

A first look at job loss from pandemic

April's job numbers show unprecedented and widespread decline

By DAN ROBINSON

April's job numbers provided initial details on Alaska's COVID-19-related losses, showing an unprecedented drop of 13.1 percent from April of last year. The closest we've come to a loss of that magnitude was in August 1977, when employment fell 11.7 percent after the Trans-Alaska Pipeline was completed. The state's deep recession of the late 1980s, at its worst, produced a decline of 7.5 percent in September 1986.

The historical comparisons give rough context to the depth of the current losses, but they're of limited value when evaluating the situation we face now. Job losses caused by the pandemic and efforts to slow its spread differ fundamentally from those caused by economic bubbles and temporary imbalances in market forces, which are the typical reasons for large-scale job losses and recessions.

Because April's losses were mostly linked to mandatory government restrictions that have since been lifted, some of the April losses could quickly reverse. Looking at the April numbers in detail can help clarify what we're likely to see for May and June.

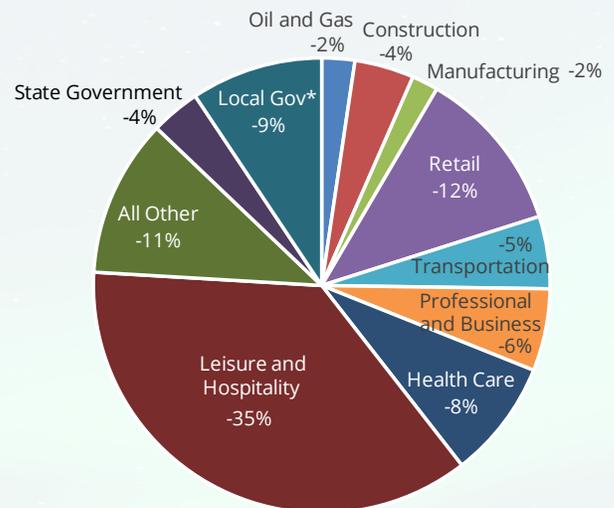
Losses were widespread, and leisure and hospitality hit hardest

Alaska had an estimated 280,300 jobs in April, down from 322,500 in April 2019. To determine whether we're truly adding or losing jobs, we compare job numbers to the same month in the prior year to account for typical seasonal employment swings, which are strong and somewhat unpredictable.

Still, it's interesting to note that since at least 1960, Alaska has always added jobs from March to April as seasonal work picks up. Always, that is, until 2020. April's job count was nearly 40,000 below March's.

The biggest over-the-year losses were in the leisure and hospitality sector, which includes businesses like hotels, restaurants, and bars as well as gyms,

Industry job losses from April 2019 to April 2020



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

museums, and performing arts companies. Of the roughly 42,200 jobs lost, 15,600 were from leisure and hospitality, which nearly cut that sector's employment in half from last April's 32,400 jobs.

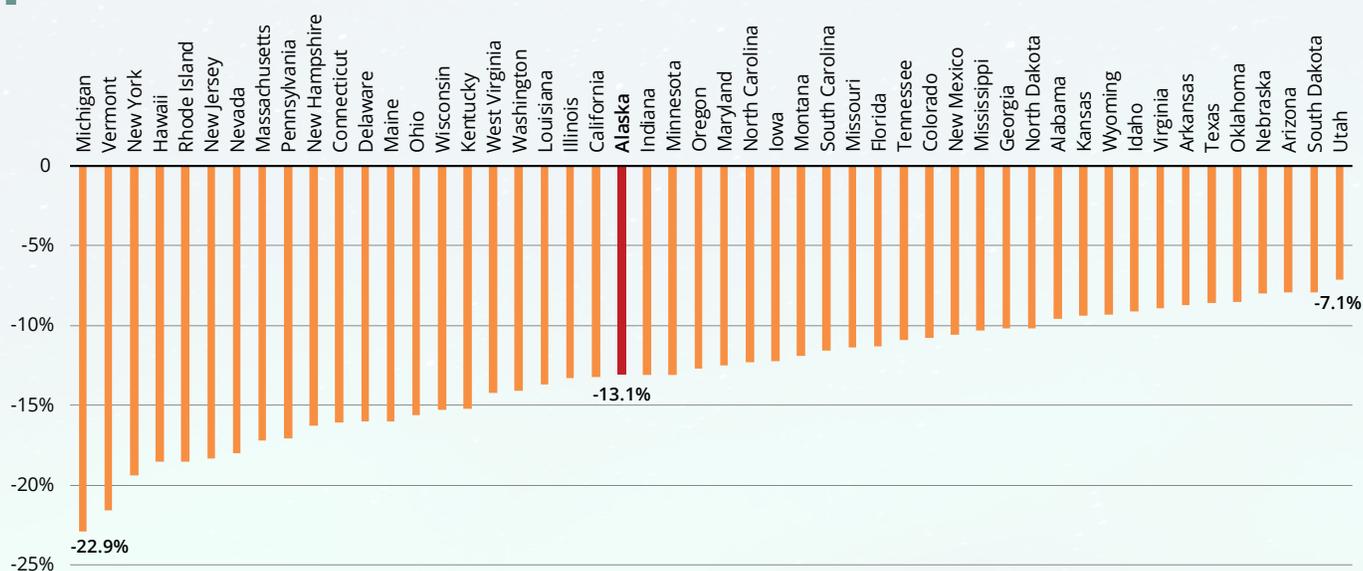
The second-largest numerical declines were in retail trade (-5,000) and health care (-3,600). The only sector that didn't lose jobs was federal government, partly due to temporary hiring for the 2020 Census.

