

# Government losses hardest on Southeast

By CONOR BELL

Job losses aren't new for Southeast Alaska. The region lost employment in five of the past 10 years while the state as a whole had just one year of overall loss. While Southeast's employment remained essentially stable in 2015, it's expected to decline by about 500 jobs, or 1.4 percent, in 2016. (See exhibits 1 and 2.) With low oil prices and a growing state budget deficit, that prospect has been looming.

Southeast has also lost population in the last few years after a period of population growth from 2008 to 2012 due to positive net migration. (See Exhibit 3.) While a significant number of people are still moving to Southeast, more people have been leaving than arriving in recent years, a trend that's expected to continue.

## Different industry mix for 2016

In 2015, Southeast lost a significant number of state government jobs through attrition and some layoffs, while local government gained jobs. In the private sector, losses in construction and manufacturing were matched by gains in leisure and hospitality and other services.

In 2016, losses will primarily come from state and local government. State government will continue its decline, and local government will reverse its 2015 gains. Federal job levels, however, will likely remain stable.



For private industries, there's little potential for growth outside of tourism. Falling government employment will eventually dent demand for goods and services and drive down private employment, but this probably won't be significant in 2016.

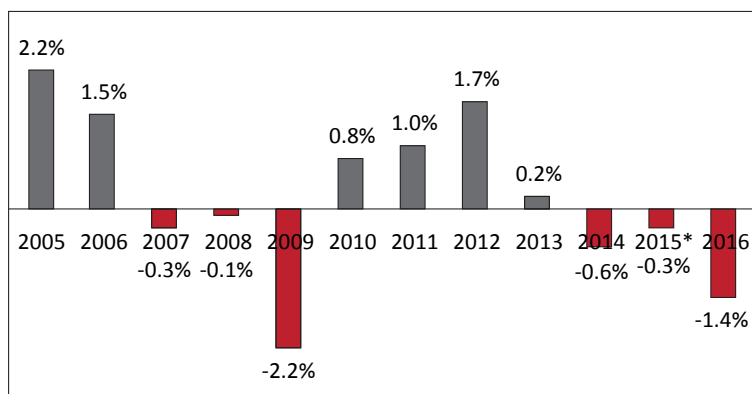
## Government is key in Southeast

Southeast is particularly sensitive to the current fiscal climate, as it has a higher concentration of state government jobs than any other region. It has also been shedding these jobs at a faster rate. Within the region, Juneau will be hit hardest because it has the majority of the region's state jobs.

State government numbers will decline this year regardless of any feasible scenario that unfolds in the Legislature this spring. (See Exhibit 4.) Some layoffs will likely come in the next fiscal year, but most losses will be through attrition. Retirements will continue to increase as baby boomers age, and an uncertain fiscal future will likely keep many of the positions vacant. Cuts are also expected for the University of Alaska Southeast.

## 1 Southeast Faces Modest Job Loss

SOUTHEAST EMPLOYMENT, 2005 TO 2016



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

# 2 Southeast Employment Forecast

## EMPLOYMENT BY INDUSTRY, 2014 TO 2016

	2014 Monthly Average <sup>1</sup>	2015 Monthly Average <sup>1</sup>	Change 2014 to 2015	Percent Change 2014-15	2016 Monthly Average	Change 2015 to 2016	Percent Change 2015-16
Total Nonfarm Employment <sup>2</sup>	37,100	37,000	-100	-0.3%	36,500	-500	-1.4%
Total Private	24,050	24,100	50	0.2%	24,050	-50	-0.2%
Mining and Logging	1,000	950	-50	-5.0%	950	0	0.0%
Construction	1,600	1,500	-100	-6.3%	1,400	-100	-6.7%
Manufacturing	2,250	2,150	-100	-4.4%	2,100	-50	-2.3%
Trade, Transportation, and Utilities	7,000	7,100	100	1.4%	7,150	50	0.7%
Information	500	500	0	0%	500	0	0%
Financial Activities	1,050	1,100	50	4.8%	1,100	0	0%
Professional and Business Services	1,600	1,700	100	6.3%	1,650	-50	-2.9%
Education <sup>3</sup> and Health Services	3,900	3,850	-50	-1.3%	3,900	50	1.3%
Leisure and Hospitality	3,900	4,050	150	3.8%	4,100	50	1.2%
Other Services	1,250	1,200	-50	-4.0%	1,200	0	0%
Government	13,050	12,900	-150	-1.1%	12,450	-450	-3.5%
Federal Government <sup>4</sup>	1,450	1,450	0	0%	1,450	0	0%
State Government <sup>5</sup>	5,500	5,250	-250	-4.5%	4,900	-350	-6.7%
Local Government <sup>6</sup>	6,100	6,200	100	1.6%	6,100	-100	-1.6%

<sup>1</sup>Preliminary and adjusted 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 elementary and secondary public school systems

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

Although local government grew last year, losses are anticipated this year because municipalities are tied to the state's budget through education funding and community revenue sharing. So far, cuts to these areas have been minor.

Local revenues are also liable to take a hit, though not immediately. With economic decline, fewer workers will lead to a shrinking tax base. As this is gradual, though, the impact should be minimal in 2016.

