineral prices also encourage investment in a growing number of small and medium-sized operations in the state, and continued interest from mining companies around the world.

## Fishing buoys the economy

The fishing industry is one of Alaska's oldest economic stalwarts. Employment in Alaska's fisheries has steadily recovered since its rock-bottom days in 2002.

Salmon harvest earnings have also grown continuously since the dark days of the early 2000s, hitting an 18-year high in 2010. Rising fish prices and healthy catches buoy Alaska's economy, and

## Year-to-Year Employment Changes Alaska, 1980 to 2011 **2**



Note: 2010 is a preliminary estimate, and 2011 is a forecast.

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

these positive trends should continue into 2011.

## Federal budget looks healthy for now

Although talk rages of major federal budget cuts, the U.S. government will remain a solid player in Alaska's economy in 2011, with federal spending likely to remain near current levels.

The military and federal construction funds are among the bright spots in Alaska's economy. However, there is little doubt that the state will feel the pain of cuts in the future as the federal government turns down the flow of dollars to help the nation deal with the deficit. How much and how quickly it will happen remains unknown, but it isn't far off.

## U.S. recovery helps tourism, cargo

The recovering national and global economy is already providing pluses for Alaska's economy, and the visitor industry is a big beneficiary.

Signs of recovery were evident in 2010. Despite the loss of cruise ship passengers, the number of independent travelers grew and should continue

# 3 Alaska Wage and Salary Employment Forecast

## Forecast for 2011

	2009 Monthly Average	2010 Monthly Average <sup>1</sup>	Change 2009 to 2010	Percentage Change 2009 to 2010	2011 Monthly Average	Change 2010 to 2011	Percentage Change 2010 to 2011
Total Nonfarm Wage and Salary <sup>2</sup>	321,700	323,600	1,900	0.6%	325,400	1,800	0.6%
Natural Resources and Mining	15,200	14,400	-800	-5.3%	14,400	0	0.0%
Oil and Gas	12,800	11,800	-1,000	-7.8%	11,700	-100	-0.8%
Construction	16,200	16,100	-100	-0.6%	16,100	0	0.0%
Manufacturing	12,800	12,800	0	0.0%	12,800	0	0.0%
Seafood Processing	9,100	9,100	0	0.0%	9,100	0	0.0%
Trade, Transportation, and Utilities	63,200	62,900	-300	-0.5%	63,000	100	0.2%
Retail Trade	35,600	35,500	-100	-0.3%	35,500	0	0.0%
Transportation, Warehousing, and Utilities	21,300	21,100	-200	-0.9%	21,200	100	0.5%
Information	6,600	6,400	-200	-3.0%	6,300	-100	-1.6%
Financial Activities	14,700	14,800	100	0.7%	14,900	100	0.7%
Professional and Business Services	26,200	26,000	-200	-0.8%	25,900	-100	-0.4%
Educational <sup>3</sup> and Health Services	39,800	41,900	2,100	5.3%	43,600	1,700	4.1%
Health Care	28,700	30,100	1,400	4.9%	31,200	1,100	3.7%
Leisure and Hospitality	31,200	31,200	0	0.0%	31,300	100	0.3%
Other Services	11,500	11,900	400	3.5%	12,000	100	0.8%
Government	84,300	85,200	900	1.1%	85,100	-100	-0.1%
Federal Government <sup>4</sup>	17,100	17,400	300	1.8%	17,200	-200	-1.1%
State Government <sup>5</sup>	25,400	26,100	700	2.8%	26,300	200	0.8%
Local Government <sup>6</sup>	41,800	41,700	-100	-0.2%	41,600	-100	-0.2%

<sup>1</sup> Preliminary estimate

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

<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 school systems

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

to rise in 2011. Returning cruise ship traffic and more confident American consumers will mean more visitors and more generous spending than Alaska's visitor industry has seen in the past two years. Visitor bureaus around the state also forecast more national conventions for 2011.

Another beneficiary of the recovering national and global economy is Alaska's international cargo business. This industry took a big hit during the recession, but it mostly recovered by spring of 2010, and it appears to be on a growing path for 2011.

The improving confidence of the American consumer is another positive for air cargo, although it's more difficult to measure. If it includes the average Alaskan, the mood could boost our consumer sectors and the real estate market.

## Weaknesses may weigh heavier

The state's weaknesses are mostly beyond the 2011 forecast horizon, but are near enough to hamper economic growth in the present. Two of these weaknesses have previously been strengths that helped the economy plow through the recession with minimal collateral damage. One is the federal government, as mentioned earlier. The other is the oil industry.

## Less oil production means more risk

Declining oil production has been an economic liability for more than 20 years, and production has fallen to a third of its original flow, raising the near-term economic risk. So far, oil prices and budget reserves have come to the rescue. But the broader growing problem of low production

increases uncertainty and inhibits potential economic growth.

## Natural gas prices are low

The one commodity price weighing down Alaska's economy is the price of natural gas, which has been depressed by the huge discoveries of shale gas and other gas fields around the nation. Low prices make the Alaska natural gas pipeline a challenging prospect, and could push its construction and production further into the future.

## Job market will stay competitive

The years of worker shortages and easy-to-find jobs that typified Alaska's labor market just two years ago seem long gone. The job seeker's market quickly became an employer's market. Alaska's unemployment rate for the first three quarters of 2010 was 8.1 percent, the highest in over two decades.

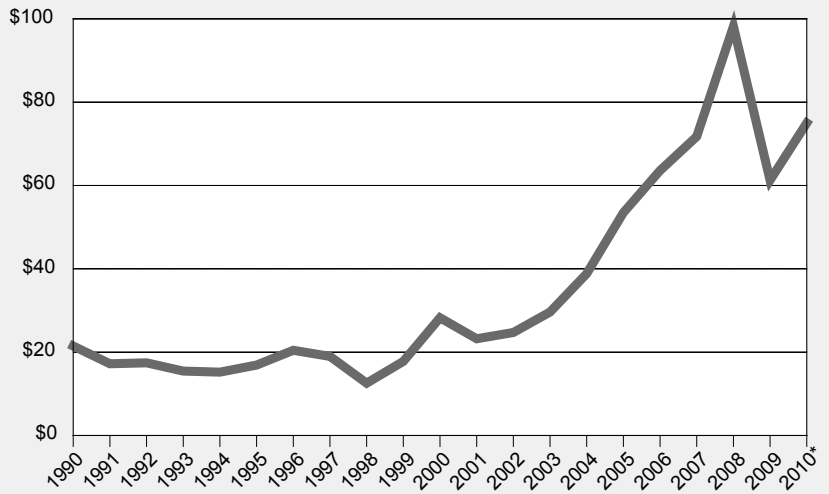
The good news is the rate began to improve later in the year and was an average of 1.6 points lower over the first 11 months of 2010 than the national rate. Last year marks the second year in Alaska's history that its jobless rate was lower than the nation's. However, though it will remain a challenge to land a job in Alaska this year, our job market will probably remain better than many.

