

A person is snowshoeing through a snowy forest at sunset. The sky is a mix of blue, purple, and orange, with wispy clouds. The trees are covered in snow. The person is in the lower right, wearing dark clothing and using poles.

ALASKA ECONOMIC **TRENDS**

APRIL 2018

FAIRBANKS NORTH STAR BOROUGH

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ON THE COVER: Chena River Recreation Area in Fairbanks, photo by Ti Ames, Titanium Photography
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Fairbanks a model for its training centers and programs



Heidi Drygas
Commissioner

As a native of Fairbanks, I'm excited that this month's *Trends* features an overview of the Fairbanks North Star Borough and its economy. Fairbanks and its surrounding rural communities exemplify our Alaska heritage and, in many ways, are central to our state's economy. From the department's perspective, Fairbanks is home to many model programs for training and workforce development.

The Fairbanks Pipeline Training Center is chief among these. It provides job training for registered apprenticeship programs for multiple trades and it does so in partnership with Joint Apprenticeship Training Centers and employers involved with work on TAPS and other pipeline construction, operations, and maintenance occupations. In partnership with the University of Alaska Fairbanks Career and Technical College, FPTC hosts college courses that train Alaskans in Process Technology as operations technicians for oil and gas production on the North Slope, as well as for many Interior mines.

The Fairbanks Construction Academy also conducts training for Interior residents in pipeline and construction trades at the FPTC. It's fascinating to witness apprentices from multiple trades working together to simulate an actual pipeline spread in the center's vast training yard, including stringing, pipefitting, welding, and insulation of pipe. Visitors to the Fairbanks Pipeline Training Center are often blown away by the sophistication of the equipment, training, and instructors.

Remember, most of the funding behind the training center comes from private employers and union members who make training contributions negotiated through collective bargaining agreements. Agreements like this are an incredibly powerful

source of private sector workforce development funding.

The Fairbanks North Star Borough School District and school-to-apprenticeship programs work in partnership with union building trades and Fairbanks Pipeline Training Center. Hutchison Career Center has numerous career and technical education programs, or CTE, including linkage agreements so students can enter competitive building trade apprenticeships right out of high school.

Our department has worked with school district staff to promote this school-to-apprenticeship model. For pre-apprenticeship, the Alaska Works Partnership's Helmets to Hardhats and Women in the Trades programs help veterans and women enter the building trades.

I appreciate that Fairbanks leaders are always looking for more economic development opportunities, including through the Mayor's Tiger Team that is aimed at supporting the military and encouraging local hire. With multiple hundred million dollar projects at Eielson, Greely, and Clear, military construction is a huge opportunity to reverse recent losses in state construction jobs, but only if we maximize the number of Alaskans working on those projects.

My dad was a carpenter in Fairbanks when the 1980s recession hit. Work became so scarce that we almost had to relocate to Seattle. As we confront a challenging economy today, I think back about how lucky my family was to stay in Fairbanks. Fairbanks was and is a terrific place to live, work, and raise a family. Let's stay focused on job creation and local hire to ensure that families can continue to live in Fairbanks, or any Alaska community, and find good living-wage jobs.



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Fairbanks North Star



The economy and the people at the heart of Alaska's interior

By **SARA WHITNEY**

The Fairbanks North Star Borough, at the center of Alaska's interior in the Tanana Valley, is North America's northernmost settlement of its size. While the borough has just two incorporated cities — Fairbanks and North Pole — and a handful of smaller communities, its land mass is about the size of New Jersey.

The borough was Alaska's second most populated, after Anchorage, until 2015 when the Matanuska-Susitna Borough topped the 100,000 mark and pushed the North Star Borough into third place. While the borough isn't far behind, at 97,738 people in 2017, that's a decrease from its peak of 100,664 people in 2012. (See Exhibit 1.)

The borough's size and location make it the cultural and commercial center of the Interior Region as well as a hub for villages hundreds of miles in every direction. The area is home to a diverse community of Alaska Natives from all over the state as well as Athabascans, its original inhabitants.

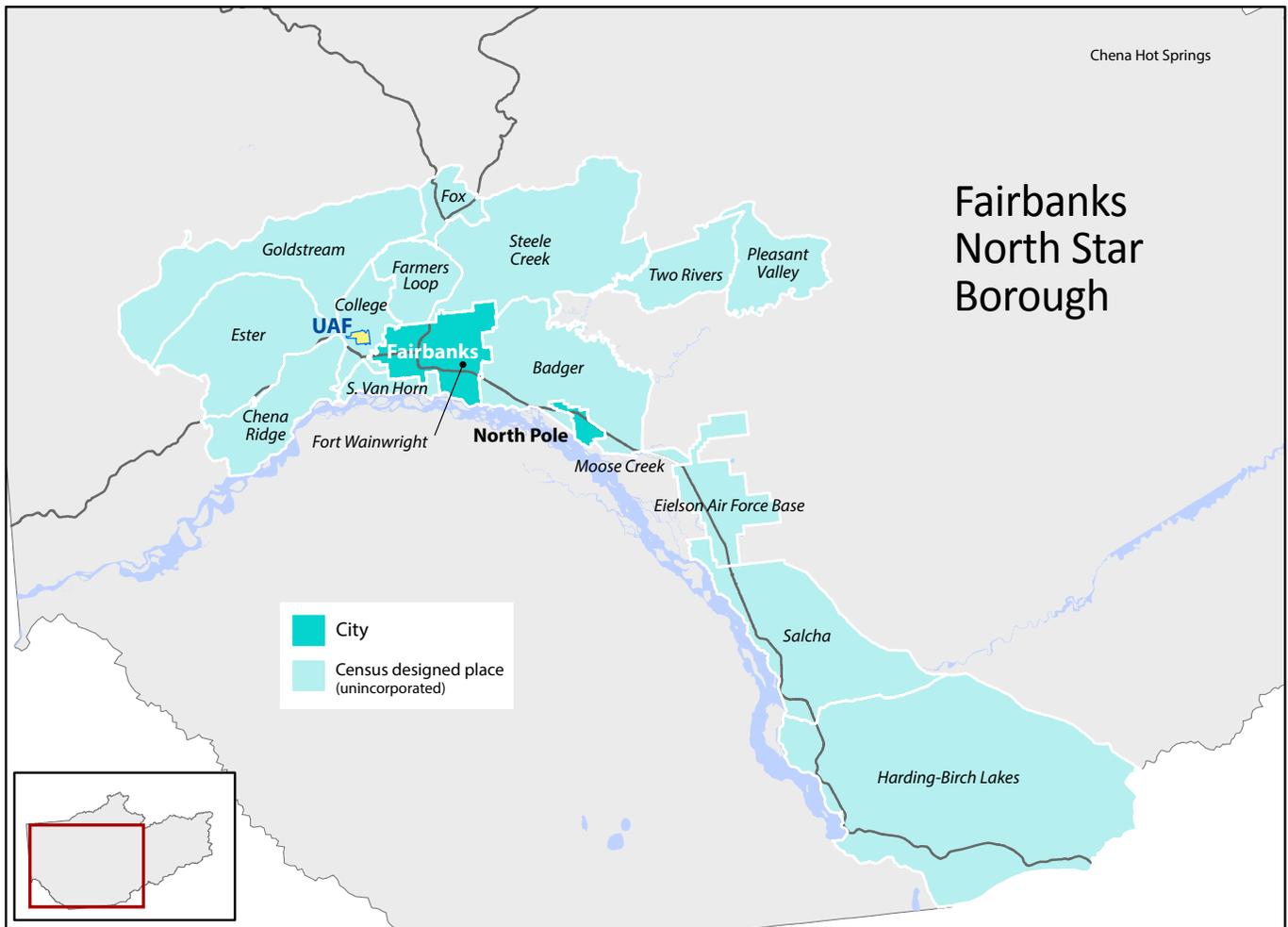
Archaeological digs show human activity in what is now the Fairbanks North Star Borough at least as far back as 10,000 years. There's no evidence it was ever a permanent Native settlement, but Alaska Natives have been hunting and fishing there since the last ice age.



