

# Statewide forecast for 2022

## More recovery this year, but big shifts and questions loom

By KARINNE WIEBOLD

**A**laska recovered 7,100 jobs in 2021 after losing 27,600 in 2020, with the gains spread across industries as the losses had been the year before. The industries hit hardest initially by the pandemic, such as transportation and the leisure and hospitality sector, recovered the most jobs in 2021 as bars and restaurants reopened and travel picked up.

The pandemic continued in 2021, but vaccines rolled out early in the year and businesses adapted to safety measures. An abbreviated tourist season, higher oil prices, and federal relief money helped Alaska recover a modest number of jobs.

Despite the obstacles and uncertainty in 2022 that could limit growth, we expect the state to recover another 9,800 jobs in 2022. That 3.2 percent increase would leave us less than 11,000 jobs short of 2019's pre-pandemic employment.

Most industries won't fully recover this year, though. Only construction, health care, and federal employment are forecasted to end 2022 at or above their pre-COVID levels.

### What helped and hurt in 2021

#### Some cruise ships, tourists returned

Independent tourism was unexpectedly strong in 2021 as vaccine-emboldened travelers filled any open hotels and spent more than the average cruise ship visitor. Bed taxes and car rental taxes soared, in some cases rivaling pre-pandemic receipts.

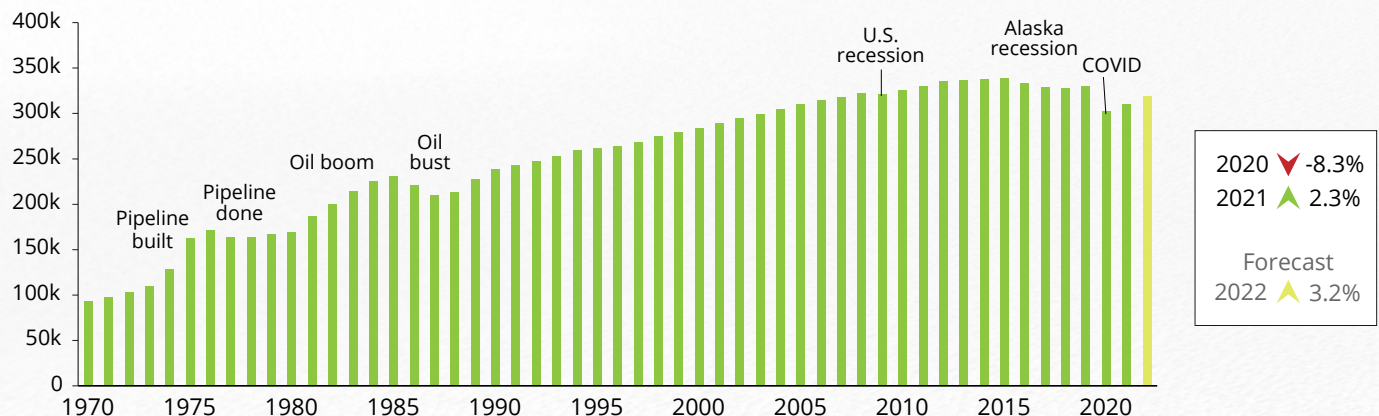
As an additional boon, limited cruises resumed in July after Congress temporarily waived the Passenger Vessel Services Act requirement that foreign-flagged ships stop in Canada before reaching Alaska.

About 116,000 cruise ship visitors passed through in 2021 — less than a tenth of what's typical — with fewer sailings and low occupancy but a season that extended into October.

#### Students went back to school

School resumed in person in the fall, and vaccine eligibility extended to elementary-age children late in the year. By the end of 2021, half of Alaska youth ages

### How historical events have changed Alaska's total job count



Note: 2020 and 2021 are preliminary.

