
The Labor Force, Inflation, and Supply Chain Issues in Alaska

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Summary

Alaska was exiting its longest recession when pandemic occurred

- Driven by decline in oil sector

All sectors of Alaska's economy impacted

Total employment fell from 330,000 in 2019 to 302,600 in 2020

- Year-over-year employment was 311,900 in October 2021, 303,400 in Oct 2020 and 327,700 in Oct 2019

Alaska has seen net outmigration since 2016

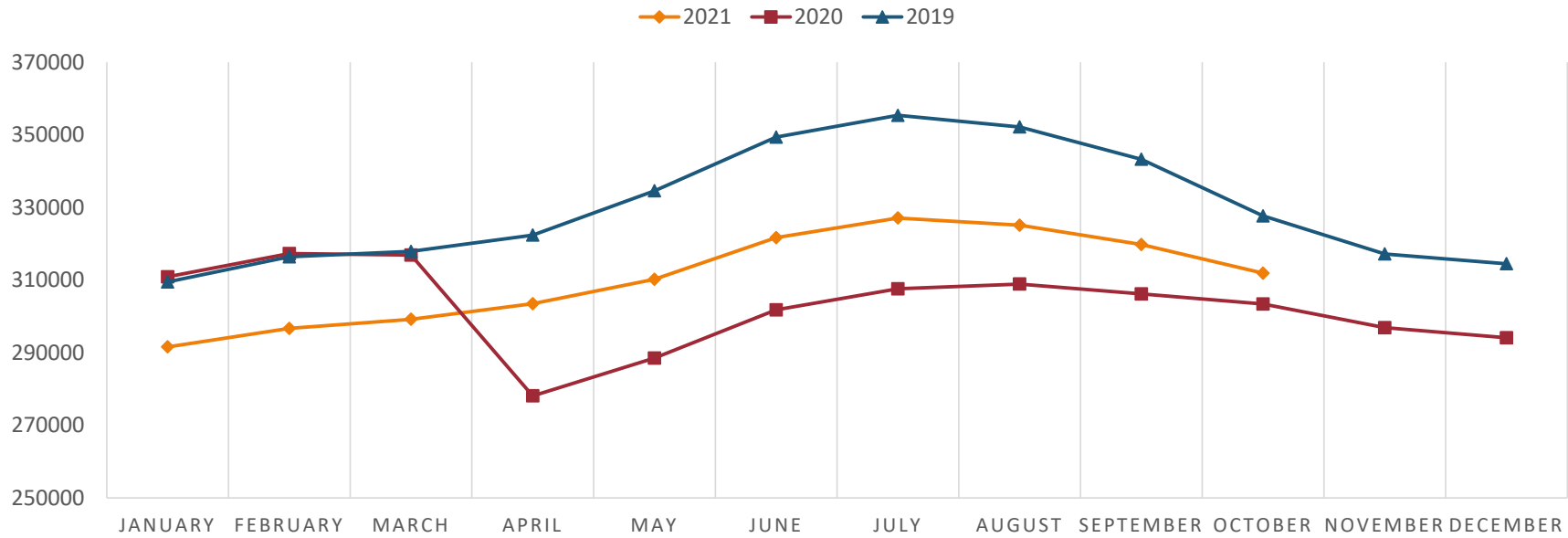
- Not uniform by age group – losing young workers and late career workers

USA and Alaska both have tight labor markets and inflation

- Alaska's tightness driven by what is happening outside
- Signs of a positive demand shock leading to an inflationary gap

Alaska has not recovered to pre-pandemic Employment Levels

TOTAL NONFARM EMPLOYMENT



Industry and employment job count (CES) data

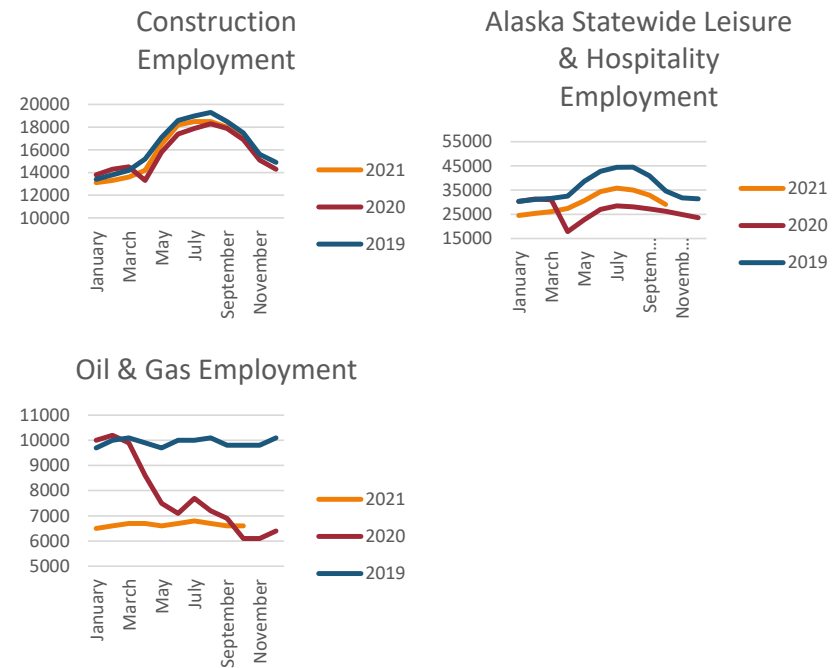
In October, from 2019 to 2021:

- Alaska overall was down 15,800 jobs (5.1%)
- Oil & Gas down 3200 jobs (4.8%)

At August Peak, from 2019 to 2021 ,

- Leisure & Hospitality was down 9,500 jobs (27.1%)
- Construction was down 800 jobs (4.3%)