## High Oil Prices Buoy Economy

Alaska, 1990 to 2010

# 4

ANS oil prices per barrel



\*Forecast

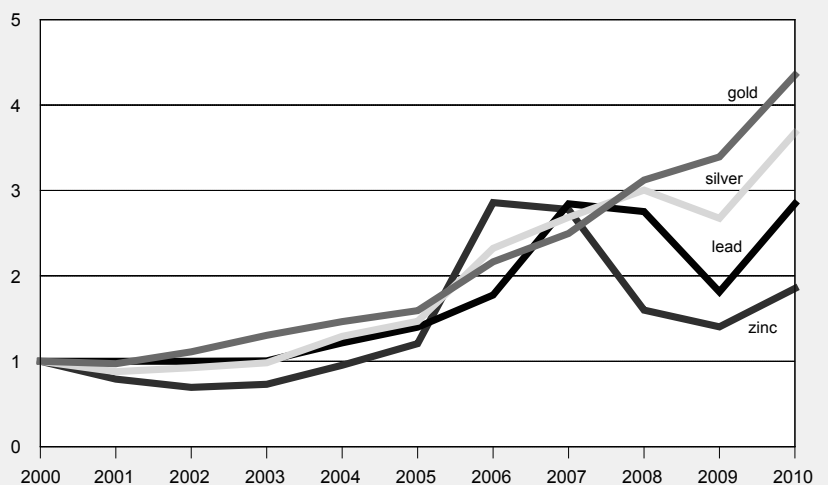
Source: Alaska Department of Revenue

## Strong Commodity Prices

Alaska, 2000 to 2010

# 5

Index values



Index based on prices from August 15, 2010.

Source: U.S. Geological Survey



## Incremental changes in 2011

Total employment in Anchorage changed by less than 1 percent during each of the past two years, and the 2011 forecast is comparable. (See Exhibits 11 and 12.)

In nearly all cases, projected changes in Anchorage industries are incremental. These small declines and modest gains will add up to a minor overall expansion in its workforce in 2011. (See Exhibit 13.)

## Oil no longer fuels expansion

After four years of strong oil industry growth, employment leveled off in 2009. By 2010, it had drifted downward, and this decline will likely continue in 2011 but remain above historical levels.

The outlook for the oil patch in 2011 is unclear, though it appears maintenance such as replacing pipe and old infrastructure will dominate.

Work at Exxon's Point Thompson prospect peaked last year and will wind down in 2011. British Petroleum's postponement of the Liberty project by a year bodes well for 2012, but is not good for 2011. BP, Alaska's largest oil producer, also incurred

high costs from the oil spill in the Gulf of Mexico, and its weakened economic position has prompted uncertainty about Alaska's oil industry and economy.

A number of bright prospects are on the shelf because of regulatory issues. At the top of that list is Shell's desire to drill wells in the Beaufort Sea in 2011, which awaits the federal go-ahead. Shell's success is being watched closely because its proposal is one of the best prospects for reversing Alaska's declining oil production.

## Public construction will dominate

Construction employment peaked in 2005, declined mod-

# No more pats on the back

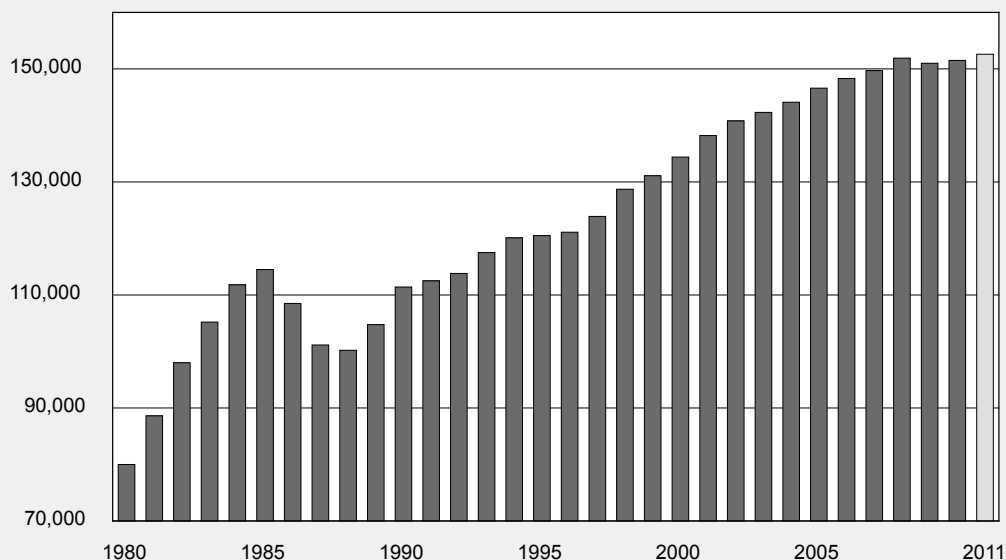
By NEAL FRIED, Economist

For the past three years, Anchorage has thanked its lucky stars that it weathered the national economic storm much easier than most of the U.S. From the beginning of the national recession in December 2007 to its official end in June 2009, the nation lost 6 percent of its wage and salary jobs, while Anchorage shed less than 1 percent.

Reports continually rated Anchorage's performance high, such as the Milken Institute ranking its economy eighth among the nation's 200 largest metropolitan areas in 2010. However, the comparison will fade over the next couple of years as the national economy recovers and Anchorage finds its footing.

## 11 Modest Increase in Wage and Salary Employment Anchorage, 1980 to 2011

Jobs



Note: 2010 is a preliminary estimate, and 2011 is a forecast.

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

erately each year since, and is expected to fall further in 2011. Building valuation data for Anchorage for the first ten months of 2010 was down 15 percent, or \$66 million — the lowest in more than a decade and a partial window into 2011.

As in 2010, commercial and residential construction will be the industry's weak links. Plans for office and retail space are modest, and residential permit activity remains soft. The number of new residential permits issued in 2010 approached a 20-year low, and a major rebound in 2011 is unlikely.

Public construction should remain strong with robust activity on Anchorage's military bases, stimulus money in the pipeline, and healthy capital budgets from state and local government. The Army Corps of Engineers plans a long list of multimillion-dollar projects for Anchorage and Fairbanks bases.