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



## The outlook for jobs statewide, by industry

	Monthly avg, 2020 <sup>1</sup>	Monthly avg, 2021 <sup>1</sup>	Change, 2020-21	Percent change	JOBS FORECAST		
					Monthly avg, 2022	Change, 2021-22	Percent change
<b>Total Nonfarm Employment<sup>2</sup></b>	<b>302,600</b>	<b>309,700</b>	<b>7,100</b>	<b>2.3%</b>	<b>319,500</b>	<b>9,800</b>	<b>3.2%</b>
Total Private	225,800	232,600	6,800	3.0%	241,700	9,100	3.9%
Mining and Logging	11,300	10,400	-900	-8.0%	11,000	600	5.8%
Oil and Gas	7,800	6,700	-1,100	-14.1%	7,100	400	6.0%
Construction	15,800	16,000	200	1.3%	16,400	400	2.5%
Manufacturing	11,900	12,200	300	2.5%	12,800	600	4.9%
Transportation, Trade, and Utilities	58,900	61,000	2,100	3.6%	63,200	2,200	3.6%
Wholesale Trade	6,200	6,100	-100	-1.6%	6,300	200	3.3%
Retail Trade	33,400	34,400	1,000	3.0%	34,900	500	1.5%
Transportation, Warehousing, and Utilities	19,300	20,500	1,200	6.2%	22,000	1,500	7.3%
Information	4,900	4,800	-100	-2.0%	4,800	0	0%
Financial Activities	10,800	10,800	0	0%	10,900	100	0.9%
Professional and Business Services	26,100	26,300	200	0.8%	26,600	300	1.1%
Educational (private) and Health Services	49,400	50,900	1,500	3.0%	51,500	600	1.2%
Health Care	38,200	39,100	900	2.4%	39,600	500	1.3%
Leisure and Hospitality	26,600	29,700	3,100	11.7%	33,700	4,000	13.5%
Other Services	10,100	10,500	400	4.0%	10,800	300	2.9%
Total Government	76,800	77,100	300	0.4%	77,800	700	0.9%
Federal, except military	15,400	15,100	-300	-1.9%	15,100	0	0%
State, incl. University of Alaska	22,400	22,600	200	0.9%	22,200	-400	-1.8%
Local and tribal, incl. public schools	39,000	39,400	400	1.0%	40,500	1,100	2.8%

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

**Note:** May not sum because of rounding

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

12 to 18 and 14 percent of kids between 5 and 11 were fully vaccinated.

Schools continued to deal with out-breaks, and a shortage of bus drivers meant regular service wasn't guaranteed, requiring some parents to find transportation or continue homeschooling.

### Permanent Fund grew, and oil prices went back up

The Alaska Permanent Fund grew significantly in 2021 with the rising stock market, from \$65.3 billion to \$81.9 billion. Strong fund performance temporarily relieves state budget pressure, because a significant portion of the state's revenue now comes from the Permanent Fund.

Rising oil prices also alleviate some of Alaska's immediate budget problems. Prices rebounded more than expected. After averaging just \$42 a barrel in 2020, oil prices increased to \$71 in 2021. However, the industry has only

## Alaska's forecasted recovery to pre-pandemic levels, by industry

	2019 jobs	2022 forecasted	Forecasted recovery
<b>Total Nonfarm Employment</b>	<b>330,000</b>	<b>319,500</b>	<b>97%</b>
Total Private	250,300	241,700	97%
Mining and Logging	13,400	11,000	82%
Oil and Gas	9,900	7,100	72%
Construction	16,400	16,400	100%
Manufacturing	13,100	12,800	98%
Transportation, Trade, and Utilities	64,700	63,200	98%
Wholesale Trade	6,600	6,300	95%
Retail Trade	35,600	34,900	98%
Transp, Warehousing, Utilities	22,500	22,000	98%
Information	5,400	4,800	89%
Financial Activities	11,600	10,900	94%
Professional and Business Services	27,700	26,600	96%
Educational (private) and Health Svcs	50,800	51,500	101%
Health Care	38,700	39,600	102%
Leisure and Hospitality	36,200	33,700	93%
Other Services	11,000	10,800	98%
Total Government	79,900	77,800	97%
Federal, except military	14,900	15,100	101%
State, incl. University of Alaska	23,200	22,200	96%
Local and tribal, incl. public schools	41,800	40,500	97%

**Note:** May not sum because of rounding. Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

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



## Statewide Forecast

recovered a small fraction of its COVID-related job losses so far, raising new questions about the industry's future.

### Federal funds flowed in

Federal money eased the strain on households and businesses. Over the last two years, federal assistance flowed into the state in the form of relief payments to nearly all Alaskans, supplemental and extended unemployment benefits, rental assistance, suspension of student loan payments, child tax credits, and relief money for businesses and governments.

In 2020 and early 2021, most adults received three rounds of federal stimulus payments, which for many totaled \$3,200, with an additional \$2,500 per child. The U.S. also increased the child tax credit and began sending monthly payments of up to \$300 per child in the summer.

While these federal transfer payments were a godsend for some, they were a windfall for others. Alaska's total personal income increased, and many people temporarily had more disposable income than they'd had before the pandemic.