Pandemic impacts have been focused on face-to-face service industries



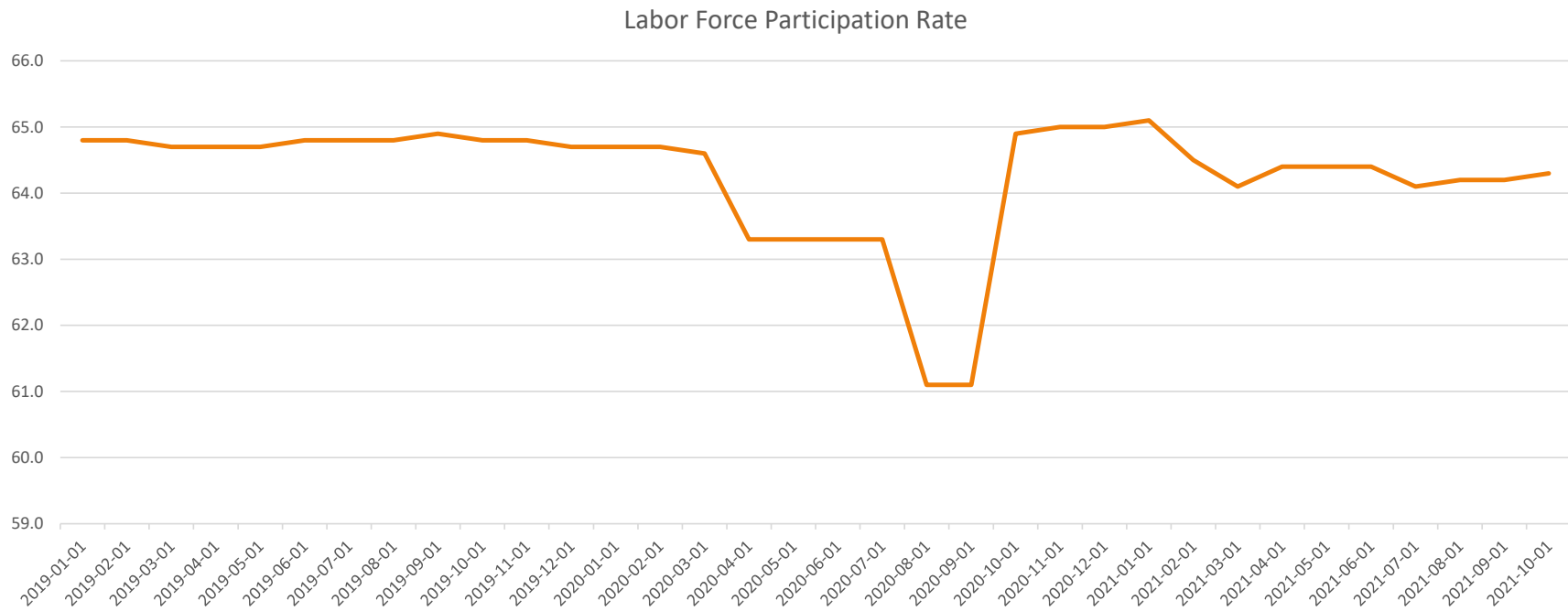
Year-over-year percent changes in employment by sector in Alaska



2019-2021 percent changes in employment by sector in Alaska



Alaska labor force participation rate



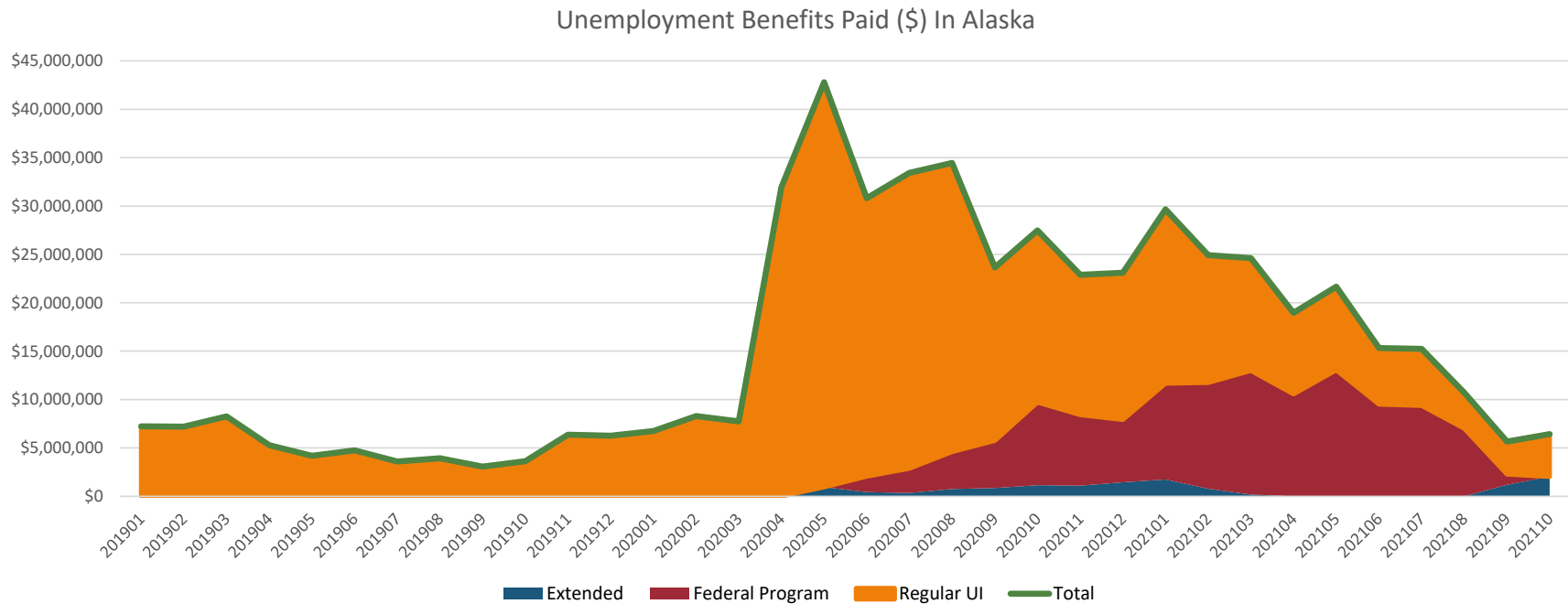
Limited impact of Expanded UI

Extra \$300/wk ended June 21 in Alaska; Sept 6 everywhere

Comparison of the 22 states that ended it in June vs others showed little impact on employment for impacted individuals

- Coombs et al. (2021) find:
 - cut reciprocity by 35% from April 2021.
 - Average benefits fell by \$278/week
 - Earnings rose by \$14/week
 - People responded by cutting spending
 - Benefits expiring was a bigger driver than reducing UI

