

# Employment Forecast for 2012

## A third straight year of growth expected for Alaska

Alaska gained jobs for the second consecutive year in 2011 after ripple effects from the national and global recession ended the state's 21-year growth streak in 2009. (See Exhibits 1 and 2.) More growth is forecasted for Alaska in 2012 — a modest increase of 1.2 percent, or 3,900 jobs — but neither the global nor U.S. economies are on clear recovery paths yet, and that will dampen the Alaska outlook in the coming year.

Job growth in 2011 was widespread but not particularly strong, with the exception of health care. Only construction and financial activities recorded losses, and in both cases, they were small. A number of other sectors merely sustained their job counts, including professional and business services and state and federal government.

With a few minor changes, the same pattern is forecasted to continue through 2012: small but important gains across most of the economy as



the state's economic drivers remain guardedly healthy.

### Alaska skirts Great Recession

The last several years have been rough economically for the country, and although Alaska wasn't unscathed, a comparison of U.S. and Alaska job numbers is revealing. (See Exhibit 3.)

Jobs for the U.S. as a whole fell in 2008, 2009, and 2010 with severe losses in 2009 when the nation's average monthly job count dropped by 6 million, a 4.4 percent decline. Preliminary numbers show the U.S. added jobs in 2011, but national job growth is still weak by historical standards and there is a lot of lost ground to recover.

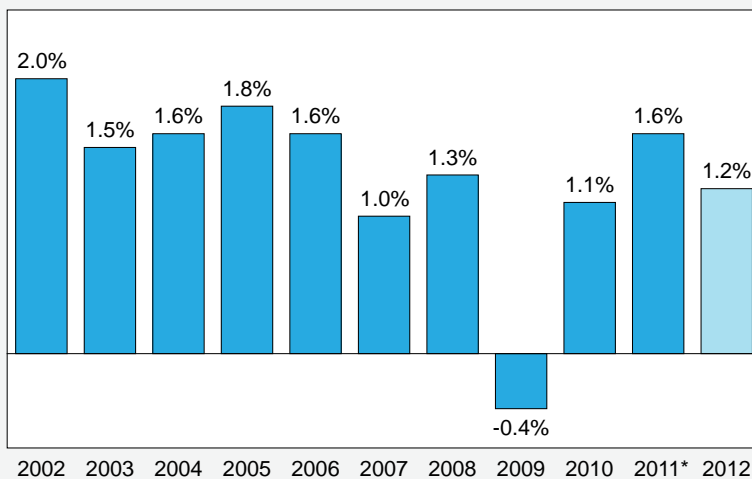
Alaska, on the other hand, lost jobs in just one of those three years — 2009 — and at just 0.4 percent, the losses were 11 times milder than for the U.S. Alaska resumed adding jobs the following year, and preliminary 2011 numbers show a 1.6 percent gain, stronger than average for the decade.

### External factors play a role

The last three years have been a clear reminder that Alaska is connected to the broader U.S. economy, yet different in a few important ways. One occasionally cited mischaracterization of the relationship between the two economies is that they are countercyclical. In other words, when the U.S. economy is in recession, Alaska's economy will grow; and when Alaska struggles, the U.S. will thrive.

Another mischaracterization — or oversimplification, at least — is that the Alaska economy lags

### 1 Statewide Forecast for 2012 Employment growth, 2002 to 2012



\*Preliminary

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

the U.S. economy and a national downturn will eventually be followed by a drop in the Alaska economy of similar magnitude.

But the data from the last four decades show the relationship is more complicated. Alaska's decline in 2009 did come about a year after the U.S. job numbers fell into negative territory, leading some to believe that the state was on a similar though delayed trajectory. However, the dip was shallow and Alaska's recovery was quicker and more robust than the nation's.

What's more, there was nothing countercyclical in how the two economies performed over that period overall. The sliver of truth in the countercyclical idea is that high oil prices are generally good for Alaska's economy — though not for Alaskans living in rural areas where heating costs can be exorbitant — while high oil prices are a detriment to the national economy.

That factor alone, however, has rarely been enough to outweigh all the other ways in which the two economies' fortunes are intertwined. Most importantly, there is no reason to believe that the slowly improving U.S. economy is bad economic news for Alaska.

## The importance of oil revenue

For better and worse, Alaska is unique among states for being so dependent on a single source of revenue. Nearly 90 percent of the state's unrestricted government funds in 2010 were from oil-related property taxes, corporate petroleum income taxes, oil production taxes, and oil-related royalties.

Recently, Alaska's dependence on oil revenue has been a boon. When most states were coping with budget shortfalls stemming from reduced state income and state sales tax collections, Alaska's oil revenue reached an all-time high in 2008 and has remained well above historical averages for the last three years. (See Exhibit 4.) During a bleak economic period for much of the nation and world, Alaska benefitted from large budget surpluses, replenished rainy-day savings accounts, and a stable public-sector workforce.

Those same relative advantages are expected to persist into 2012 and help generate stronger-than-average growth compared to other states, whose

## About the forecasts and their limitations

As important as it is to look ahead and assess economic risks and opportunities, the economic chaos of the last several years has embarrassed many professional forecasters, raising legitimate questions about the relevance and practical use of forecasting.

Job forecasting is generally more reliable than other types — oil or gold prices, for example, or financial markets — because the range of possibilities is narrower.

Historically, the Alaska Department of Labor and Workforce Development's employment forecasts have proven reasonably accurate: in six of the last 10 years, the statewide forecast has been within three-tenths of a percentage point of the final revised numbers. In three years the forecast was high, and in six it was low — including the last two, which have been more challenging given the overall economic unsteadiness in the country and world. In 2003, the forecast was exactly right.

## About these 2011 numbers

The 2011 employment numbers used as the base year for the forecasts in this month's *Trends* are not necessarily the same as the employment numbers available on our Web site (<http://laborstats.alaska.gov>) as of January 2012.