Fairbanks hosts the annual World Ice Art Championships, which attracts ice carvers from all over the world. Ice Alaska announced the 2018 event is canceled due to funding challenges from rebuilding after a 2016 fire, but the event will resume next year. Photo by Flickr user Scott McMurren

Economy takes shape with gold

Settlement of the area ramped up with the Gold Rush that began in the late 1800s as traders and settlers discovered it was a rich source of gold. The prospector E.T. Barnette founded a trading post at what is now Fairbanks, becoming the city's first mayor in 1903.



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

By World War I, the easily reachable gold was dwindling. The population began to drop, but construction of the Alaska Railroad revitalized the area and kept the gold mining industry booming because Fairbanks' location was ideal for transporting supplies. When President Warren G. Harding drove a golden spike into the rail near Nenana in 1923 to signal the railroad's completion, it solidified Fairbanks' role in transporting goods to the Gulf of Alaska for shipping.

Gold would fade as the primary economic driver, but it kept the population growing throughout the 1930s and provided a soft landing during the Great Depression, when gold prices soared.

The borough's modern identity began to form in the 1940s and 1950s with military buildups, as Fairbanks became a staging area for construction of military depots for World War II and the early Cold War. Then, with the discovery of oil at Prudhoe Bay in 1968, Fairbanks' location midway between the North Slope and Valdez made it an ideal supply point for the oil patch and the Trans-Alaska Pipeline that was built soon thereafter, ushering in the state's

The area is known for sports, and the weather is no excuse

Winters may be dark, with less than four hours of daylight at the winter solstice, but that doesn't mean they're sleepy. Much of Fairbanks' local flavor centers on winter sports, both indoor and outdoor, from hockey and curling to skiing, skijoring, ice carving, snowmachine racing, dog mushing, and running. The local running club even holds races in January.

Fairbanks is home to two annual races that call themselves "the world's toughest": the Yukon Quest, an international 1,000-mile sled dog race from Fairbanks to Whitehorse, Yukon Territory, and the Iron Dog, a 2,031-mile snowmachine race to Fairbanks from Big Lake.

The city hosted the Arctic Winter Games at its 5,000-seat sporting arena, the Carlson Center, in 2014 and is home to the annual World Ice Art Championships, which attracts ice carvers from all over the world. (Ice Alaska recently reported this year's event is canceled due to a fire that destroyed its headquarters in 2016, but next year's event is in the works.)

1 Populations by Area in Fairbanks North Star Borough

2000 AND 2010 CENSUSES AND 2011-2017 ESTIMATES

Name	Census	Census	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Avg Annual Chg	
	Apr 2000	Apr 2010	Jul 2011	Jul 2012	Jul 2013	Jul 2014	Jul 2015	Jul 2016	Jul 2017	2000-17	2010-17
Fairbanks North Star Borough	82,840	97,581	98,234	100,664	99,985	98,779	98,727	98,954	97,738	0.96%	0.02%
Fairbanks (incl Ft Wainwright, S Van Horn)	30,803	32,093	31,201	32,589	32,802	32,449	32,653	32,557	32,457	0.30%	0.16%
Fox, Steele Crk, Pleasant Valley, Two Rivers	5,816	8,523	8,676	8,728	8,707	8,713	8,618	8,830	8,647	2.27%	0.20%
Chena Ridge, Ester, Goldstream	7,879	11,770	12,226	12,495	12,485	12,449	12,437	12,520	12,372	2.57%	0.69%
College and Farmers Loop	14,930	17,817	18,287	18,386	18,203	18,119	17,847	17,625	17,143	0.80%	-0.53%
College (includes UAF)	11,402	12,964	13,323	13,383	13,241	13,144	13,003	12,803	12,359	0.47%	-0.66%
North Pole (includes Badger)	15,828	21,599	21,993	22,122	21,687	21,379	21,268	21,471	21,104	1.66%	-0.32%
Eielson Air Force Base	5,388	2,647	2,682	3,144	2,944	2,604	2,867	2,918	2,958	-3.38%	1.53%
Salcha, Moose Creek, Harding/Birch Lakes	1,620	2,141	2,131	2,138	2,072	2,023	1,984	1,993	1,984	1.17%	-1.05%
Alaska	626,932	710,231	722,388	731,042	735,776	736,906	737,467	739,709	737,080	0.94%	0.51%

Notes: Vintage 2017 population estimates. All numbers are based on 2017 geography.

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

massive oil boom in the 1970s and '80s.

The Fairbanks North Star Borough incorporated in 1964, naming Fairbanks as borough seat. There are separate borough and city governments, each with their own mayor, rather than the unified city-boroughs common in some parts of Alaska (Juneau and Sitka, for example). The borough assembly has nine members and includes a nonvoting representative each from the cities of Fairbanks and North Pole as well as from the school board. Fairbanks and North Pole both have a six-seat city council.

The borough's two cities

Fairbanks, called the Golden Heart City, sits in the central Tanana Valley astride the Chena River. The city limits are relatively small. (See the map on page 5.) Including Fort Wainwright, it's home to about a third of the borough's population.

The city wasn't named for an Alaskan but rather for Sen. Charles Fairbanks of Indiana, who later became vice president under Theodore Roosevelt.

North Pole, 13 miles southeast of Fairbanks on the Richardson Highway, began as homesteads in the 1940s and became a city in 1953. North Pole is home to 21,104 people including the Badger area, but its best-known and uncounted resident is Santa Claus. Every year, North Pole receives hundreds of thousands of letters sent to Santa from all over the world at 99705, known as Santa's ZIP Code. And for more than 60 years, volunteers have answered them.

Visitors to North Pole know they're in the right place, too, as the city features candy cane themed light posts



North Pole signs, courtesy of Wikimedia Commons user Beeblebrox (above) and Flickr user Amy Meredith (right).

as well as Christmas-themed shops and street names, such as Snowman Lane and St. Nicholas Drive.

North Pole's economy relies on seasonal tourism but also on its proximity to Fairbanks and Eielson Air Force Base and on the Petrostar oil refinery. The city had two refineries until Flint Hills closed in 2014.

Smaller outlying communities

Most borough residents live outside the two cities in unincorporated areas the Census Bureau calls "Census-designated places," or CDPs. The largest is Badger, which includes the areas off Badger Road between Fairbanks and North Pole. About 19,000 people live off Badger Road, down from 20,000 in 2012.

Some of the borough's outlying areas, such as Badger, are neighborhoods but others consider themselves separate communities with discrete identities. (See the sidebar on page 8 and the map for more on CDPs, which can differ from how residents categorize these areas.)

