

ALASKA ECONOMIC TRENDS

February 2005



Population Projections

2005-2029

Alaska Department of Labor
and Workforce Development

Frank H. Murkowski
Governor of Alaska

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Jobs are Alaska's Future

By Governor Frank H. Murkowski



Writing in this issue of *Alaska Economic Trends*, State Demographer Gregory Williams estimates that Alaska's population will increase from 655,435 in 2004 to 783,452 in 2024. That's an addition of 128,000 Alaskans in 20 years.

My administration has adopted the theme "Jobs Are Alaska's Future" to demonstrate our commitment to putting current and future Alaskans to work. The phrase encourages Alaska hire and it is more than a slogan. It reflects a direct link between the population growth forecasts in *Trends* and my administration's commitment to good jobs for Alaskans through resource, energy and economic development. Throughout my administration, we are encouraging out-of-the-box thinking to stimulate resource development which, in turn, will create job opportunities for Alaskans. There are many exciting and realistic developments on the horizon. First and foremost is a project dominating Alaska's news headlines: the natural gas pipeline connecting the North Slope with Alaska and U.S. consumers and markets.

In terms of good-quality family-wage jobs, it is estimated more than 8,500 skilled workers will be required to build the almost 750-mile Alaska segment of the pipeline. The workforce will include about 500 pipefitters, more than 2,300 equipment operators, 2,500 truck drivers, 1,600 laborers and welder's helpers, 500 supervisors and 1,100 construction inspectors, camp and catering workers, electricians and iron workers.

The trans-Alaska oil pipeline was a monumental engineering achievement, but those workers were on the job almost three decades ago. We must be prepared to fill their shoes with a new generation of skilled workers.

I have challenged our pipeline negotiating team with an ambitious goal: the workforce for the gas pipeline should be made up of at least 90 percent Alaska residents. Achieving this goal will not only take a commitment from the pipeline developers; it will take a concerted effort on the part of our public and private workforce development organizations to train and prepare skilled workers for these jobs. I have challenged Labor Commissioner Greg O'Clary to work with vocational technical education providers to deliver a skilled Alaskan gas pipeline workforce.

As I said in my state of the state address, "This time, when the line is ready to be built Alaskans will be ready to build it."

Numerous exciting opportunities for Alaska hire are also offered by other industries. Here are some recent examples:

Alaska has twice the coastline of the lower 48 states and our marine transportation industry is thriving. In December, I joined Commissioner O'Clary and officials of the Marine Exchange of Alaska (MEA) in Anchorage to introduce a recruiting and training program to fill about 1,000 jobs in the maritime industry with Alaska residents. These jobs include marine shipping lines, the at-sea seafood processing fleet, marine pilots and many of the crewmembers on the tanker fleet that services the oil terminal in Valdez. Together, MEA organizations and members represent virtually every aspect of marine transportation to, from and in Alaska.

My administration is also working with the at-sea seafood processors and their Community Development Quota (CDQ) partners to develop job opportunities for resident Alaskans. These seafood industry jobs provide career opportunities for young Alaskans, especially those in coastal and rural areas.

Alaska's health care industry is projected to grow by 9,700 jobs in the next ten years, and health care provides Alaskans with many career choices while employers value the stability of a resident workforce. We are working with the University of Alaska system as well as health care organizations statewide and the labor department's Alaska Vocational Technical Center (AVTEC) to expand training programs to prepare more Alaskans for health care careers.

State Demographer Williams begins his article in this issue of *Trends* with this observation: "Resources, historical events and human desire have combined to shape the population of Alaska."

Later in his article Mr. Williams writes, "There is always the chance that something completely unpredictable or a force outside of the variables being considered will dramatically change the future."

I agree with Mr. Williams. The force, energy and creativity of Alaska's people can change Alaska's future for the better.

Alaskans' Future—Jobs.

Projections for Alaska population 2005–2029

Resources, historical events, and human desire have combined to shape the population of Alaska. Historic demographic trends do create a reality that guides future events. However, there is no crystal ball that allows us to foretell the future. While the recent past is our best guide to the future, things never turn out quite as predicted. The large “baby boom” population that has dominated demographics for the last 30 years is a force that will continue to influence Alaska’s future.

Population estimates and population projections are often confused. Estimates use the most recent indicators of population change and characteristics, such as Permanent Fund Dividend applications, federal IRS tax filings, birth and death statistics, and surveys to create a picture of the current population. Population projections use the historical trends along with a series of assumptions of the likelihood of change to create a set of models of what the population will look like in the future. The size and shape of the population in this future model in turn influence planning for many social and economic services, and markets associated with the human life cycle. Fewer children means less need to build schools and a larger number of elderly means a growing need for assisted living and health care services.

The key to making good projections involves having good trend data for the main variables affecting population growth or decline. Some variables, like mortality trends, are very stable and

change slowly. By contrast, fertility is more variable and migration even more so. Although fertility is moderately stable, it is influenced by economic and social trends and policy. It has not been uncommon for trends in fertility to change substantially in a period as short as five to 10 years.

Of all variables affecting population growth, the most unstable is migration. Migration trends can change direction quickly in a place like Alaska, depending on the prosperity of the state’s economy in relation to that of states that provide or receive most of Alaska’s in- and out- migrants. In addition, economics, social policy, and unique historical events in the U.S. or around the world can drastically influence the state’s resource based economy.

Migration, and to a lesser extent, fertility, are related to jobs. However, while the main reasons that people migrate are to take jobs, attend school or to follow family members, the nature and timing of the links between economics and migration are very murky. Timing is not always immediate or consistent. Many people have stayed in places like West Virginia, the Minnesota Iron Range, rural Mississippi, or inner city slums long after the jobs have disappeared. Some people who came to Alaska searching for short-term work have left quickly after the work was gone. Others have taken any job or lived off the land in order to remain. Many people come to Alaska for reasons not associated with work, and hope they can find or create work once here.

There is always a chance that something completely unpredictable or a force outside of the variables being considered will dramatically change the future. Clearly the farther into the future one goes, the less reliable projections become. Twenty-five-year projections are not really expected to be good for 25 years, any more than today's five-day weather forecast is expected to remain static for the five days. Events must be constantly monitored for the influences that are beyond our ability to track and predict.

Projections of population and the economy

Demographers and economists have been in the projections business for a long time. Demographers tend to be interested in the factors that cause population change. As a by-product of their projections, they sometimes generate projections of the labor force or households. Economists tend to be interested in how the elements of the overall economy will cause employment to grow or decline based on consumption, production, and labor supply and demand. As a by-product, economists in turn sometimes generate projections of population. Attempts to build joint economic/demographic models, however, have met with only limited success. None has been so successful as to become the standard for projections in both fields. The projections of population presented here rely primarily on a demographic approach. However, these projections are compared with forecast job growth to see if the migration assumptions are reasonable.

The projections in this article are cohort component projections using gross migration flows. A cohort is a group of people who generally share a common event such as being born in the same year. The cohort of 1946, for example, was the leading edge of the baby boom. A component projection means that factors such as death, birth, and migration are independently modeled as are their interactions to produce the final projection.

Gross migration refers to a separate consideration of trends and patterns of in-migration and out-

migration. The trends observed here are developed from several sources of indicator data: applications for the Alaska Permanent Fund Dividend, change in residence address from federal income tax returns, birth and death statistics, and employment statistics.

Projections are usually prepared for low, middle, and high growth scenarios. Because of limited space, this article focuses on the middle (most likely) series projections. The high and low series assume significantly higher or lower migration and fertility from the observed historic average. In any given year, there is only a 1 in 10 chance that migration would fall above or below the high and low projections. Similarly, there is only a 1 in 20 chance that the future total fertility would fall outside the high or low series.

Assumptions regarding change

Mortality

The average life expectancy for Alaskans in 1960 was 2.2 years shorter than life expectancy nationwide. By 2001, however, the gap between

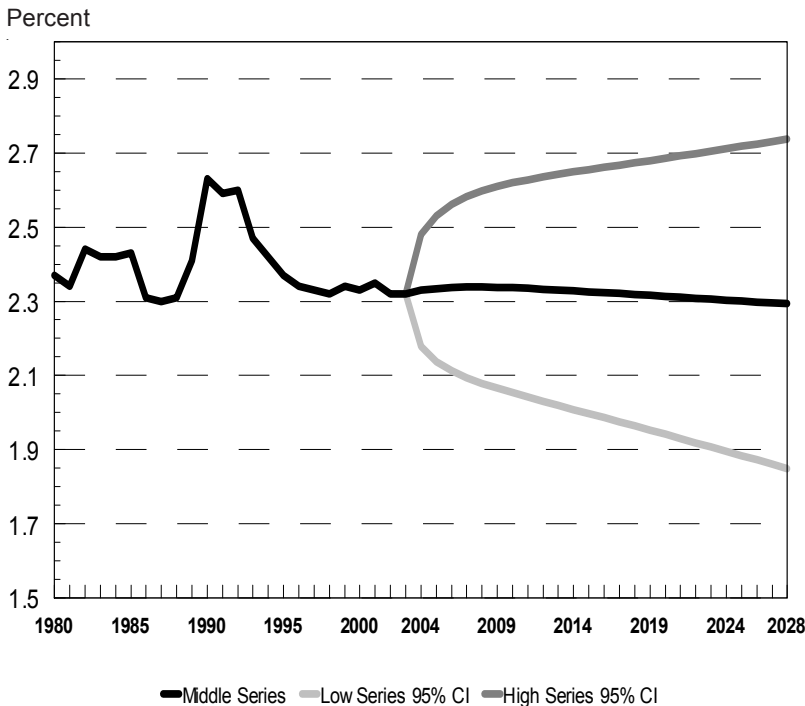
Life Expectancy at Birth Alaska and U.S., 1960 – 2001