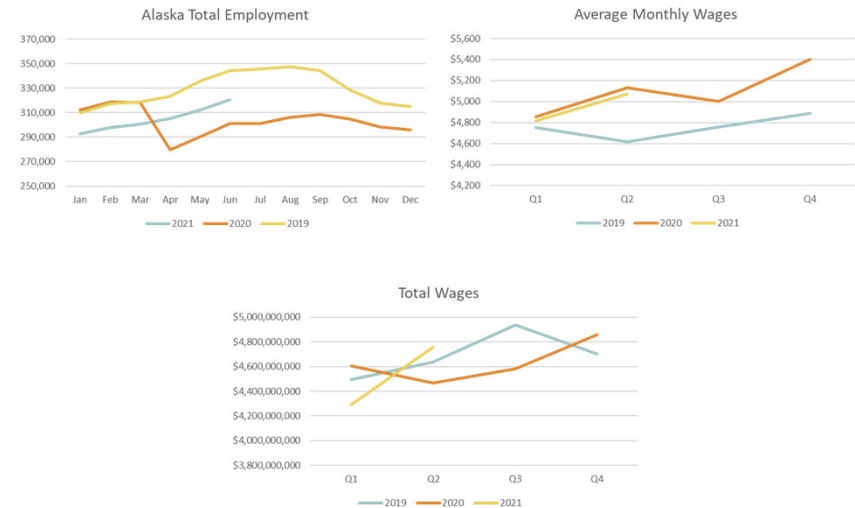
Unemployment benefits being paid have decreased substantially



Industry And Employment Job Count (QCEW)

Total wages paid in Alaska are up

- Employment levels are recovering
- Average wages have increased
- Part of this is a “selection” effect, where lower wage workers separated from jobs



Demographic Effects

US population 16-64 fell by 0.1% in 2020

49.5 Million COVID Cases Nationwide

152,000 COVID Cases in Alaska

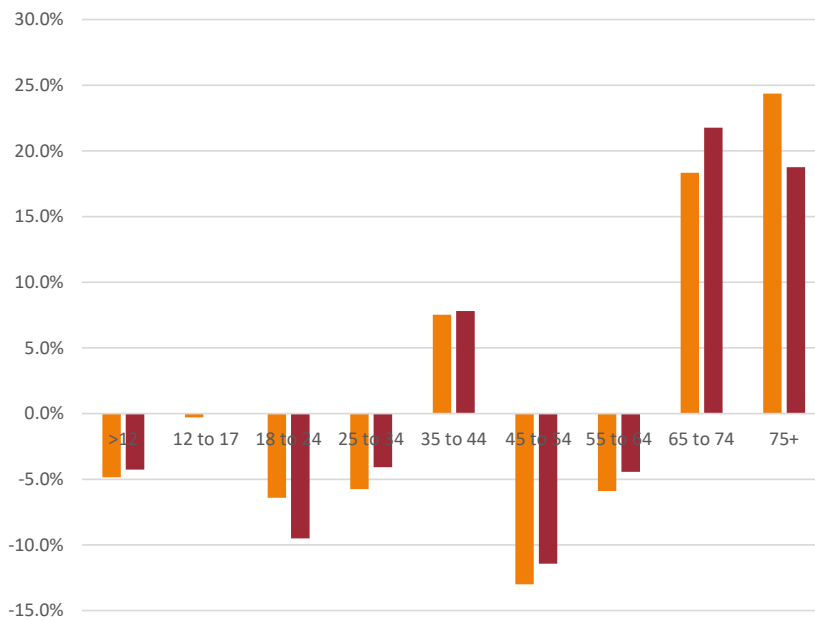
Long-run trend of outmigration from Alaska exacerbated by economic conditions in lower 48

Increase in retirements -50.3% of those 55+ are now retired (Pew Trust) and number of retirees

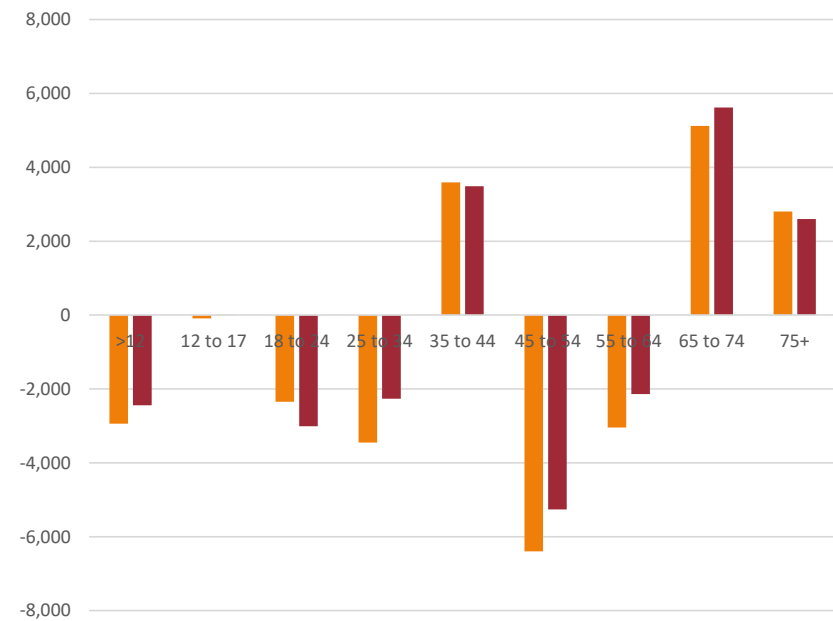
- Alaska is seeing an increase in population 65+

Net Migration from Alaska

Percent Change in Population from 2016-2020



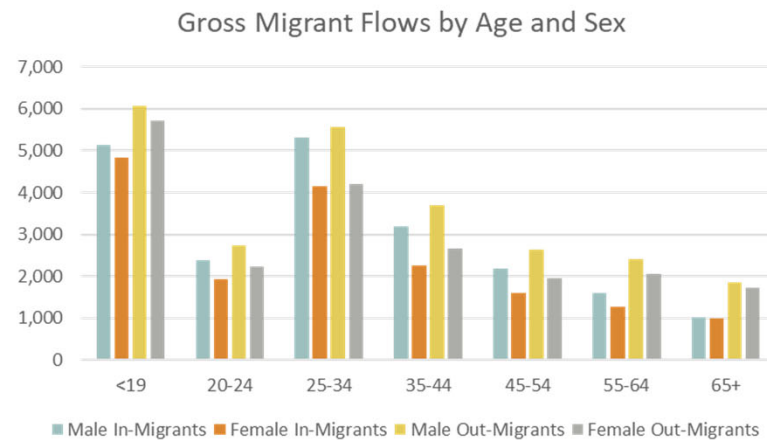
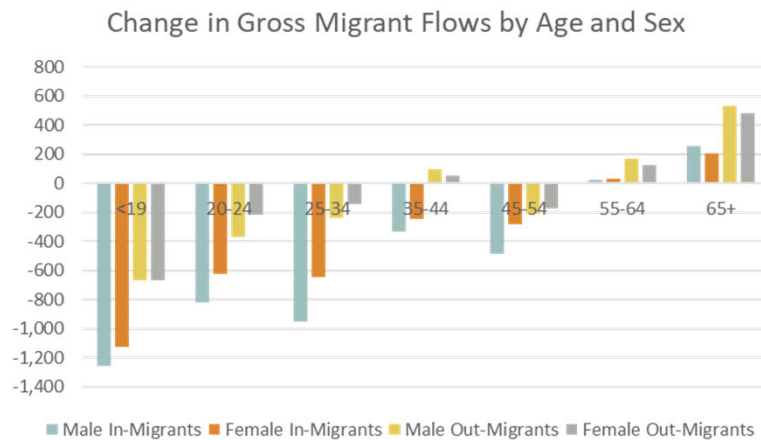
Population Change from 2016-2020