For example, Ester, to the west of Fairbanks, is sometimes called "The People's Republic of Ester." The com-



Winter Fairbanks panorama, photo courtesy of Flickr user Neverbutterfly

munity began as a gold mining camp on Ester Creek in the early 1900s, and it still has three active gold mines.

The areas north of Fairbanks, home to many of the area’s dog mushers, include Two Rivers and Fox, a bedroom community for Fairbanks and Fort Knox Gold Mine to the northeast. Like Ester, Fox was established as a mining camp in the early 1900s. Today it’s known for Silver Gulch Brewery and Fox Spring. For the last 50 years, the spring has attracted cabin-dwellers, villagers, and people who have wells, which are common in the area. Some people travel hundreds of miles, often along the haul road from the North Slope, to fill up on fresh drinking water.

Forty miles south of Fairbanks, past North Pole and Eielson Air Force Base on the Salcha River, is Salcha and the nearby Harding and Birch lakes, known for fishing and seasonal homes. The area was originally known as “Salchaket,” an Athabascan name meaning “The Mouth of Salcha.”

Eielson Air Force Base and the University of Alaska Fairbanks also lie outside city limits.

Military, UAF are job heavyweights

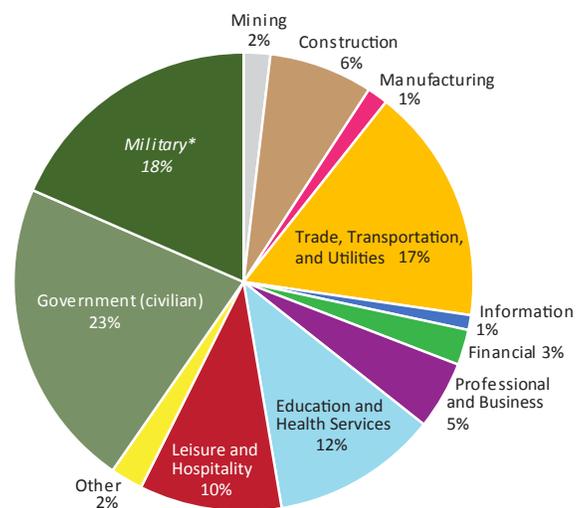
Eielson Air Force Base was built during World War II, near what was then Ladd Field, and is home to the 354th Fighter Wing. Eielson is preparing to house two new F-35 fighter jet squadrons in the next couple of years, and construction has ramped up with more population growth on the horizon. From 2016 to 2017, Eielson was one of the few parts of the borough that grew.

Fort Wainwright was first commissioned in the 1930s as Ladd Field and then Ladd Air Force Base before being transferred to the U.S. Army in 1961. The base, part of the City of Fairbanks, is home to the U.S. 1st Stryker Brigade Combat Team of the 25th Infantry Division.

UAF, the University of Alaska system’s flagship school, enrolled 7,082 students at its Fairbanks campuses in fall 2017. It’s one of the world’s primary locations for Arctic and northern research, but the school began with just six students in the early 20th century when it was

2 Government, Military the Largest Share of Jobs

FAIRBANKS N. STAR BOROUGH, 2017*



*Because military jobs aren’t included in the wage and salary employment data this chart uses, the military slice is a count of active duty military personnel in 2017. The other industries reflect average monthly job counts. Notes: Excludes self-employment

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

known as the Alaska Agricultural College and School of Mines.

The university and the military bases contribute heavily to the high percentages of government jobs in the borough. (See Exhibit 2.) The area had about 37,600 wage and salary jobs in 2017 on average, and about 10,700 of those were in civilian federal, state, and local government, which includes tribal government and public schools. That job total doesn’t include the military, which had 8,487 active-duty personnel in the area in 2017.

The largest shares of private sector jobs are in trade, transportation, and utilities followed by education

3

Demographics of the Fairbanks North Star Borough

BY AREA, PLACES WITH 1,000 OR MORE PEOPLE, 2012 TO 2016

Area	Age				Race*						Ethnicity*	Household Income			Poverty
	0-17	18-34	35-64	65+	Wht	Native	Blk	Asian	Othr	2+	Hispanic	\$50k+	\$75k+	\$100k+	Rate
Fairbanks North Star Borough	24%	32%	35%	8%	77%	7%	4%	4%	1%	8%	7%	84%	52%	33%	8%
Fairbanks (incl Ft Wainwright, S Van Horn)	24%	39%	29%	7%	66%	8%	8%	6%	2%	10%	12%	85%	40%	22%	12%
Fox, Steele Crk, Pleasant Valley, Two Rivers	23%	20%	48%	9%	80%	5%	0%	2%	3%	9%	6%	84%	60%	39%	8%
Chena Ridge, Ester, and Goldstream	22%	26%	45%	8%	88%	6%	0%	1%	0%	4%	1%	82%	60%	40%	4%
College and Farmers Loop	22%	33%	35%	10%	75%	7%	4%	4%	0%	9%	6%	85%	57%	42%	5%
College	21%	36%	34%	9%	72%	8%	5%	5%	0%	10%	5%	83%	55%	38%	4%
North Pole (includes Badger)	28%	28%	38%	7%	85%	5%	1%	1%	0%	7%	7%	83%	54%	35%	8%
Eielson Air Force Base	33%	50%	17%	0%	77%	1%	7%	4%	1%	11%	13%	93%	57%	27%	4%
Salcha, Moose Creek, Harding-Birch Lakes	26%	32%	35%	7%	95%	1%	1%	2%	0%	0%	2%	86%	54%	30%	7%
Alaska	25%	26%	39%	9%	66%	14%	3%	7%	1%	8%	7%	85%	53%	35%	10%

*Alaska Native includes American Indians. Asian includes Pacific Islanders. Hispanics can be of any race.

Source: U.S. Census Bureau, 2012 to 2016 American Community Survey

and health services. The latter category includes the privately owned Fairbanks Memorial Hospital, which opened a new heart care center in 2009, as well as other health care providers, private schools, and nonprofit social service organizations.

Gold mining is still part of the North Star economy, too. Although it's been a comparatively small piece of local employment since the Gold Rush, it spiked with the opening of Fort Knox Gold Mine north of Fairbanks in 1997 and Pogo Gold Mine 85 miles to the southeast in 2007. In 2017, about 2 percent of area jobs were in natural resources and mining, jobs known for their high wages.

The borough is young, but demographics vary by place

The Fairbanks North Star Borough is young compared to the state as a whole due to its large military and student populations. It's less racially diverse overall, however, at 77 percent white versus 66 percent statewide. But demographics vary by area, often considerably. (See Exhibit 3.)

The City of Fairbanks, including Fort Wainwright, is the most diverse and more in line with Alaska overall, at around 66 percent white, 18 percent Alaska Native or multirace, and 8 percent black (compared to just 3 percent statewide). About 12 percent are Hispanic, nearly double that of the borough as a whole.

The university area is also more diverse than the rest of the borough, and it stands out for its unsurprisingly higher educational attainment. Forty-three percent of College residents have a bachelor's degree or higher versus 33 percent for the borough and 29 percent statewide.

About the data

The U.S. Census Bureau calls the unincorporated areas in this article "Census-designated places," but they may not reflect how people living in these areas see them. For example, locals consider some of the CDPs in this article part of Fairbanks (although they are outside city limits) and others are separate communities.