Alaska	Total	Male	Female
1960	67.5	n/a	n/a
1970	69.3	66.1	74.0
1980	72.1	68.8	76.5
1990	74.8	71.6	78.7
2000	77.2	74.9	79.7
United States			
1960	69.7	66.6	73.1
1970	70.9	67.1	74.8
1980	73.7	70.0	77.5
1990	75.4	71.8	78.8
2001	77.2	74.4	79.8

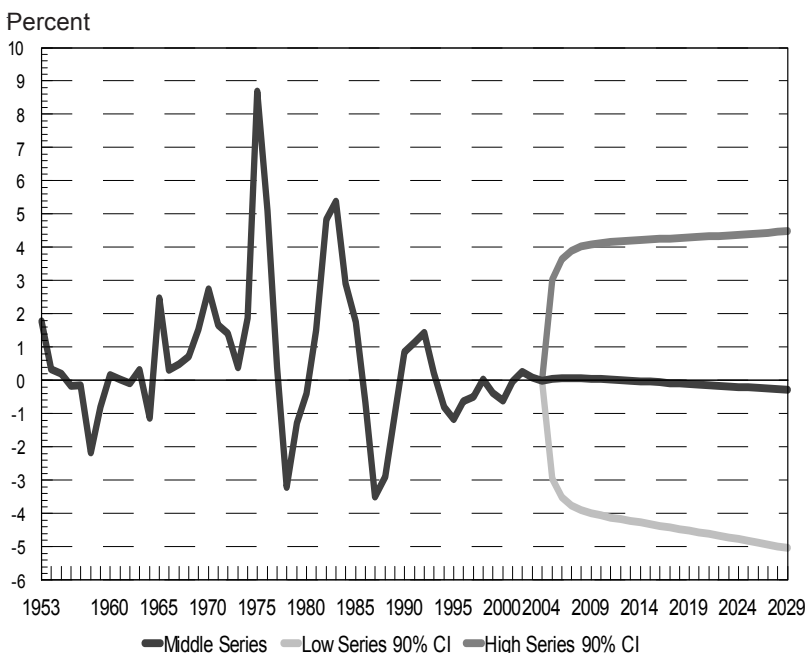
Sources: National Center for Health Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section

2 Total Fertility Rates Alaska 1980 – 2028



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

3 Net Migration 1953 – 2029 As a percentage of population



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

Alaska and U.S. had closed to a common life expectancy of 77.2 years. (See Exhibit 1.) Changes in life expectancy, barring a catastrophic fatal disease, generally have a limited impact on projections, accounting for only about two percent of the overall projection. For the purposes of these projections, the current life expectancy at each age for men and women is assumed to remain the same for the period of the projection. This assumption will have a slightly conservative or downward bias on the number of older Alaskans. One may expect that the number of seniors may be slightly higher than reported in these projections.

Fertility

Fertility is trended through the use of age-specific fertility rates. (See Exhibit 2.) These sum to the Total Fertility Rates, which can be interpreted as completed family size if women were to continue having children throughout their childbearing years at the current age-specific patterns. Alaska's fertility is not assumed to converge toward the national average; nor do we assume Alaska's fertility will follow national fertility trends into the future. The trend in fertility since 1980 was used to compute mid-series fertility. The observed fluctuation in fertility was used to compute the high and low series, which corresponds to the 95 percent Confidence Interval (CI). This means that in any given year there is only a 1 in 20 chance that the Total Fertility Rate would be higher or lower than the high and low series. Fertility has historically had substantial impact on Alaska's population growth. Only at the end of these projections do children born during the projection period begin to have a feedback effect upon the projected children's children.

Migration

While events such as the construction of the Trans-Alaska Pipeline have caused the influx or exodus of large numbers of people, Alaska's booms and busts have been relatively short lived, usually lasting from one to four years. The net rate of growth or decline in population attributable to

Annual Components of Population Change **4**

Alaska 1945–2004

July 1 to June 30	End of Period Population	Population Change	Avg Ann Rate of Change	Components of Change					
				Births	Birth Rate	Deaths	Death Rate	Natural Increase	Net Migrants
1951-52	185,500								
1952-53	193,800	8,300	4.38	6,270	33.8	1,280	6.9	4,990	3,310
1953-54	200,100	6,300	3.20	6,910	35.7	1,240	6.4	5,670	630
1954-55	206,500	6,400	3.15	7,190	35.9	1,200	6.0	5,990	410
1955-56	212,400	5,900	2.82	7,480	36.2	1,220	5.9	6,260	-360
1956-57	218,600	6,200	2.88	7,730	36.4	1,240	5.8	6,490	-290
1957-58	220,100	1,500	0.68	7,450	34.1	1,200	5.5	6,250	-4,750
1958-59	224,000	3,900	1.76	6,830	31.0	1,170	5.3	5,660	-1,760
1959-60	230,400	6,400	2.82	7,290	32.5	1,250	5.6	6,040	360
1960-61	236,700	6,300	2.70	7,560	32.8	1,300	5.6	6,260	40
1961-62	242,800	6,100	2.54	7,610	32.2	1,290	5.4	6,320	-220
1962-63	249,900	7,100	2.88	7,670	31.6	1,320	5.4	6,350	750
1963-64	253,200	3,300	1.31	7,480	29.9	1,380	5.5	6,100	-2,800
1964-65	265,200	12,000	4.63	7,170	28.3	1,390	5.5	5,780	6,220
1965-66	271,500	6,300	2.35	6,810	25.7	1,320	5.0	5,490	810
1966-67	277,900	6,400	2.33	6,410	23.6	1,300	4.8	5,110	1,290
1967-68	284,900	7,000	2.49	6,350	22.8	1,317	4.7	5,033	1,967
1968-69	294,600	9,700	3.35	6,670	23.4	1,330	4.7	5,340	4,360
1969-70	308,500	13,900	4.61	7,230	24.5	1,370	4.7	5,860	8,040
1970-71	319,600	11,100	3.53	7,437	24.1	1,444	4.7	5,993	5,107
1971-72	329,800	10,200	3.14	7,129	22.3	1,462	4.6	5,667	4,533
1972-73	336,400	6,600	1.98	6,781	20.6	1,468	4.5	5,313	1,287
1973-74	348,100	11,700	3.42	6,847	20.4	1,467	4.4	5,380	6,320
1974-75	384,100	36,000	9.83	7,275	20.9	1,497	4.3	5,778	30,222
1975-76	409,800	25,700	6.47	7,694	20.0	1,570	4.1	6,124	19,576
1976-77	418,000	8,200	1.98	8,175	19.9	1,612	3.9	6,563	1,637
1977-78	411,600	-6,400	-1.54	8,668	20.7	1,654	4.0	7,014	-13,414
1978-79	413,700	2,100	0.51	9,043	22.0	1,654	4.0	7,389	-5,289
1979-80	419,800	6,100	1.46	9,400	22.7	1,671	4.0	7,729	-1,629
1980-81	434,300	14,500	3.40	9,912	23.6	1,738	4.1	8,174	6,326
1981-82	464,300	30,000	6.68	10,783	24.8	1,775	4.1	9,008	20,992
1982-83	499,100	34,800	7.22	11,728	25.3	1,862	4.0	9,866	24,934
1983-84	524,000	24,900	4.87	12,319	24.7	1,945	3.9	10,374	14,526
1984-85	543,900	19,900	3.73	12,727	24.3	2,033	3.9	10,694	9,206
1985-86	550,700	6,800	1.24	12,556	23.1	2,110	3.9	10,446	-3,646
1986-87	541,300	-9,400	-1.72	11,941	21.7	2,096	3.8	9,845	-19,245
1987-88	535,000	-6,300	-1.17	11,483	21.2	2,073	3.8	9,410	-15,710
1988-89	538,900	3,900	0.73	11,468	21.4	2,088	3.9	9,380	-5,480
1989-90	553,171	14,271	2.61	11,776	21.9	2,142	4.0	9,634	4,637
1990-91	569,054	15,883	2.83	11,798	21.3	2,225	4.0	9,573	6,310
1991-92	586,722	17,668	3.06	11,744	20.6	2,214	3.9	9,530	8,138
1992-93	596,906	10,184	1.72	11,347	19.3	2,477	4.2	8,870	1,314
1993-94	600,622	3,716	0.62	10,978	18.4	2,422	4.1	8,556	-4,840
1994-95	601,581	959	0.16	10,439	17.4	2,500	4.2	7,939	-6,980
1995-96	605,212	3,631	0.60	10,079	16.8	2,707	4.5	7,372	-3,741
1996-97	609,655	4,443	0.73	10,018	16.6	2,574	4.3	7,444	-3,001
1997-98	617,082	7,427	1.21	9,924	16.3	2,642	4.3	7,282	145
1998-99	622,000	4,918	0.79	9,864	16.0	2,609	4.2	7,255	-2,337
1999-00	625,504	3,504	0.56	10,102	16.2	2,829	4.5	7,273	-3,769
2000-01	632,389	6,885	1.09	9,980	16.0	2,934	4.7	7,046	-161
2001-02	640,841	8,452	1.33	9,889	15.6	3,072	4.9	6,817	1,635
2002-03	648,243	7,402	1.15	10,017	15.6	3,098	4.8	6,919	483
2003-04	* 655,435	7,192	1.10	10,271	15.8	3,030	4.7	7,241	-49

* Provisional

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

migration has rarely exceeded plus or minus 4.0 percent of Alaska's population. (See Exhibit 3.) Excluding a few extreme years when growth was more or less than four percent, the average of all annual change due to migration since 1953 has been almost zero. The 90 percent Confidence Interval of plus or minus 4.0 percent, however, is fairly wide. This indicates that year-to-year migration tends to be quite volatile. Note also that as Alaska's population grows larger, the proportion of migrants inevitably grows smaller relative to the

base population. The result is a gradual decline in the influence of migration on annual population change as overall population increases. While not presented here, the impact of sudden surges or declines due to migration are best addressed in the alternative High and Low projections series. The most important observation concerning a "boom and bust" cycle is that unless projections are made from the top of a boom cycle or the bottom of a bust cycle, the net effect of these movements is almost nil for overall historical population growth trends.

