

ALASKA GOVERNMENT EMPLOYMENT  
by Jeff Hadland

Government Sector in Alaska

The Alaskan economy is very much dependent upon government employment and expenditures. Approximately one-third of total wage and salary employment consists of federal, state and local government employment. In addition, there are more than 20,000 active duty military which are not included in wage and salary employment but have a significant economic impact on the state. Of total civilian government in Alaska, approximately 40 percent is associated with local government, approximately 30 percent with state government and approximately 30 percent with federal government. The importance of government employment has decreased significantly over the last decade and the relative importance of the various government sectors has changed. In 1970 government employment was 38 percent of total wage and salary employment with the local government comprising 23 percent, state government 29 percent and federal government 48 percent of total government employment. (See Figure 1 and Table 1).

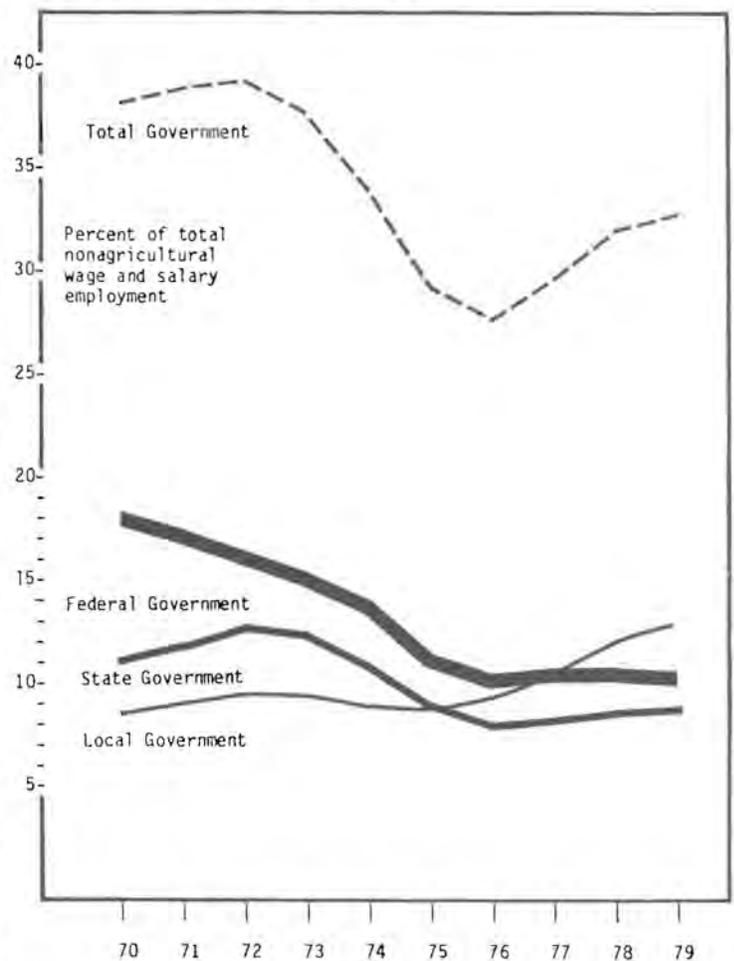
Historically, the federal government has been the largest employer in the state. Through civilian and military employment the economic impact on the private sector has been significant. The net inflow of federal dollars to the state has created a large number of jobs. During the last ten years, civilian federal employment in Alaska has remained fairly constant (while the number of active duty military declined nearly 26 percent from 1970 to 1979). Clearly, the total federal impact has declined absolutely and we expect that civilian federal government employment will not increase significantly over the next several years. Any growth will probably be the result of D-2 lands legislation requiring federal management and survey.

The local government sector has become more significant in recent years. The

local government sector has grown at an 11.5 percent annual rate over the last 10 years, partly in response to the assumption of some functions formerly held by state government, such as education. Growth in local government is expected to continue at approximately 4 percent per year in response to continued demand for provision of local services, especially education, and in response to distribution by the state of some of the oil wealth for local needs. Educa-

Figure 1

Alaska Civilian Government Employment as a percentage of total employment



tion employment constitutes 58 percent of current local government employment and is the fastest growing area of local obligation.