Migration Based on PFD Applications, 2015 to 2020 Average Annual

Fewer working age people are coming to Alaska, and fewer working age people are leaving

- Gross flows are still large



COVID Conditions

Exposure to COVID

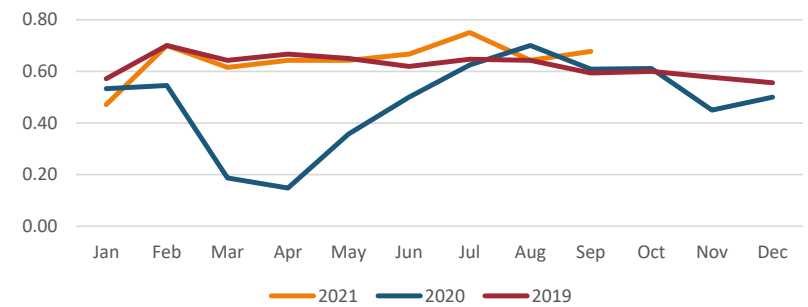
Politicized response to COVID and COVID measures

Confidence in job market

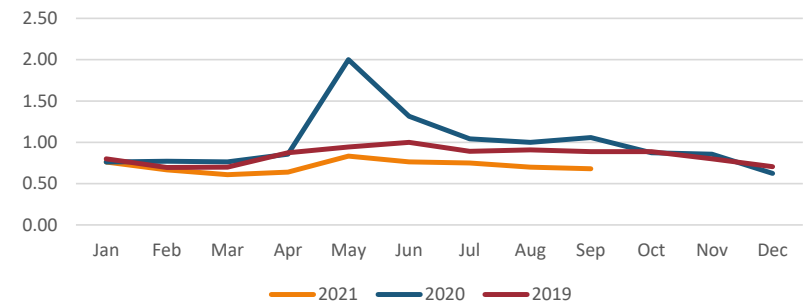
- Potentially moving Outside Alaska
- Confidence in finding a better/different job in Alaska

Alaska has 24% quit rate (4th highest in country – national average is 2.9%)

Quits per Total Separations from JOLTS Data



Hires per Opening from JOLTS Data



What is driving inflation?

Adjustments in what people are buying – a big shift from services to goods

Short term bottlenecks in production and specific goods

Logistics issues – more volume than before

Positive Aggregate Demand Shock

- Several large stimulus bills, household wealth has increased, vaccination has reduced the risk of COVID
- More people competing for goods and services

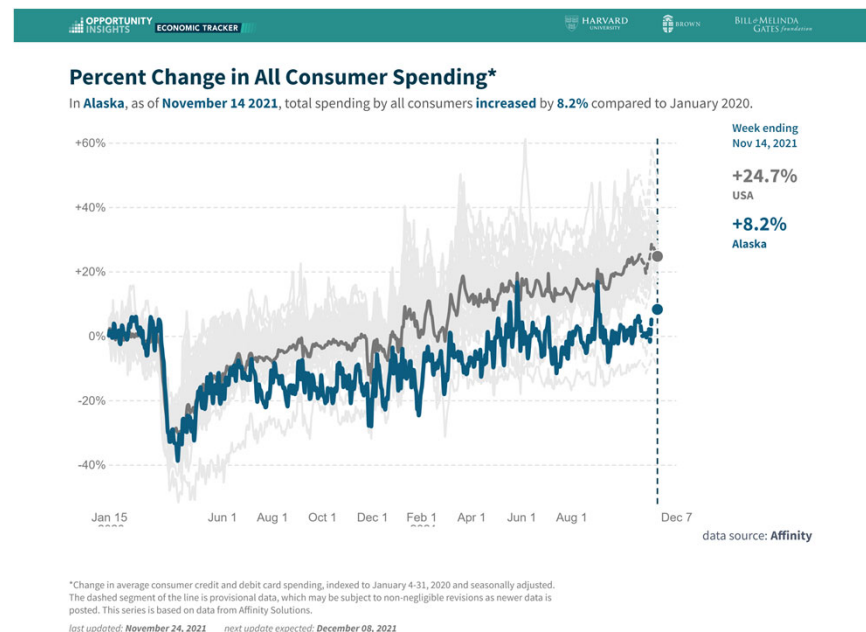
Consumer spending recovering

All consumer spending is recovering relative to January 2020

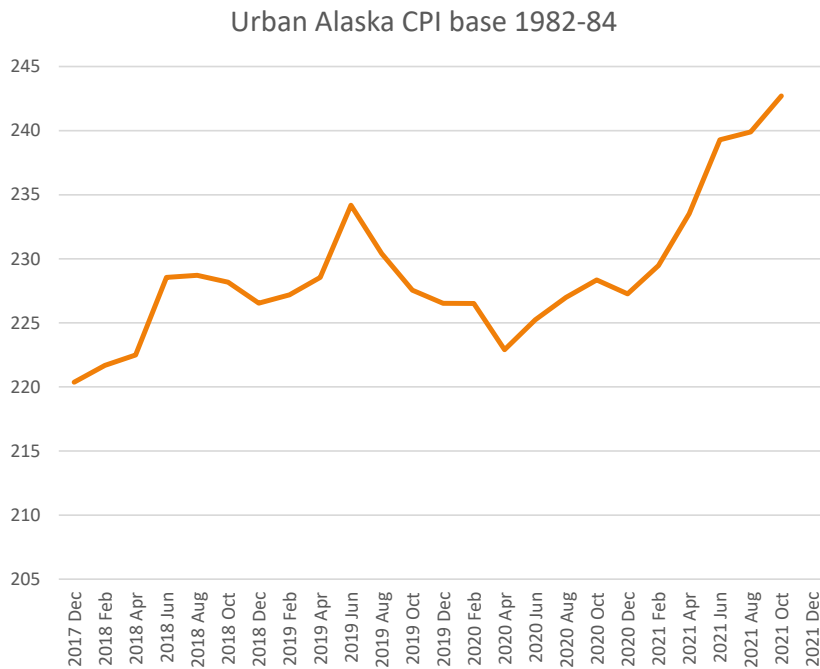
- Alaska is lagging behind the rest of the USA