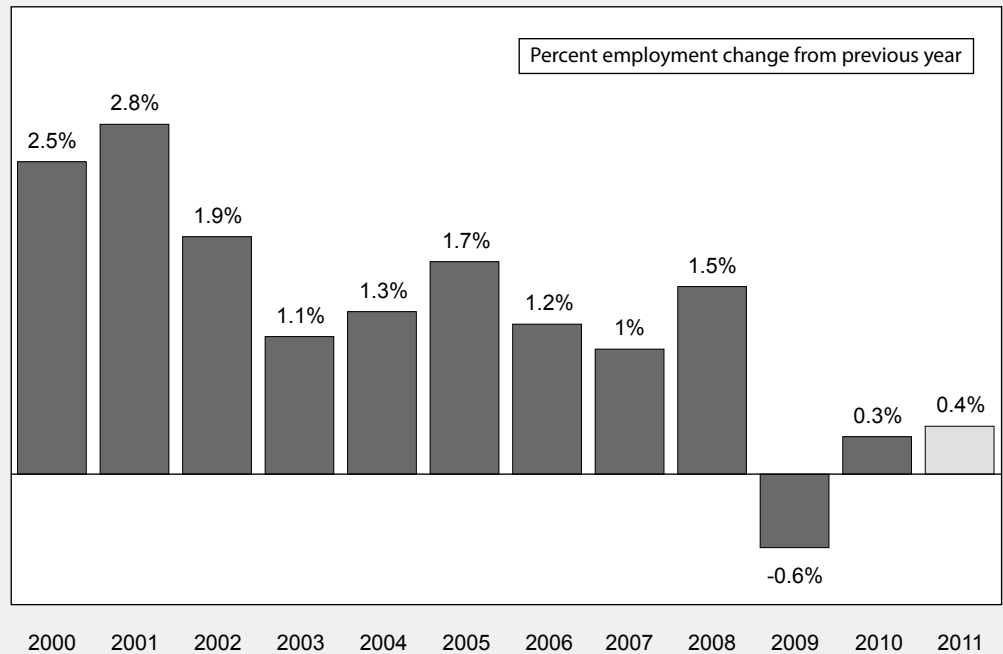
The budget for highway construction is expected to remain at least at last year's levels. The recently passed statewide bond package of nearly \$400 million, which includes a new University of Alaska Anchorage sports center, is welcome news for Anchorage contractors.

Large ongoing projects such as the Goose Creek Correctional Facility, UAA Health Science building, and Anchorage Port Expansion will also prevent employment in this industry from falling further.

### Will consumers spend more in 2011?

Retail is a big employer in Anchorage — last year it generated 17,200 jobs on an annual basis — yet its employment hardly budged in the past decade despite a long list of major national retailers opening their doors, construction of one of the state's largest (and growing) shopping centers, and major

## Year-to-Year Employment Changes Anchorage, 2000 to 2011 **12**



Note: 2010 is a preliminary estimate, and 2011 is a forecast.  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

expansions of existing retailers. Anchorage retail employment even remained stable over the past three years while the nation shed more than a million retail jobs.

There are plans this year for a Wal-Mart expansion and at least two more Walgreens. However, the confidence of the Anchorage consumer will determine the direction of Anchorage retail. The improvement in the mood of American consumers overall could bump up local retail in 2011.

The Matanuska-Susitna Borough's expanding retail market could also affect the outlook for Anchorage. Unlike in Anchorage, retail employment in the Mat-Su over the past decade grew by more than 1,000 jobs, and sales tax revenue more than doubled. This growth has cannibalized some of Anchorage's retail sector as more Mat-Su residents spend their money at home.

### Tourism prospects are bright

Eating and drinking places represent two-thirds of Anchorage's leisure and hospitality employment, another fifth comprises accommodations, and the

# 13 Anchorage Wage and Salary Employment

## Forecast for 2011

	2009 Monthly Average	2010 Monthly Average <sup>1</sup>	Change 2009 to 2010	Percent Change 2009 to 2010	2011 Monthly Average	Change 2010 to 2011	Percent Change 2010 to 2011
Total Nonfarm Wage and Salary <sup>2</sup>	151,000	151,500	500	0.3%	152,100	600	0.4%
Natural Resources and Mining	2,800	2,800	0	0.0%	2,700	-100	-3.7%
Oil and Gas Extraction	2,700	2,600	-100	-3.7%	2,500	-100	-4.0%
Construction	8,500	8,300	-200	-2.4%	8,100	-200	-2.5%
Manufacturing	1,800	1,900	100	5.6%	1,800	-100	-5.6%
Trade, Transportation, and Utilities	33,000	32,500	-500	-1.5%	32,600	100	0.3%
Wholesale Trade	4,700	4,500	-200	-4.3%	4,500	0	0.0%
Retail Trade	17,200	17,200	0	0.0%	17,400	200	1.1%
Transportation, Warehousing, and Utilities	11,100	10,800	-300	-2.7%	10,700	-100	-0.9%
Information	4,100	4,000	-100	-2.4%	4,000	0	0.0%
Financial Activities	8,800	8,900	100	1.1%	9,000	100	1.1%
Professional and Business Services	18,600	18,500	-100	-0.5%	18,600	100	0.5%
Educational <sup>3</sup> and Health Services	21,000	21,700	700	3.3%	22,300	600	2.7%
Leisure and Hospitality	15,600	15,500	-100	-0.6%	15,700	200	1.3%
Other Services	5,700	5,900	200	3.5%	5,900	0	0.0%
Government	31,100	31,600	500	1.6%	31,400	-200	-0.6%
Federal Government <sup>4</sup>	9,600	9,900	300	3.1%	9,600	-300	-3.1%
State Government <sup>5</sup>	10,500	10,800	300	2.9%	11,000	200	1.8%
Local Government <sup>6</sup>	11,000	11,000	0	0.0%	10,800	-200	-1.9%

<sup>1</sup> Preliminary estimates

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

<sup>3</sup> Private education only

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<sup>6</sup> Includes public school systems

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

balance is entertainment. Most of this industry's stimulus in Anchorage is local consumption and business activity, but the visitor industry is also vital.

The slice of leisure and hospitality that depends on visitors — eating and drinking, hotels, and entertainment — outperformed expectations in 2010 despite the steep decline in cruise ship passengers. It appears that independent visitor counts picked up much of the slack. Bed and rental car taxes rose by 10 and 7 percent respectively in the first three quarters of 2010. However, these numbers are still well below the previous highs in 2008.

The outlook for Anchorage's visitor industry in 2011 is bright. National tourism is recovering, which bodes well for the independent segment of Alaska's visitor industry and convention business. The Anchorage Visitor and Convention Bureau predicts a double-digit increase in 2011, the cruise ship count is expected to improve moderately, and Jet Blue and Edelweiss Airlines will begin flying into Anchorage.

## Financial sector strangely stable

The financial industry in Anchorage remained remarkably stable even though the national sector was in the center of the national economic storm, shedding nearly 800,000 jobs. Anchorage financial employment fell slightly in 2008 and 2009, but recovered a bit in 2010. The stock market rebound is also a good sign for the industry.

This sector is driven by real estate and its associated business, including mortgages, titles, and insurance. Also, because of continuing near-record low interest rates, the industry remains busy with statewide refinancing. Low interest rates are also a boon for consumer loans.

## Health care keeps on giving

Health care is a big employer that grows fast and often generates the largest number of new jobs in the economy. Between 2000 and 2010, health care

employment grew by nearly 6,500, or 5.2 percent per year, versus 1.2 percent for overall employment.

Health care appears to have played a pivotal role in Anchorage's overall employment last year. This industry not only saved lives, but it also served as economic savior. Without its contribution, total employment may not have budged, and this trend is almost certain to continue in 2011.

