

Alaska's Income Growth Among Strongest In Nation in 1989 & 1990

By Neal Fried

A strong economic recovery combined with income earned from the oil spill to raise Alaska's personal income to a new high in 1989. (See Figure 1.) The change in the state's total personal income figure was dramatic- from listless growth in 1988 to the second fastest growing state in 1989. Alaska's total personal income grew by over \$1 billion last year. (See Table 1.)

A billion dollars more income in 1989 translated into an annual growth rate of 13%, and Alaska was one of four states that grew at double-digit speed. The last time personal income grew this rapidly in Alaska was in 1983. In 1989 almost all of Alaska's industries contributed to this income growth.

About the author:

Neal Fried is a labor economist with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. He is based in Anchorage.

Oil Spill Accounts for at Least a Third of all Income Growth

While almost every industry contributed to higher personal income levels, earnings from the oil spill cleanup are too large to ignore. According to the U.S. Department of Commerce, earnings in the transportation industry (where most of the oil spill earnings are counted) grew by \$349 million. This accounts for nearly one-third of the total increase in Alaska's personal income in 1989 and doesn't factor in higher incomes in industries indirectly affected by the oil spill.

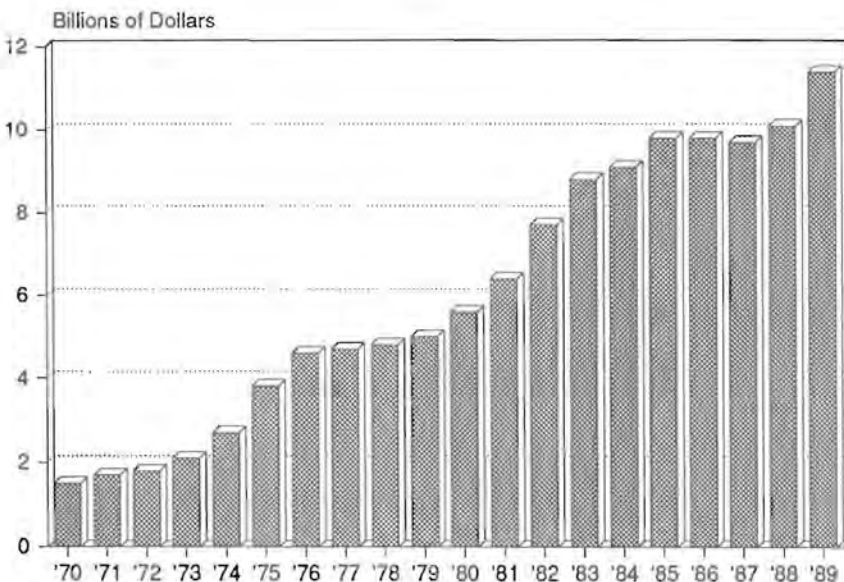
How much did the spill influence Alaska's income levels? Recent figures indicate that the torrid pace of income growth has moderated, but hasn't reversed itself. During the second quarter of 1990, Alaska led the nation in total personal income growth at an annual rate of 2.4%.

What Counts as Income?

The U.S. Department of Commerce's Bureau of Economic Analysis (BEA) produces most of the nation's personal income data. BEA personal income estimates are available for the nation, regions of the country, states, and sub-state areas such as counties and metropolitan areas. These income figures are adjusted for residency- which means that nonresident income is subtracted from the Alaska figure but income of Alaskans who work outside of the state are added back into the state total. In 1989, the net effect of residence adjustment was that \$498 million was subtracted from Alaska's total personal income.

Figure 1

Alaska Total Personal Income 1970-1989



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Total and Per Capita Personal Income Alaska and the U.S., 1970-1989