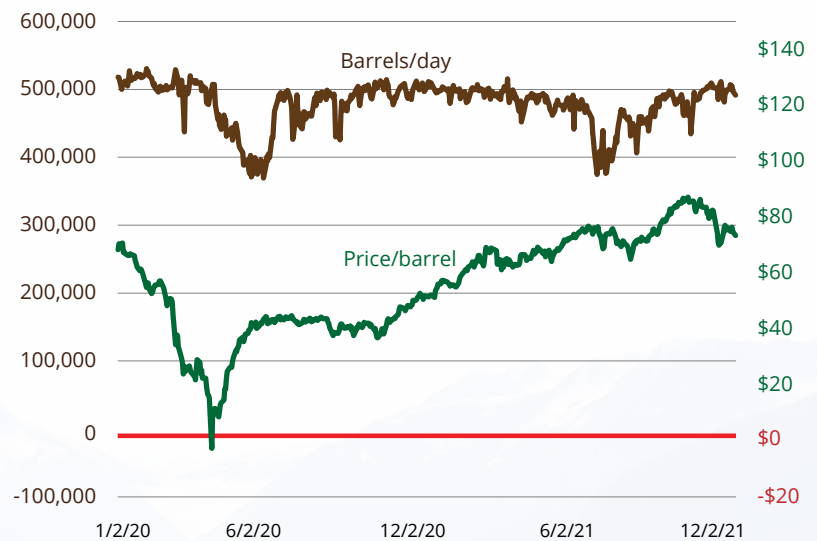
Federal money in the form of paycheck protection and other CARES Act programs buffered some pandemic job loss as well. Even when Alaska shed almost 48,000 jobs the first pandemic summer, 86 percent of jobs remained.

The widespread extra income spurred buying that stimulated the economy; on the other hand, it worsened supply chain issues and spurred inflation. Inflation rose rapidly in 2021, which squeezed consumers and slowed economic growth.

### The worker shortage intensified

Alaska's unemployment rate fell considerably last year, from 6.7 percent to 6.0 percent, which isn't high by historical standards. However, that low rate wasn't as positive as it looked, because it was partly due to large numbers of people leaving the labor force. The strong stock market and booming housing market allowed more workers to retire or opt out of the workforce during the pandemic, exacerbating the

## The pandemic sent oil prices for a wild ride



shortage of willing workers.

National data late in the year showed record numbers of quits and job openings as hiring increased and more workers felt optimistic enough to quit their jobs or leave the labor force altogether, and those patterns held in Alaska.

With available workers becoming harder to find, those looking for work had more options and wages started to rise, especially in traditionally low-wage jobs.

## Long-term dampers on growth

### We've lost population for several years

Alaska's population has declined for four straight years, mostly because fewer people moved in to replace those who left. As the graphs on the next page show, more people have moved out than in for eight years. Natural increase — births minus deaths — offset the migration losses until 2017.

A few areas bucked the trend. The Fairbanks North Star Borough grew with a recent military buildup, and the Matanuska-Susitna Borough continued to draw movers as it has for years, especially from within the state. But Alaska as a whole is still losing population, which will continue to restrain our economic growth. A smaller population means less need for stores, schools, housing, and recreation.



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### The state hasn't fixed long-term budget problem

Our unresolved long-term state government revenue problem is another drag on the economy as we enter 2022. The State of Alaska still faces tough decisions about revenue, spending, and the Permanent Fund Dividend.

We've postponed some of those decisions by drawing from savings and using federal stimulus money meant to blunt COVID's blow. While that strategy will work in the short term, the state's long-term economic health depends on more budget certainty and stability.

### Pandemic came on the heels of a statewide recession

Alaska's full recovery will take longer than some states, partly because we entered the pandemic in a weaker position. Alaska underperformed the nation for job growth every year over the last decade and entered a three-year recession in 2015. When COVID-19 hit, we'd had just one year of slight job growth.

## What's new or uncertain for 2022

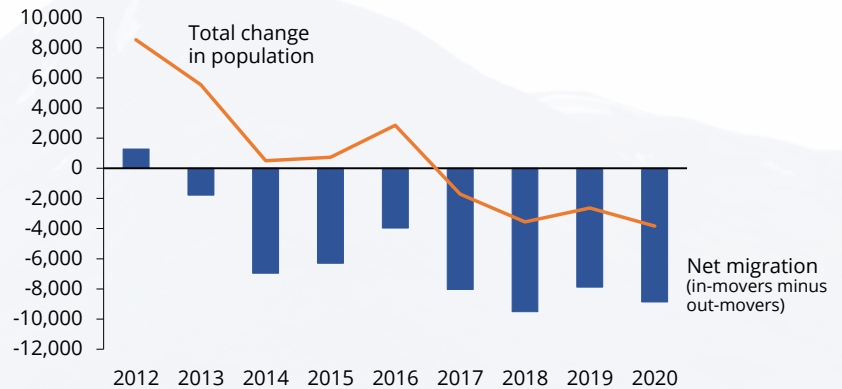
### Pandemic ongoing; new variant emerges