Census Bureau data for places this small are released less often and tend to have large margins of error. The sections of this article that discuss these outlying areas use the Census Bureau's American Community Survey 2012 to 2016 data, including for borough-wide and statewide numbers. While more current or precise numbers are available for Alaska and the borough as a whole, using ACS 2012 to 2016 is necessary for making comparisons.

Eielson Air Force Base has the borough's youngest population. A third of Eielson residents are under 18, and 50 percent are between 18 and 34.

In contrast, the oldest population and correspondingly smallest households are in the Farmers Loop area just north of Fairbanks. Fourteen percent of Farmers Loop residents are 65 or older compared to 9 percent statewide and 8 percent in the borough.

Highest incomes, home values are west of Fairbanks

Farmers Loop has the borough's highest median household income as well. Fifty percent of Farmers Loop households bring in more than \$100,000 per year ver-

4

Utilities Drive Up Costs in Fairbanks

2017 INDEX FOR PROFESSIONAL HOUSEHOLDS, U.S. AVERAGE FOR SELECT CITIES = 100

	Total Index	Groceries	Housing	Utilities	Transportation	Health Care	Misc.
Category's weight*	100.0%	13.47%	28.15%	9.90%	8.99%	4.57%	34.92%
Anchorage	128.2	125.6	147.2	103.6	112.4	143.8	122.8
Fairbanks	132.6	123.3	122.4	217.9	121.9	151.8	120.5
Juneau	133.2	143.5	150.5	119.9	128.3	155.6	117.3
Kodiak	130.3	148.5	141.0	121.1	132.1	140.4	115.4
Portland, Oregon (comparable)	129.1	115.2	178.9	78.0	106.4	107.1	117.6
McAllen, Texas (lowest)	76.0	82.9	62.5	87.7	87.6	73.8	78.1
Manhattan, New York City (highest)	238.3	138.3	494.6	117.6	130.0	115.1	148.5

*The percentage of a household's income typically spent on that category
 Source: The Council for Community and Economic Research (C2ER)

sus 33 percent borough-wide. The borough's median household income is slightly lower than the state's, at \$73,831 and \$74,444, respectively.

The areas west of Fairbanks also have higher incomes. About 42 percent of households in the university area and Farmers Loop make more than \$100,000 per year and it's 40 percent for Chena Ridge, Ester, and Goldstream — nearly double the City of Fairbanks' percentage.

Chena Ridge also has the highest median home value, at \$286,900. The comparable values were \$257,100 statewide and just \$224,000 for the borough.

Sky-high utilities expenses offset lower housing costs

Local housing costs are relatively low, and raw land is more available and affordable in the North Star Borough than in other population centers such as Anchorage and Juneau where water or mountains limit physical expansion.

In addition to lower average home values and rents, 6 percent of borough homes lack indoor plumbing. Dry cabins, a popular and affordable option for college students, are concentrated to the west, with more than half in Chena Ridge, Ester, and Goldstream.

Utilities more than offset the relatively low food and housing costs, however. Because households spend about 10 percent of their income on utilities, that disparity drives up Fairbanks' overall cost of living considerably, according to the most recent Council for Community and Economic Research study of urban areas that includes Anchorage, Fairbanks, Juneau, and Kodiak. (See Exhibit 4.)

Given an index value of 100 as the average for U.S. cities included in the study, Fairbanks' cost of living came

in at 132.6 in 2017, nearly on par with Juneau (133.2) and above Anchorage (128.2).

Fairbanks' utilities index is more than double the U.S. average, at 217.9. Anchorage and Juneau utility indexes were at 103.6 and 119.9, respectively. Anchorage has access to affordable natural gas for heat, but the Fairbanks area relies heavily on oil and pays the high fuel costs often associated with parts of rural Alaska.

Location creates a unique climate

The borough's extreme climate further complicates heating affordability, as warm summers give way to dark, often bitterly cold and clear winters. (The aurora borealis is typically visible 200 days a year.)

Fairbanks' low-lying position in the Tanana Valley causes it to accumulate cold air in the winter, creating some of the strongest surface-based temperature inversions in the U.S. and producing thick layers of ice fog. Another side effect of inversion layers is they trap air pollution, which can reach dangerous levels in the winter.

The mercury often falls below -40F on multiple days during the winter, and average winter lows range from -15 to -25. Getting around in those temperatures means most vehicles are plugged in to electrical outlets outdoors during the winter, connected to battery blankets and engine block heaters, just so they'll start. A vehicle that's "lived" in Fairbanks is often recognizable by the cord coming out of the grille, and plug-ins are common in local parking lots — just two of many recognizable local features.

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How is Alaska Retail Faring?

Industry grapples with recession as well as e-commerce growth

By NEAL FRIED

Alaska's retail industry is weathering a now-two-year recession and the growing influence of large online retailers. A recent rash of store closures has further raised questions about how the industry is faring.

Large recent losses include Toys R' Us, the surprise closing of three Sam's Club warehouses, and the expected shuttering of Sears. Combined, those stores employed about 500 people. The closures were caused by corporate and national restructuring or other troubles rather than local economic conditions, but they meant further retail losses in already tough times.

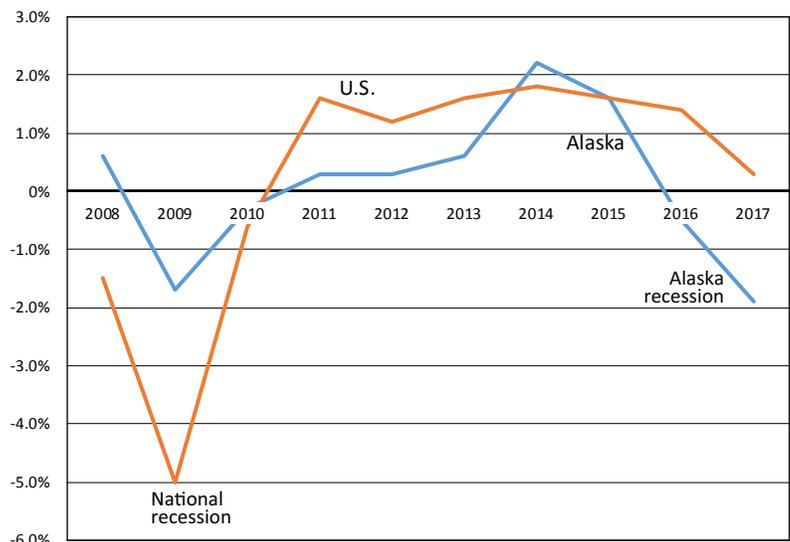
Alaska has no precise way to track retail sales because Anchorage and Fairbanks, the two largest markets, don't have a sales tax. Alaska had more than 2,300 retail businesses at last count, and in 2012, the most recent year available, Alaskans spent more than \$10 billion on goods.

The next-best way to gauge the industry's well-being is employment. Retail trade remains Alaska's largest private sector employer, representing 11 percent of

1

Ups and Downs for Retail Jobs

ALASKA AND U.S., ANNUAL PERCENT CHANGE, 2008-2017



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

all jobs, and it's the industry people tend to interact with most.

Modest growth from 2011 to 2015

After the retail boom years of the 1990s, the industry settled into a period of modest job growth, with its

2 Jobs by Retail Category

ALASKA, 2017*

	Number of jobs
Total Retail Employment	36,340
Motor Vehicle and Parts Dealers	4,134
Furniture and Home Furnishings	815
Electronics and Appliances	656
Building Material and Garden	3,552
Food and Beverages	5,623
Health and Personal Care	1,178
Gasoline Stations	1,813
Clothing and Clothing Accessories	1,903
Sporting Goods, Books, Music, etc.	2,121
General Merchandise	10,735
Miscellaneous	2,592
Nonstore Retailers	1,217

*Preliminary

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

growth pattern mostly mirroring that of the population and the economy overall.