	Alaska Total (in millions of dollars)	U.S. Total (in millions of dollars)	Alaska Per Capita (dollars)	U.S. Per Capita (dollars)	Alaska Per Capita as % of U.S.
1970	1,544	825,534	5,073	4,051	125%
1971	1,679	888,536	5,305	4,296	123%
1972	1,827	976,181	5,596	4,665	120%
1973	2,148	1,095,289	6,447	5,182	124%
1974	2,650	1,204,899	7,689	5,648	136%
1975	3,780	1,308,482	10,189	6,073	168%
1976	4,560	1,447,002	11,599	6,651	174%
1977	4,701	1,602,863	11,831	7,294	162%
1978	4,791	1,806,968	11,912	8,136	146%
1979	5,021	2,028,510	12,582	9,033	139%
1980	5,599	2,254,076	13,835	9,919	139%
1981	6,449	2,514,231	15,486	10,949	141%
1982	7,739	2,663,432	17,366	11,481	151%
1983	8,758	2,834,385	18,161	12,098	150%
1984	9,140	3,101,163	18,087	13,114	138%
1985	9,802	3,317,545	18,785	13,896	135%
1986	9,820	3,519,364	18,483	14,596	127%
1987	9,681	3,766,092	18,438	15,471	119%
1988	10,094	4,058,655	19,042	16,513	115%
1989	11,407	4,368,129	21,656	17,596	123%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

When BEA calculates personal income figures they include:

- **Net earnings** – Which consist of wages and salaries, other labor income, and proprietors' income minus contributions for social insurance;
- **Dividends, interest, and rent on assets;** and
- **Transfer payments** – Which include government payments to individuals, government payments to nonprofits; and business payments to individuals.

BEA's figures are revised as new information becomes available. Therefore, the 1988 figures reported last year are slightly different than those reported in 1990.

Alaskan's Per Capita Income Also Grows

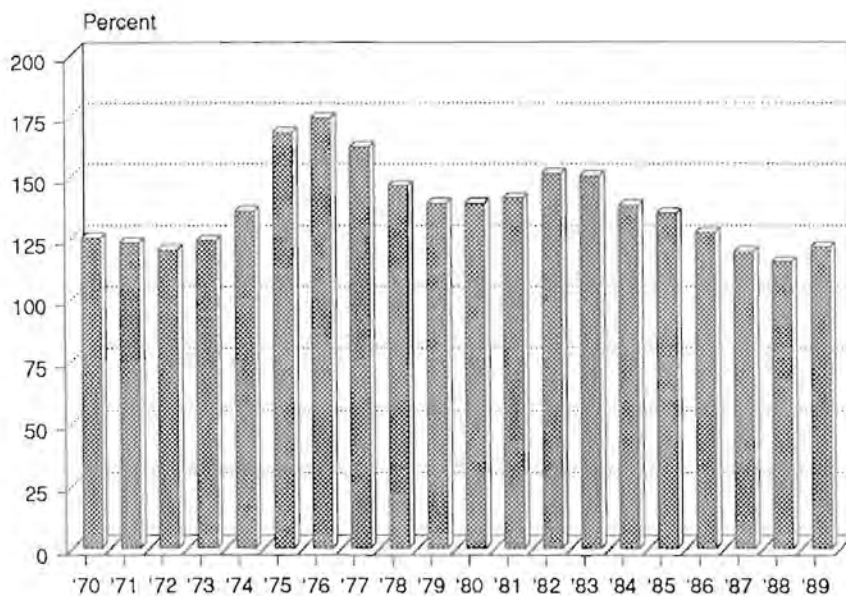
The growth in total personal income translated into strong growth in Alaska's per capita income figures. Per capita income is calculated by taking the total personal income of an area and dividing it by the area's resident population.

Alaska's per capita income reached a new high in 1989 — \$21,656 for every man, woman and child. (See Table 2.) This is a per capita income growth rate of 12.6%, the highest in the nation in 1989. Per capita income in Alaska has never been higher, even after adjusting this figure for inflation. The closest per capita income came to this level in inflation-adjusted dollars was in 1983 at \$20,449.

The state's 12.6% improvement in per capita income resulted in Alaska moving up three spots in the state rankings of per capita income. Although Alaska did not regain the top spot it held for many years, it moved to fifth place in 1989, after falling to eighth place in 1988. Alaska's standing relative to the national average also improved markedly in 1989. As a percent of the national average, Alaska's per capita income climbed from 115% in 1988 to 123% in 1989. (See Figure 2.) Although this is a far cry from the 174% reached in 1975, it is another positive indicator for the state.

