

Southeast Forecast for 2020

By SARA TEEL

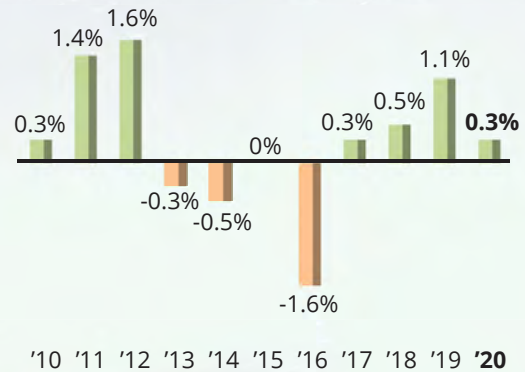
Southeast began to lose jobs in 2013, more than two years before the statewide recession began, then resumed growing marginally in 2017.

While the region's employment increased 1.1 percent in 2019, 2020's forecasted growth is a scant 0.3 percent, or about 100 jobs. This year brings additional obstacles to Southeast, including further cuts to state government and reduced ferry service.

Most of last year's job growth came from another record-breaking tourist season. Transportation grew the most, with the bulk of its gains in scenic and sightseeing transportation. Two other industries added about 100 jobs each: mining and logging, and private educational and health services.

For 2020, most of the forecasted growth is in retail, transportation, and health care.

Job growth to slow this year



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

Ferry reductions a major blow for region

Ferry reductions began in 2019, and while the ferry's workforce has already been cut, its impact will

Outlook for jobs in Southeast, by industry

	Monthly avg, 2018 ¹	Monthly avg, 2019 ¹	Change, 2018-19	Percent change	JOBS FORECAST		
					Monthly avg, 2020	Change, 2019-20	Percent change
TOTAL NONFARM EMPLOYMENT²	36,700	37,100	400	1.1%	37,200	100	0.3%
Total Private	24,100	24,600	500	2.1%	24,900	300	1.2%
Mining and Logging	1,000	1,100	100	10.0%	1,100	0	0%
Construction	1,300	1,300	0	0%	1,300	0	0%
Manufacturing	1,800	1,800	0	0%	1,700	-100	-5.9%
Transportation, Trade, and Utilities	7,300	7,500	200	2.7%	7,700	200	2.6%
Retail Trade	4,200	4,200	0	0%	4,300	100	2.3%
Information	500	500	0	0%	500	0	0%
Financial Activities	1,100	1,100	0	0%	1,100	0	0%
Professional and Business Services	1,600	1,600	0	0%	1,600	0	0%
Educational (private) and Health Services	4,100	4,200	100	2.4%	4,400	200	4.5%
Leisure and Hospitality	4,300	4,300	0	0%	4,300	0	0%
Other Services	1,200	1,200	0	0%	1,200	0	0%
Total Government	12,600	12,500	-100	-0.8%	12,300	-200	-1.6%
Federal, except military	1,500	1,500	0	0%	1,500	0	0%
State, incl. University of Alaska	4,800	4,800	0	0%	4,700	-100	-2.1%
Local and tribal, incl. public schools	6,300	6,200	-100	-1.6%	6,100	-100	-1.6%

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

¹Preliminary and adjusted estimates. ²Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

Southeast Forecast

continue to ripple through the region's economy.

Some places have been hit especially hard, such as Cordova, which lost winter service. But limited ferry service will raise costs for most communities, impacting a range of local industries as they have a harder time getting supplies and finding or keeping staff.

Difficulty accessing services such as health care or veterinary care will become more common, which will affect more than just the residents and their own towns. Travel cutbacks will spread to other places in Alaska where remote coastal residents would typically go for services.

The change will likely increase jobs somewhat in other industries, however, as demand grows for air and water transportation alternatives.

Population loss and an older population are continuing factors

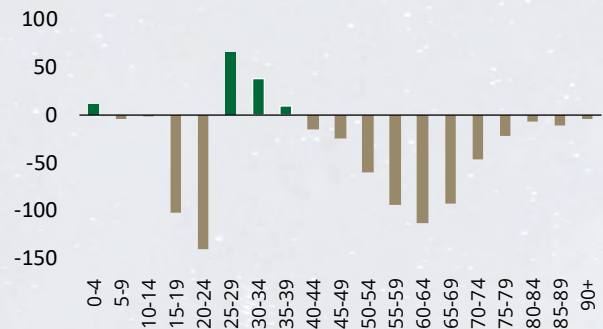
Southeast's migration losses date back to 2013. From 2013 to 2018, the region's net migration — in-movers minus out-movers — was negative for almost all age groups. As the chart above shows, the 25-to-39 group was the biggest exception.

Southeast has been the state's oldest region for decades, and both trends have long-term consequences for the job market. As baby boomers continue to retire and people leave the state, fewer Southeast residents will be available to fill vacated jobs.