Otherwise, losses were substantial both numerically and in percent terms for every major sector of the state's economy, including state and local government. At the low end, financial activities fell 4.4 percent. At the high end was leisure and hospitality's dramatic 48.1 percent drop.

All states lost jobs in April, and Alaska was in the middle

All states' employment took a major hit in April,

April 2020's job losses by state, compared to April 2019



Source: U.S. Bureau of Labor Statistics

with declines ranging from nearly -23 percent in Michigan to -7 percent in Utah. Alaska's loss ranked in the middle of the pack for severity, although these numbers are preliminary and small differences probably don't mean much.

At the early stages, the worst-affected states were mainly either Eastern (Vermont, New York, Rhode Island, New Jersey, Massachusetts, Pennsylvania, New Hampshire, Connecticut, Delaware, and Maine) or tourism-dependent (Hawaii and Nevada).

The state with the biggest loss, Michigan, doesn't fall into either category, however. Its losses came disproportionately from its large manufacturing sector. Michigan's total employment fell from 4.4 million in April of last year to 3.4 million in April 2020, and roughly 190,000 of the lost jobs were in manufacturing — nearly a third of that industry's jobs.

How our economy is similar to and different from U.S. overall

One way to anticipate the pandemic's effects on Alaska is to compare our economy to the national economy. The more alike we are, the more likely it is that we'll follow a similar trajectory. The graphs on page 11 show some of the similarities and differences.

How April's employment compares to last April



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

Limiting the comparison to the percentages of jobs in certain sectors shows that Alaska has about the same percentages of jobs as the U.S. in health care, retail, bars and restaurants, construction, and the arts, entertainment, and recreation sector.

The ways our economies differ might be more telling, though.

Three percent of Alaska's jobs, for example, are in the oil and gas industry, which is 10 times higher than for the U.S. overall (0.3 percent). Alaska also has substantially more state and local government jobs as a percent of our total (19.7 percent and 13.1 percent, respectively), and a higher share of federal jobs (4.5 percent for Alaska and 1.9 percent for the U.S.).

More of Alaska's manufacturing jobs are in food manufacturing, at 2.9 percent in Alaska and 1.1 percent nationwide. Almost all of Alaska's manufacturing is seafood processing, while U.S. food manufacturers produce a variety of foods.

Alaska has a tiny fraction of jobs in the manufacturing of durable goods, and the types differ as well. While building cars, airplanes, furniture, and other consumer and industrial goods makes up 5.3 percent of U.S. jobs, it's 0.6 percent for Alaska and in just a few specialized areas such as ship building and specialty equipment used in oil and gas or mining work.

Alaska also has smaller shares of professional and business services and financial activities. Here, those jobs mainly support in-state businesses and residents, unlike parts of the U.S. where finance, insurance, technology, and other services are exported throughout the nation and world.

What to watch for in the next few months

.....

Many businesses began to reopen in May, but mainly in the second half of the month — and for semi-technical reasons, the data are biased toward employment levels in the first half. That means May's data will likely show large losses again. By

Of the 42,200 jobs Alaska lost over the year, 15,600 were from leisure in hospitality — nearly cutting that sector's employment in half.

June, we'll get a better sense of how quickly different types of jobs are returning.

Some types of jobs will bounce back faster than others. Health care providers, for example, primarily serve Alaskans, and consumer spending on health care procedures and services is less discretionary than spending

on new furniture, a new car, or a restaurant meal.

As we've written about over the last few months, seasonal jobs that depend on large cruise ship tourism are unlikely to materialize this summer. Alaska's summer-dominant tourism industry is different in that respect from Hawaii, Nevada, and Florida, which draw large numbers of visitors all year.