Alaska retail peaked at 37,416 jobs in 2015. The state recession began later that year and quickly took its toll on the industry, which lost jobs in 2016 for the first time since 2010. (See Exhibit 1.)

Losses in most retail categories

In 2016, Alaska retail employment declined by just under 1 percent, a loss of 346 jobs. The losses gained momentum in 2017 and the industry lost another 730 jobs, or about 2 percent.

There's evidence these losses were due to the state's recession rather than the growth of e-commerce because nationally, retail trade continued to grow from 2011 through 2017.

Employment in the largest retail group, general merchandise stores, has remained stable in Alaska but most types of retail have sustained some losses over the 2015 to 2017 period while continuing to grow nationally. (See Exhibit 3.)

Alaska's home furnishings and

How retail is categorized

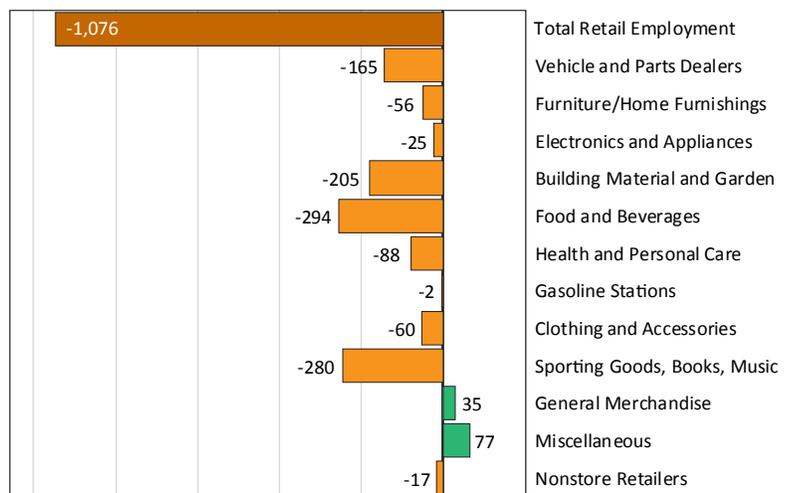
Any business that sells merchandise for personal or household consumption falls under the banner of retail trade. This industry has nearly a dozen broad categories, shown in Exhibit 2. Most of the categories are straightforward — gasoline stations, furniture and home furnishings, motor vehicle and parts dealers, sporting goods, and health and personal care, for example — but others require more explanation.

- Food and beverage stores include grocery stores but also convenience and specialty food stores such as meat markets or bakeries.
- The miscellaneous category includes florists, office supply stores, pet stores, souvenir shops, used goods stores, and mobile home dealers.
- Nonstore retailers include electronic shopping (for example, a local retailer without a storefront who sells exclusively online), mail order companies, vending machines, and fuel dealers.

Other categories are hybrids and aren't as easily defined. General merchandise stores, the largest category, is one of those. It includes department stores such as Fred Meyer, discounters like Walmart, and warehouse clubs such as Costco that sell a wide range of products. For the most part, though, stores are categorized by what they sell most.

3 Most Retail Categories Have Lost Jobs

ALASKA, 2015 TO 2017*



*Preliminary

Note: May not sum due to rounding

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

Even in this down market, new stores continue to open. But as long as Alaska's economy is contracting, retail jobs will follow suit.

building materials/garden categories have lost ground with a stagnant real estate market and a big decline in construction activity.

Another big job-loser has been the sporting goods, books, and music category, largely through the summer 2016 closure of four Sports Authority stores: two in Anchorage and one each in Wasilla and Fairbanks. As with Sam's Club and Sears, Sports Authority closures were nationwide (nearly 400 stores). But even without those closures, this category would have lost a moderate number of jobs in Alaska.

E-commerce affects some categories more than others

While e-commerce has turned up the heat on nearly all retail categories, it's hit a boiling point for some. The electronics and appliances category has lost ground with the state recession but it's taken a bigger beating from online purchasing. Even nationally, this sector has never recovered its pre-U.S. recession job levels. Other categories that have been hit hard nationwide by e-commerce and haven't recovered their past job levels include furniture and home furnishing stores, clothing stores, and sporting goods stores.

The online purchasing trend will only increase, putting more pressure on brick-and-mortar retailers in Alaska and around the country in the future. National retail job growth had almost dried up by 2017 despite a booming U.S. economy.

Nationally, e-commerce represents about 9 percent of all retail sales, up from 4 percent in 2008. By 2020, the online share is projected to top 12 percent, and these are conservative numbers.

While there are no data for Alaska, its e-commerce trends are likely similar. Even without knowing the specifics, it's safe to assume that if the Internet didn't exist, Alaska retail employment would have grown more during the past decade and recession-related losses would have been smaller.

Some areas' retail kept growing

Retail didn't decline everywhere in the state with the

4

Retail Jobs by Alaska Area

EMPLOYMENT CHANGE, 2015 TO 2017*

Area	2017*	2015	Change 2015-17	% Change 2015-17
Alaska	36,340	37,416	-1,076	-2.9%
Aleutians East Borough	44	50	-6	-12.0%
Aleutians West Census Area	214	205	9	4.4%
Anchorage, Municipality	17,458	18,062	-604	-3.3%
Bethel Census Area	746	757	-11	-1.5%
Bristol Bay Borough	56	44	12	27.3%
Denali Borough	59	54	5	9.3%
Dillingham Census Area	193	181	12	6.6%
Fairbanks North Star Borough	4,703	4,882	-179	-3.7%
Haines Borough	124	139	-15	-10.8%
Hoonah-Angoon Census Area	75	70	5	7.1%
Juneau, City and Borough	1,840	1,933	-93	-4.8%
Kenai Peninsula Borough	2,536	2,691	-155	-5.8%
Ketchikan Gateway Borough	967	917	50	5.5%
Kodiak Island Borough	484	477	7	1.5%
Kusilvak Census Area	316	312	4	1.3%
Lake and Peninsula Borough	—	—	—	—
Matanuska-Susitna Borough	3,674	3,919	-245	-6.3%
Nome Census Area	341	354	-13	-3.7%
North Slope Borough	222	242	-20	-8.3%
Northwest Arctic Borough	170	171	-1	-0.6%
Petersburg Borough	175	181	-6	-3.3%
Prince of Wales-Hyder CA	251	252	-1	-0.4%
Sitka, City and Borough	450	453	-3	-0.7%
Skagway, Municipality	169	167	2	1.2%
Southeast Fairbanks CA	224	210	14	6.7%
Valdez-Cordova Census Area	377	345	32	9.3%
Wrangell, City and Borough	111	104	7	6.7%
Yakutat, City and Borough	—	—	—	—
Yukon Koyukuk Census Area	131	138	-7	-5.1%

*Preliminary

— indicates the data are suppressed for confidentiality, but these areas are included in the statewide total.

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

recession. Nearly half of Alaska's boroughs and census areas added retail jobs from 2015 to 2017. (See Exhibit 4.) Most of these were areas less affected by the recession in general (Wrangell, Kodiak, Bristol Bay, Dillingham, and Southeast Fairbanks). Many of those areas depend less on the oil industry and more on fishing.