5 Population Growth Projections Alaska 2005–2029

Year	End of Period Population			Population Change			Average Annual Rate of Change		
	Low	Middle	High	Low	Middle	High	Low	Middle	High
2003-04	655,435	655,435	655,435						
2004-05	642,398	662,604	682,970	-13,037	7,169	27,535	-2.01	1.09	4.11
2005-06	644,874	669,977	697,107	2,476	7,373	14,137	0.38	1.11	2.05
2006-07	649,543	677,362	706,782	4,669	7,385	9,675	0.72	1.10	1.38
2007-08	654,856	684,714	716,229	5,313	7,352	9,447	0.81	1.08	1.33
2008-09	660,363	692,001	725,564	5,507	7,287	9,335	0.84	1.06	1.29
2009-10	665,872	699,207	734,832	5,509	7,206	9,268	0.83	1.04	1.27
2010-11	671,330	706,344	744,077	5,458	7,137	9,245	0.82	1.02	1.25
2011-12	676,684	713,393	753,297	5,354	7,049	9,220	0.79	0.99	1.23
2012-13	681,904	720,333	762,468	5,220	6,940	9,171	0.77	0.97	1.21
2013-14	686,931	727,003	771,546	5,027	6,670	9,078	0.73	0.92	1.18
2014-15	691,659	733,637	780,420	4,728	6,634	8,874	0.69	0.91	1.14
2015-16	696,236	740,077	789,279	4,577	6,440	8,859	0.66	0.87	1.13
2016-17	700,639	746,345	798,006	4,403	6,268	8,727	0.63	0.84	1.10
2017-18	704,766	752,373	806,561	4,127	6,028	8,555	0.59	0.80	1.07
2018-19	708,623	758,170	814,935	3,857	5,797	8,374	0.55	0.77	1.03
2019-20	712,204	763,730	823,132	3,581	5,560	8,197	0.50	0.73	1.00
2020-21	715,489	769,032	831,134	3,285	5,302	8,002	0.46	0.69	0.97
2021-22	718,481	774,085	838,956	2,992	5,053	7,822	0.42	0.65	0.94
2022-23	721,189	778,908	846,612	2,708	4,823	7,656	0.38	0.62	0.91
2023-24	723,578	783,452	854,059	2,389	4,544	7,447	0.33	0.58	0.88
2024-25	725,667	787,744	861,321	2,089	4,292	7,262	0.29	0.55	0.85
2025-26	727,388	791,732	868,383	1,721	3,988	7,062	0.24	0.50	0.82
2026-27	728,737	795,415	875,262	1,349	3,683	6,879	0.19	0.46	0.79
2027-28	729,733	798,813	881,999	996	3,398	6,737	0.14	0.43	0.77
2028-29	730,231	801,904	888,604	498	3,091	6,605	0.07	0.39	0.75

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

“Base” in- and out-migration is 40,000 annually, which corresponds to historic average gross migration levels. In-migration increases from the base in the high series and out-migration increases in the low series. High and low net migration figures shown in Exhibit 6 will not add up as components of total population, but show the range associated with the 90 percent confidence interval. Each year shown is a single-year extraction from a series. This allows one-year fluctuations to be shown, without compounding their effect over the years.

Influences of policy

This middle series projection is intended to reflect the sum of the recent “good” and “bad” economic history of Alaska. No assumptions are made about the effects of future policy changes, the future volume of oil or gas pumped or its price, environmental policy concerning the Arctic National Wildlife Refuge, logging in the Tongass National Forest, the federal management of wildlife and fisheries, or cutbacks or expansion in the military. While the impact of these events in terms of jobs can be quantified, quantifying their

Components of Change

Alaska 2005–2029

July 1 to June 30	Births			Deaths			Natural Increase			Net Migration		
	Year	Low	Middle	High	Low	Middle	High	Low	Middle	High	Low*	Middle
2004-05	9,479	10,054	10,791	3,137	3,137	3,137	6,342	6,917	7,654	-19,377	252	19,882
2005-06	9,430	10,176	11,162	3,221	3,221	3,223	6,209	6,955	7,939	-23,362	418	25,828
2006-07	9,456	10,308	11,462	3,314	3,315	3,317	6,142	6,993	8,145	-25,253	392	26,940
2007-08	9,507	10,434	11,719	3,413	3,414	3,415	6,094	7,020	8,304	-26,426	332	27,691
2008-09	9,566	10,560	11,950	3,518	3,520	3,522	6,048	7,040	8,428	-27,304	247	28,266
2009-10	9,634	10,682	12,166	3,622	3,625	3,627	6,012	7,057	8,539	-28,049	149	28,750
2010-11	9,714	10,820	12,389	3,725	3,726	3,729	5,989	7,094	8,660	-28,729	43	29,184
2011-12	9,798	10,959	12,608	3,836	3,837	3,840	5,962	7,122	8,768	-29,379	-73	29,591
2012-13	9,849	11,059	12,782	3,924	3,925	3,928	5,925	7,134	8,854	-30,013	-194	29,983
2013-14	9,881	11,132	12,925	4,029	4,030	4,033	5,852	7,102	8,892	-30,640	-432	30,366
2014-15	9,909	11,209	13,068	4,136	4,137	4,140	5,773	7,072	8,928	-31,259	-438	30,738
2015-16	9,903	11,243	13,165	4,238	4,240	4,243	5,665	7,003	8,922	-31,881	-563	31,109
2016-17	9,918	11,308	13,291	4,348	4,352	4,355	5,570	6,956	8,936	-32,490	-688	31,464
2017-18	9,896	11,325	13,364	4,466	4,470	4,473	5,430	6,855	8,891	-33,101	-827	31,818
2018-19	9,869	11,336	13,433	4,574	4,578	4,581	5,295	6,758	8,852	-33,711	-961	32,167
2019-20	9,845	11,357	13,514	4,698	4,701	4,706	5,147	6,656	8,808	-34,321	-1,096	32,513
2020-21	9,793	11,348	13,571	4,810	4,814	4,819	4,983	6,534	8,752	-34,928	-1,232	32,854
2021-22	9,767	11,375	13,670	4,944	4,951	4,956	4,823	6,424	8,714	-35,532	-1,371	33,189
2022-23	9,738	11,396	13,769	5,057	5,063	5,072	4,681	6,333	8,697	-36,134	-1,510	33,519
2023-24	9,681	11,387	13,834	5,184	5,192	5,202	4,497	6,195	8,632	-36,732	-1,651	33,844
2024-25	9,643	11,400	13,924	5,310	5,319	5,329	4,333	6,081	8,595	-37,325	-1,789	34,162
2025-26	9,537	11,368	14,000	5,438	5,450	5,461	4,099	5,918	8,539	-37,914	-1,930	34,474
2026-27	9,437	11,344	14,105	5,575	5,589	5,601	3,862	5,755	8,644	-38,497	-2,072	34,779
2027-28	9,344	11,333	14,240	5,699	5,714	5,729	3,645	5,619	8,511	-39,074	-2,221	35,077
2028-29	9,246	11,311	14,358	5,842	5,857	5,873	3,404	5,454	8,485	-39,751	-2,363	35,462

* High and low migration will not sum as components of population.

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

population impacts is often much more difficult. Further, different kinds of events have different impacts. The closing of military bases has both direct and indirect immediate effects. Military movements of personnel are relatively sudden events, directly removing people from communities and indirectly eliminating births that would normally have occurred in a community. This makes for a sharper change in population than would be produced by civilian migration. The Confidence Intervals for migration assume a one-in-ten chance in any given year of a boom or bust that would produce growth or decline of 4-5 percent of the population in one year. Since these events historically are short-lived it is not assumed that they multiply over several years.

Population size and growth

Beginning with a 2004 population of 655,435, the middle series population forecast for year 2005 is 662,604. (See Exhibit 5.) Under the foregoing assumptions, the population in the succeeding years is projected to be 692,001 in

2009; 727,003 in 2014; 758,170 in 2019; 783,452 in 2024; and 801,904 in 2029. The implied annual growth rate ranges from about 1.11 - 0.39 percent, most of which is from natural increase rather than migration. Through the projections period to 2029, births would increase from 10,054 to 11,311 annually, and deaths would increase from 3,137 to almost 5,857 annually. The historical and projected populations and the components of change are shown in Exhibits 4, 5, and 6. In addition, the numbers for the high and low projections are shown.