Median family wealth rose during the pandemic

- Real Estate & Stocks
- Cash Savings
 - Stimulus, unemployment, lower spending
- This was unequal, and lower income families are seeing their excess savings dwindle
- The Advanced CTC payments are helping families with kids



Alaska CPI



CPI is a measure of the total value of goods and services consumers have bought over a specified period,

Overall CPI catching up with pre-pandemic trend

- Brief period of deflation during pandemic
- “Level Effect”

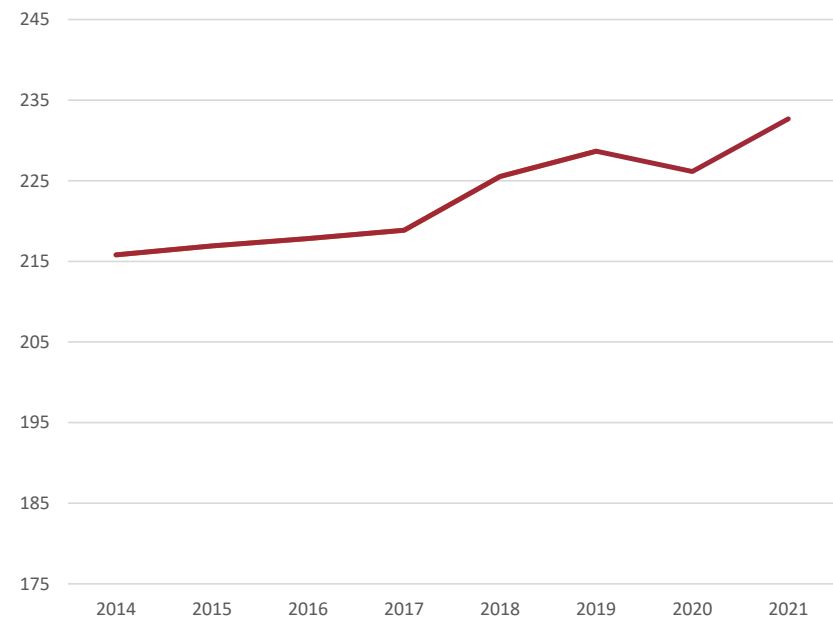
If we’re just catching up, inflation could be transitory

Urban Alaska Annual CPI 2014-2021

Catching up with longer-run Alaska trend

- Alaska's economy has not recovered from previous recession

Urban Alaska Annual* CPI 2014-2021



Producer Price Index

PPI is a measure of inflation from the perspective of producers.

Alaska is a price taker in commodity markets

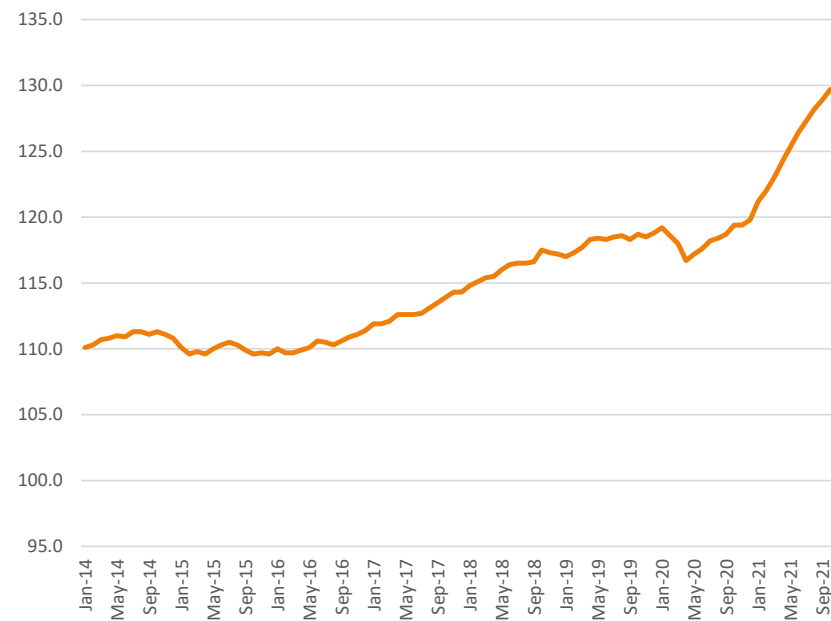
Producer Price Index for Final Demand increased 8.6% for 12 months ended in October

- Over 60% of the October increase is due to final demand goods
- Shift towards consuming goods

Unit labor costs increased at 9.6% annual rate

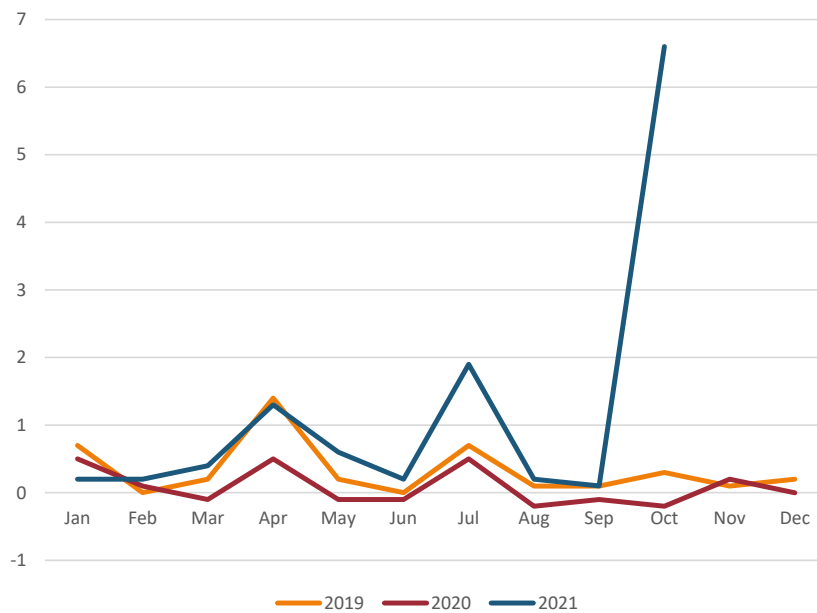
- 3.9% increase in hourly compensation
- 5.2% decrease in productivity
- 6.3% rate over the last 4 quarters