## **More loft for transportation in 2011**

Modest growth in Anchorage's overall economy, a better visitor season, and continued recovery in the international air cargo arena should continue to buoy the transportation industry in 2011. Because most Alaska businesses depend on transportation, the overall health of Alaska's economy is the best predictor of this sector's future.

## **Public sector will shrink**

During 2009, the public sector and health care were the only two industries that grew by more than 100 jobs, offsetting many of the losses elsewhere in the economy. These gains repeated to a lesser degree in 2010, but 2011 is another story. Public sector employment is expected to decline because of losses in federal and local government.

In 2010, the decennial census provided a major boost to federal employment, but these jobs will disappear in 2011.

Employment in the Municipality of Anchorage fell by approximately 10 percent in 2010, but school district gains offset these losses. Municipal employment is predicted to decline again in 2011, and school district jobs will probably also fall because of budget shortfalls, the end of stimulus money, and declines in school enrollment.

State government employment, which includes the University of Alaska, will probably remain near current levels.

On the military front, the numbers are mixed. Fort Richardson and Elmendorf Air Force Base merged into a single installation in 2010, but no jobs are to be lost initially. Anchorage's uniformed military numbers could continue to grow a little more in 2011, but major deployments are likely to lead to a temporary loss of troops.

## **Another trying year for job seekers**

Anchorage's jobless rate for the first three quarters of 2010 was 7 percent, the highest in almost two decades. The good news is that it began to improve during the latter part of the year and was 2.8 points lower than the national rate of 9.8 percent for the same period.

However, 2011 probably won't be a job seeker's market, and it will remain a challenge to land a job in Anchorage. Nevertheless, it will likely remain a better market than most.





The health care industry was the largest contributor to the overall growth of Fairbanks' economy, followed by government, construction, and professional and business services. (See Exhibit 8.)

### Gains in 2011 will be small

Looking forward, the biggest change from 2010 to 2011 will be the deployment of the 1st Stryker Brigade Combat Team, 25th Infantry, from Fort Wainwright and the resulting decline in retail spending. Other expected changes are increased cruise ship tourism from additional sailings to Southcentral Alaska, and a decrease in federal employment following the end of the decennial census.

Despite the looming deployment, the borough's economic factors are positive for 2011. Increases in tourism, health care, state government, and other areas will likely outweigh potential declines from the departure of soldiers and some of their families. These combined changes are expected to result in a 0.5 percent increase in 2011, or about 200 jobs.

### The military giveth and taketh away

Military deployments have a significant effect on the borough, and the return of deployed troops is one of the reasons Fairbanks grew in 2010. (See Exhibit 9.) Soldiers and their families returning to the Fairbanks area spent money on everything from new cars to dining out, and that helped shelter the borough from losses seen elsewhere last year.

Alaskans have cut back on their purchases overall, so increased spending by returning military families helped Fairbanks retail maintain its 2009 level of 4,500 jobs. No new large retail outlets were added to the mix, but none closed, either. This can be seen as a victory, because U.S. consumer confidence remained low

## Back on the growth wagon

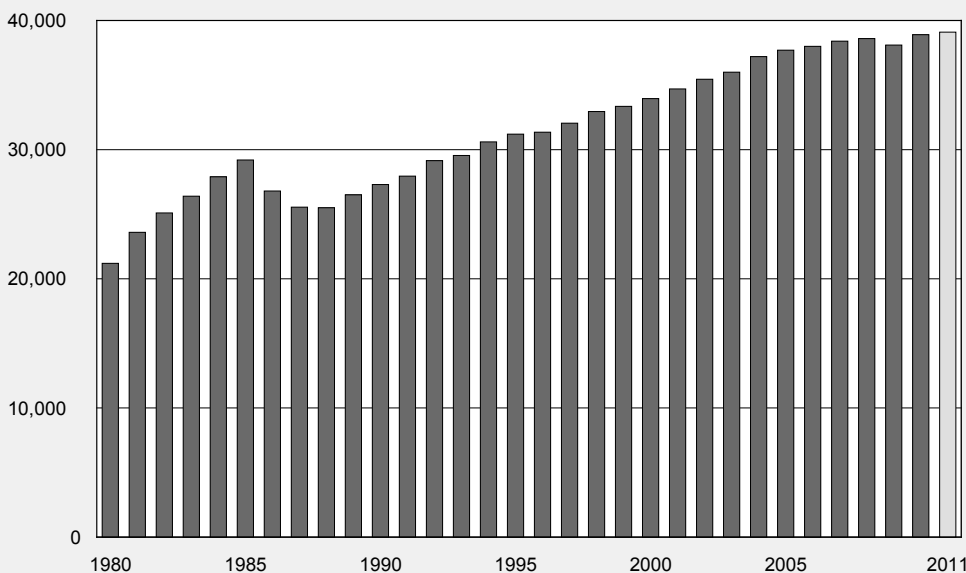
By ALYSSA SHANKS, Economist

Fairbanks' long history of growth seems to have been briefly interrupted rather than derailed. After a year of decline, Fairbanks residents welcomed the return of job growth in 2010. Despite worries of weak tourism and construction seasons, the Fairbanks North Star Borough moved with the state from 2009 declines to 2010 expansion. (See Exhibit 6.)

Preliminary figures show the borough added 800 jobs in 2010, a 2.1 percent jump from 2009 and the highest percentage of increase in a single year since 2004. (See Exhibit 7.)

Several industries gained employment in 2010, and even more maintained their 2009 job levels.

### 6 A Return to Growth Fairbanks payroll jobs, 1980 to 2011



Note: Employment in 2010 is a preliminary estimate, and 2011 is a forecast.  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

throughout 2010. Despite its distance from the rest of the nation, Alaska feels the effects of nationwide consumer sentiment.

While the troops' return boosted Fairbanks in 2010, the impending deployment will mean the opposite in 2011 — and the retail sector will feel its effects most. More than 4,000 soldiers will leave in February for training, then head to Afghanistan in May on a one-year mission.

During the past two periods of deployment, retail jobs and spending decreased with the reduced population. Retail will likely lose about 100 jobs as troops ship out and some of their families leave the area, taking their retail dollars with them.