Alaska entered 2022 amid rapidly changing conditions. The world is still battling COVID-19, and while all U.S. adults became eligible for a booster in the fall and a vaccine was approved for children 5-12, Alaska's vaccination rate remains below the nation and most states. At the end of 2021, 68 percent of eligible Alaskans had received at least one shot. Nationally, it was 78 percent.

Alaska's highest numbers of cases, hospitalizations, and deaths from the pandemic so far came in September and October of 2021, pushing some hospitals to enact crisis care standards when they couldn't meet the demand.

Still-strained providers face a new concern. Near the end of 2021, Alaska's cases began to decline again but

## Long streak of total population and migration loss



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

another highly contagious variant emerged.

When this article was published, omicron had only recently been identified in Alaska. While health officials warned of an impending surge, omicron's path and severity remained a question mark at press time.

### Job market undergoing big changes

The job market is in the midst of a substantial shift. Extended unemployment insurance benefits are a thing of the past, and many of the long-term unemployed have exhausted their benefits.

Alaska's labor force is the smallest it's been in decades. Just 64 percent of the working-age population is employed or looking for work. The high numbers of national job openings and quits could further shrink the worker pool by limiting out-of-state workers for Alaska's seasonal industries this year.

### Tourism could exceed a typical year's levels

One of the biggest changes on the horizon is the return of large cruise ships. When the first boats arrive in April or May, it will be the first time in 30 months that some communities have seen a large ship. Cruise ship passengers are vital to multiple towns, especially in Southeast, and are the lifeblood of places like Skagway and Denali that boom in the summer and hibernate in the winter. The cruise industry expects to carry 1.5 million passengers to Alaska this year, which would be an all-time high if ships reach capacity.

On a related note, Canada opened its borders to vaccinated Americans on Aug. 9 after a 16-month closure, so 2022 will mark the first summer since 2019 that visitors can arrive by land.



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### Infrastructure bill will be big for Alaska

Federal funding is coming from the \$1.2 trillion infrastructure bill, but we don't know when that money will start flowing in or how much Alaska will receive. Most analyses show Alaska getting more money per capita than any other state, based on the details available in the bill and excluding money that states must apply for directly.

Alaska-specific funding in the bill, mostly for distribution over five years, includes \$3.5 billion for highways, \$1 billion for the ferry system plus another \$73 million for new ferries, \$225 million for bridges, and \$180 million for water and wastewater projects.

### COVID-caused business snags persist

Finally, we're entering 2022 with ongoing supply chain problems created by interruptions to global production, manufacturing, and shipping as well as domestic trouble with clogged ports and trucker shortages. These delays and cost increases will likely dampen economic growth and pull business capital away from hiring more workers.

### How these factors will affect jobs

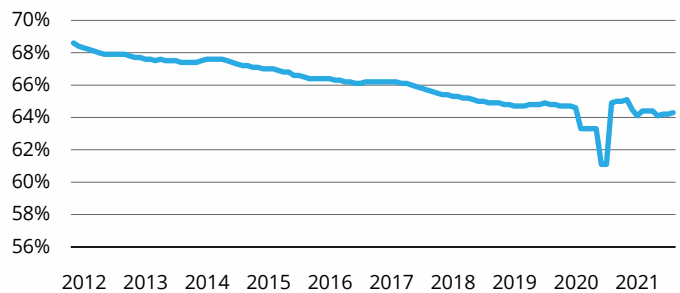
Despite the obstacles, this year's forecasted job growth is an improvement from 2021. The anticipated return of cruise ships will spur recovery for leisure and hospitality and smaller industries like scenic and sightseeing transportation. If independent travelers return en masse this year, that will also benefit airlines, hotels, bars, and restaurants.

Employers might not be able to fill all of their positions, though, and the worker shortage will inhibit growth. Manufacturing, construction, retail, transportation, leisure and hospitality, and health care are all vulnerable to worker shortages in different ways.

Seafood processing, which makes up most manufacturing in Alaska, and the leisure and hospitality sector are seasonal and rely on out-of-state workers, who could be in shorter supply. Construction and retail tend to have high turnover, which means frequent recruitment.