Figure 2

Alaska Per Capita Income As A Percentage of the National Average 1970-1989



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Per Capita Personal Income By State 1988-1989

STATE	1989	1988	1988-1989 Percent Change	1989 Percent Of U.S.	1989 Average Persons per Household	1989 Average Household Income
Connecticut	\$24,683	\$23,190	6.4%	140%	2.59	\$63,929
New Jersey	23,778	22,265	6.8	135	2.65	63,012
District of Columbia	23,491	22,063	6.5	134	2.37	55,674
Massachusetts	22,174	20,898	6.1	126	2.55	56,544
ALASKA	21,656	19,237	12.6	123	2.81	60,853
New York	21,073	19,663	7.2	120	2.55	53,736
Maryland	21,013	19,639	7.0	119	2.65	55,684
New Hampshire	20,267	19,410	4.4	115	2.60	52,694
California	19,929	18,915	5.4	113	2.68	53,410
Nevada	19,269	17,849	8.0	110	2.47	47,594
Virginia	18,927	17,712	6.9	108	2.59	49,021
Illinois	18,824	17,567	7.2	107	2.60	48,942
Delaware	18,483	17,347	6.5	105	2.62	48,425
Hawaii	18,472	16,840	9.7	105	2.97	54,862
Rhode Island	17,950	16,870	6.4	102	2.55	45,773
Minnesota	17,657	16,472	7.2	100	2.57	45,378
Florida	17,647	16,515	6.9	100	2.45	43,235
Washington	17,647	16,364	7.8	100	2.48	43,765
U.S.	17,596	16,513	6.6	100	2.60	45,750
Colorado	17,553	16,471	6.6	100	2.53	44,409
Michigan	17,444	16,391	6.4	99	2.65	46,227
Pennsylvania	17,269	16,135	7.0	98	2.59	44,727
Kansas	16,498	15,688	5.2	94	2.52	41,575
Wisconsin	16,449	15,378	7.0	93	2.57	42,274
Ohio	16,373	15,427	6.1	93	2.57	42,079
Vermont	16,371	15,268	7.2	93	2.53	41,419
Missouri	16,292	15,331	6.3	93	2.53	41,219
Maine	16,248	15,045	8.0	92	2.52	40,945
Georgia	16,053	15,280	5.1	91	2.66	42,701
Oregon	15,919	14,811	7.5	90	2.45	39,002
Arizona	15,802	14,995	5.4	90	2.67	42,191
Indiana	15,779	14,721	7.2	90	2.59	40,868
Texas	15,702	14,753	6.4	89	2.71	42,552
Iowa	15,487	14,316	8.2	88	2.50	38,718
Nebraska	15,446	14,569	6.0	88	2.51	38,769
North Carolina	15,198	14,243	6.7	86	2.55	38,755
Tennessee	14,694	13,895	5.8	84	2.57	37,764
Wyoming	14,508	13,720	5.7	82	2.64	38,301
Oklahoma	14,154	13,306	6.4	80	2.50	35,385
Montana	14,078	12,870	9.4	80	2.55	35,899
Kentucky	13,743	12,792	7.4	78	2.60	35,732
Idaho	13,707	12,652	8.3	78	2.69	36,872
South Dakota	13,685	12,599	8.6	78	2.55	34,897
South Carolina	13,634	12,907	5.6	77	2.73	37,221
Alabama	13,625	12,814	6.3	77	2.65	36,106
North Dakota	13,563	12,342	9.9	77	2.56	34,721
New Mexico	13,140	12,401	6.0	75	2.74	36,004
Utah	13,079	12,225	7.0	74	3.14	41,068
Louisiana	12,921	12,238	5.6	73	2.74	35,404
Arkansas	12,901	12,141	6.3	73	2.58	33,285
West Virginia	12,345	11,578	6.6	70	2.58	31,850
Mississippi	11,724	11,055	6.1	67	2.75	32,241