Producer Price Index base Nov 2009

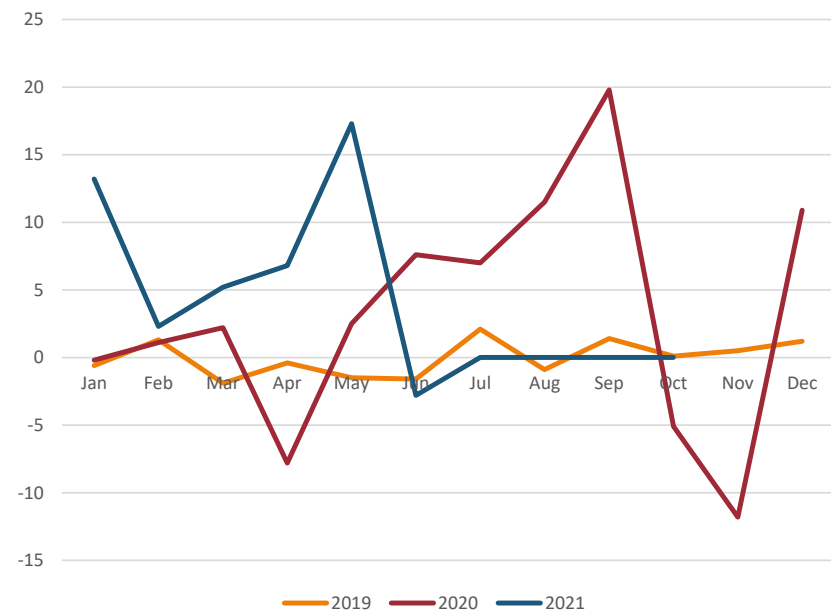


PPI related to commodity-specific shocks

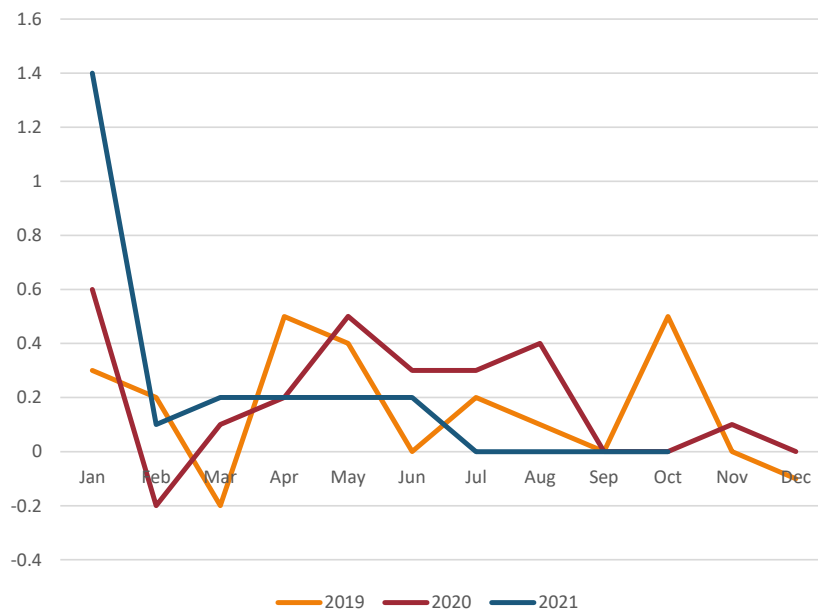
Final Demand Construction SA PPI



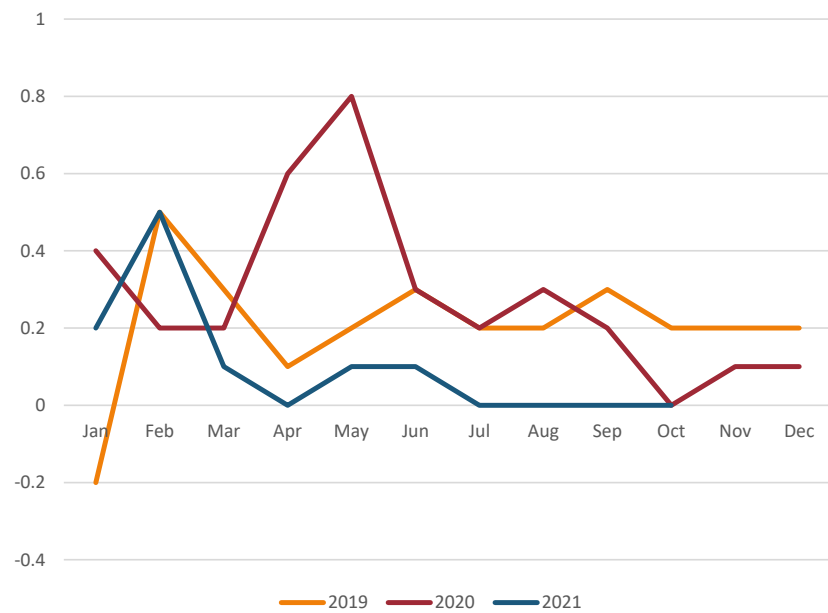
Lumber and Wood Products SA PPI



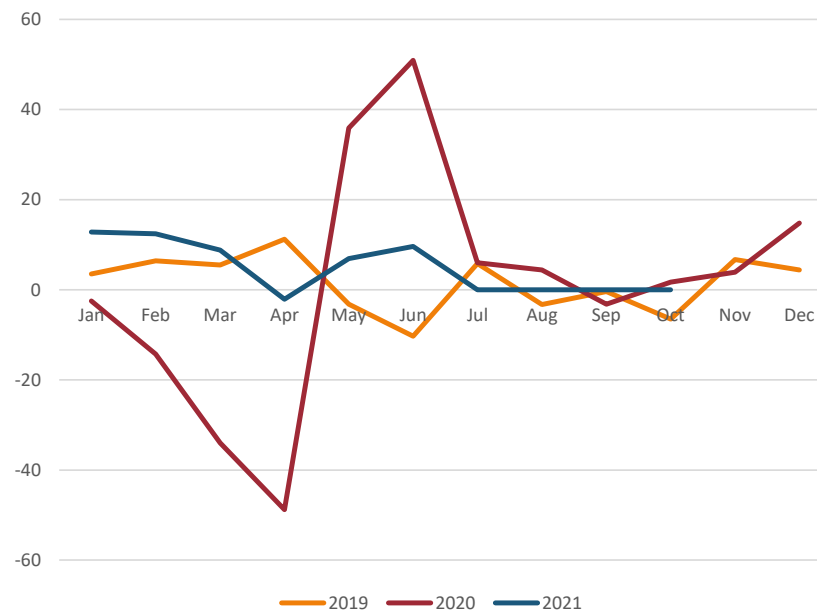
Out-Patient Care SA PPI



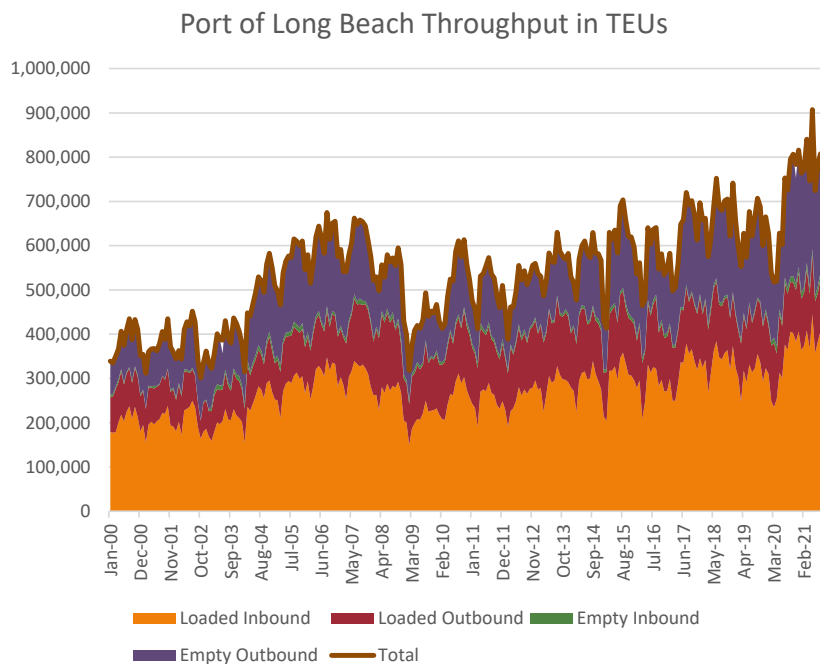
In-Patient Care SA PPI



Final Demand Crude Petroleum SA PPI



Logistics are moving more than ever



Signs of a positive demand shock

Port of Long Beach moving more containers than ever before

- Buying spree of imports

But this is leading to bottlenecks that cause prices to spike

This will likely work itself out over time – but lead to higher costs in the short-run

COVID-19 is not over

The pandemic is neither over in Alaska, the United States or globally

- Supply chains mean that interruptions outside impact Alaska

Alaska is a small open economy – we are at the mercy of national and global trends