Employment numbers go through several revisions before they are considered final. The first and largest revision occurs early in the calendar year and those revised numbers are released in March.

Although the economists did not yet have that important revision when they made their forecasts, they had a portion of the updated data that will be used to make the revision.

state governments will be digging themselves out of debt for years to come.

Though not likely to have a major effect on 2012 job numbers, one of Alaska's challenges over the next decade will be the ongoing decline in oil production. Rising prices have compensated for the decline so far, a fortunate development that may have simply delayed an important reckoning.

## Federal funds the other big driver

In terms of economic importance to the state, the federal government is the only serious rival to oil. Scott Goldsmith of the University of Alaska Anchorage's Institute of Social and Economic Research has estimated that the federal government generates about one-third of all jobs in Alaska, oil and gas creates about one-third, and the state's other economic drivers combined — fishing, tourism, mining, air cargo, and miscellaneous others — generate the remaining third.

## STATEWIDE, continued

Alaska's economic dependence on the federal government, which includes a large military presence in the state, has been a key asset for decades and a strengthened economic force in recent years due largely to stimulus spending. Just when it appeared federal dollars to Alaska had leveled off during 2005–2008 at a little below \$10 billion, the number jumped to nearly \$12 billion in 2009 and then rose again in 2010, the last year for which data are available. (See Exhibit 4.)

In addition to the risks associated with declining oil production, the other big economic issue facing Alaska is a pending decline in federal spending. Sooner or later, the nation will likely undergo some of the austerity measures other countries have undertaken to rein in government debt and budget deficits. Because federal government spending has always had an outsized influence on Alaska's economy, the effects on Alaska will be bigger than in most other states.

As with oil, federal government spending is such an important issue to Alaska that it deserves special mention,

even though this forecast assumes that neither will have a major negative impact on 2012.

## What Alaska has, the world needs

One of Alaska's comparative advantages that will continue to be an asset in 2012 is that the resources it offers the international marketplace are more needs than wants. For example, Alaska's oil, fish, and mining products are hard to do without even when demand for more discretionary products dries up.

Mining jobs, though still relatively few compared to oil industry jobs, grew steadily during the recession. More growth is expected in 2012 and in the longer term. Similarly, fishing and the oil industry hit rough spots during the recession, but the underlying demand had limits on how far it could fall, given the world's need for fuel and food.

Tourism, on the other hand, is an industry that generally suffers during recessions when consumers scale back their spending. That was especially evident in 2009, when cruise companies used heavy discounts to fill ships during the worst of the recession. Tourism improved noticeably in 2011, and is expected to take more small positive steps in 2012.

## 2 Statewide Wage and Salary Employment

Forecast and comparisons by industry, 2010 to 2012

	2010 Monthly Average	2011 Monthly Average <sup>1</sup>	Change 2010 to 2011	Percentage Change 2010 to 2011	Forecast for 2012	Change 2011 to 2012	Percentage Change 2011 to 2012
Total Nonfarm Wage and Salary <sup>2</sup>	324,400	329,600	5,200	1.6%	333,500	3,900	1.2%
Mining and Logging	15,500	16,400	900	5.8%	16,900	500	3.0%
Oil and Gas	12,800	13,200	400	3.1%	13,500	300	2.3%
Construction	16,000	15,800	-200	-1.3%	16,000	200	1.3%
Manufacturing	12,700	13,200	500	3.9%	13,300	100	0.8%
Seafood Processing	9,200	9,600	400	4.3%	9,700	100	1.0%
Trade, Transportation, and Utilities	62,800	63,500	700	1.1%	64,000	500	0.8%
Retail Trade	35,300	35,600	300	0.8%	36,000	400	1.1%
Transportation, Warehousing, Utilities	21,300	21,900	600	2.8%	22,200	300	1.4%
Information	6,400	6,400	0	0%	6,600	200	3.1%
Financial Activities	15,000	14,900	-100	-0.7%	15,000	100	0.7%
Professional and Business Services	26,200	26,200	0	0%	26,400	200	0.8%
Educational <sup>3</sup> and Health Services	41,700	43,500	1,800	4.3%	44,800	1,300	3.0%
Health Care	30,000	31,300	1,300	4.3%	32,100	800	2.6%
Leisure and Hospitality	31,500	32,600	1,100	3.5%	33,300	700	2.1%
Other Services	11,500	11,500	0	0%	11,600	100	0.9%
Government	85,200	85,600	400	0.5%	85,600	0	0%
Federal Government <sup>4</sup>	17,500	17,500	0	0%	17,200	-300	-1.7%
State Government <sup>5</sup>	25,900	25,900	0	0%	26,000	100	0.4%
Local Government <sup>6</sup>	41,800	42,200	400	1.0%	42,400	200	0.5%

<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

<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

## Health care growth to continue

If Alaska was an outlier among states in its successful avoidance of the recession's effects, health care was the outlier among Alaska industries for generating strong job growth. From 2008 to 2010, the state gained 2,300 jobs, a modest increase of 0.7 percent. Over that same period, health care added 2,300 jobs by itself, a not-so-modest 8.3 percent jump.

For more than two decades, health care growth has substantially outpaced overall growth in Alaska. Stronger-than-average growth is almost sure to continue in 2012 due in part to the continued aging of the large baby boom generation and their growing health care needs.

## Downstream beneficiaries of economic drivers

Many of the state's economic sectors — including retail trade, construction, transportation, professional and business services, financial activities, and state and local government — see their job counts rise and fall largely because of the forces affecting the state's economic drivers: industries that bring money into the state by exporting goods or services to customers outside the state.