The majority of recent job losses came from the larger markets: Anchorage, Juneau, the Matanuska-Susitna Borough, and the Kenai Peninsula Borough. Anchorage lost more than 600 retail jobs from 2015 to 2017. Fairbanks lost more than 100 retail jobs in 2016 but gained a few back in 2017.

A competitive industry that will face further obstacles

Retail has always been a tough, competitive industry, with old standbys frequently falling by the wayside and newcomers taking their place. Departures of some stalwarts over the last couple of decades were overshadowed by what replaced them. For example, Kmart, Sports Authority, Carr Gottstein, Montgomery Ward, Sam's Club, CompUSA, and Long's Drugs have all closed their doors in Alaska amid openings by giants such as Best Buy, Cabela's, Costco, Home Depot, H&M, and Victoria's Secret.

Even in this down market, new stores continue to open. A Duluth Trading Company and Carrs-Safeway in Anchorage, a Fairbanks Costco, and cannabis dispensaries around the state have opened recently or will open soon, to name just a few. But as long as Alaska's economy is contracting, retail jobs will follow suit — and even when recovery begins, the weight of online retail competition will continue to put a damper on the industry.

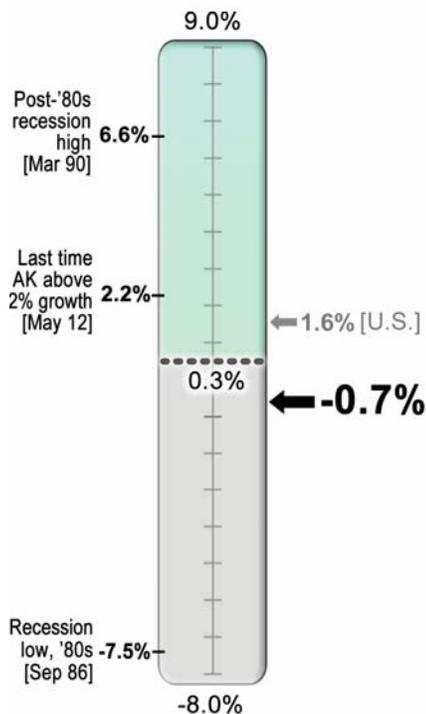
Neal Fried is an economist in Anchorage. Reach him at (907) 269-4861 or neal.fried@alaska.gov.

Gauging Alaska's Economy



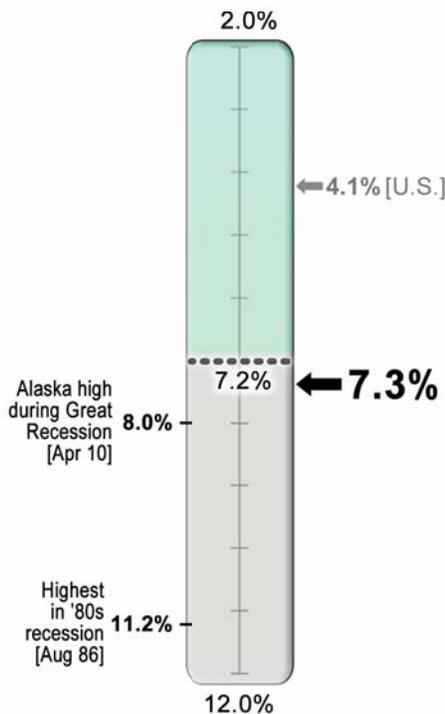
Job Growth

February 2018
Over-the-year percent change



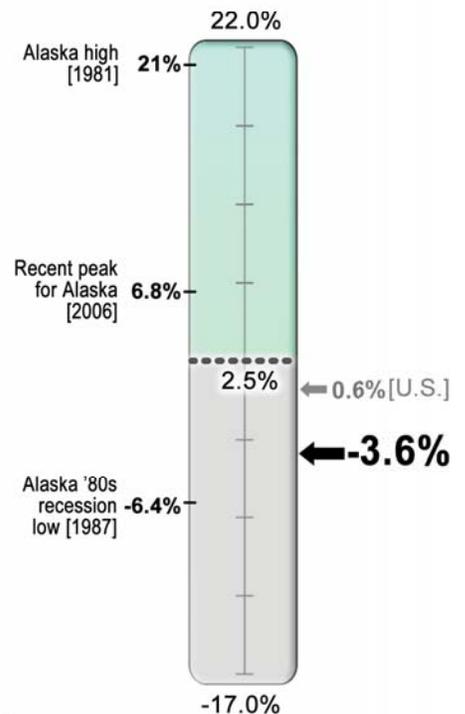
Unemployment Rate

February 2018
Seasonally adjusted



Wage Growth

3rd Quarter 2017
Over-the-year percent change

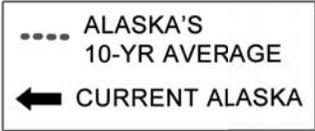


- February was the 29th consecutive month Alaska has recorded job losses.
- Alaska had 25 consecutive months of job losses during the state's 1980s recession, although the magnitude of the losses in the '80s was much larger as a percentage of total jobs.
- Job losses during the current recession were at their worst in September 2016 (-2.5 percent).

- Alaska's unemployment rate is the highest in the nation, but is only two-tenths of a percentage point above its 10-year average.
- Unemployment rates are more complicated as an economic indicator than job growth, although most of the time high rates signal economic weakness.
- In the short term, unemployment rates can rise because a state is especially attractive to job seekers (a positive) or fall because people have given up on looking for work (a negative).

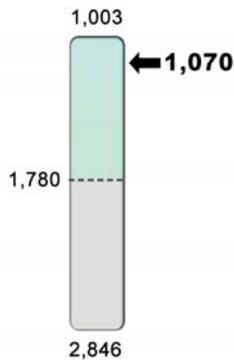
- Wage growth or decline is one of the most useful measures of overall economic health.
- After being up slightly in first quarter 2017, wages fell in the second and third quarters from their year-ago levels.
- Resumed and sustained wage growth, when it occurs, will be one of the best indicators that Alaska's recession has ended.

Gauging Alaska's Economy



Initial Claims

Unemployment, week ending March 10, 2018[†]

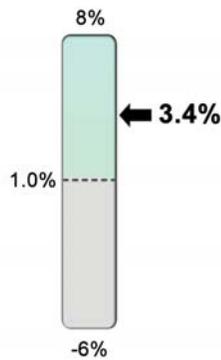


➤ For a variety of reasons, initial claims are well below the 10-year average despite job losses.

[†] Four-week moving average ending with the specified week

GDP Growth

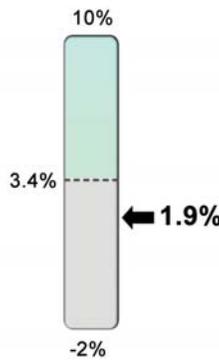
3rd Quarter 2017
Over-the-year percent change



➤ Gross domestic product is the market value of all goods and services. It's promising for economic recovery that growth has been positive for three consecutive quarters after declining for the previous 17 consecutive quarters.

Personal Income Growth

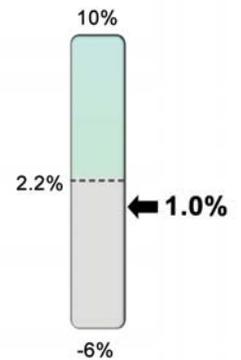
4th Quarter 2017
Over-the-year percent change



➤ Personal income includes wages as well as government transfer payments (such as Social Security, Medicaid, and the PFD) and investment income. Declines during the current recession have been small so far.