Age distribution

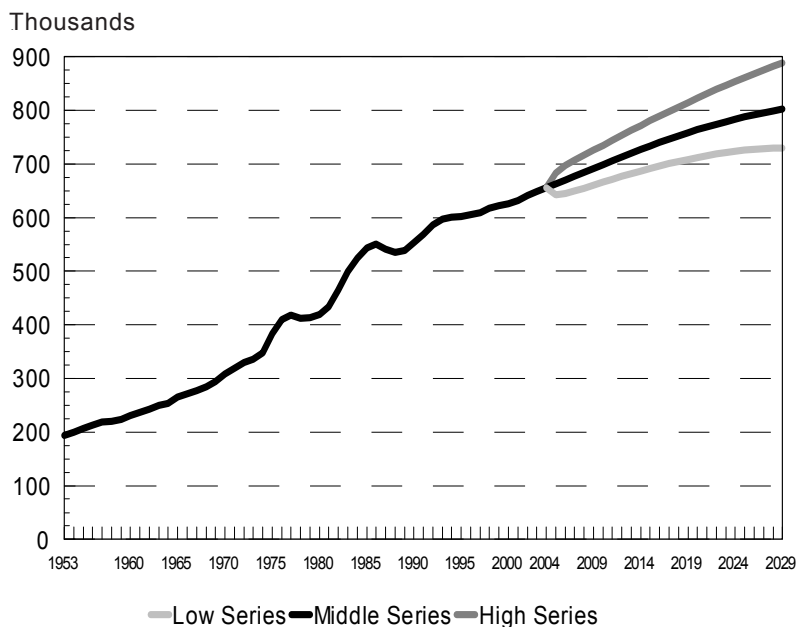
Alaska's median age increases from 33.4 to 35.8 during the projection period. The aging of the baby boom generation is a dominant factor throughout the period. (See Exhibit 8.) As the generations who came to Alaska before the Trans-Alaska Pipeline era dwindle and the number of older women increases, the sex ratio of Alaska will approach that of the nation as a whole. The sex ratio can be expected to drop from 106 males per 100 females in 2004 to 100 by 2029.

The burden of dependency for individuals and the state is also expected to increase sharply during the projection period. In 2004, each 100 Alaskans of working age are supporting 46 children and 10 elders. By 2029, each 100 Alaskans of working age will be supporting about 50 children and 31 elders. So while the total burden of dependency for each 100 Alaskans in 2004 is about 56 persons, by 2029 that burden will reach 81 persons. There is no decline in child dependency, but a tripling of aged dependency. With nationwide pressure on medical costs, Social Security, Medicare, and Medicaid, demographics would indicate strong pressures on the resources of working age and older populations alike.

Specific ages

In these projections, the greatest degree of uncertainty attaches to age groups that may be affected by both births and migration. Everyone who will be over 25 in 2029 has already been

7 Alaska Population 1953–2029



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

born and is thus influenced only by assumptions of migration or death.

Population Projections by Age

Middle series, 2005–2029



School age populations

Four age groups approximate the school age population. Ages 5-11 kindergarten and elementary school, ages 12-13 junior high, ages 14-17 high school, and ages 18-22 college and post-secondary education.

The historical uncertainty of fertility trends, compounded by migration, makes the future number of school-age children the most uncertain to project. (See Exhibit 14.) In 2000, there were about 76,000 children ages 5-11. Since 2000, this number has declined and in the mid level projection should bottom out in 2004 at 72,500. This age group should rise to 2000 levels again by 2009. The number should stabilize at 86,000 for the following decade.

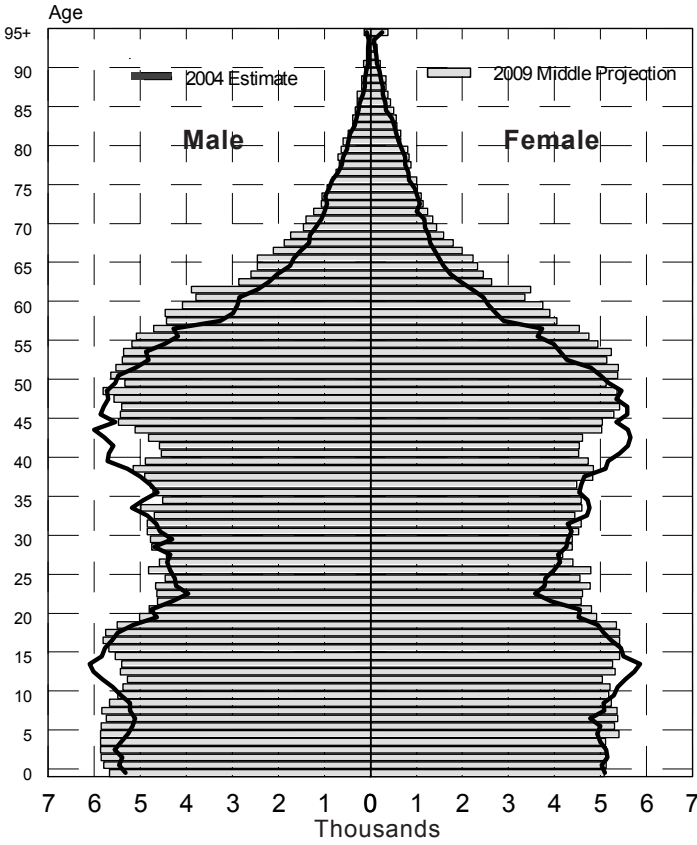
Children ages 12-13 numbered about 22,100 in 2000 and peaked at 23,600 in 2003. (See Exhibit 15.) This age group is expected to decline until 2009 when it should bottom out at about 21,000, according to the mid level projection. It should return to 2003 levels by about 2019.

(continued on page 13)

	Age	2005	2009	2014	2019	2024	2029
	0-4	53,101	54,661	57,660	59,296	59,597	59,343
	5-9	51,456	55,642	57,583	60,335	61,700	61,720
	10	10,394	10,663	11,700	11,957	12,418	12,508
	11	10,794	10,592	11,540	11,904	12,408	12,552
	12	11,076	10,328	11,513	11,888	12,412	12,630
	13	11,426	10,748	11,601	11,826	12,339	12,617
	14	11,760	10,659	11,228	11,722	12,214	12,590
	15	11,940	10,968	10,877	11,873	12,081	12,490
	16	11,320	11,119	10,719	11,626	11,941	12,393
	17	11,036	11,231	10,183	11,324	11,649	12,121
	18	10,461	11,170	10,152	10,958	11,133	11,588
	19	10,041	10,849	9,530	10,046	10,482	10,910
	20-24	43,685	47,463	48,559	44,362	48,321	49,366
	25-29	42,478	45,375	50,325	51,103	46,569	50,154
	30-34	45,610	46,715	49,579	54,248	54,728	49,919
	35-39	47,846	47,398	47,959	50,576	54,950	55,144
	40-44	54,712	47,386	46,433	46,782	49,132	53,216
	45-49	55,913	54,209	45,414	44,320	44,482	46,609
	50-54	50,799	53,529	51,712	42,954	41,760	41,805
	55-59	38,865	46,056	50,104	48,289	39,675	38,453
	60-64	24,680	32,893	42,219	46,023	44,309	36,005
	65-69	15,379	20,586	29,458	38,104	41,621	40,107
	70-74	10,814	12,489	17,917	26,032	33,815	36,998
	75-79	8,026	8,472	10,123	14,918	22,077	28,753
	80-84	5,105	5,747	6,322	7,762	11,749	17,750
	85-89	2,519	3,286	3,936	4,366	5,525	8,544
	90-94	1,016	1,253	1,933	2,333	2,597	3,449
	95+	352	514	724	1,243	1,768	2,170
	16+	490,657	517,740	543,301	567,369	588,283	605,454
	18+	468,301	495,390	522,399	544,419	564,693	580,940
	65+	43,211	52,347	70,413	94,758	119,152	137,771
	Total	662,604	692,001	727,003	758,170	783,452	801,904
	Median Age	33.4	33.7	34.0	34.5	35.2	35.8
	Males per 100 Females	105.5	104.5	103.3	102.0	100.8	99.5
	Youth Dependency (<18/18-64)	45.7	44.4	45.3	47.5	49.1	49.9
	Aged Dependency (65+/18-64)	10.2	11.8	15.6	21.1	26.7	31.1

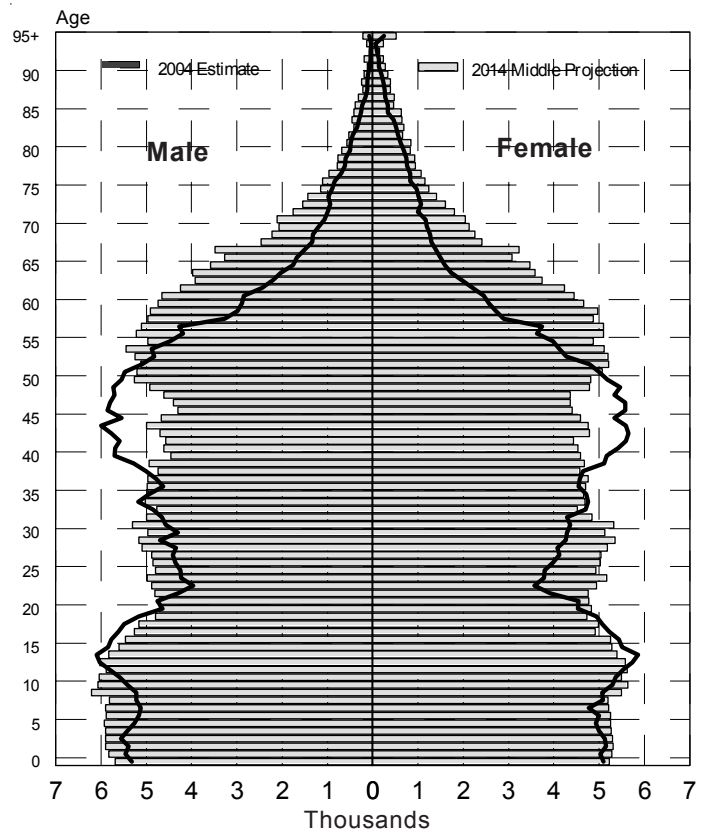
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