Health care providers and bars and restaurants withstood the worst of the pandemic in different and unusual ways, and they're grappling with worker burnout and uncertainty, which can result in more

## Percent in labor force on long decline



**Note:** The labor force participation rate is the share of the working-age population who are either working or looking for work.

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

quits or a slower rate of return.

Health care workers have worked under pressure for nearly two years, with the fall of 2021 bringing Alaska's largest hospitalization surge to date. Hospitals in some communities had to ration care, and strapped hospitals in other states refused to take Alaska patient transfers as they grappled with their own shortage of health care workers and a wave of COVID patients.

Bar and restaurant workers have faced ever-changing work conditions, limitations, and consumer behavior. Also at risk for burnout are teachers, who have faced demanding and constantly changing work conditions during the pandemic.

### Overview of forecasts by industry

#### Oil and gas recovery remains slow

Higher prices and renewed activity on the North Slope will drive the return of 400 forecasted jobs, a welcome change after the industry lost 2,100 jobs in 2020 and 1,100 more in 2021.

Even with 6 percent growth, the industry would end up 2,800 jobs below its pre-pandemic level, making its recovery the weakest among Alaska industries. Oil and gas lost jobs further into 2020 than most industries that took a deep and fast cut, and recovery was limited. Oil prices plunged, and the industry continued burning off jobs for months after other industries found their floor.

#### Some recovery for seafood processing

We forecast 600 additional jobs for manufacturing



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this year, bringing the industry just 300 jobs below its pre-pandemic level, although yearly employment tends to be volatile. Most manufacturing jobs are in seafood processing, and the remainder is in businesses such as breweries, bakeries, coffee roasters, and concrete manufacturers.

National and international worker shortages could mute recovery, though, as about three-quarters of seafood processing workers come from outside of Alaska.

### Air to lift transportation employment

Transportation, combined with the much smaller warehousing and utility sectors, will add a forecasted 1,500 jobs in 2022, bringing it just 500 jobs below 2019. Air cargo and couriers did well throughout the pandemic. That growth, plus growing local and visitor demand for air travel, will drive the recovery.

### Construction and linked services to grow

Construction fared relatively well through the pandemic, losing just 600 jobs total. We forecast a full recovery in 2022. Home projects became common as people stayed home and households received extra stimulus income, although high lumber prices and supply chain problems limited some projects.

The \$1.2 trillion federal infrastructure bill will provide Alaska with billions over the next five years, but details are still scarce.

We don't expect the bill to boost construction jobs immediately, as it will take a while for the money to reach the state, let alone the street. However, the consulting firms in professional and business services could see some of that money in 2022 if officials and agencies move quickly to firm up or update plans and studies.

We forecast an additional 300 jobs for professional and business services this year. That growth plus the 200 the sector added back in 2021 would leave it 1,100 jobs below its pre-pandemic total.

Professional and business services firms often provide services that only the largest firms can afford to have in-house, such as engineering, accounting, and security. These firms will benefit from the

growth in construction, transportation, and oil and mining exploration and development.

### Health care set to fully recover this year

Health care recovered 900 jobs in 2021 as outpatient services resumed, pushing employment over 2019 levels. Hospital employment fell during 2020 and recovered some of those losses in 2021, but it remains lower. Nursing home employment held steady last year.

We forecast 500 new health care jobs this year through a combination of hospital job recovery and renewed growth in ambulatory health care, which is mostly practitioners' offices.

### Loss for state government, growth for local

Government will be a mixed bag in 2022, with state employment falling, local government employment recovering somewhat, and federal employment holding steady.

State government is forecasted to lose 400 jobs, mostly because COVID-specific positions will end. While COVID prompted temporary job growth in contact tracing and unemployment claim processing, declining revenues and political pressure for smaller government have reduced jobs since 2015.

Local government losses were all from public education as schools closed and students attended remotely during parts of the last two school years. By last fall, most classes were in person.

Except for the first few pandemic months, general local government has been remarkably steady. While the lack of tourism and reduced sales tax revenue early in the pandemic were expected to pinch local government budgets, federal assistance offset the losses and revenues bounced back quickly.

Local government will recover a forecasted 1,100 jobs this year, all in public schools, as continuing in-person instruction will bring back more staff.

We forecast a steady 15,100 jobs in federal government, where it settled last year after a loss of 300. Employment had grown temporarily the year before to conduct the 2020 Census.

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The federal infrastructure bill will provide Alaska with billions of dollars over the next five years.