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 3

1986-1988 Alaska's Per Capita Income by Census Area

	1986	1987	1988	Percent of U.S.	Rank in State	1987-88 Percent Change
ALASKA	\$18,508	\$18,463	\$19,237	116.5%	—	4.2%
U.S.	14,597	15,472	16,513	100.0	—	6.7
Aleutian Islands C.A.	17,755	18,491	*	0.0	—	—
Aleutians East Borough	*	*	19,446	117.8	11	—
Aleutians West C.A.	*	*	20,630	124.9	9	—
Anchorage, Municipality of	21,299	21,142	21,840	132.3	7	3.3
Bethel Census Area	11,345	11,546	11,845	71.7	23	2.6
Bristol Bay Borough	25,402	25,329	25,584	154.9	2	1.0
Dillingham Census Area	15,871	15,186	16,657	100.9	14	9.7
Fairbanks North Star Borough	17,097	17,025	16,816	101.8	13	-1.2
Haines Borough	24,475	27,873	33,599	203.5	1	20.5
Juneau Borough	21,134	22,263	23,286	141.0	4	4.6
Kenai Peninsula Borough	15,494	15,109	16,024	97.0	16	6.1
Ketchikan Gateway Borough	20,773	22,470	23,551	142.6	3	4.8
Kodiak Island Borough	15,944	16,372	16,641	100.8	15	1.6
Matanuska-Susitna Borough	13,667	13,187	13,421	81.3	19	1.8
Nome Census Area	13,260	14,248	14,346	86.9	18	0.7
North Slope Borough	20,472	20,541	19,979	121.0	10	-2.7
Northwest Arctic Borough	12,768	12,663	13,312	80.6	20	5.1
Prince of Wales-Outer Ketchikan C.A.	14,503	14,637	15,462	93.6	17	5.6
Sitka Borough	18,899	19,811	20,922	126.7	8	5.6
Skagway-Yakutat-Angoon Census Area	18,658	17,422	17,849	108.1	12	2.5
Southeast Fairbanks Census Area	12,504	11,403	12,273	74.3	22	7.6
Valdez-Cordova Census Area	21,061	20,842	22,818	138.2	6	9.5
Wade Hampton Census Area	8,774	8,999	8,798	53.3	24	-2.2
Wrangell-Petersburg Census Area	20,606	21,720	22,998	139.3	5	5.9
Yukon-Koyukuk Census Area	12,469	11,855	12,410	75.2	21	4.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

* Estimates for 1988 separate the Aleutian Islands Census Area into Aleutians East Borough and Aleutians West Census Area.

Most of Alaskans' Income Comes From Wages And Salaries

Nearly three-quarters of Alaskans' income is earned in the form of wages and salaries, which is a substantially larger share than the rest of the nation. (See Figure 3.) This is probably because Alaska has a higher work force participation rate than the rest of the nation, meaning a larger percentage of Alaska's working age population is active in the labor force.

Alaskans earn a far smaller share of their income from the dividend, interest and rents side of the personal income

equation. One possible explanation is demographics — a younger population such as Alaska's simply has not had the time to acquire the necessary assets which earn this kind of income.

Transfer payments are also in the income equation. They include unemployment benefits, welfare payments, social security, and in Alaska's case, permanent fund dividends and longevity bonus payments. Although Alaskans are the only Americans that earn the latter two, a proportionately larger share of the national population is receiving transfer payments in the form of social security.

Alaska's Average Monthly Wage by Industry 1980-1989

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Mining	\$3,802	\$4,030	\$4,254	\$4,550	\$4,703	\$5,311	\$4,921	\$5,171	\$5,126	\$5,249
Construction	3,342	3,756	3,941	3,860	3,651	3,383	3,425	3,315	3,399	3,503
Manufacturing	1,846	1,828	1,955	2,065	2,115	2,000	2,019	2,116	2,143	2,338
Trans. Comm. & Utilities	2,458	2,731	2,915	2,931	2,946	2,797	2,896	2,718	2,699	3,408
Trade	1,342	1,446	1,522	1,598	1,624	1,546	1,610	1,409	1,487	1,566
Wholesale	2,156	2,286	2,446	2,533	2,558	2,558	2,601	2,484	2,468	2,550
Retail	1,154	1,244	1,302	1,373	1,397	1,316	1,376	1,272	1,274	1,339
Finance-Ins. & R.E.	1,565	1,687	1,915	2,017	2,122	2,252	2,173	2,258	2,216	2,187
Services	1,404	1,614	1,792	1,831	1,837	1,719	1,802	1,655	1,692	1,842
Government	1,945	2,142	2,296	2,420	2,480	2,627	2,565	2,641	2,641	2,739
Federal	1,741	1,952	2,019	2,172	2,268	2,348	2,298	2,414	2,520	2,556
State	2,312	2,433	2,567	2,683	2,698	2,887	2,829	2,895	2,859	2,001
Local	1,847	2,071	2,295	2,397	2,464	2,617	2,539	2,615	2,567	2,767
Statewide	1,931	2,140	2,301	2,379	2,382	2,369	2,345	2,308	2,310	2,479

Source: Alaska Department of Labor, Research & Analysis Section.