9 Population by Age & Sex Alaska – 2004 and 2009



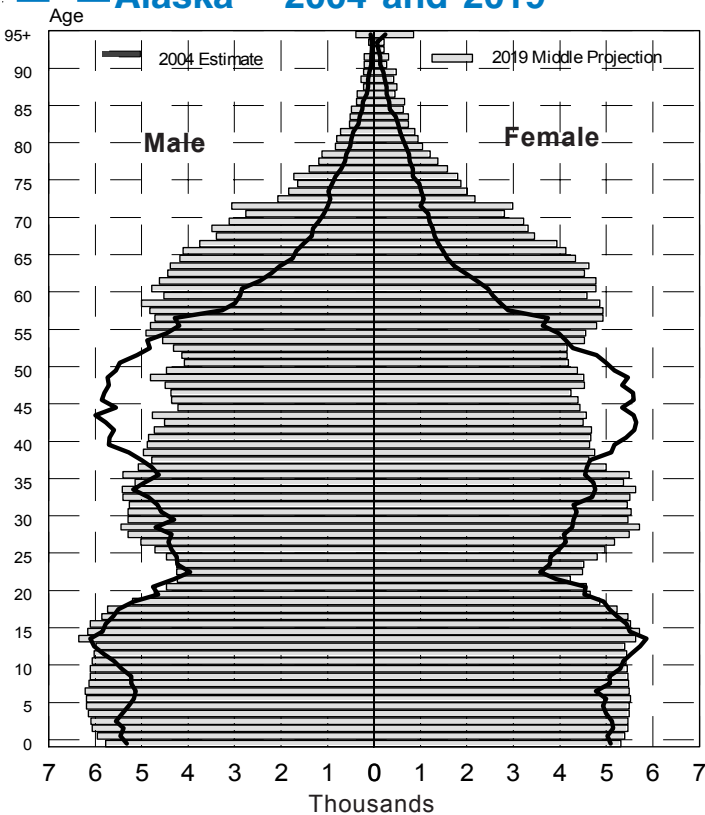
Source: Alaska Dept. of Labor & Workforce Development, Research & Analysis Section

10 Population by Age & Sex Alaska – 2004 and 2014



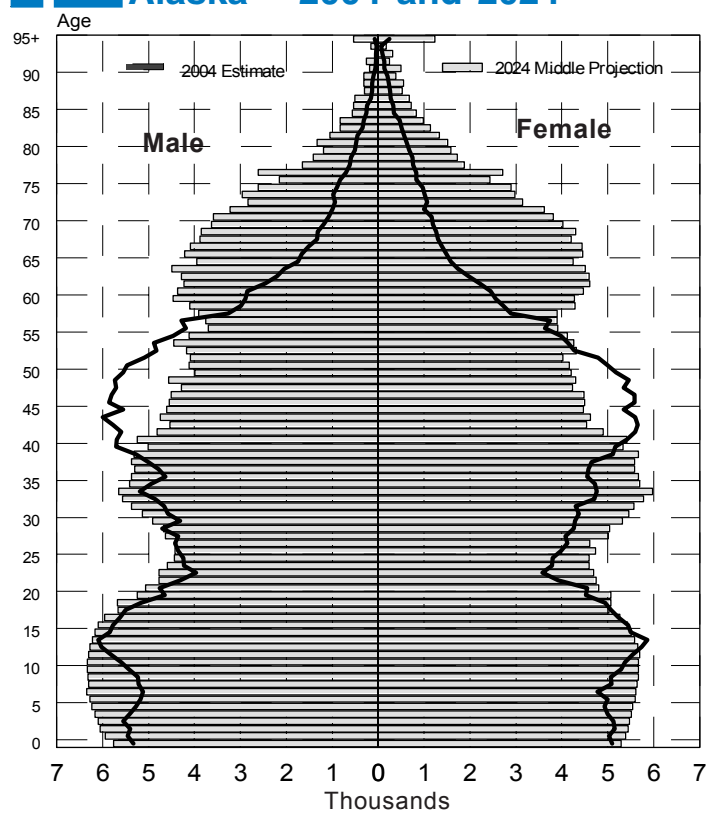
Source: Alaska Dept. of Labor & Workforce Development, Research & Analysis Section

11 Population by Age & Sex Alaska – 2004 and 2019



Source: Alaska Dept. of Labor & Workforce Development, Research & Analysis Section

12 Population by Age & Sex Alaska – 2004 and 2024

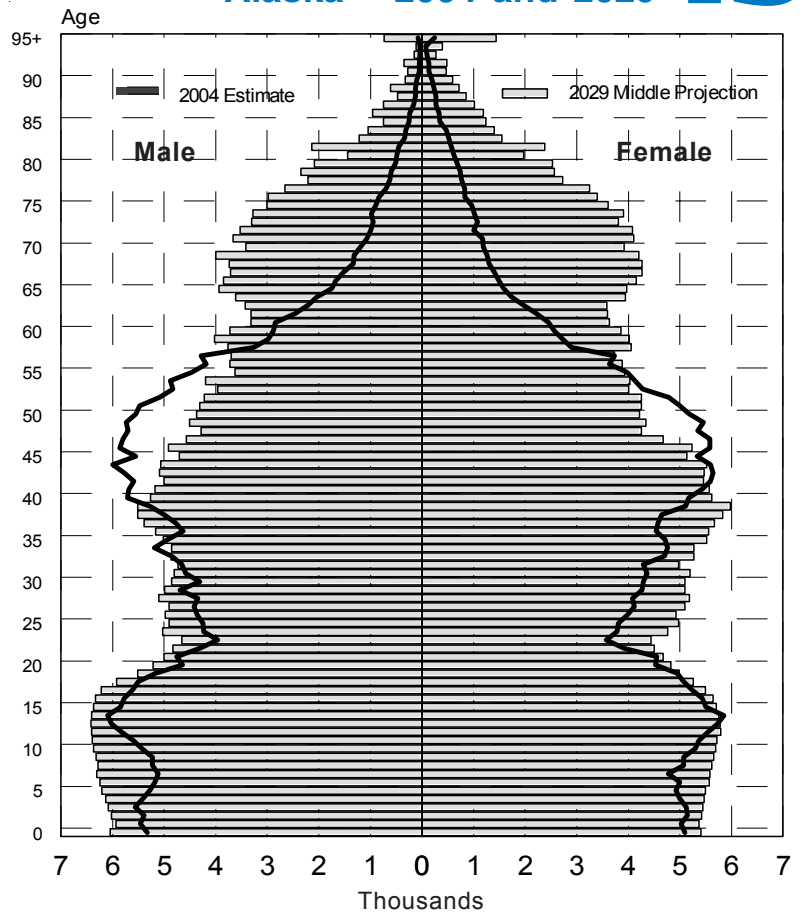


Source: Alaska Dept. of Labor & Workforce Development, Research & Analysis Section

Population by Age & Sex **13** Alaska – 2004 and 2029

Young adults of high school age numbered some 43,400 in 2000 and this number has continued to rise. (See Exhibit 16.) The high school ages should peak at about 46,300 in 2006 and then steadily decline to 42,300 by 2012. It is not expected that this age group will exceed the 2006 high again until about 2018. Committing to new secondary school construction except in areas with strong in-migration such as Mat-Su or Anchorage will probably be too late for the demand that suggested their need.

The primary college and post-secondary age population in 2000 was about 41,600. (See Exhibit 17.) It currently experiences strong growth. In 2004, the estimated number is 47,400, and that number is expected to continue to rise until about 2010 when the mid series projection reaches 51,200. The numbers are then expected to decline from their current levels until 2016 before picking up again to the 53,000 plus level by 2029. This means that the strongest need for growth in post-secondary institutions and personnel should be in the next five years.



Source: Alaska Dept. of Labor and Workforce Development, Research & Analysis Section

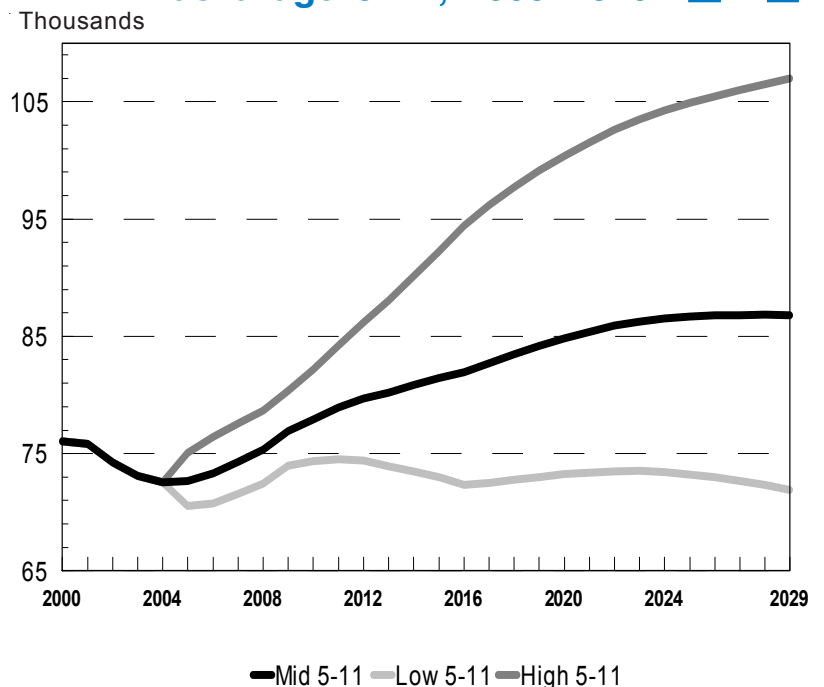
Voting age populations

The voting age population 18 and over is expected to grow steadily throughout the projection period. (See Exhibit 19.) In 2000, this number was 435,500. It is expected to rise steadily to 501,600 in 2010, 548,800 in 2020, and 580,900 by 2029.

