

After Kmart Left Alaska

How laid-off workers fared in the years that followed

By **CONOR BELL**

Walmart closed its Juneau store earlier this year, but that wasn't the first time a large variety store chain shut its doors in Alaska. The state faced a much bigger setback in March 2003, when Kmart closed all of its Alaska stores at once, laying off about 1,000 employees.

Kmart closed at an otherwise robust time for Alaska's economy. Job growth was strong in 2003, and despite that massive loss, Alaska still managed a net gain in retail jobs that year.

While we don't yet know how many former Walmart employees will leave the state or find comparable work closer to home, a study of what happened to Kmart employees in the years after their layoffs shows how that type of closure can affect workers and the economy overall.

This study, which compares former Kmart employees to Alaska retail workers as a whole, showed that laid-off workers left the state at a slightly higher rate, were less likely to be working a year later, and tended to earn less after finding another job. However, the higher-paid Kmart employees, such as management, were more likely to find new employment and earn similar wages.

Finding new jobs that next year

In 2003, the average wage for a Kmart employee for the first quarter was \$5,028, including wages from

any other jobs. And nearly a third of the Kmart workers did in fact have other jobs.

Many who were laid off hadn't returned to work a year later. Only 62 percent of former Kmart employees held a job in first quarter 2004, a year after the layoff was announced. (See Exhibit 1.) For comparison, almost 80 percent of all retail industry workers who worked in the first quarter of 2003 were also working in the first quarter of 2004.

Former Kmart employees who held a second job were just as likely as other retail workers to continue working, likely because they were able to keep their other job. Those without second jobs were much less likely to find new employment, with only 54 percent working a year later.

The higher-earning Kmart workers were more likely to have found a new job the next year. Seventy-two percent of workers who had earned more than \$6,000 per quarter at Kmart were working again in early 2004.

Two likely reasons are that skilled workers are more employable and that lower-paid, often part-time employees are less attached to the workforce. Most people working part-time do so for noneconomic reasons, such as school, child care difficulties, or other personal obligations, commitments that may make them less likely to seek new work.

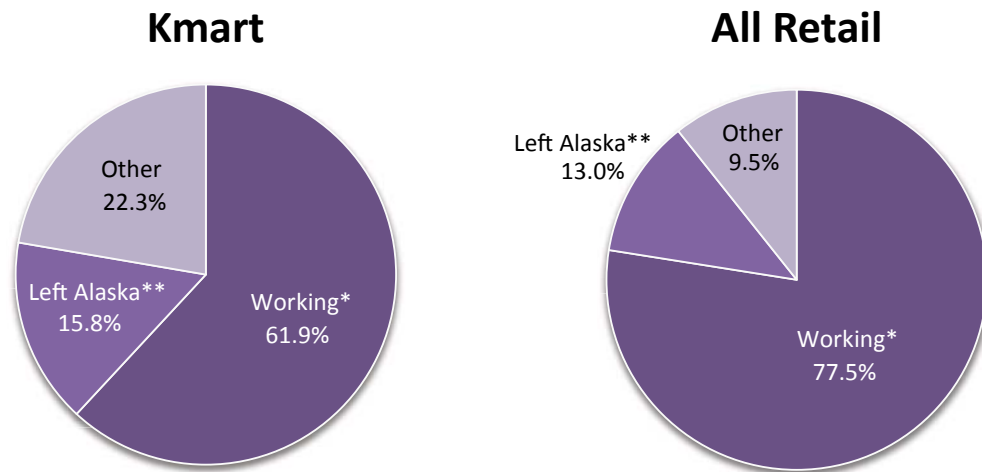
Most who found work earned less

Kmart workers who did find a new job took a signifi-

1

Fewer Found New Jobs, More Left

LAI-D-OFF KMART WORKERS VS. ALL RETAIL, JOB STATUS IN 2004



*This compares those who recorded wages in the first quarter of 2003 to those who also recorded wages in the first quarter of 2004.

**Residency was determined by whether they applied for a Permanent Fund Dividend in 2004.

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

cant wage hit, earning a median of 10 percent less the following year. (See Exhibit 2.) Retail workers who were still working in first quarter 2004 made 1 percent more.