The most dynamic government sector in terms of overall employment impact during the 1980's will be state government. Although total direct state employment is expected to grow at a modest 3 percent per year the impact of increased state capital expenditures on the construction and support industries will be significant. In addition the elimination of state income tax and direct distribution of permanent fund income will create additional jobs in the private sector. The anticipated surplus of state funds from oil revenue receipts requires consideration of how best the money should be spent and what affect these expenditures will have on total employment.

### Historical Trend

Total state government employment in Alaska has grown very modestly since 1975. In 1975, average employment for state government, as determined from payroll reports, was 14,678 while 1979 had an average employment figure of 14,923, a 1.67 percent increase.

If University of Alaska employment is excluded from state employment figures, as is often done for purposes of comparison, we find that average state government employment has actually declined from 1975 levels. Of course, 1975 was an oil pipeline construction year when state services were subject to heavy demand. An examination of employment data from the early 1970's suggests that annual noneducational state employment growth since 1971 has averaged less than 3 percent.

### Current Trends

Current state employment figures for October 1980 show a significant 4.4 percent increase in noneducational employment over the same month last year, perhaps reflecting lagged impact from previously unfilled positions and newly funded positions. New programs and projects funded by the legislature will necessitate the addition of several hundred new employees. The net increase in state government employment is difficult to predict since the rate of turnover, vacancy rate and number of positions eliminated all impact the final figure. The number of new positions funded can only be a guide to expected employment increases.

While noneducational employment has grown modestly over the last 5 years, University of Alaska employment has grown at more than 5 percent per year over the same period. Employment in state departments has grown fairly evenly across the board, but expenditures by function have not. The Division of Finance, Alaska Department of Administration reports that health, social services, natural resources, public protection and environ-

Table 1

ALASKA GOVERNMENT EMPLOYMENT  
(Annual Averages)

	STATE*	FEDERAL	LOCAL	TOTAL
1970	10,300	17,100	8,100	35,500
1971	11,700	17,300	9,000	38,000
1972	13,300	17,200	10,000	40,500
1973	13,754	17,125	10,576	41,455
1974	14,166	18,015	11,593	43,744
1975	14,678	18,257	14,557	47,492
1976	14,123	17,944	15,818	47,885
1977	13,860	17,734	17,201	48,795
1978	14,309	18,133	19,776	52,218
1979	14,923	17,915	21,640	54,478

Source: ES 202 Report

NOTE: 1975 to present figures reflect transfer of state operated schools to local government.

\* includes University of Alaska

mental conservation have all taken larger percentages of the state budget while transportation has taken a smaller percentage in recent years (although the large capital budget passed by the 1980 legislature will change this).

State government employment is concentrated in Anchorage, Juneau and Fairbanks, the percentages held by each region remaining fairly constant over time. In July of 1980, Anchorage had approximately 32 percent of total state government employment, Juneau had 26 percent and Fairbanks had 18 percent (including University of Alaska). This regionality of government is a response to the population distribution of the state and is an important economic factor which could impact each of these communities should the capital be moved. [Noneducational state government employment percentages by community for July were Anchorage 33 percent, Juneau 30 percent and Fairbanks 11 percent.]