Change in Home Prices

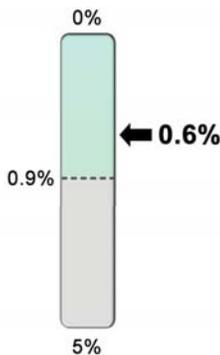
3rd Quarter 2017
Over-the-year percent change



➤ Home prices include only those for which a commercial loan is used. This indicator tends to be volatile from quarter to quarter.

Foreclosure Rate

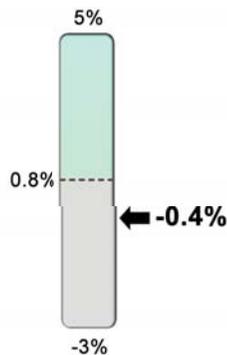
2nd Quarter 2017



➤ Foreclosure rates remain very low, highlighting how different the current recession is from the '80s recession when foreclosure rates exceeded 10 percent.

Population Growth

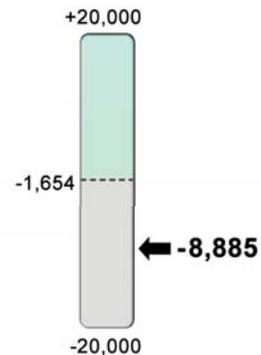
2016 to 2017



➤ The state's population has remained remarkably stable during the state's recession, although 2017 was the first year of population decline since 1988.

Net Migration

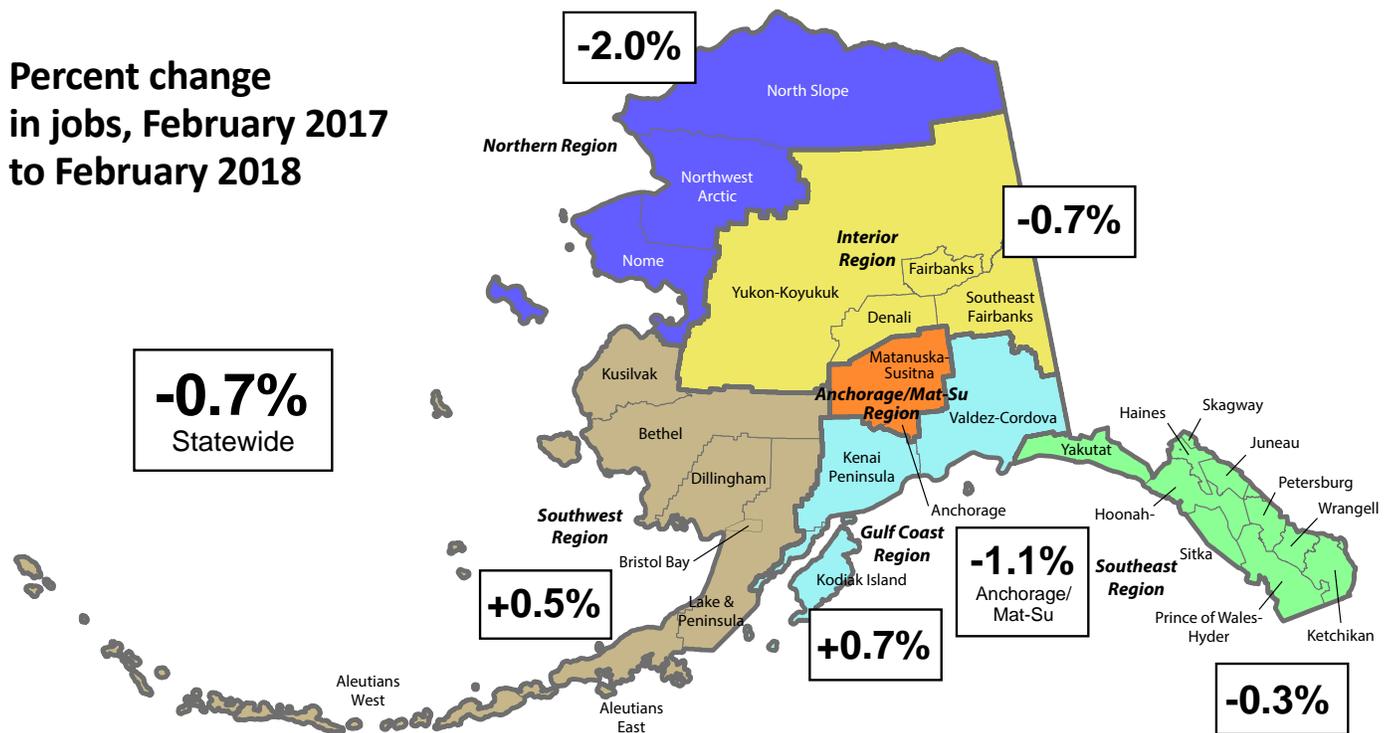
2016 to 2017



➤ The state had net migration losses for the fifth consecutive year in 2017, although natural increase (births minus deaths) offset those losses each year until 2017.