Fisheries appear to be in for a rough year

Volatility is a constant for Alaska fisheries, and some fisheries face unfavorable conditions in 2020. The forecast for the 2020 pink salmon run in Southeast is weak, the International Pacific Halibut Commission predicts three years of low halibut catches, and for the first time, the federal cod fisheries in the Gulf of Alaska will be closed due to collapsed stocks. Counter to the loss of cod stocks, however, there have been abnormally large numbers of juvenile sablefish, which is promising for future Southeast fisheries.

From 2013 to 2018, Southeast lost people in most age groups



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

While fishermen are not included in these employment estimates because they're usually self-employed, fluctuations in fisheries create a domino effect in associated industries such as seafood processing and those tied to consumer spending.

Manufacturing will take a hit from fisheries woes, ferry reductions

The lion's share of manufacturing in Southeast is seafood processing. Employment peaked in 2015 and has declined since, as shown in the graph on the next page, exacerbated by an administrative reporting change in 2016.

Shipyards jobs have also fallen. The Ketchikan shipyard depends on contract work with the Alaska Marine Highway system, and ferry cuts will take a continuing toll, leading to a forecasted 5.9 percent loss of about 100 manufacturing jobs this year.

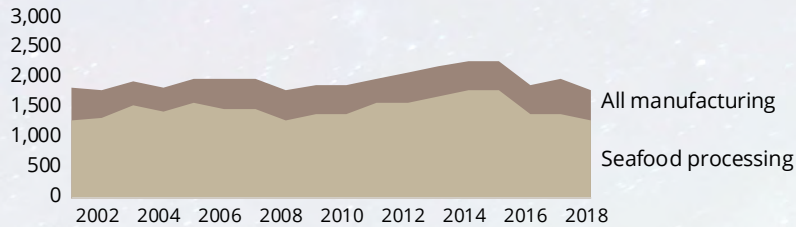
Tourism is at the heart of many Southeast communities. Reliably strong visitor seasons helped keep the region afloat during the recent state recession.

Tourism set to break another record, and Hoonah jumps in with both feet

Tourism is at the heart of many Southeast communities. The revenue it generates creates jobs and feeds other industries, and reliably strong tourism seasons helped keep Southeast afloat during the recent state recession.

The number of cruise ship passengers has hit a

Southeast seafood processing jobs drop



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

record in each of the last four years, and 2020's number is forecasted at 6 percent above 2019. Ten additional ships are scheduled to visit Alaska in 2020, with 29 added port calls.

The most popular destinations are Juneau, Ketchikan, and Skagway, but Hoonah is significantly expanding and expects its number of passengers to double over the next two years. Hoonah will have built a second dock by this summer for megaships, complete with a gondola system designed to transport 5,600 people per hour.

With a booming tourist season in the works, a number of related industries are forecasted to grow. We expect the transportation, trade, and utilities sector to add 200 jobs, or 2.6 percent. Jobs associated with buses, trams, fishing or whale watching excursions, and helicopters will drive transportation job growth. Retail's growth forecast is 2.3 percent, or 100 jobs.

Budget cuts remain an Achilles heel due to high share of jobs in government

Government has played a vital role in Southeast's economy for decades, and not just because Juneau is the state capital. Government also provides an outsized percentage of jobs in smaller Southeast communities.

In 2019, 34 percent of Southeast's jobs were in the public sector. That percentage is forecasted to drop to 33 in 2020 — a loss of 200 jobs, or about 1.6 percent — mainly due to ongoing state budget struggles.

While federal jobs are expected to remain flat, local and state government jobs are forecasted to decline by 100 each: a 1.6 percent loss for local and a 2.1 percent decline for state.

Multiple state departments face cuts again this year. State government employment includes the University of Alaska Southeast, which faces another budget cut, although it won't materialize until the coming school year. The tentative \$3.6 million reduction would affect the main campus in Juneau plus UA satellite campuses across the state.

Local government's decline is tied to health care, although it's mainly a reclassification from government to the private sector. In mid-2019, Sitka Community Hospital merged with SEARHC, the Southeast Alaska Regional Health Consortium. As a result, the educational and health services sector, which is mainly health care, will gain about 100 merger-related jobs plus 100 forecasted jobs, for total growth of 4.5 percent.

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Reconciling Southeast's job growth with the losses we've published in recent years

Readers of *Trends* and our monthly jobs/unemployment rate press releases may wonder why this issue shows several years of modest job growth for Southeast when we've been publishing small but fairly consistent losses over the last few years. The initial numbers are estimates based on a survey of a small sample of the region's employers. Later, when more complete information becomes available through reports that nearly all employers are required to file under state unemployment insurance laws, we revise the estimates and publish data closer to an actual count. The data become more reliable with time, and the modest growth shown here reflects our best and most current data on Southeast's performance. In this case, the revisions have been small — but just a few tenths of a percentage point can change the picture from loss to growth.