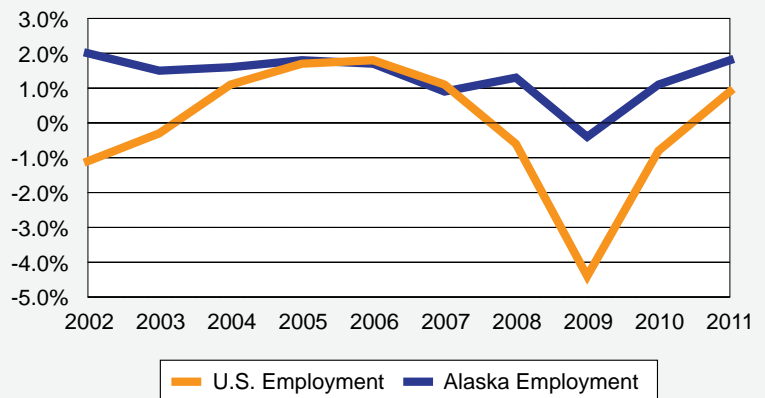
That's not to say these sectors are not important or they don't have their own patterns and cycles because they do, as construction losses in recent years have demonstrated. But construction employment depends on everything from federal and state capital budgets to the ability of home builders to get credit based on what's happening with the banking industry nationally.

Similarly, whether state government jobs rise or fall is driven more by oil prices, oil production, and federal government spending than by isolated factors within state government itself.

In other words, the forecasted job numbers for these types of industries are driven by the forecast for general economic conditions, which are expected to improve slightly in 2012 but remain unsteady outside Alaska's borders. This will restrain growth inside Alaska despite the continuing advantages of state government budget surpluses and an abundance of high-demand natural resources.

## Employment in Alaska and the U.S. 3

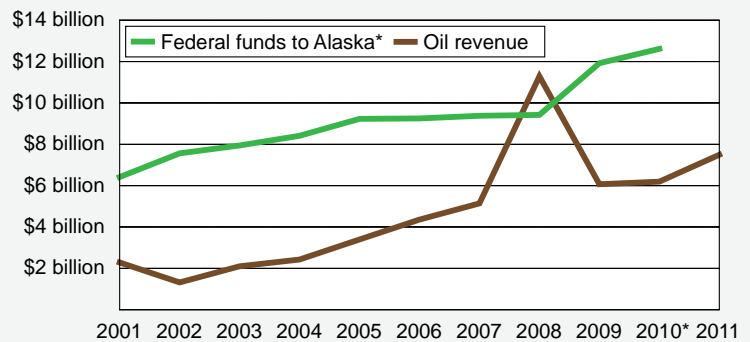
Percent change, 2002 to 2012



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Department of Labor, Bureau of Labor Statistics

## Federal Funds and Oil Revenue 4

Alaska, 2001 to 2011



\*2010 is the most recent year for which federal funding data are available.  
Sources: Alaska Department of Revenue and U.S. Census Bureau

# Year of mild growth appears on Anchorage horizon

By NEAL FRIED  
Economist

Employment in Anchorage dipped slightly in 2009, but quickly resumed growing in 2010. By early 2011, the city had recouped all its losses and employment reached record levels.

All signs point to another year of growth for Anchorage — and right now, there are few potentially course-altering economic events on the horizon. The city's economy is forecasted to grow by 1,000 jobs in 2012, or 0.6 percent — close to the 10-year annual average growth rate of 1 percent. (See Exhibit 4.)

The forecasts for individual industries are mixed, with construction employment expected to decline for the sixth year in a row and health care likely to be the big winner again. Record oil prices, generally high commodity prices, and a recovering visitor industry are also anticipated in 2012. (See Exhibit 5.)

Declining oil production and massive federal cuts loom in the near future, however, and both are already hampering economic growth. By 2013, planned federal budget cuts are likely to take center stage.



## Construction drifts downward

Construction employment peaked in 2005 and declined moderately each year thereafter. It's forecasted to fall again in 2012, possibly moving close to 2001 levels.

Commercial and residential construction is still Anchorage's weakest industry link — there are few new hotels, retail outlets, and office space planned for 2012. Residential permit activity also remains soft, and there is little chance of a major rebound this year.

Public construction is likely to remain relatively strong, with stable highway and road work, healthy capital budgets in state and local government, and robust activity on both of Anchorage's military bases. The Army Corps of Engineers plans a long list of \$10 million-plus projects for Anchorage's bases in 2012.

## Oil industry appears stable

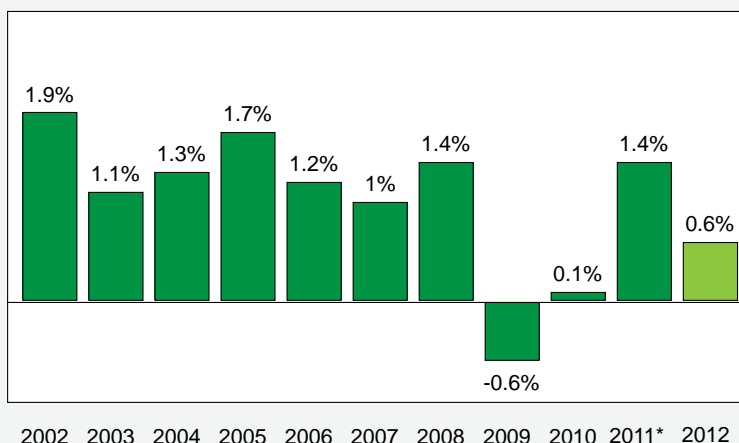
Average oil prices exceeded \$100 per barrel for the first time in 2011. These high oil prices are an elixir for the oil industry, and are likely to continue into 2012.

During the past four years, oil industry employment in Anchorage has been relatively stable and is likely to stay that way. An increase in exploration led by independents and newcomers will help sustain the current levels of activity in the North Slope and Cook Inlet. Shell Oil may also be able to start major offshore exploration in 2012 after years of litigation and other regulatory hurdles. If these efforts come to fruition, they could add another new and important dimension to Alaska's oil patch.