Population, labor force and employment

The projected population 16 years and over represents our potential future labor supply, with 16-64 the prime working ages. (See Exhibit 18.) The working age population, of course, is always larger than the employed civilian labor force because some may not be working or seeking work. Those in the military are not included. Neither are the unemployed. So of the 467,726 persons over 16 years in 2000, only 319,890, or about 70 percent, were in the civilian nonfarm labor force. Persons 16-64 numbered about 420,800 in 2000. The key working ages in fact begin to level out at 471,000 as early as 2011.

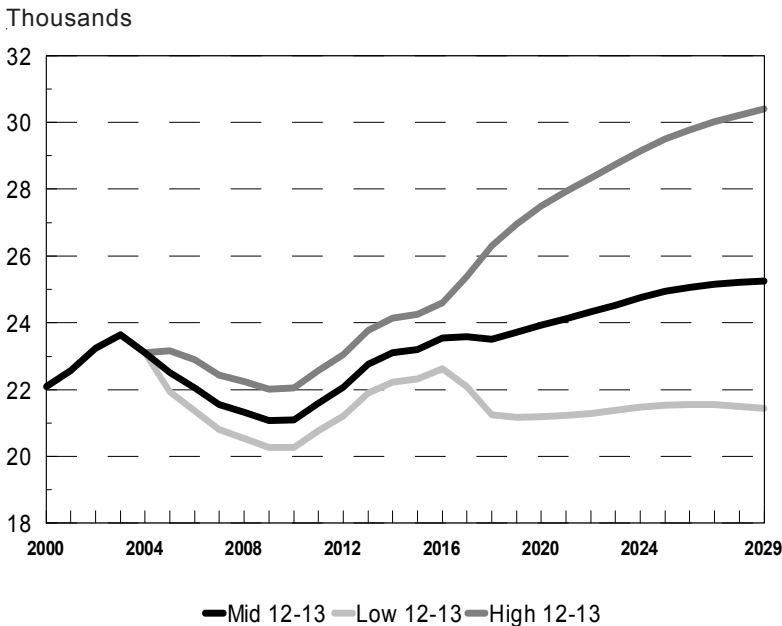
Population Projections **14** Alaska age 5-11, 2000-2029



Source: Alaska Dept. of Labor and Workforce Development, Research & Analysis Section

15 Population Projections

Alaska age 12–13, 2000–2029



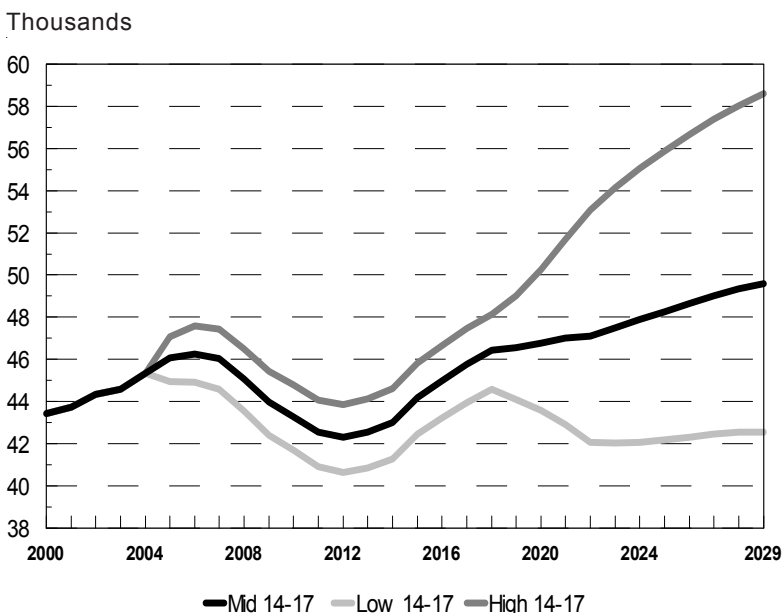
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

That number is expected to rise slowly to 473,600 by 2017, after which it is expected to decline to about 467,700 at the end of the projections period. Opportunities for younger workers may become tighter between 2005 and 2010. The period 2010-2015 should provide advancement opportunities for younger Alaskans as boomers in senior positions begin to retire in large numbers.

Total wage and salary employment may be substantially different from the labor force because a person may work part time, hold down several jobs, or work in Alaska without being a resident of the state. The September 2004 *Alaska Economic Trends* employment forecast estimated there to be 292,200 jobs in 2002. In 2002, the Alaska nonfarm wage and salary labor force was estimated at an average annual 323,703, and the population of working age was estimated to be 470,596. The number of jobs, therefore, is equivalent to only 62 percent of the working age population. The same employment forecast suggests that by 2012 wage and salary employment should increase to 335,500.

16 Population Projections

Alaska age 14–17, 2000–2029



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

These projections suggest that by 2012 the working age population should be 534,000. The number of jobs would equal about 62.8 percent of the working age population. Since the forecast of the economy and future jobs is an indicator of the demand for labor, only minor changes in labor force participation or job holding should be sufficient to keep the current relationship of jobs to population in line. This also suggests that there should not be strong pressures towards overall job shortage or labor surplus in the state between now and 2012 under the assumptions of these projections. Significant increases or declines in the number of jobs from those forecast could cause migration to spike temporarily towards the high or low series. It should be remembered that Alaska has the second highest proportion of military and dependent population after Hawaii and that rapid changes in these populations may rapidly change the overall population dynamics independent of the jobs forecast.

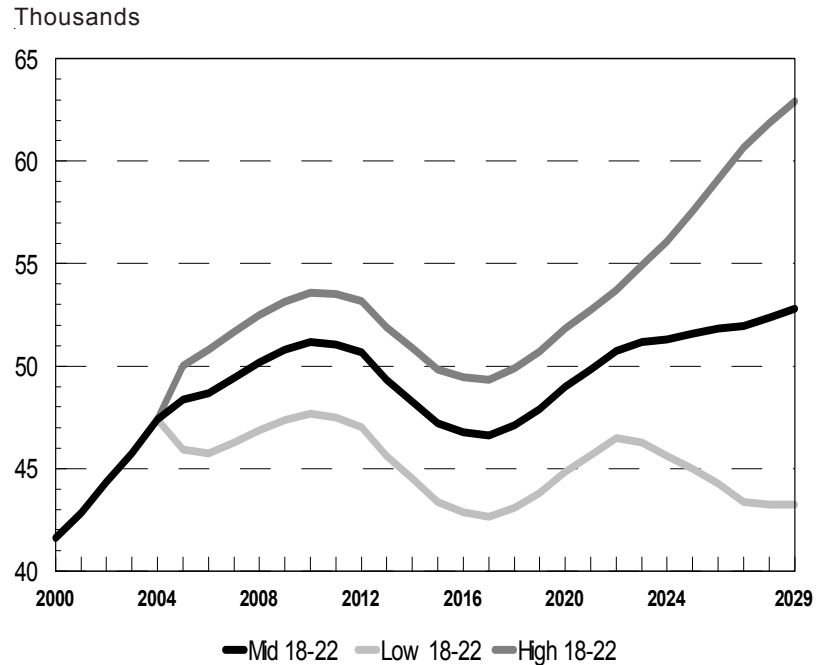
Older Alaskans

The most noticeable and most certain population growth during the next 25 years will be that of Alaska's elders. (See Exhibit 20.) In 2000 the number of Alaskans over 65 was about 36,000. It has increased to 41,600 currently. It is expected to increase to 52,300 in 2009; 70,400 by 2014; 94,800 by 2019; 119,200 by 2024; and 137,800 by 2029. This group is currently increasing at about four percent annually. The rate of growth for this group is expected to increase to five to six percent annually between 2008 through 2020. In 2012, it is forecast to increase by 7.4 percent with the retirement of the leading edge of the baby boom. Facilities, as well as medical, professional, and social services to serve this population, will need to expand at a corresponding rate. Given the lag time necessary to train occupations such as nurses, already in short supply, and to expand home care and assisted living, major effort to meet what is already becoming a crisis in the state cannot begin too soon. The impact of the rapidly increasing numbers of older residents may be greater than elsewhere, because Alaska, with its historically younger population and relatively small number of elders, has fewer existing resources to serve the elderly.

The major task of creating projections for the state's 27 boroughs and census areas and examining the internal migration among them will be undertaken in the coming months.