Dramatic Income Differences Exist Within The State

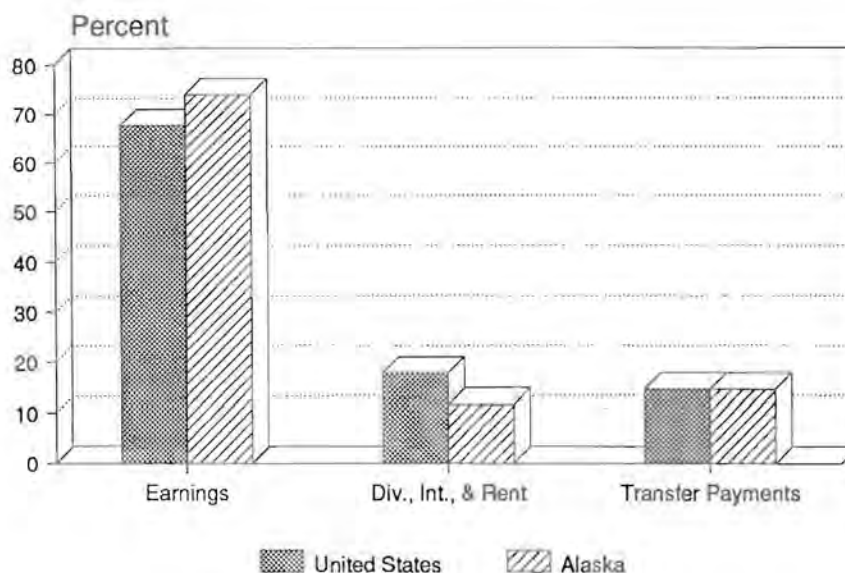
According to Table 3, the Haines Borough still tops the state's per capita income at \$33,599; Wade Hampton Census Area is again on the bottom at just over one-quarter of the Haines Borough's per capita income.

Local area per capita income figures must be used with more caution than other personal income figures. Since the population component is key to an area's per capita income level, anomalies in an area's population can cause these figures to be misinterpreted. For example, an area's income can be affected by a large resident college population. Since college students' earnings are typically low, they would depress the local area per capita income.

Another reason that local area per capita income figures should be used with caution is that the data sources used to derive the income figures at the local area level are not always reliable. For example, BEA appears to be using a

Figure 3

Personal Income by Source — Alaska & U.S.