## Little change in retail

Retail's direction is always difficult to forecast because of a lack of reference points. Because there is no sales tax in Anchorage, there is no historical or

## 4 Anchorage Forecast for 2012 Employment growth, 2002 to 2012



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

contemporary record of the industry's sales performance. And because of the hypercompetitive nature of retail, local retailers are reluctant to divulge sales or expectations.

However, if we use retail employment as a proxy for growth, the trend is very little change over the past decade, oscillating in a narrow band between 16,900 and 17,500 jobs. That sluggishness may be due in part to increased Internet shopping, lower consumer confidence, and more retail offerings outside of Anchorage.

There are no major retail openings planned for 2012, and with consumers likely to remain somewhat skittish, employment in Anchorage's retail sector is forecasted to improve only slightly.

## Professional and business services follow broader trend

Given the broad definition of this industry, its fortunes are closely tied to Anchorage's overall economy. The professional and business services sector is bound to construction, oil, and

mining but is also connected to the legal, accounting, and computer fields. Because of these relationships, professional and business services is forecasted to grow moderately, like the local economy overall.

## Leisure and hospitality look good

Most of leisure and hospitality's stimulus comes from local consumption, but the visitor component is also important. Restaurants make up the largest share of the industry, followed by accommodation and then entertainment.

It is always hard to know how Anchorage residents feel about dining out and entertaining themselves, but given the strong growth in leisure and hospitality jobs in 2011 (nearly 4 percent), it appears they've been in the mood to go out. One of the nation's largest restaurant chains will soon offer them another option — after tantalizing local consumers for years, Olive Garden will open a restaurant in Anchorage in 2012.

The outlook for the visitor-dependent slice of the

## Anchorage Wage and Salary Employment

Forecast and comparisons by industry, 2010 to 2012

5

	2010 Monthly Average	2011 Monthly Average <sup>1</sup>	Change 2010 to 2011	Percentage Change 2010 to 2011	Forecast for 2012	Change 2011 to 2012	Percentage Change 2011 to 2012
Total Nonfarm Wage and Salary <sup>2</sup>	151,200	153,300	2,100	1.4%	154,300	1,000	0.6%
Mining and Logging	2,800	3,000	200	7.1%	3,000	—	0%
Oil and Gas	2,600	2,800	200	7.7%	2,800	—	0%
Construction	8,400	7,900	-500	-6.0%	7,600	-300	-3.8%
Manufacturing	1,900	1,900	—	0%	1,900	—	0%
Trade, Transportation, and Utilities	32,500	32,900	400	1.2%	33,400	500	1.5%
Retail Trade	17,100	16,900	-200	-1.2%	17,100	200	1.2%
Transportation, Warehousing, Utilities	10,800	11,400	600	5.6%	11,700	300	2.6%
Information	4,100	4,000	-100	-2.4%	4,000	—	0%
Financial Activities	8,900	8,900	—	0%	8,900	—	0%
Professional and Business Services	18,400	18,700	300	1.6%	18,900	200	1.1%
Educational <sup>3</sup> and Health Services	21,600	22,500	900	4.2%	23,200	700	3.1%
Leisure and Hospitality	15,700	16,300	600	3.8%	16,700	300	1.8%
Other Services	5,700	6,000	300	5.3%	6,100	100	1.7%
Government	31,300	31,200	-100	-0.3%	30,800	-400	-1.3%
Federal Government <sup>4</sup>	9,800	9,600	-200	-2.0%	9,200	-400	-4.2%
State Government <sup>5</sup>	10,600	10,700	100	0.9%	10,700	—	0%
Local Government <sup>6</sup>	11,000	10,900	-100	-0.9%	10,700	-200	-1.8%

<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

<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

## **ANCHORAGE, continued**

industry is also positive for 2012. Bed taxes for the first three quarters of 2011 were up 8 percent in Anchorage. After a good season for cruise ship companies, several have announced they are adding ships and sailings in 2012. Princess Cruises plans to bring about 50,000 additional passengers across the Gulf of Alaska in 2012, and the Anchorage Convention and Visitor Bureau anticipates a busier convention season.

### **Health care again the big winner**

During the past decade, health care generated over a third of the job growth in Anchorage. Last year, health care grew by approximately 800 jobs, or 5 percent, and 2012 is expected to follow suit. There are obvious limits to health care's growth, but it's uncertain where those limits are. Because federal dollars pay over a third of Alaska's health bill, a decline in federal funding could affect the industry dramatically.

### **Financial industry holds steady**

One of the big drivers in the financial industry is real estate and all its related activity, including mortgages, titles, and insurance. Home sales through the first three quarters of 2011 were almost identical to the already-low levels of 2010 and loans were also down slightly — maybe these levels are the “new normal” for the current housing market.

The balance of the industry — which includes banking, investments, financial brokers, and other types of insurance — is not likely to change much in 2012.

### **Transportation could grow a bit**

Modest growth in the overall Anchorage economy and a better visitor season are good news for transportation in 2012, but one worrisome trend is the lack of growth in the international cargo arena. After mostly recovering from recession-related losses in 2009, cargo traffic in Anchorage

leveled off over the past two years. Because nearly every Alaska business depends on transportation, the overall health of the state's economy is the best predictor of this industry's future.

### **Public sector to slow somewhat**

Anchorage's public sector is forecasted to lose some ground in 2012, as it's already feeling the effects of downward pressure on the federal budget. Most federal agencies are considering ways to trim their budgets, and Joint Base Elmendorf-Richardson recently announced civilian layoffs.

Employment in state government, which includes general government and the University of Alaska, will likely remain near current levels. The state has large surpluses and is in good fiscal shape.