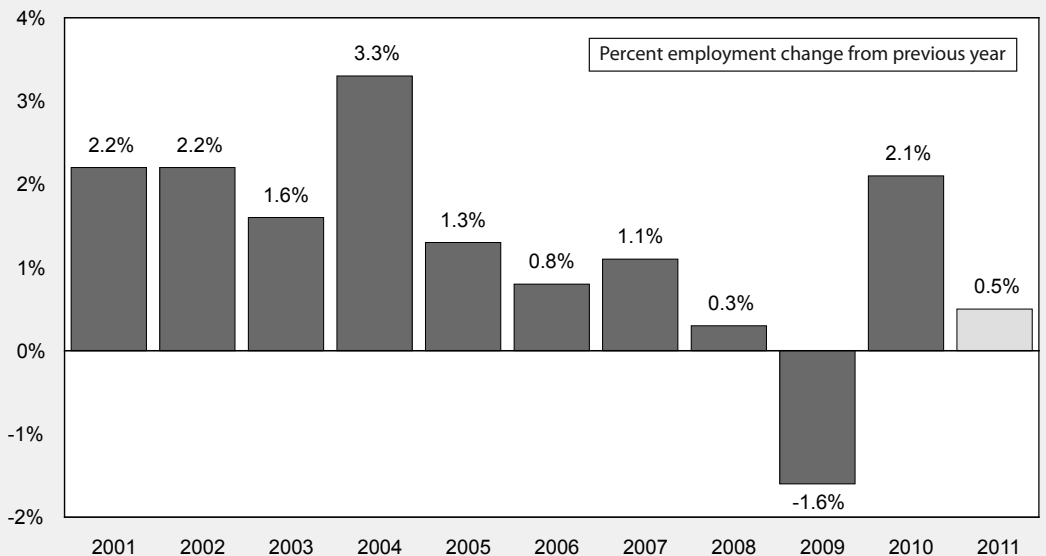
### New construction projects dominate

Construction employment grew by around 100 jobs in 2010. Many came from increased repair work at the North Pole refinery, and these jobs will recur in 2011. Other notable construction projects that wrapped up in 2010 include the Ruth Burnett Sport Fish Hatchery, Barnett Street Bridge, and new housing on Fort Wainwright.

Housing construction will continue on the base this year. The North Haven development is part of a long-term project that will eventually renovate more than 1,800 homes on Fort Wainwright and Fort Greely.

The big project on the docket for 2011 is the Chief Andrew Isaac Medical Center. Estimates put construction employment at 175 new jobs. Construction of the foundation is expected to start in August, with completion scheduled for December 2012. Because the project will start late in 2011, its effect on the annual average construction job

## Small Job Gains Expected This Year 7 Fairbanks North Star Borough, 2001 to 2011



Note: 2010 is a preliminary estimate, and 2011 is a forecast.  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

count will be minimal.

The medical center and 2011 capital construction projects — mostly road improvements and maintenance — will lead to about 100 new construction jobs this year.

### Tourism weathers the storm

The leisure and hospitality industry in the Fairbanks North Star Borough held its own in 2010, maintaining its 2009 level of 4,000 jobs despite the loss of 120,000 cruise ship visitors. (See Exhibit 10.) Five cruise lines pulled ships from the Gulf of Alaska crossing in the 2010 season, cutting the number of visitors entering Southcentral Alaska and eventually making their way to Fairbanks.

Despite this loss, the borough's visitor industry finished the season with little to no ground lost. Receipts from an 8 percent bed tax in the third quarter of 2010 show a 9.7 percent increase over the third quarter of 2009. And tourist counts from the Morris Thompson Cultural and Visitor Center show a gain of 61 percent in the third quarter. These jumps are likely the result of a rise in independent Alaskan and out-of-state visitors, and an increased aware-



# Fairbanks Area Wage and Salary Employment

Forecast for 2011

	2009 Monthly Average	2010 Monthly Average <sup>1</sup>	Change 2009 to 2010	Percentage Change 2009 to 2010	2011 Monthly Average	Change 2010 to 2011	Percentage Change 2010 to 2011
Total Nonfarm Wage and Salary <sup>2</sup>	38,100	38,900	800	2.1%	39,100	200	0.5%
Mining and Logging	1,100	1,100	0	0.0%	1,100	0	0.0%
Construction	2,500	2,600	100	4.0%	2,700	100	3.8%
Manufacturing	600	600	0	0%	600	0	0%
Trade, Transportation, and Utilities	7,700	7,700	0	0%	7,700	0	0%
Retail Trade	4,500	4,500	0	0%	4,400	-100	-2%
Transportation, Warehousing, and Utilities	2,500	2,500	0	0%	2,500	0	0%
Information	500	500	0	0%	500	0	0%
Financial Activities	1,600	1,600	0	0%	1,600	0	0%
Professional and Business Services	2,200	2,300	100	4.5%	2,200	-100	-4.3%
Educational <sup>3</sup> and Health Services	4,500	4,900	400	8.9%	5,100	200	4.1%
Leisure and Hospitality	4,000	4,000	0	0%	4,000	0	0%
Other Services	1,300	1,200	-100	-7.7%	1,200	0	0%
Government	12,100	12,400	300	2.5%	12,400	0	0.0%
Federal Government <sup>4</sup>	3,500	3,600	100	2.9%	3,500	-100	-3%
State Government <sup>5</sup>	5,300	5,500	200	3.8%	5,600	100	1.8%
Local Government <sup>6</sup>	3,300	3,300	0	0%	3,300	0	0.0%

<sup>1</sup> Preliminary estimate

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

<sup>3</sup> Private education only

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<sup>6</sup> Includes public school systems

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

ness of the center’s presence.

However, the tourism outlook for 2011 is lukewarm. The number of cruise ship passengers is likely to increase as several cruise lines add ships back into the 2011 season. However, the decrease from deployment will offset the increase in cruise passengers, resulting in stable employment.

## You’ve always got your health

In 2010 alone, health care grew by 400 jobs — more than any other industry in the borough. The growth in health care was spread evenly across ambulatory care, nursing and residential care, and the hospital.

There are several potential reasons for this jump. Demand for local health care may have increased because more procedures are available locally. Another possibility is that the prior year’s growth was so muted, it created a backlog of health care jobs to fill.

In the past, Alaska hasn’t sustained growth that high for more than a year, so health care is likely to grow again in 2011 but at a slower rate of about 200 jobs.

## Boom in census workers ends

The decennial census in 2010 generated about 100 extra jobs on an average annual basis, bringing total federal employment up to 3,600 jobs — its highest level ever. Most of those census jobs will disappear this year, likely returning the total federal job count to its 2009 level of about 3,500.

## State government flourishes

State government in the Fairbanks area grew by 200 jobs, or 3.8 percent, in 2010. This was the largest increase in a single year since 2002, due to more firefighters and increased enrollment and jobs at the University of Alaska Fairbanks. Combined part-time and full-time enrollment at UAF

increased by 467 students from 2009 to 2010.

After a year of such high growth, only 100 additional jobs are likely for state government in 2011. This level of job growth is in line with the long-term growth rate of 1.8 percent.