#### Interstate Comparison

There has been much discussion as to the large number of state employees per capita. There is no doubt that Alaska does have the highest number of state employees per capita in the nation, however, many functions that might otherwise be carried out by local governments in other states are the responsibility of Alaska state government. A more accurate comparison with other states can be made if employment by state and local governments are combined. According to the U.S. Bureau of Census, Alaska had the highest combined state and local government employment rate in 1978 (Wyoming was higher in 1970) with 724 per 10,000 population followed by Wyoming with 611 per 10,000 population (see Table 2). This 18.5 percent difference is significant but not surprising. Alaska suffers from natural barriers which make for inherent inefficiencies. A large number of small communities each requiring at least the minimum level of services make economies of scale difficult. Transportation and communication costs are significantly

Table 2

State and Local Government employment for selected states per 10,000 population

#### FULL TIME EQUIVALENT

STATE	1978	1975	1970
Alaska	724	722	514
Wyoming	611	628	602
Nevada	602	555	519
Nebraska	591	563	498
Montana	582	556	479
New Mexico	560	564	486
Delaware	541	532	471
Oregon	540	522	463
Hawaii	521	489	496
New York	518	522	514
Idaho	515	508	455
South Dakota	515	481	483
Washington	512	502	468
West Virginia	497	478	412
California	489	496	447
Vermont	486	486	424
Rhode Island	471	456	379
Illinois	448	445	396

Source: U.S. Bureau of Census

higher. In addition, there is a "stickiness" in employment during declining periods which tends to keep employment levels higher than might otherwise be needed, higher than the long term average government employment trend would predict. The post oil pipeline period may reflect this. In the future, we would expect that the state would have caught up in supplying long delayed services and should exhibit a smaller per capita state government employment levels.

#### Future

Future state government employment levels are difficult to predict. Calls for the limitation of state government spending are understandable considering our unusual situation of having more money than we need to operate the current level of

government. The fear is that government will tend to grow and make use of all the available funds. Certainly the quick rise in the size of the state budget would lead one to consider future government growth with caution. State expenditures in 1970 were nearly \$300 million. For fiscal year 1981 the legislature has appropriated over \$1.5 billion for operating expenditures. Certainly a portion of this increase is due to higher wages. The average monthly wage for state employees increased about 50 percent from 1975 to 1980 (\$1,335 to \$1,998) while the Anchorage consumer price index increased 52.7 percent during the same period.

The recent HB60 package of capital projects passed by the legislature is very important from an employment standpoint. Not only will additional employees be needed in the Department of Transportation (although about one half of the design work is contracted out) but nearly two thousand additional direct construction jobs can be expected in the private sector over the next 2 years as a result of this massive capital budget.

Because capital expenditures have become an important economic influence their impact should be carefully considered. Operational and maintenance costs of many capital projects will continue long after construction is completed. In addition the construction employment financed by state dollars is logically not that much different from direct state employment. This could lead to a construction industry very much influenced and dependent upon state capital projects.

Restraint in state spending is being discussed and future state government employment levels must be considered in light of this uncertainty. Availability of money no longer acts as a limiting force. This surplus of money will lead to further expenditures for needed services, with local government employment impacted most significantly through state transfers to local governments for education and possibly for property tax relief.

## Overview

State spending patterns will become a more important factor in overall employment in Alaska during the next several years, but the extent of the influence will depend on how the money is used. Capital and operating expenses create employment in the economy; while saving of funds in a nationally invested portfolio would reduce instate employment impacts. The demands of the people seem more inclined towards an improved quality of life rather than increased state financed employment. But more services necessarily means more state government. Difficult alternative choices are involved. Costs and benefits must be evaluated to establish the most desirable level of services.

Although state government employment has not grown over the last 5 years there are inherent pressures which will likely make this a noncontinuing trend. With the moderate approach of the legislature and administration towards growth on the one hand and growing wish lists on the other, growth in government will likely be at least commensurate with growth in the economy as a whole.

Editors Note: Detailed occupational information for the government sector is available through the Research and Analysis section in a document entitled: Federal, State and Local Government Occupational Employment Statistics, Alaska Department of Labor, Research and Analysis.

## ALASKA'S LABOR FORCE IN NOVEMBER by Chris Miller

The non-agricultural employment index for November was 167.3 up both over the month and year. A new trend has begun to develop in non-agricultural wage and salary employment during the last half of 1980. The statewide non-agricultural employment