Local government employment is likely to continue drifting downward in 2012. The Municipality of Anchorage's workforce is already downsizing, with next year's budget trimming some positions. The Anchorage School District, the largest local government employer, appears to be moving in a similar direction. Enrollment has fallen slightly this school year, and it is forecasted to fall modestly again next year.

### **Job market will remain competitive**

Unemployment rates in Anchorage and the nation fell somewhat in 2011, but both remain historically high. However, rates in Alaska and Anchorage look good relative to the nation's. In November, Anchorage's rate was 5.5 percent and the national rate was 8.6 percent.

These trends of modest improvement are expected to continue in 2012, nationwide and in Anchorage. Anchorage's rates will probably remain considerably better than the nation's, meaning that for the third year in a row, fewer-than-usual Anchorage residents will leave the state looking for greener pastures, and more job-seekers will look for opportunities in Anchorage. Because of this large pool of people seeking work, Anchorage's job market will undoubtedly remain competitive.

# Fairbanks forecasted to gain 200 jobs this year

By **ALYSSA SHANKS**  
Economist

**A**fter a year of growth in the Fairbanks North Star Borough in 2010, 2011 will go into the books as a lackluster year for total job gains. Overall employment held steady despite deployment of nearly 4,000 troops in 2011 and no growth at the university. In 2012, Fairbanks employment is forecasted to grow slightly, by 0.5 percent, or 200 jobs. (See Exhibits 6 and 9.)

The military and the University of Alaska Fairbanks are the main pillars of the borough economy, supporting the majority of other area industries. A few other sectors play supporting roles — growth in health care and mining and stability in tourism helped Fairbanks maintain its employment level of about 38,600 in 2011.

## Supported by military

The borough has the highest concentration of active duty military personnel in the state and one of the highest in the nation. More than 8 percent of Fairbanks area residents are active duty military, and another 12 percent are military dependents. Because the military represents about a fifth of the population, its movements affect the area greatly.

## Soldiers' families stayed in 2011

During past deployments, a high percentage of the soldiers' families returned to their home states, leaving Fairbanks retailers and other businesses with fewer customers and fewer employees.

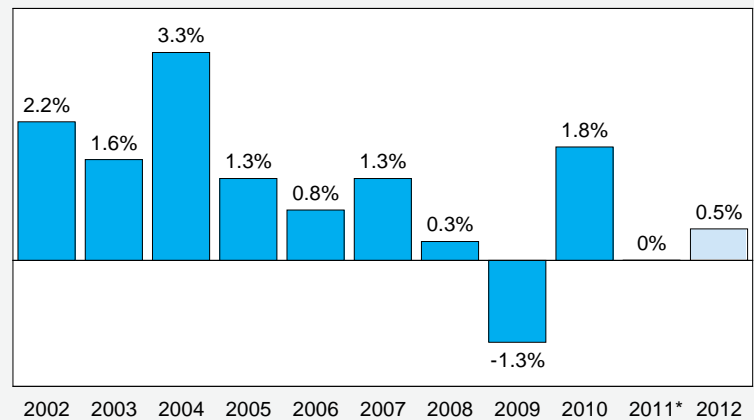
When 4,000 troops from Fort Wainwright's Stryker Brigade deployed to Afghanistan in May 2011, only 28 households filed the necessary paperwork to return to the Lower 48, in contrast to 170 families in the previous deployment of similar size.

Fairbanks may have lost jobs if these families hadn't stayed — they helped keep the local economy above water by continuing to patronize local establishments. All industries will continue to benefit throughout 2012 from the economic stimulus provided by these families, and by the soldiers when they return in May.

After 2012, federal budget cuts may have a large

## Fairbanks Forecast for 2012 **6**

Employment growth, 2002 to 2012



*Preliminary*

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



impact on the military, and Fairbanks is likely to feel those cuts sharply. Losses in civilian federal programs statewide in 2011 and 2012 are also a likely harbinger of things to come as budget cuts take effect in other departments as well.

## Steady growth at the university

UAF is the other economic powerhouse in the borough, providing about 4,000 jobs and helping the Fairbanks economy grow in eight of the past 10 years. Since the 2000–2001 school year, enrollment has climbed by 45 percent and employment has grown by 12 percent. (See Exhibit 7.)

Average earnings for UAF employees — \$45,300 annually in 2010 — were higher than for the average private-sector employee in the borough, who made \$42,700 in 2010.

Enrollment and employment at UAF didn't grow in fall of 2011, but they remained near the all-time highs of 2010 and helped boost or maintain employment in several of the private service-



## FAIRBANKS, continued

related industries, such as retail, health care, and leisure and hospitality.

The university also infused the economy with cash by bringing in grant and student loan money from outside of the borough, mostly from federal sources.

### Locals support service sectors

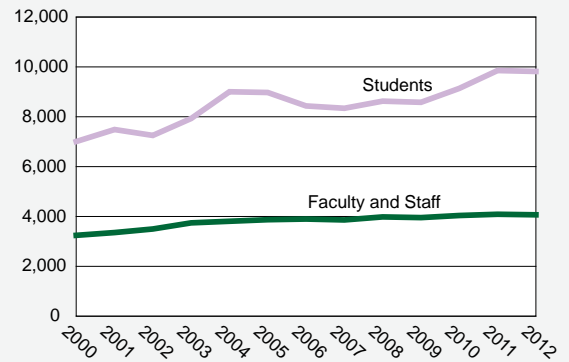
The Fairbanks leisure and hospitality industry serves locals as well as visitors. Although quarterly room receipts and museum visitor numbers show tourism as flat or down in 2011, preliminary estimates suggest leisure and hospitality employment held its ground at 4,100 average annual jobs.

Local patronage of leisure and hospitality businesses — mostly eating and drinking places — likely provided the necessary support to keep job levels stable. These eating and drinking establishments make up the largest slice of the industry and are the only piece that has grown significantly since the beginning of the decade. (See Exhibit 8.)