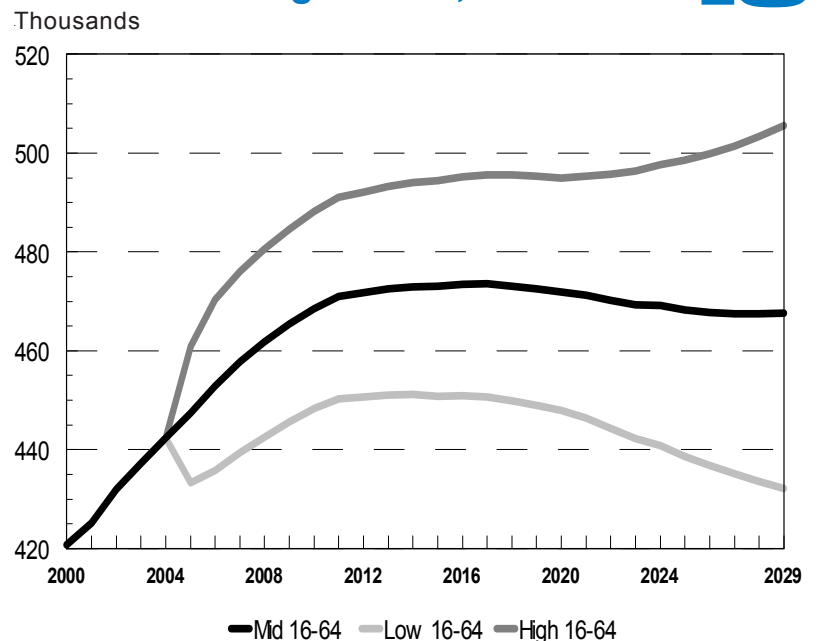
More extensive exhibits can be found on the web site <http://almis.labor.state.ak.us/>

Population Projections 17 Alaska age 18–22, 2000–2029



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

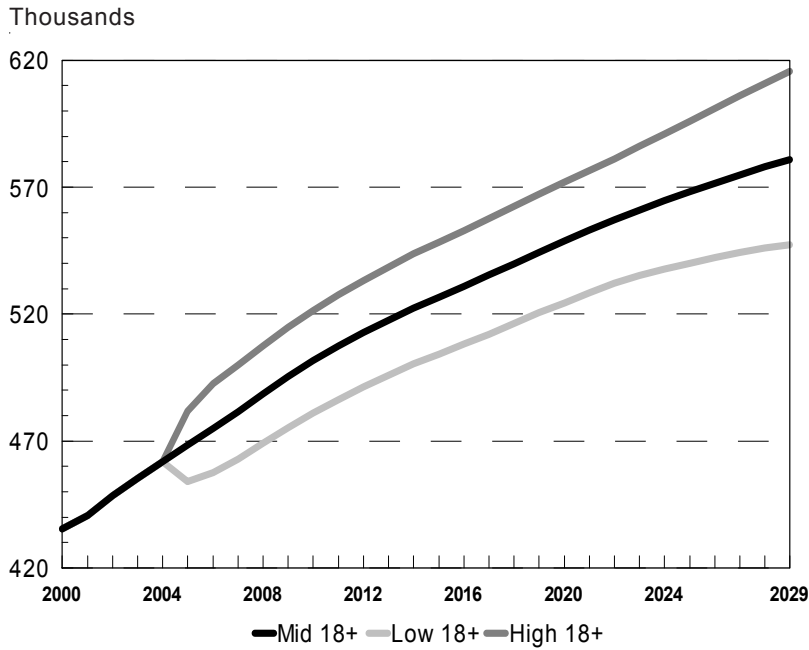
Population Projections 18 Alaska age 16–64, 2000–2029



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

19 Population Projections

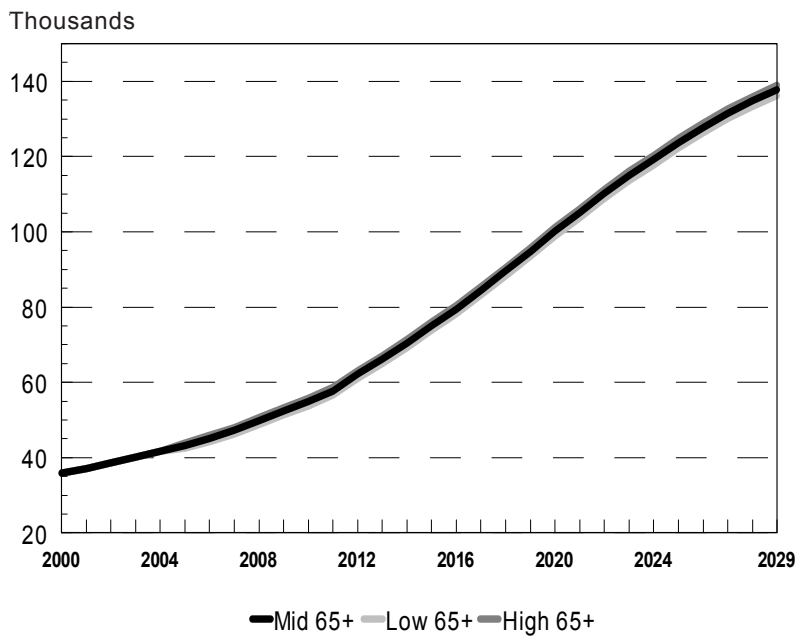
Alaska age 18+, 2000–2029



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

20 Population Projections

Alaska age 65+, 2000–2029



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

A cushion for the unemployed, a stabilizer for the economy

The unemployment insurance system created by the U.S. government nearly 70 years ago is designed to help stabilize the economy. It is a self-financed system, which each state administers according to its own laws. Benefits, financed by employer and employee taxes, are infused back into the economy to strengthen the business climate, to provide some relief to individuals, and to stabilize the workforce needed by employers. This article focuses mainly on the financing side, specifically the computation of taxes.

Unemployment Insurance (UI) provides a benefit to the economy, as well as to individuals. Taxes levied on employers and employees pay for benefits. To oversimplify, it is the cost of benefits that have been paid out that determines what next year's taxes will be.

The benefit to the Alaska economy

Individuals who are temporarily out of work get a partial replacement of their wage that is used to purchase the basics of a living. These dollars are returned to the economy and help enhance the business climate, especially in smaller communities. If UI benefits were not available, workers might have to relocate, and would later not be available for work in the local labor market. It is desirable for businesses to have a pool of experienced workers available when needed, particularly in a place like Alaska with its highly seasonal economy.

Exhibit 1 shows the economic input to local economies in Alaska from the UI system. It shows the amount of benefit dollars paid to individuals

in each of the state's census areas. It also shows the totals paid from the Alaska UI program over the last ten years. During 2003, \$141 million dollars was paid to claimants in Alaska's 27 census areas. The largest portions went to the state's more populous areas, but significant amounts were dispersed in all parts of the state.

Basic concepts of the UI tax system

Taxes pay for benefits: The UI tax monies that are collected from Alaska employers and workers are used to pay for benefits. The administrative cost of the Alaska UI program is paid for by an administrative grant from the U.S. Department of Labor, from funds generated by the Federal Unemployment Tax Act system. The UI tax money ends up back in the economy. (See side bar page 20 about portion of employee tax used for STEP and TVEP worker training programs.)

The UI Trust Fund: The UI taxes collected are deposited into a trust fund, which is in the custody of the U.S. Treasury. Monies for payment of benefits are withdrawn on an "as-needed" basis. The trust fund's interest earnings are also used for benefit payments. The trust fund has two basic purposes. The first is to hold tax money and earnings for the payment of benefits. The second is to hold the trust reserve, an amount sufficient to maintain the solvency of the UI system through the demands of a long and deep recession.

Counter-Cyclical Financing: This is a critical principle of the UI system. The system is designed so that the reserve fund is capable of paying for benefits during a period of severe demand (recession). During such a time the level of the reserve will be reduced. Under counter-cyclical

(continued on page 19)

1 Amount of UI Benefit Payments

By census area 2003

Areas	State UI 1/ Regular	State UI 1/ Extended Benefits	UCFE 2/ Regular	UCFE 2/ Extended Benefits	UCX 3/ Regular	UCX 3/ Extended Benefits	TEUC	SSB 4/	All Programs Total
Aleutians East Borough	\$332,594	\$55,236	\$0	\$0	\$0	\$0	\$29,973	\$0	\$ 417,803
Aleutians West CA	814,215	89,477	6,832	0	0	0	65,105	300	975,929
Anchorage Municipality	34,289,497	4,894,723	528,092	83,679	402,924	45,109	5,581,540	50,602	45,876,166
Bethel Census Area	3,247,152	640,134	10,642	1,810	9,786	3,056	637,634	38,926	4,589,140
Bristol Bay Borough	189,046	36,465	3,621	0	0	0	30,875	830	260,837
Denali Borough	557,637	108,862	76,795	12,866	0	0	45,775	301	802,236
Dillingham Census Area	735,377	138,504	0	0	0	0	162,182	5,901	1,041,964
Fairbanks North Star Borough	11,455,462	1,622,517	384,534	30,516	249,333	23,964	1,377,142	21,190	5,164,658
Haines Borough	575,501	120,160	8,279	1,177	6,104	0	70,438	1,904	783,563
Juneau Borough	3,881,521	474,226	55,283	2,919	9,909	0	605,839	5,910	5,035,607
Kenai Peninsula Borough	10,837,715	1,984,692	123,418	21,431	26,055	0	1,636,869	23,054	14,653,234
Ketchikan Gateway Borough	2,358,613	425,208	14,576	1,968	37,237	3,330	388,012	12,142	3,241,086
Kodiak Island Borough	3,152,022	291,493	14,127	0	13,845	2,684	151,512	3,052	3,628,735
Lake & Peninsula Borough	295,915	37,057	5,400	2,229	0	0	32,844	2,097	375,542
Matanuska-Susitna Borough	12,666,573	2,113,996	160,351	20,664	51,792	7,413	1,981,270	30,156	17,032,215
Nome Census Area	1,640,950	295,686	12,856	904	1,804	0	322,765	11,365	2,286,330
North Slope Borough	1,639,874	310,987	510	1,530	1,784	0	453,646	6,886	2,415,217
Northwest Arctic Borough	1,707,793	426,036	13,621	3,575	4,014	0	578,514	11,550	2,745,103
Prince of Wales-Outer Ketchikan	1,514,086	258,432	2,216	944	16,937	6,989	217,818	4,589	2,022,011
Sitka Borough	1,171,065	129,163	21,561	320	5,977	0	122,193	2,112	1,452,391
Skagway-Hoonah-Angoon CA	908,940	156,305	18,159	6,267	1,784	0	78,302	1,633	1,171,390
Southeast Fairbanks Census Area	1,270,189	249,070	42,136	6,119	8,984	0	197,598	3,629	1,777,725
Valdez - Cordova Census Area	2,306,718	481,457	61,893	21,454	0	0	376,181	10,923	3,258,626
Wade Hampton Census Area	1,927,179	414,188	150	0	2,230	2,701	392,730	24,923	2,764,101
Wrangell - Petersburg CA	1,637,584	260,462	14,506	0	0	0	182,313	6,243	2,101,108
Yakutat Borough	200,179	30,864	0	0	9,846	0	16,592	0	257,481
Yukon - Koyukuk Census Area	1,514,279	387,263	22,880	6,938	3,900	0	336,609	6,655	2,278,524
Area Unknown	2,428,350	516,987	35,691	4,820	8,192	7,554	452,843	12,037	3,466,474
In-State Totals	105,256,026	16,949,650	1,638,129	232,130	872,437	102,800	16,488,956	298,910	141,839,038
Interstate Totals	22,704,677	2,155,639	820,097	48,509	97,643	10,495	7,190,436	11,763	33,039,259
Totals All Areas	127,960,703	19,105,289	2,458,226	280,639	970,080	113,295	23,715,550	310,673	174,914,455