In Alaska, tourism-dependent jobs won't return in large numbers sooner than 2021, and even that depends on resolving public health concerns and restoring consumer confidence. It may take longer than a year or two for tourism to return to normal, but visitor interest in Alaska has been strong and growing in recent years, a trend that is unlikely to change.

Another category to watch in the next few months is the jobs that depend on in-state consumer and business spending. If that type of spending is slow to resume because of concerns about job security, public health, the state's finances, or anything else, it will take longer for the state's economy to bounce back.

Finally, job counts for state and local government will play an important role in economic recovery. Those jobs were down by 5,500 in April, and some of the state government losses in particular predate the pandemic.

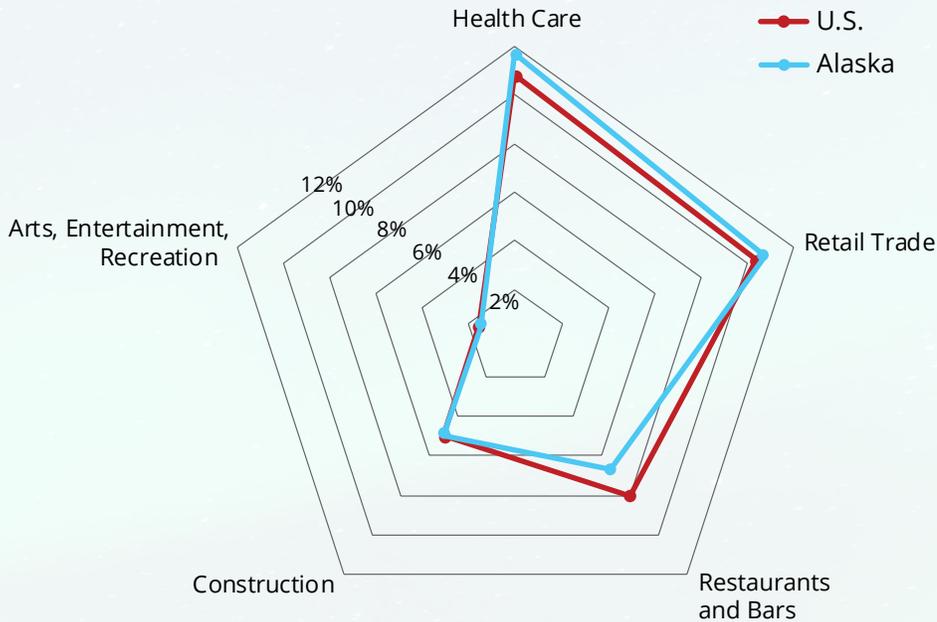
State and local government revenues will take a substantial hit, which will mean additional job losses in the coming months. Federal funding will at least temporarily ease the declines, but the range of possible cuts to state and local government jobs and services is far wider now than it was earlier in the year.

Dan Robinson is chief of Research and Analysis. Reach him in Juneau at (907) 465-6040 or dan.robinson@alaska.gov.

Comparing and contrasting Alaska, U.S. economies

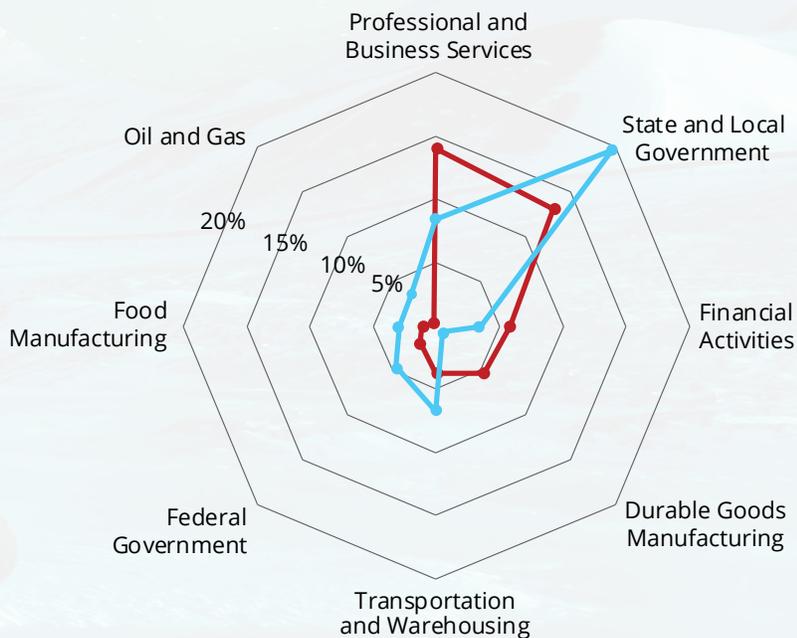
How they're similar

(Percent of total employment, 2019)



How they differ

(Percent of total employment, 2019)



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