### Growth from tourism, troops

An expected increase of about 50,000 cruise passengers crossing the Gulf of Alaska will likely

## 7 UAF Near All-Time Highs Jobs and students, 2000 to 2012



Source: University of Alaska

boost employment in summer 2012 as a considerable number continue north to Fairbanks. The return of soldiers in May is also expected to increase leisure and hospitality employment as they resume patronage of businesses such as movie theaters and restaurants. The expected result is an additional 100 jobs averaged out over 2012. (See Exhibit 9.)

### More construction losses ahead

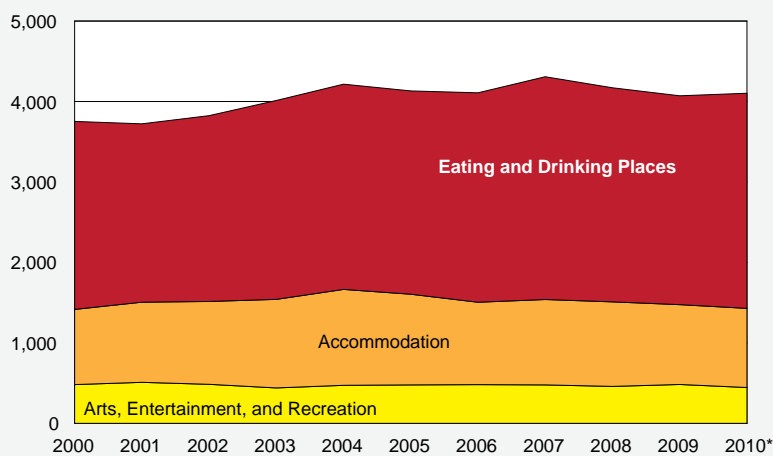
Employment declined in two private industries in Fairbanks in 2011. Financial activities lost 100 average annual jobs and is expected to maintain its levels in 2012, while construction lost 200 jobs and is expected to lose more this year.

Construction employment has continually alternated between losses and gains since 2005 for an overall downward trend over that period. Even construction at the new Chief Andrew Isaac Medical Center was not enough to pull the industry up in 2011. Although continued construction on the medical center will help stem the flow of jobs from the industry in 2012, its employment is still expected to fall by about 100.

### Major health care gains

Health care has grown significantly for more than 10 years, and 2011 was no exception. As with statewide health care, growth in Fairbanks was spread throughout the industry and varied from year to year, barely growing one year and growing robustly the next. Much of this growth is likely attributable to local facilities performing

## 8 More Bars and Restaurants in Fairbanks Leisure and hospitality, 2000 to 2010\*



\*2010 is the most recent year for which data are available.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Department of Labor, Bureau of Labor Statistics

procedures that used to require patients to travel to Anchorage or out of state.

Annual growth in the nationwide health care industry has slowed to around 2 percent in recent years, down from nearly 5 percent in the early 1990s. If nationwide trends are any indicator, growth in the borough is likely to slow down in the near future but not stop.

## Government ups and downs

The borough had approximately 3,400 federal civilian jobs in 2011, down about 100 due in part to the conclusion of the 2010 Census. With federal budget cuts on the horizon, some of these jobs will likely disappear as retiring workers are not replaced. The anticipated loss is about 100 jobs in 2012 and more in the years that follow.

State government, not including the university, has grown since 2000, but inconsistently — a year or two of gains were followed by a year of loss. Employment spiked in June of 2010 and 2011 due to the hiring of firefighters to combat increased forest fires in the Interior.

Local government has been stable, with flat enrollment in the borough school district in recent years after a drop in the first half of the decade. This bodes well for overall borough employment, as the school district makes up 70 percent of all local government jobs.

Local government administration has also been stable, and the borough's FY 2012 budget is essentially unchanged from 2011, suggesting that employment is likely to remain unchanged in 2012 as well.

## Fairbanks Wage and Salary Employment 9

Forecast and comparisons by industry, 2010 to 2012

	2010 Monthly Average	2011 Monthly Average <sup>1</sup>	Change 2010 to 2011	Percentage Change 2010 to 2011	Forecast for 2012	Change 2011 to 2012	Percentage Change 2011 to 2012
Total Nonfarm Wage and Salary <sup>2</sup>	38,600	38,600	0	0%	38,800	200	0.5%
Mining and Logging	1,200	1,300	100	8.3%	1,400	100	7.7%
Construction	2,600	2,400	-200	-7.7%	2,300	-100	-4.2%
Manufacturing	600	600	0	0%	600	0	0%
Trade, Transportation, and Utilities	7,600	7,700	100	1.3%	7,700	0	0%
Retail Trade	4,600	4,600	0	0%	4,700	100	2.2%
Transportation, Warehousing, and Utilities	2,400	2,400	0	0%	2,500	100	4.2%
Information	500	500	0	0%	500	0	0%
Financial Activities	1,500	1,400	-100	-6.7%	1,400	0	0%
Professional and Business Services	2,400	2,400	0	0%	2,400	0	0%
Educational <sup>3</sup> and Health Services	4,900	5,100	200	4.1%	5,200	100	2.0%
Leisure and Hospitality	4,100	4,100	0	0%	4,200	100	2.4%
Other Services	1,100	1,100	0	0%	1,200	100	9.1%
Government	12,100	12,000	-100	-0.8%	11,900	-100	-0.8%
Federal Government <sup>4</sup>	3,500	3,400	-100	-2.9%	3,300	-100	-2.9%
State Government <sup>5</sup>	5,500	5,500	0	0%	5,500	0	0%
Local Government <sup>6</sup>	3,100	3,100	0	0%	3,100	0	0%

<sup>1</sup>Preliminary estimate

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

<sup>3</sup>Private education only

<sup>4</sup>Excludes uniformed military

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

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

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

# Southeast job count expected to grow by 0.4 percent

By MALI ABRAHAMSON  
Economist

Employment in Southeast grew by 350 in 2011, with contributions from both private and public sectors. The 2012 forecast shows a gain of another 150 jobs, or 0.4 percent, bringing the region to just over its 2008 pre-recession employment levels. (See Exhibit 10.)