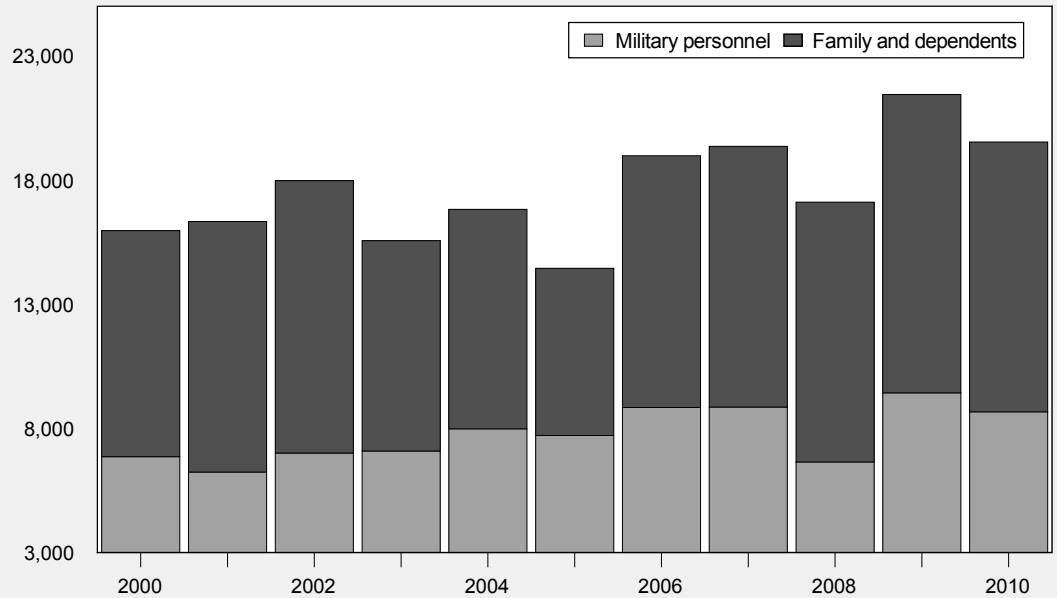
### Local government is stable for now

Local government employment was steady from 2009 to 2010 despite a school district increase of about 200 students. Enrollment for the 2010 to 2011 school year shows about 300 fewer students. This decline is not likely to affect employment this year.

However, if the drops continue, losses in school district employment could follow. The current enrollment level, coupled with an overall stable trend in local government administration, will likely result in stable employment in 2011.

## The Military is an Economic Driver **9**

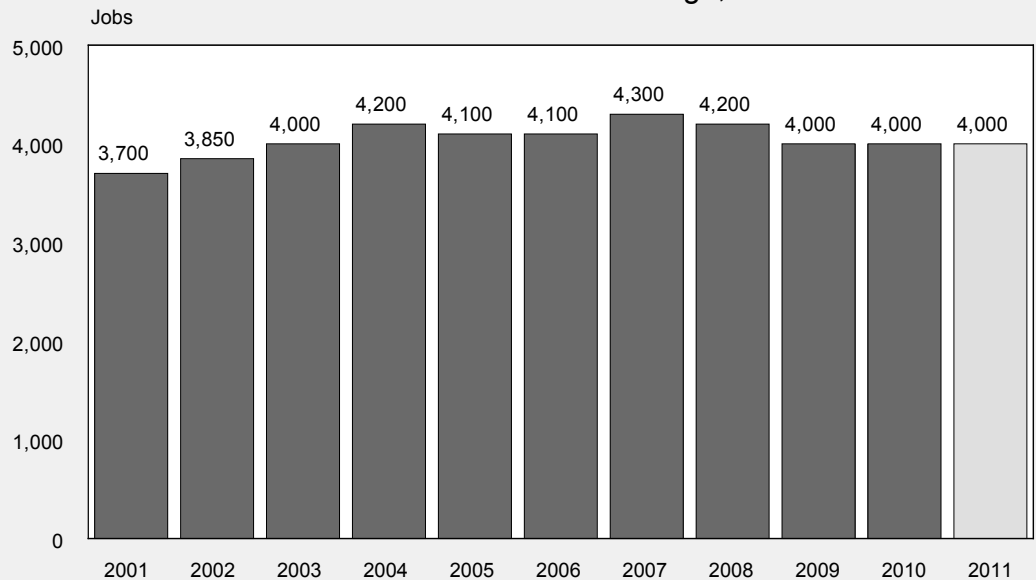
Fairbanks North Star Borough, 2000 to 2010



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

## Stable Leisure and Hospitality Sector **10**

Fairbanks North Star Borough, 2001 to 2011



Note: 2010 is a preliminary estimate, and 2011 is a forecast.

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



education, health care, professional and business services, and mining industries employment grew. (See Exhibit 14.)

Despite mild job recovery in 2010 after a 2.2 percent decline the year before, overall employment in Southeast is expected to drop by 400 jobs, or 1.1 percent, in 2011. (See Exhibit 15.)

## Small losses after brief recovery

By MALI ABRAHAMSON, Economist

**S**outheast Alaska exceeded expectations in 2010. Even though forecasts predicted a loss of jobs, Southeast's preliminary counts show a 0.4 percent net increase in nonfarm employment.

Though the overall change was small, there was movement in many sectors. Trade, transportation, manufacturing, information, construction, and leisure and hospitality lost jobs last year, while

Structural demographic changes and hesitant tourists will continue to erode employment in the trade, transportation, leisure, and accommodation sectors. However, government, mining, and health care will provide enough ballast to keep overall losses small.

### Jobs increased as population fell

Employment in Southeast has grown overall over the last two decades, but in the same period its population peaked in 1997 and has steadily de-

## 14 Southeast Alaska Wage and Salary Employment Forecast for 2011

	2009 Monthly Average	2010 Monthly Average <sup>1</sup>	Change 2009 to 2010	Percentage Change 2009 to 2010	2011 Monthly Average	Change 2010 to 2011	Percentage Change 2010 to 2011
Total Nonfarm Wage and Salary <sup>2</sup>	36,050	36,200	150	0.4%	35,800	-400	-1.1%
Mining and Logging	600	700	100	16.6%	700	0	0.0%
Construction	1,450	1,400	-50	-3.4%	1,400	0	0.0%
Manufacturing	1,800	1,800	0	0.0%	1,800	0	0.0%
Seafood Processing	1,350	1,300	-50	-3.7%	1,300	0	0.0%
Trade, Transportation, and Utilities	7,150	7,050	-100	-1.4%	6,850	-200	-2.8%
Retail Trade	4,450	4,350	-100	-2.2%	4,300	-50	-1.1%
Information	550	450	-100	-18.2%	450	0	0.0%
Financial Activities	1,300	1,300	0	0.0%	1,300	0	0.0%
Professional and Business Services	1,300	1,450	150	11.5%	1,450	0	0.0%
Educational <sup>3</sup> and Health Services	3,650	3,800	150	4.1%	3,800	0	0.0%
Leisure and Hospitality	3,550	3,500	-50	-1.4%	3,400	-100	-2.9%
Other Services	1,200	1,200	0	0.0%	1,200	0	0.0%
Government	13,500	13,550	50	0.4%	13,450	-100	-0.7%
Federal Government <sup>4</sup>	1,750	1,800	50	2.9%	1,750	-50	-2.8%
State Government <sup>5</sup>	5,500	5,550	50	0.9%	5,550	0	0.0%
Local Government <sup>6</sup>	6,250	6,200	-50	-0.8%	6,150	-50	-0.8%

<sup>1</sup> Preliminary estimate

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

<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 school systems

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

clined since. (See Exhibits 16 and 17.) This downward trend is expected to continue in the coming years.<sup>1</sup>

While Alaska's population has grown, Southeast has lost nearly 4,500 people since the 1997 peak. Its population is older as well, with a median age of 39 in contrast to the statewide median of 33.5 years.