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 5

Alaska's Average Monthly Wage by Census Area 1980-1989

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Aleutian Islands Census Area	\$1,549	\$1,590	\$1,702	\$1,693	\$1,769	\$1,875	\$1,892	\$2,009	*	*
Aleutians East Borough	*	*	*	*	*	*	*	*	\$2,008	\$1,959
Aleutians West C.A.	*	*	*	*	*	*	*	*	2,140	2,133
Anchorage, Municipality of	1,921	2,075	2,208	2,289	2,327	2,346	2,385	2,363	2,378	2,495
Bethel Census Area	1,197	1,466	1,634	1,735	1,792	1,756	1,830	1,743	1,727	1,873
Bristol Bay Borough	1,695	2,045	1,989	1,904	2,099	1,850	1,960	2,013	1,970	2,297
Dillingham Census Area	1,637	1,764	1,849	2,150	1,862	1,858	1,863	1,828	1,850	1,925
Fairbanks North Star Borough	2,049	2,210	2,384	2,474	2,414	2,432	2,347	2,320	2,236	2,282
Haines Borough	1,256	1,539	1,728	1,897	2,008	2,089	2,237	2,360	2,373	2,794
Juneau Borough	1,873	2,093	2,195	2,283	2,267	2,295	2,320	2,341	2,339	2,355
Kenai Peninsula Borough	2,031	2,197	2,313	2,309	2,344	2,343	2,255	2,169	2,245	2,558
Ketchikan Gateway Borough	1,868	1,904	2,069	2,137	2,110	2,099	2,107	2,138	2,178	2,310
Kodiak Island Borough	1,534	1,636	1,878	2,003	1,857	1,968	1,820	1,757	1,807	2,373
Matanuska-Susitna Borough	1,585	1,745	1,926	1,918	2,036	1,725	1,976	1,974	1,968	2,063
Nome Census Area	1,481	1,648	1,898	1,933	1,980	1,970	1,988	2,022	2,024	2,200
North Slope Borough	3,800	4,415	4,778	4,849	4,911	4,681	4,341	4,079	4,053	4,225
Northwest Arctic Borough	1,576	1,717	1,729	1,986	2,020	1,951	1,914	1,958	2,122	2,275
Prince of Wales-Outer Ketchikan C.A.	1,866	1,851	1,955	2,124	2,091	1,937	2,039	1,954	2,089	2,293
Sitka Borough	1,838	2,062	2,140	2,082	2,088	2,000	2,009	2,040	2,045	2,097
Skagway-Yakutat-Angoon C.A.	1,435	1,623	1,832	2,055	1,703	1,759	1,786	1,746	1,807	2,138
Southeast Fairbanks Census Area	1,479	1,661	1,637	1,765	1,807	1,900	2,036	1,914	1,890	1,950
Valdez-Cordova Census Area	2,222	2,407	2,488	2,411	2,501	2,507	2,483	2,475	2,417	4,109
Wade Hampton Census Area	1,150	1,328	1,444	1,447	1,463	1,414	1,450	1,670	1,452	1,618
Wrangell-Petersburg Census Area	1,524	1,766	1,909	2,084	1,950	2,098	2,058	2,006	2,065	2,180
Yukon-Koyukuk Census Area	2,126	2,318	2,405	2,465	2,393	2,063	2,090	2,046	2,082	2,144
Statewide Average	1,931	2,140	2,301	2,379	2,382	2,369	2,345	2,308	2,310	2,479

Source: Alaska Department of Labor, Research & Analysis Section.

* Aleutian Islands Census Area was separated into Aleutians East Borough and Aleutians West Census Area in 1988.

high population estimate for Juneau, which in turn deflates its per capita income figure. Using the state demographer's population estimates, per capita income in the Juneau Borough would increase to \$24,911 versus BEA's \$23,286. Another definition problem for Alaska is that subsistence activities are not accounted for in these income figures.

Although reliability is not this series' strength, these figures do make a point. They emphasize the urban/rural income dichotomy in the state. Alaska's urban areas generally enjoy much higher incomes than most of Alaska's rural areas. In rural areas there are far fewer employment opportunities and often little or no economic infrastructure exists from which to earn income. In Wade Hampton, for example, only 56% of total personal income comes from earnings while 40% comes from transfer pay-

ments. On the other hand, more than 70% of income in Fairbanks comes from earnings versus 16% from transfer payments.

There are, however, exceptions to this pattern. The Aleutian Islands, with its booming fishing industry, and the North Slope Borough, with its valuable oil resources, enjoy above average incomes. As long as these figures are used carefully, they can tell an economic story.

Household Income is Another Indicator

Average household income figures in Table 2 are calculated by multiplying per capita income figures by the state's average household size. Because Alaska's household size is higher than the national average, household income is also relatively higher.

Longer Hours, Higher Wages Boost Alaska's Average Monthly Wage

Alaska's average monthly wage also made some impressive gains in 1989. After five years of either declines or zero growth, Alaska's average monthly wage climbed 7.3% in 1989, reaching \$2,479 — the highest it has ever been in nominal terms (but not in inflation-adjusted dollars). (See Table 4.) Since this statistic is arrived at by dividing the state's total payroll by the total number of jobs, a number of factors can contribute to a higher average monthly wage. Among the factors which influence average monthly wage are longer hours, higher wages, and changes in the occupation or industry mix of the workforce. A combination of longer hours worked and higher wages probably explains the 1989 increase in Alaska's average monthly wage.

Looking at the industry wage data confirms the broad-based nature of Alaska's economic recovery in 1989. The finance-insurance and real estate industry was the only industry that didn't register increased wages in 1989.