Employment by Region

Percent change
in jobs, February 2017
to February 2018



Unemployment Rates

Seasonally adjusted

	Prelim.		Revised
	2/18	1/18	2/17
United States	4.1	4.1	4.7
Alaska	7.3	7.3	7.0

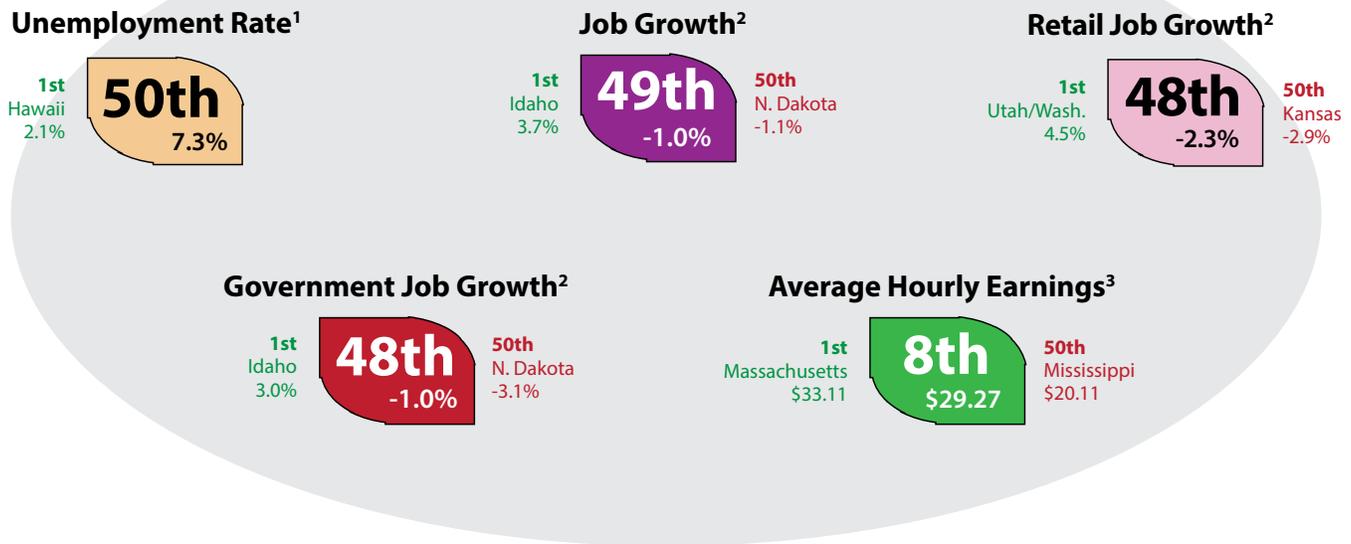
Not seasonally adjusted

	Prelim.		Revised
	2/18	1/18	2/17
United States	4.4	4.5	4.9
Alaska	8.2	8.1	7.9

Regional, not seasonally adjusted

	Prelim.			Revised		
	2/18	1/18	2/17	2/18	1/18	2/17
Interior Region	8.5	8.5	8.2	10.5	11.2	10.0
Denali Borough	19.3	21.1	22.7			
Fairbanks N Star Borough	7.4	7.4	6.9			
Southeast Fairbanks Census Area	12.8	12.3	13.0			
Yukon-Koyukuk Census Area	21.4	20.7	22.0			
Northern Region	12.4	11.7	12.2			
Nome Census Area	13.7	13.1	13.1			
North Slope Borough	7.2	6.8	7.2			
Northwest Arctic Borough	17.1	16.4	17.6			
Anchorage/Mat-Su Region	7.4	7.1	7.1	9.7	9.9	9.5
Anchorage, Municipality	6.7	6.4	6.3			
Mat-Su Borough	10.0	9.6	9.8			
Southwest Region	10.5	11.2	10.0	8.3	8.2	8.0
Aleutians East Borough	1.9	3.2	1.7			
Aleutians West Census Area	2.4	3.0	2.3			
Bethel Census Area	14.6	14.3	14.1			
Bristol Bay Borough	18.2	17.0	15.8			
Dillingham Census Area	10.5	10.2	10.1			
Kusilvak Census Area	22.3	21.0	21.2			
Lake and Peninsula Borough	16.6	17.0	14.9			
Gulf Coast Region	9.7	9.9	9.5			
Kenai Peninsula Borough	10.3	10.1	10.3			
Kodiak Island Borough	5.4	8.4	4.8			
Valdez-Cordova Census Area	12.2	11.4	11.8			
Southeast Region	8.3	8.2	8.0			
Haines Borough	16.9	17.2	13.4			
Hoonah-Angoon Census Area	22.2	21.3	19.1			
Juneau, City and Borough	5.4	5.4	5.4			
Ketchikan Gateway Borough	8.1	8.3	8.2			
Petersburg Borough	12.3	12.9	11.9			
Prince of Wales-Hyder Census Area	15.9	14.6	14.6			
Sitka, City and Borough	5.3	5.6	5.9			
Skagway, Municipality	24.8	23.5	22.4			
Wrangell, City and Borough	10.5	10.6	9.7			
Yakutat, City and Borough	12.2	12.2	12.2			

How Alaska Ranks



¹February seasonally adjusted unemployment rates

²February employment, over-the-year percent change. *Alaska numbers source: Alaska Department of Labor and Workforce Development, Research and Analysis Section*

³February average hourly earnings

Sources are U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section, unless otherwise noted.

Other Economic Indicators

	Current		Year ago	Change
Anchorage Consumer Price Index (CPI-U, base yr 1982=100)	219.131	2nd half 2017	218.660	+0.9%
Commodity prices				
Crude oil, Alaska North Slope,* per barrel	66.20	Feb 2018	54.72	+20.98%
Natural gas, residential, per thousand cubic ft	10.67	Dec 2017	9.51	+12.20%
Gold, per oz. COMEX	1,335.10	3/22/2018	1,251.70	+6.66%
Silver, per oz. COMEX	16.49	3/22/2018	17.75	-7.10%
Copper, per lb. COMEX	305.80	3/22/2018	264.45	+15.64%
Zinc, per MT	3,249.00	3/21/2018	2,856.50	+13.74%
Lead, per lb.	1.08	3/21/2018	1.02	+5.88%
Bankruptcies				
Business	116	Q4 2017	109	+6.4%
Personal	4	Q4 2017	10	-60.0%
	112	Q4 2017	99	+13.1%
Unemployment insurance claims				
Initial filings	4,852	Feb 2018	5,250	-7.58%
Continued filings	49,608	Feb 2018	56,514	-12.22%
Claimant count	14,049	Feb 2018	15,087	-6.88%

*Department of Revenue estimate

Sources for pages 14 through 17 include Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; U.S. Census Bureau; COMEX; Bloomberg; Infomine; Alaska Department of Revenue; and U.S. Courts, 9th Circuit

Employer Resources

Employer incentives to hire former prisoners

Gainful employment after release from prison can reduce recidivism, but employers may be reluctant to hire someone with a criminal background due to the perceived risk. Employers who are considering hiring a former prisoner should be aware that giving someone a second chance often fosters employee loyalty and that financial incentives are available to help mitigate risk.

Because people who have spent time in prison have difficulty re-entering society and finding jobs, they are likely to be loyal to an employer who will give them a chance. Once hired, they are often motivated to become long-term employees.

The Department of Labor and Workforce Development's Division of Employment and Training Services administers two programs designed to save employers money and alleviate fear of employee dishonesty: Fidelity Bonding and the Work Opportunity Tax Credit.

Fidelity Bonding offers insurance against loss of money,

securities, and other property through employee dishonesty. The department issues bonds at no charge to the employer, usually in \$5,000 increments.

The Work Opportunity Tax Credit gives employers a federal income tax credit of up to \$2,400 for hiring a felon. If the candidate is also a qualified veteran, the tax credit can be as high as \$9,600.

By giving a former prisoner a chance to be a productive member of society after release, employers can help make Alaska a safer and more prosperous place as well as gain a loyal, motivated worker.

To learn more about Fidelity Bonding and WOTC, contact your nearest Alaska Job Center at (877) 724-2539 or visit the Business Connection site at <http://jobs.alaska.gov/employer.htm>.

Employer Resources is written by the Employment and Training Services Division of the Alaska Department of Labor and Workforce Development.

Safety Minute

Good safety and health programs save employers money

Statistics show good safety and health programs save money, improve productivity, and increase morale. Establishing a comprehensive safety and health management system can reduce a company's injury and illness costs by 20 percent to 40 percent, which can mean the difference between operating in the black and running in the red.

U.S. businesses spend an estimated \$170 billion a year on costs associated with occupational injuries and illnesses. Injuries and illnesses increase workers' compensation premiums and retraining costs, absenteeism, and faulty products. They also decrease productivity, morale, and profits.

Effective safety and health management systems can help businesses operate more efficiently as well. For companies with OSHA injury rates and experience modification rates

above their industry's national average, it's difficult to secure large and high-paying projects and nearly impossible to get federal contracts. General contractors don't want to risk hiring a company with a bad safety record, and owners don't want general contractors that hire them. Just one serious injury can take all the profit out of a job.

If you need help with your safety program, many resources are available through OSHA.gov as well as your worker's comp carrier. You can also request assistance developing your plan from the department's Occupational Safety and Health Consultation and Training Section at (800) 656-4972 or <http://labor.alaska.gov/lss/oshhome.htm>.

Safety Minute is written by the Labor Standards and Safety Division of the Alaska Department of Labor and Workforce Development.