Federal government is the bright spot in Southeast's public sector. It has shed jobs for most of the past decade, reflecting gradual attrition and tightened federal budgets along with the federal government shifting focus away from logging in the Tongass National Forest. Many of the lost jobs were in the U.S. Forest Service.

Federal employment leveled off in 2015 and is likely to hold steady in 2016. Federal jobs tend to be high-paying, which means they have a larger impact on the broad economy. The average federal job in Southeast pays more than \$80,000.

### Processing hit by low runs, prices

Manufacturing in Southeast is primarily seafood pro-

cessing, an industry characterized by low wages and 67 percent nonresident workers. Still, it is a major component of some Southeast economies. In Petersburg, food manufacturing jobs are 26 times more common than in the U.S. as a whole. The fisheries resource itself is one of the region's key economic drivers.

The Alaska Department of Fish and Game forecasts the 2016 Southeast pink salmon run at 34 million, below its 10-year average and the same as the 2015 harvest. Pinks make up over half the salmon poundage caught in Southeast each year, and prices remain low, largely due to a surplus of canned pinks dating back to 2013.

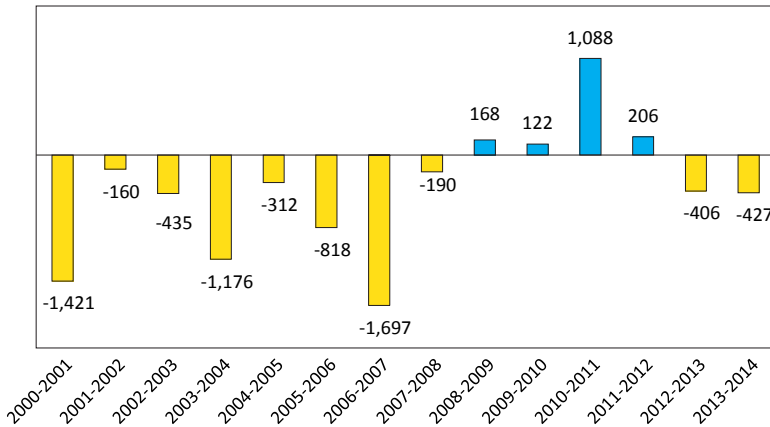
Seafood processing is a rare Alaska industry where minimum wage is the norm, and the minimum wage is rising 26 percent over two years. A second consecutive year of minimum wage increases, combined with lower runs and prices, suggest job counts will be slightly lower than last year.

### Weak year for construction

The construction industry tends to respond swiftly to changing conditions. Employment in Southeast began to slow in summer 2015, hurt by a capital budget down 37 percent from the prior year, and the industry is expected to lose about 100 jobs in 2016.

# 3 More Migration Losses than Gains

## NET SOUTHEAST MIGRATION, 2000-2014



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

Most of the money in the capital budget comes from federal sources, and the Fixing America's Surface Transportation Act, or FAST, signed in December 2015, ensures strong funding for transportation projects through 2020. State funds carried over from past years will also help mitigate losses in 2016, though that money will not last much longer.

Upcoming and continuing projects include the rehabilitation of the Yakutat Airport, Tongass Highway in Ketchikan, and Egan Drive in Juneau.

federal funding, and health care has been flat. But with the expansion of Medicaid, more people will seek medical care. In the long term, Southeast's population continues to age, increasing demand for services.

Mining employment is also expected to remain stable in 2016. Southeast has two operating mines, both within Juneau's city limits. No additional sites are scheduled to open in the near future, and exploration will continue to contribute few jobs. The investment climate remains weak, in part due to low mineral prices.

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## Bright spots in private sector

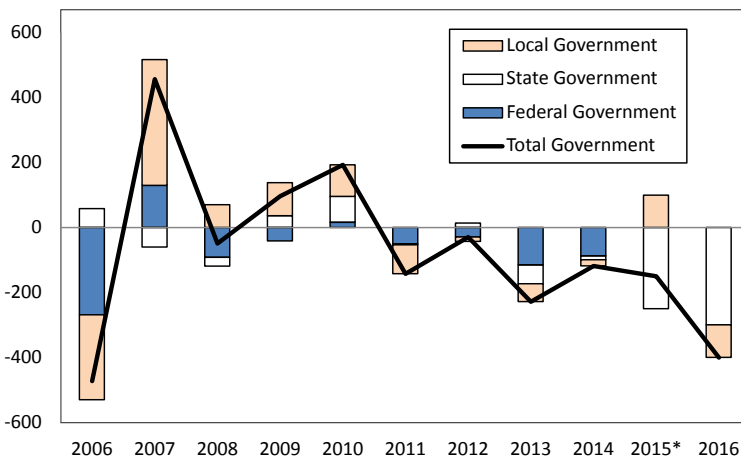
Southeast tourism flourished in 2015, producing job growth for the leisure and hospitality sector. As the U.S. continues to rebound from the effects of the recession, domestic travel spending keeps increasing.

An uptick in cruise traffic is predicted for Southeast in 2016. Because the vast majority of Southeast's visitors arrive by cruise ship, more visitors and spending can be expected.

Southeast's private education and health services sector has declined the past few years, but that trend is likely to reverse in 2016. Social assistance has been hit by decreasing state and

# 4 Breakdown of Government Jobs

## SOUTHEAST GOVERNMENT LOSS/GAIN, 2006 TO 2016



\*Preliminary

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