The peak performer was the transportation, communication and utilities industry with a whopping 26%, or \$700 per month, increase in average monthly wages in 1989. Almost all of this increase, however, was a result of oil spill cleanup wages. Manufacturing also made some impressive gains because of a combination of overtime hours processing the 1989 fish catch and a healthy timber harvest.

Oil Industry Wages Remain Highest

As always, Alaska's mining industry (90% of which is the oil and gas industry) tops the industry average monthly wage list at \$5,249. Construction follows at \$3,503 with transportation, communication and utilities not far behind. On the bottom of the list is retail trade — an industry dominated by part-time employment and low wages. Caution must be exercised when making industry comparisons, particularly because many of these industries are very seasonal. For example, the average construction worker may earn a high average monthly wage but may only work part of the year.

Measuring Poverty Levels of Income in Alaska

While there is no comprehensive, ongoing measurement to determine what a poverty level of income is in Alaska, two measurements available from federal agencies are provided below to help determine what a poverty level income is in Alaska.

The poverty income guidelines shown below are used to determine eligibility of individuals and families for a number of federal and state programs. They are derived by adding 25% to the national criteria to take into account the higher cost of living in Alaska. Each year they are updated to reflect the change in the consumer price index.

There are no reliable figures for the number of Alaskans that presently meet this criteria. The last time Alaska's poverty population was determined was during the 1980 census. In 1992 results from the 1990 census should become available, and provide us with the first updated statistics on Alaska's poverty population in ten years.

The lower living standard income levels shown below are used to determine eligibility on the basis of economic disadvantage for Job Training Partnership Act (JTPA) and other job and training programs. They are also updated annually.

1990 Federal Poverty Income Guidelines

Family Size	Income Criteria for 100% of the LISIL
1	\$7,840
2	11,310
3	15,530
4	19,170
5	22,630
6	26,460
7	30,290
8	34,120
For each additional family member add:	\$3,810

Source: Federal Register Vol. 55, No. 72, April 13, 1990.

Lower Living Standard Income Levels

Family Size	Alaska	All other states Except Hawaii
1	\$7,840	\$6,280
2	10,520	8,420
3	13,200	10,560
4	15,880	12,700
5	18,560	14,840
6	21,240	16,980
7	23,920	19,120
8	26,600	21,260
For each additional family member add:	2,680	2,140

Source: Federal Register Vol. 55, No. 33, February 16, 1990.

Oil Spill Boosts Wages In The Gulf Coast Region

Average monthly wages improved in almost all of the state's boroughs and census areas. (See Table 5.) Not surprisingly, the Valdez-Cordova average monthly wage climbed the most, from \$2,417 in 1988 to \$4,109 in 1989. Average monthly wages in the Kodiak and the Kenai Peninsula boroughs, the two other areas heavily affected by the oil spill, also climbed substantially. Healthy increases were not limited to areas impacted by the oil spill. Bristol Bay, Anchorage, Haines and others also enjoyed significant increases.

Summary: Alaska's Income Picture Looks Good

Alaska's healthy economic recovery translated into a strong comeback in personal income. Alaska's personal income enjoyed its single largest jump in many years, increasing by more than \$1 billion in 1989. Alaska's income growth went from being one of the most tepid in the nation to one of the most robust.

A well-rounded economic recovery was responsible for most of this growth, but

the oil spill put the icing on the cake. Nearly a third of the increase is attributable to the oil spill. Even with little oil spill activity, Alaska's income picture looked good for the first half of 1990.

Alaska's per capita income improved along with total personal income. It reached a record \$21,656 in 1989. Its rate of growth was the highest in the nation. In spite of this strong growth, Alaska is still far from reaching the top spot in the nation that it held for many years. And if the cost of living is taken into account, Alaska's income picture is not quite as rosy.

Along with income, Alaska's average monthly wage also surged in 1989, after five years of decline. Again, the strong economic recovery along with help from the oil spill are responsible. In the transportation industry the average monthly wage grew by 26%. All other industries saw one also enjoyed advances, to a lesser extent.

The oil industry still pays the top average monthly wages in the state, followed by construction. Income and wage data is just another confirmation of the strong economic recovery Alaska is enjoying.