The health care, social assistance, professional and business services, and mining industries all grew in both 2010 and 2011. Government gained 200 jobs in 2010, offsetting employment losses elsewhere — but didn't grow in 2011. Another difference between 2010 and 2011 was that job growth in 2010 was mostly in Juneau, while preliminary estimates show Juneau, Sitka, and Ketchikan gained jobs in 2011.

## An era of slower growth

Southeast has recovered from setbacks in its own way — slowly, with small intermittent changes. From 1960 to 1995, Southeast added roughly 700 jobs annually with workers attracted to timber camps, fishing, and government. But after the population peaked in 1997, the region has had a series of ups and downs with an average of only 100 new jobs per year. (See Exhibit 12.)



Although Juneau, Sitka, Haines, and Skagway gained residents between the 2000 and 2010 censuses, Southeast's total population shrank by 1,400 with six of the boroughs and census areas losing residents. (See Exhibit 11.) The area's median age continues to rise, and a big question is whether young replacements will arrive as workers retire and possibly relocate, leaving the area's long-term economic future uncertain.

The outlook may seem bleak from a population perspective, but larger communities and villages have found a balance in seasonal employment; low growth; specialization in health care, seafood, and marine manufacturing; and a stable government base.

## Government a key source of jobs

Government is the most important source of year-round employment in Southeast, employing 13,650 people and paying 45 percent of all wages in 2011. The public sector was partly responsible for total job gains in 2010, with 200 new government jobs in Juneau, Sitka, and Ketchikan — mostly in state and local agencies. A longer legislative session in 2011 boosted State of Alaska average annual employment, which is forecasted to remain at about 5,550 jobs in 2012.

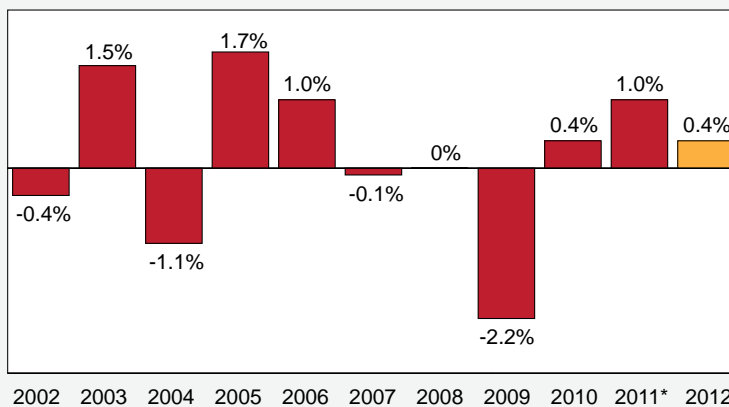
## Local agencies face attrition

Local government gained jobs in 2010. Because local government in Southeast runs many businesses — from tribes to ski resorts — job growth can be mixed. Though there are no impending mass layoffs in this sector, tight local government budgets mean the positions of those who retire or relocate may not be filled.

The demographic age shift and the fact that people are using an increasing amount of health care mean government health care providers could keep adding jobs. Taking these two opposing forces into account, local government is forecasted to lose only 50 jobs in 2012.

## 10 Southeast Forecast for 2012

Employment growth, 2002 to 2012



\*Preliminary

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

Although dwindling populations lower the demand for education and administrative services, demand for health care and social services has continued to grow. Borough and municipal hospitals in Juneau, Petersburg, Sitka, and Wrangell are likely to grow with private health care and social services.

## Health care demand grows

The educational and health services sector, which is mostly made up of health care and social services, continued to add jobs in 2011, maintaining its growth streak in Southeast and the rest of the state with over half the gains in the social services category. Jobs in this sector have grown 2 percent per year on average, and health care firms are among the largest employers in most Southeast towns.

Some years show flatter growth in this sector, and though jobs increased by 150 in each of the last two years, 2012's forecasted job growth is 50.

## Services uncertain

Residents' and visitors' spending habits and how they'll shape the economy in 2012 are uncertain. The support industries, leisure and hospitality, transportation, and trade have continued to lose jobs after relatively big losses in 2009, even in the face of increasing total employment. These industries are big players year-round, averaging 29 percent of total employment. They also had the biggest losses in the 2009 downturn, but are expected to recover as other Southeast industries grow, at least in the short run.

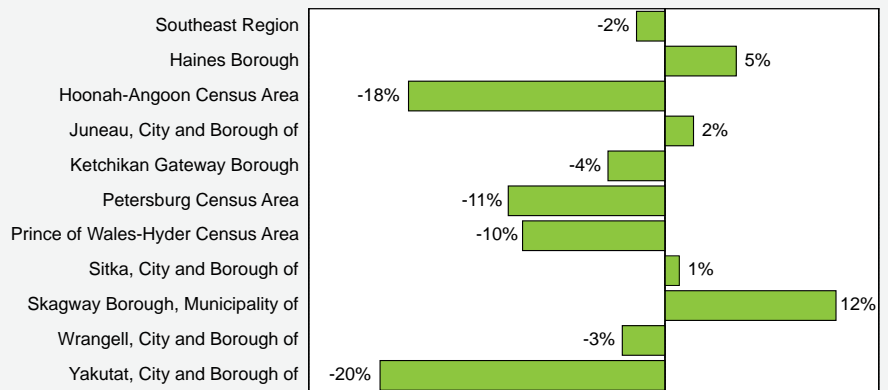
## New box stores may boost retail

Retail employment continues to decline in Southeast, and it is difficult to say whether the lack of growth was the extension of a post-recession downturn or a continuation of a flat economy in the long term.