Getting back to normal will take time

- Disruptions from COVID will take time to unwind – for a lot of issues there is no silver bullet

There are likely to be additional impacts from the Bipartisan Infrastructure Bill & other possible Federal & State policy changes

- Increased positive pressure on labor markets and commodity prices from Infrastructure Bill
- State capital budgets
- Long-run choices about what Alaska will look like, and the willingness to invest in quality of life, work force, and economic growth

Alaska faces both short-run challenges and long-run problems

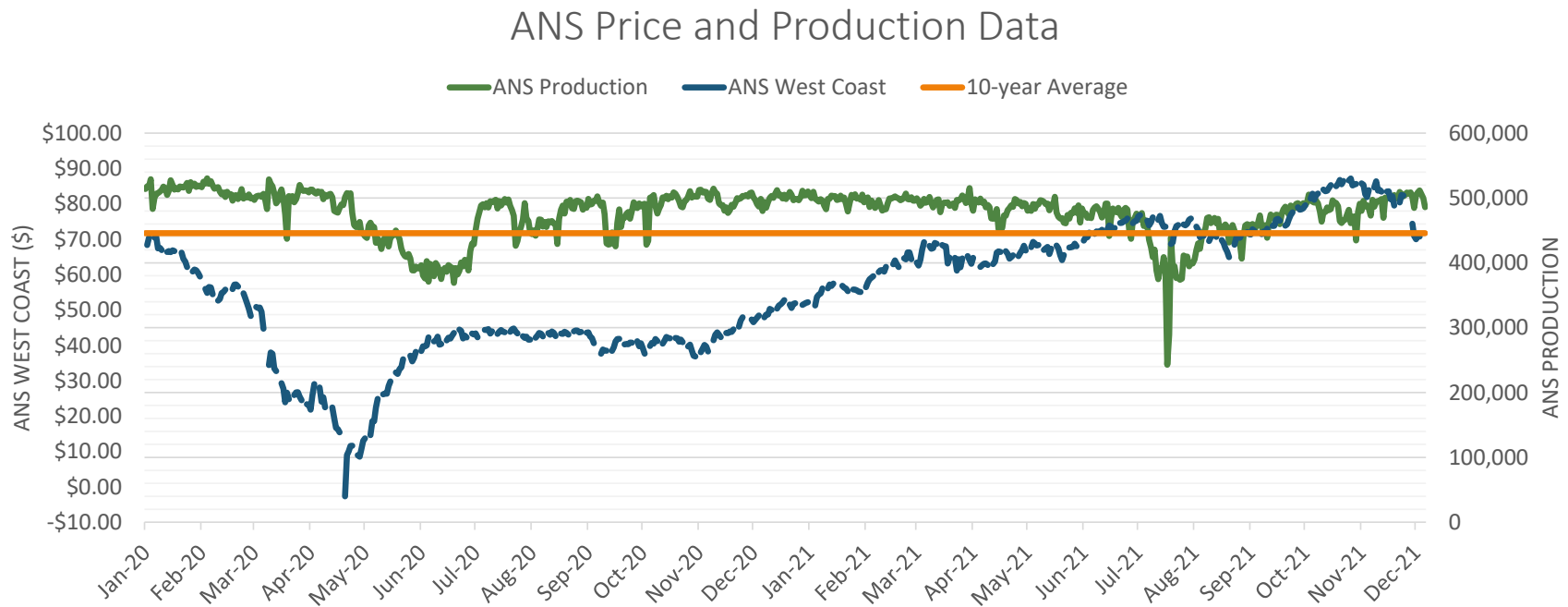
Short term possibilities

- Attract people back into the work force
- Reduce quit rates and out migration
- Ease market frictions and opportunity costs for employees

Long term problems

- Outmigration and brain drain
- Lack of in-migration and need to compete with lower 48
- Healthcare costs