Laid-off workers between 30 and 50 years old, considered mid-career, were slightly more likely to find new jobs than older and younger employees. But while less likely to return to work, those under 30 who found new jobs earned 1 percent more than they had the year before — likely because young people haven't yet reached their peak earning potential. The mid-career workers earned 14 percent less the following year, and those over 50 made 17 percent less.

Of the laid-off workers who found jobs, half returned to working in retail, and the remainder were scattered across other, mostly service-providing industries. Workers who entered a different industry tended to take a smaller hit to their earnings, which may be due to people with transferrable skills having greater potential for recovery.

Almost half collected unemployment benefits

As expected, laid-off Kmart workers were much more likely to collect unemployment insurance benefits. Forty-five percent collected benefits at some point in

About the data

We followed workers by matching their Social Security Numbers with employment records. Because federal government employees and the self-employed aren't included in these employment records, they weren't part of this analysis.

We counted as employed all workers who recorded wages in a given quarter, including those who were part-time or only worked part of that quarter.

2003, versus just 12 percent of all retail employees.

The Kmart workers received an average of \$2,724 in unemployment insurance benefits in 2003, with weekly benefits averaging \$161. Close to half of claimants had at least one dependent.

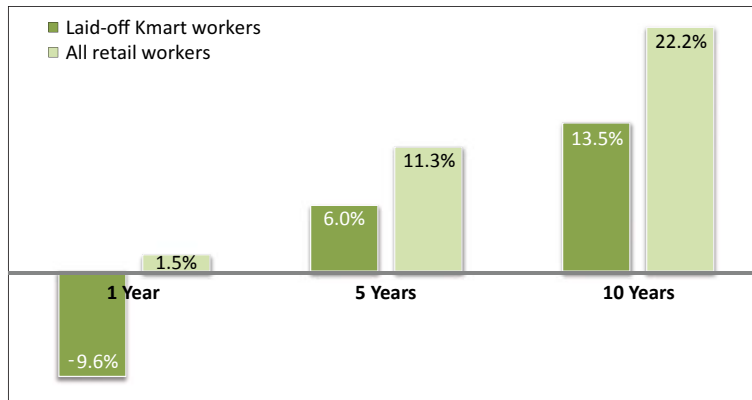
The group spent an average of 15 weeks on unemployment, and 38 percent used the full duration of their benefits, which varies according to how long a person had worked but normally maxes out at 26 weeks. Overall, the laid-off workers collected \$1.3 million in benefits during 2003.

Those who left Alaska were less likely to collect unemployment benefits, even though leaving the state doesn't affect eligibility as long as that person is still seeking work.

2

Less Wage Growth for Kmart Workers

ANNUAL PERCENT CHANGE, 2000 TO 2014



Note: All values are adjusted for inflation using the national Consumer Price Index.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

The majority stayed in Alaska

Former Kmart employees left Alaska at a slightly higher rate than all retail workers, but the vast majority remained in the state — 84 percent were still residents the following year. For comparison, 87 percent of all retail workers who held a job in first quarter 2003 remained in Alaska. However, Kmart employees who had earned higher wages, were more likely to leave the state.

Laid-off workers faced long term setbacks

In the longer term, former Kmart workers continued to lag behind others who had worked in retail in 2003. Ten years later, those still in Alaska were 3 percent less likely to hold a job than the reference group.

Those who were working had a median wage increase of 6 percent after five years and 14 percent after 10 years, when adjusted for inflation. For comparison, retail workers' earnings grew 11 percent in five years and 22 percent in 10 years.

Thirty-five percent of former Kmart employees were still working in retail 10 years later, 10 percentage points lower than the reference group. Workers in both groups who remained in retail had slightly reduced earnings five and 10 years later.

Earnings grew much more for the laid-off workers under 30 as they matured in their careers, at a median increase of 45 percent after five years and 65 percent in 10 years. But they too were outpaced by their general retail peers from 2003, who saw even greater pay gains.

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