New box stores in Juneau (Petco and OfficeMax) will boost retail in 2012. The overall trade, transpor-

## Southeast Population Change by Area 11

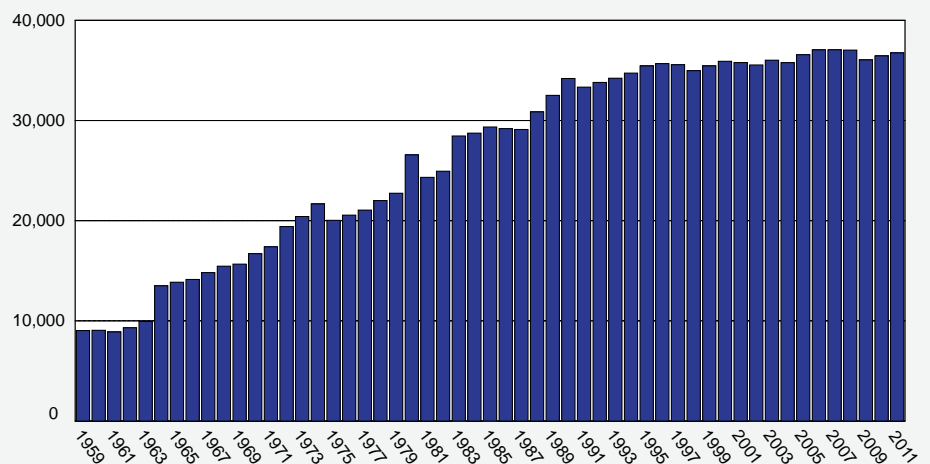
Change from prior year, 2000 to 2010 censuses



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

## Historical Southeast Employment 12

1959 to 2011



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Department of Labor, Bureau of Labor Statistics

ation, and utility sector is forecasted to add 50 total jobs after no net growth in 2011.

## Tourism firms' expectations key

While Juneau and the region's larger communities depend on government's year-round, well-paying jobs, the visitors who pass through for the history, scenery, and wildlife are especially important for many of the smaller towns.

Many retail shops, tours, and recreation activities that open only for a few months cater to tourists, and job growth depends on businesses' expectations

## SOUTHEAST, continued

of visitor traffic and spending habits.

Employment was flat in Southeast leisure and hospitality in 2011, even though other tourism indicators improved and the industry grew elsewhere in Alaska. Airline passenger numbers have steadily crept upward since 2009, and ferry ridership by both passengers and cars increased in 2010. An additional 50,000 cruise ship passengers are expected in 2012.

Because tourism firms earn a large part of their revenue in a few months, they must plan ahead. And though the visitor outlook isn't negative, employers will probably not risk large payroll increases. New restaurants and hotels may open, but they will likely replace those that closed. These factors are forecasted to generate 50 additional jobs in Southeast leisure and hospitality in 2012.

### A mining resurgence

Mining in Southeast added jobs in 2010 and 2011 in a small but important resurgence. The prices of primary metals mined in Southeast have consistently increased for decades, and Southeast is forecasted to add jobs in 2012 — though fewer than in 2011, as many of the large

operations approach worker capacity. Because these jobs pay high wages, additional mining jobs will also boost regional service industry employment.

Growth in mining and health care has helped increase employment in professional and business services, which gained 100 positions in 2011 — mostly in administration and support services. This industry is also forecasted to grow by 50, as private firms and government agencies continue to hire contractors for specialized or temporary tasks in Southeast.

### Seafood supports other industries

Preliminary estimates show 2011 seafood processing jobs were well above 2010 levels, with average seafood processing employment up 100 due to increased peak summer hiring. Favorable prices and increasing global demand for seafood keep this industry a large — albeit lower-paying — manufacturing employer that also helps support other industries. As hundreds of transient processing workers flow in and out every season, local businesses provide logistical services and support. Fishermen are also important consumers of logistical and durable goods, although they are considered self-employed and are not part of standard state and federal employment numbers.

## 13 Southeast Wage and Salary Employment

Forecast and comparisons by industry, 2010 to 2012

	2010 Monthly Average	2011 Monthly Average <sup>1</sup>	Change 2010 to 2011	Percentage Change 2010 to 2011	Forecast for 2012	Change 2011 to 2012	Percentage Change 2011 to 2012
Total Nonfarm Wage and Salary <sup>2</sup>	36,450	36,800	350	1.0%	36,950	150	0.4%
Mining and Logging	750	850	100	13.3%	900	50	5.9%
Construction	1,400	1400	0	0%	1,400	0	0%
Manufacturing	1,900	1950	50	3%	1,950	0	0%
Seafood Processing	1,450	1550	100	7%	1,550	0	0%
Trade, Transportation, and Utilities	7,000	7000	0	0%	7,050	50	1%
Retail Trade	4,350	4300	-50	-1%	4,350	50	1%
Information	450	450	0	0%	450	0	0%
Financial Activities	1,300	1300	0	0%	1,300	0	0%
Professional and Business Services	1,450	1550	100	6.9%	1,600	50	3.2%
Educational <sup>3</sup> and Health Services	3,800	3950	150	3.9%	4,000	50	1.3%
Leisure and Hospitality	3,500	3,500	0	0%	3,550	50	1%
Other Services	1,250	1,250	0	0%	1,250	0	0%
Government	13,650	13,600	-50	-0.4%	13,500	-100	-0.7%
Federal Government <sup>4</sup>	1,750	1,700	-50	-2.9%	1,650	-50	-3%
State Government <sup>5</sup>	5,550	5,550	0	0%	5,550	0	0%
Local Government <sup>6</sup>	6,350	6,350	0	0%	6,300	-50	-0.8%

<sup>1</sup>Preliminary estimate

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

<sup>3</sup>Private education only

<sup>4</sup>Excludes uniformed military

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

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

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