In general, the smaller population will result in less overall demand for nonbasic<sup>2</sup> goods and services. However, because growth differs among age groups (see Exhibit 18), demand for some goods and services will be affected more than others. An aging population typically requires more social and health care services, reflected in the overall employment stability in that industry.

## Weak U.S. economy will hurt tourism

The reduction in cruise ship passengers in 2010 hurt Alaska's visitor industry. Preliminary counts show cruise ship passenger numbers down 142,000 from 2009, and they are forecasted to be lower in 2011 as well. Bed taxes, airline passengers, and out-of state ferry passengers also declined between 2008 and 2009.<sup>3</sup>

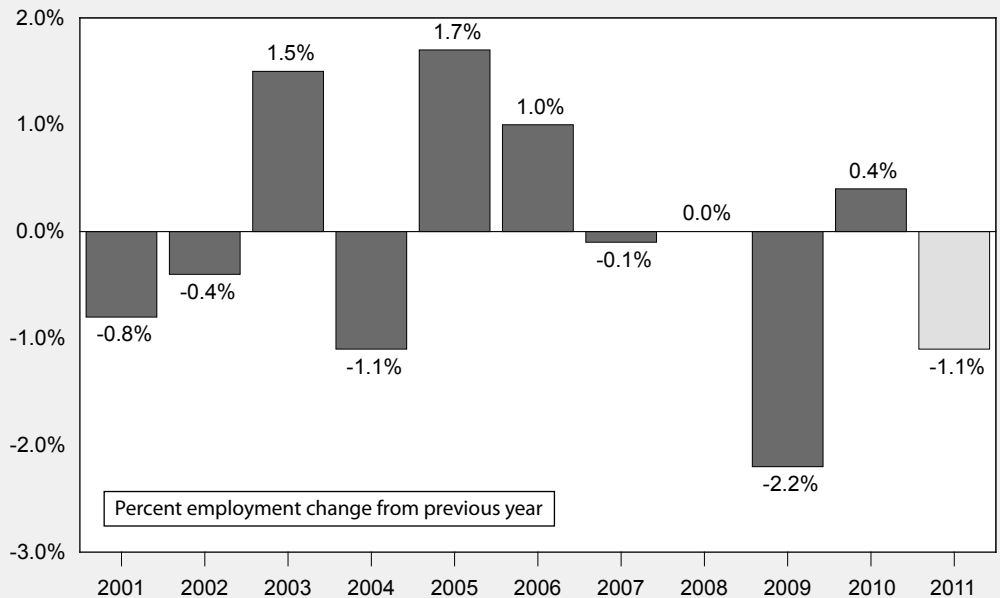
While some cruise firms plan to add ships in 2011, overall visitor traffic will likely remain below 2009 levels. With slow predicted economic growth in the rest of the nation and the world, the tourism industry's performance will certainly be lackluster. Not only do visitor numbers decline in poor eco-

<sup>1</sup> For more information on population estimates and projections, see the December 2010 issue of *Trends*.

<sup>2</sup> Basic industries produce goods and services ultimately sold to consumers outside the region. Nonbasic industries produce goods and services that are consumed locally. For example, basic industries such as mining, tourism, and manufacturing bring money into the region while nonbasic industries such as financial services, public education, and retail recirculate money within the region.

<sup>3</sup> Sources: Economic Impacts of Alaska's Visitor Industry, Alaska Department of Commerce, Community and Economic Development

## More Losses Follow Slight Recovery **15** Southeast Alaska, 2001 to 2011



Note: 2010 is a preliminary estimate, and 2011 is a forecast.

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

nomical climates, but those who come are more likely to travel on a budget and spend less on goods, dining, and accommodations.

The leisure and hospitality industry shrank by an estimated 50 jobs last year, and this trend is expected to continue into the 2011 tourism season with a likely loss of about 100 jobs on an average annual basis.

## A big player may cut back

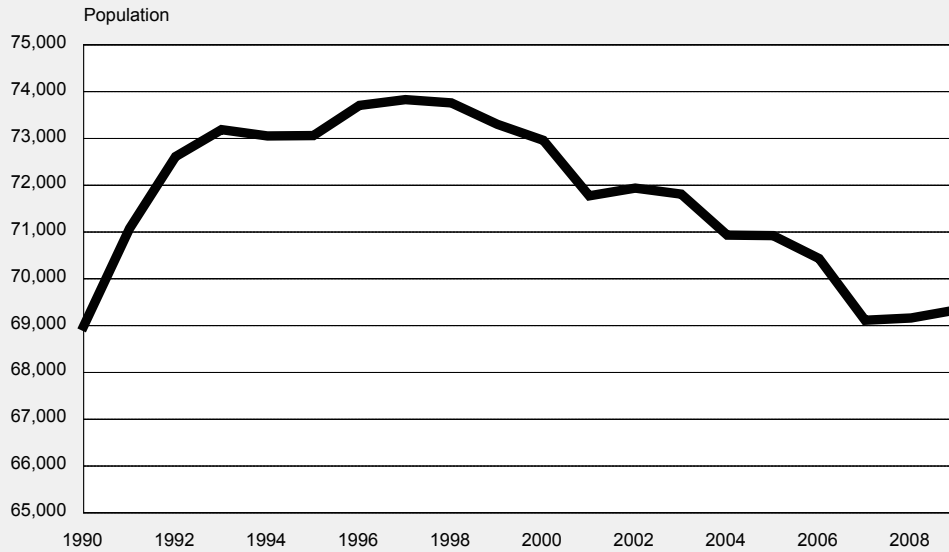
The state capital in Juneau and dominant local and regional agencies make government the largest industry in the region, with 13,600 jobs in 2010. Government made up 37 percent of Southeast employment in 2010, while the statewide slice was only 26 percent. (See Exhibit 19.)

State government employed 5,550 people in Southeast Alaska in 2010, and that is expected to hold steady in 2011. However, federal employment is forecasted to return to a pre-census level of 1,750 jobs, a loss of 50 from 2010.