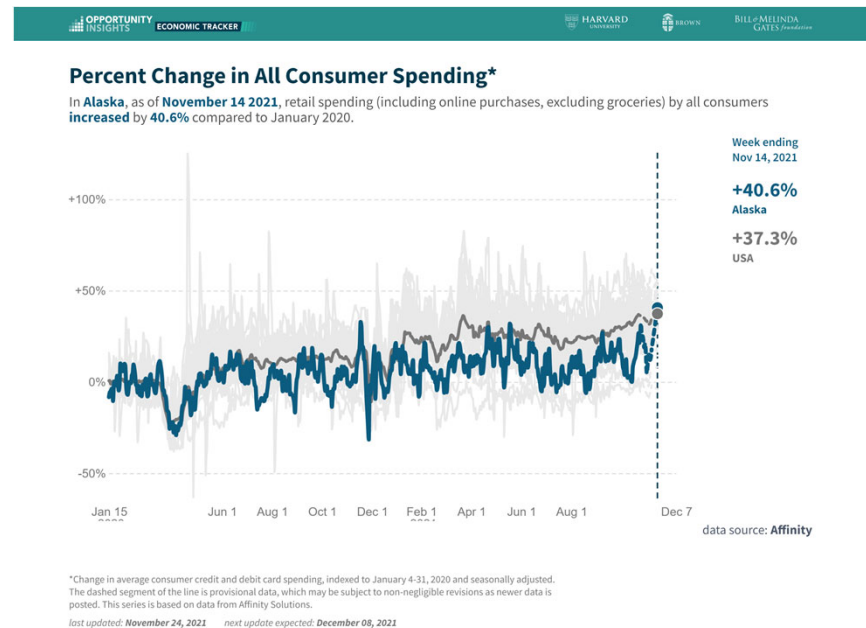
Oil prices have been volatile, but approaching 10-year average



Retail spending

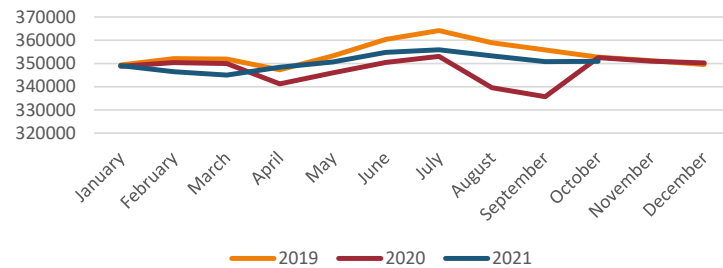
The difference is smaller in retail spending

- Alaska is still generally lagging the rest of the USA

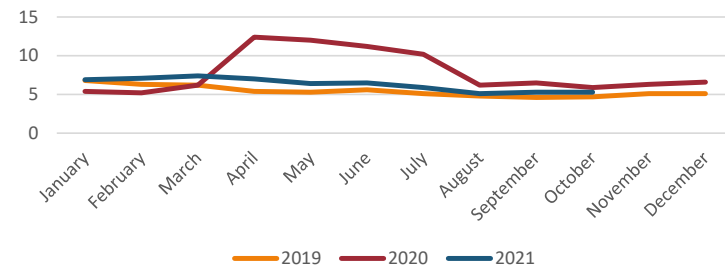


Civilian employment people count

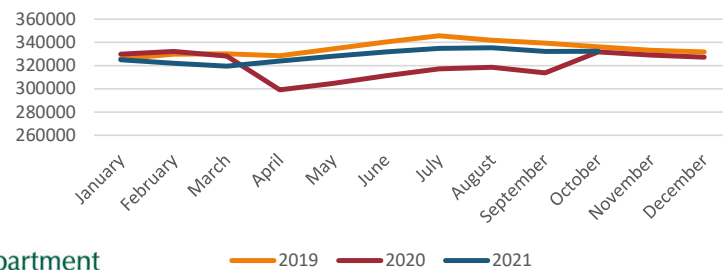
Alaska Statewide Labor Force
(Not seasonally adjusted)



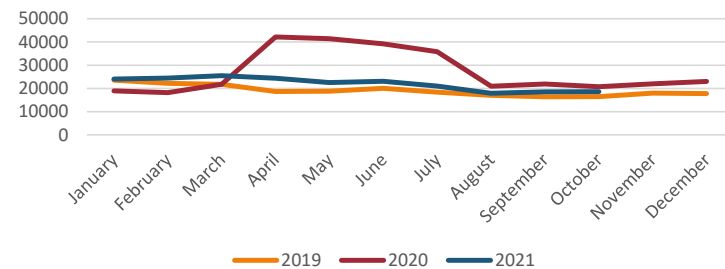
Alaska Statewide Unemployment Rate
(Not seasonally adjusted)



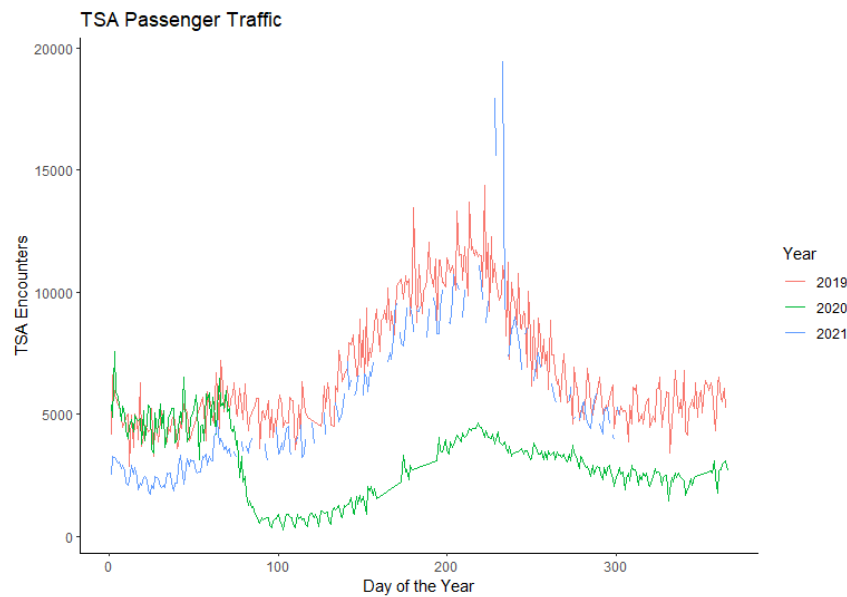
Alaska Statewide Employed
(Not seasonally adjusted)



Alaska Statewide Unemployed
(Not seasonally adjusted)



Tourism in Alaska



**Anchorage Room Tax Change
Q3 2019 to Q3 2021**



**Anchorage Room Tax Pct Change
Q3 2019 to Q3 2021**