Local and regional governments — including school districts and tribal, borough, and city

## 16 Population Trends

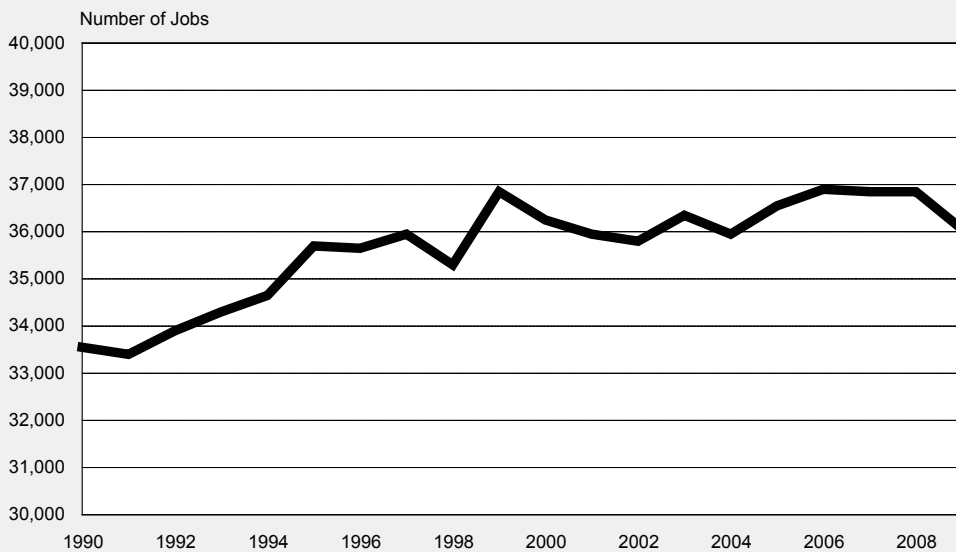
### Southeast Alaska, 1990 to 2009



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

## 17 Employment Trends

### Southeast Alaska, 1990 to 2009



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

governments — employed about 6,200 people in 2010. This number will fall slightly as communities struggle with budgets and drops in student enrollment. Local government employment has remained steady even though public school enrollment has declined by 13 percent since 2000

and continues to fall<sup>4</sup> — a trend that can't continue indefinitely.

## A renaissance for natural resources

Southeast has a legacy of mining and natural resource-based economies dating back to Russian fur traders. These industries are less susceptible to economic downturns and are expected to remain stable in Southeast, an area rich in metals, seafood, water, and forest products.

The Kensington Mine near Juneau began producing gold and added jobs in 2010. Mining and logging is a small sector, but its stability is an asset. Overall, mining and logging added 100 jobs between 2009 and 2010, largely because of the Kensington opening. The job level is expected to remain at 700 as extraction continues at Kensington and other regional mines.

The Alaska Department of Fish and Game has predicted an excellent pink salmon run for Southeast in 2011,<sup>5</sup> and while fish harvesters aren't counted in employment statistics, industry success drives port-side employment in a variety of services and seafood processing. Four Southeast communities — Sitka, Ketchikan, Petersburg, and Juneau — were in the top 50 U.S. ports for fishery landings in 2009 for a combined total of 226

<sup>4</sup> Source: Alaska Department of Education and Early Development

<sup>5</sup> Source: Alaska Department of Fish and Game, Commercial Fisheries Division

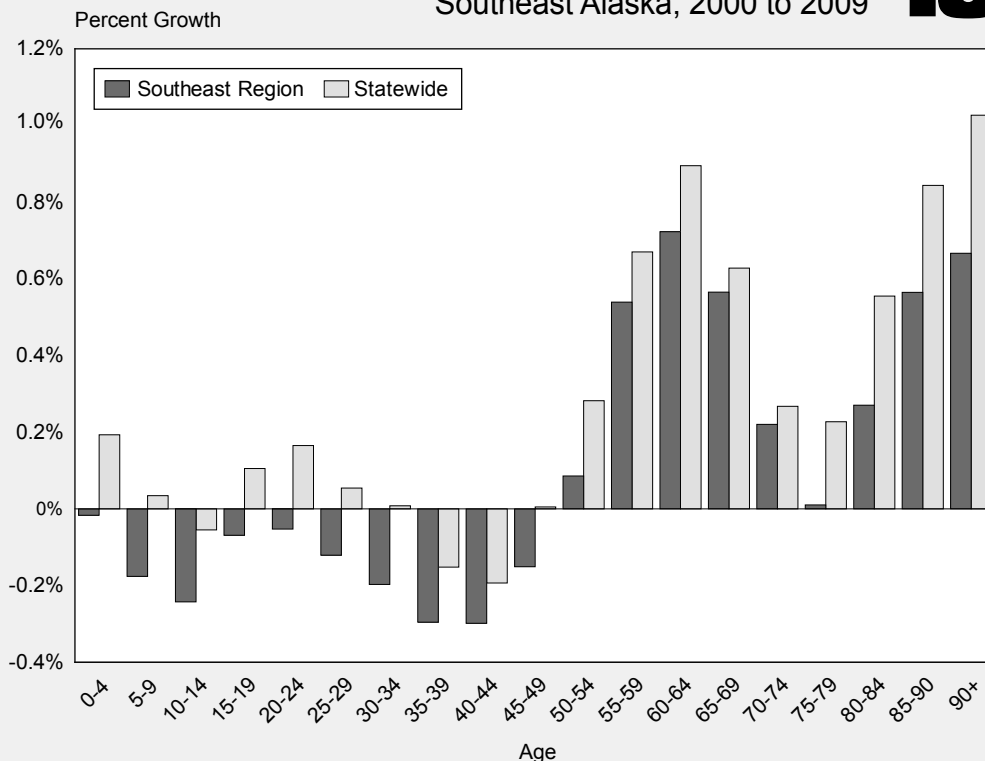
million pounds valued at \$135 million.<sup>6</sup> While in-season reports show below-average harvests for the area, salmon prices were favorable in 2010.

The seafood industry will remain stable in 2011, maintaining the 1,300 jobs in seafood processing and packaging that make up 3.6 percent of the region's total wage and salary employment.

Although Southeast's economy has historically been production-based, the region's surroundings and sightseeing opportunities have allowed recreation-related sectors to grow in recent years. However, high commodity prices, increased demand for scarce goods, and the region's export ability could allow production-related industries to regain a larger share of Southeast's economy.

## No Population Gain in the Under 50 Crowd Southeast Alaska, 2000 to 2009

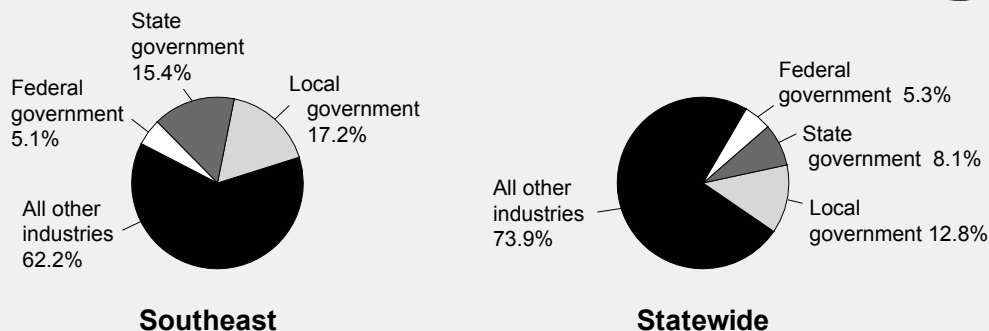
# 18



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

## Government a Major Regional Player Southeast Alaska, 2011

# 19



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

<sup>6</sup> Source: Fisheries of the United States 2009, National Marine Fisheries Service, Office of Science and Technology, Fisheries Statistics Division