Ten-Year Historical Data Series for Census Area Totals

Year	State UI 1/ Regular	State UI 1/ Extended Benefits	UCFE 2/ Regular	UCFE 2/ Extended Benefits	UCX 3/ Regular	UCX 3/ Extended Benefits	EUC/TEUC	SSB 4/	All Programs Total
1994	\$117,904,643	\$14,895,807	\$4,536,264	\$449,480	\$1,280,696	\$144,639	\$10,494,385	\$304,145	\$150,010,059
1995	113,609,324	7,248,703	4,343,639	202,109	1,199,348	57,836	46,043	136,008	126,843,010
1996	114,031,840	6,906,444	3,342,795	186,912	883,029	49,526	15,994	137,013	125,553,553
1997	108,885,202	5,438,470	2,911,603	115,401	998,659	34,166	0	90,726	118,474,227
1998	109,037,747	5,478,978	3,243,112	115,178	962,573	39,421	0	119,680	118,996,689
1999	117,903,392	6,842,307	2,992,843	172,629	1,129,943	56,767	0	136,217	129,234,098
2000	105,694,293	4,721,726	2,681,902	87,153	986,447	44,851	0	115,354	114,331,726
2001	109,267,895	4,507,552	2,516,390	108,500	967,571	40,899	0	106,195	117,515,002
2002	120,352,390	9,941,415	2,389,643	194,986	900,034	44,535	21,226,533	161,904	155,211,440
2003	127,960,703	19,105,289	2,458,226	280,639	970,080	113,295	23,715,550	310,673	174,914,455

1/ UI and UI-Combined (includes federal portion of UI-Combined).

2/Unemployment Compensation for Federal Employees

3/Unemployment Compensation for ex-servicemen

4/State Supplemental Benefits

* The Emergency Unemployment Compensation (EUC) program expired on April 30, 1994.

* The Temporary Emergency Unemployment Compensation (TEUC) program was effective March, 2002 through April, 2004.

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

financing, reserves are rebuilt after an economic downturn is over and the economy is in a recovery phase. It would be a bad idea to raise taxes during a recession. Adequate reserves, built during periods of relative prosperity, are counter-cyclical financing's way of buffering sudden rises in tax rates, and keeping tax rates as low as possible.

Experience Rating: All states have a system of assigning UI tax rates to employers that in some manner measures employers' impact on the finances of the UI system. The result is that employers with a costlier experience will receive higher than average tax rates, while those with less costly experience will get lower than average tax rates. Alaska's experience rating system defines 20 rate classes to which all employers are assigned.

Employee Taxes: Alaska is one of just three states that require workers to share the tax burden of the UI system. Alaska workers covered by the program all pay the same UI tax rates. Overall, employees pay 20 percent of the cost and employers pay 80 percent.

Alaska has a self-adjusting financing system

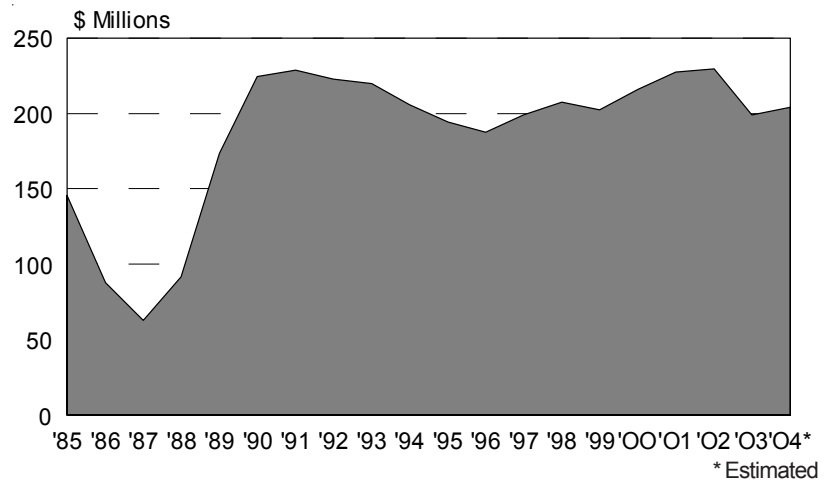
Every state has its own UI financing system, defined under its state law. These systems are varied, and attempting to compare the states can be a complex challenge. In some states the tax base is fixed, as are the tax rates, and adjustments may come slowly, sometimes too slowly to avoid insolvency. In the mid-1980s many states' UI trust funds went bankrupt, and they had to borrow and pay interest to the federal government to rebuild their systems. Alaska is fortunate to have a self-adjusting system that responds to its economic conditions, so that its fund will remain solvent. Currently a number of states have UI trust fund solvency concerns, while Alaska's fund is healthy. (See Exhibit 2.) Maintaining solvency through a self-adjusting system allows Alaska to have stability and relatively low tax rates over the long run, while avoiding the burdensome costs of rebuilding a fund.

Taxable wage base

The amount of an employee's wages subject to taxation is called the taxable wage base. Wages earned in excess of the wage base are not taxed. The taxable wage base changes each year. Over

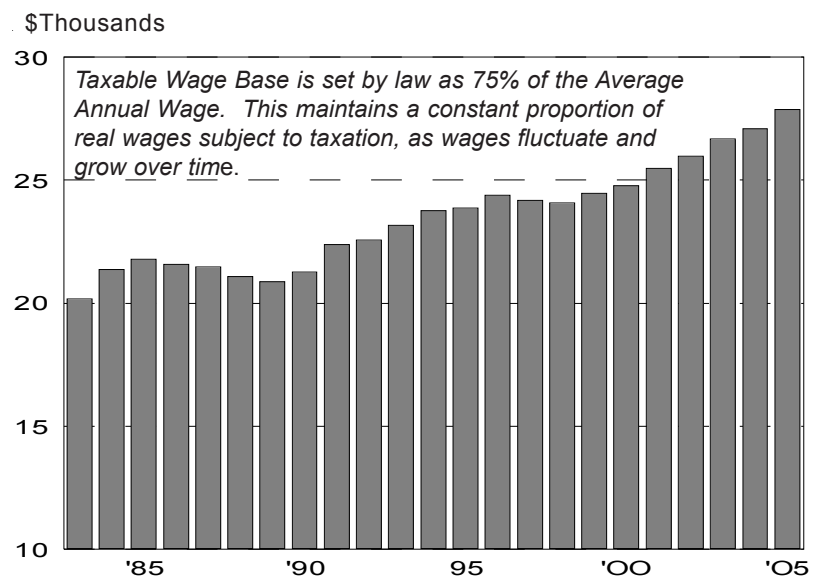
time, Alaska's economy grows. The population increases, more businesses are started while others expand, and jobs are created. Wages tend to grow along with other components of the economy. Alaska's taxable wage base for the UI program is defined in law as 75 percent of the state's average wage. Allowing the taxable wage base to adjust each year ensures that the "tax rates" continue to cover the same proportion of real wages in the economy. If the wage base were unchanging, the tax rates would eventually become inadequate to maintain program solvency, and the system would attempt to correct itself with the "Trust Fund Solvency Adjustment"

End-of-Year Balance Alaska UI Trust Fund 1985-2004



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

Alaska UI Taxable Wage Base Keeps pace with wages in the economy



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

STEP and TVEP

State Training and Employment (STEP) and Training and Vocational Education Programs (TVEP) are the exception to sole use of tax money for benefits. The legislature created STEP in 1989 and TVEP in 2000, which use a portion of the collected UI employee tax for worker training programs. Each program is authorized to receive 0.1 percent of taxable wages covered by the employee tax. These funds are not deposited into the UI trust fund.

component of the tax system. For 2004, the UI taxable wage base is \$27,100. (See Exhibit 3 for a year-to-year comparison.)

Solvency adjustment

Normally the basic tax rate calculation process is sufficient to replace the cost of benefits paid out and keep the trust fund balance at its target. Bear

in mind the two purposes of the tax system: (1) Pay for benefits spent from the trust fund, and (2) Maintain sufficient reserves in the trust fund. Alaska statutes establish that the balance in the trust fund should equal about 3.2 percent of total wages in the state economy, a figure that proved accurate during the severe recession following the 1986 oil price crisis. Occasionally, when the balance of the trust fund lags behind this goal, the tax system imposes a surcharge to help catch up. Also, if over-funded, the system gives employers a credit on tax rates. For six of the past eight tax years the solvency adjustment was a “zero,” and for one year employers received a credit. A

solvency surcharge was applied to the tax rates during 2004, for the first time since 1991, and will apply in 2005 as well.

Mechanics of the tax rate system

Nearly all wage and salary employment is considered as “covered” by the scope of the unemployment insurance system, and in this discussion, for simplicity, we will use “employment” and “covered employment” as if it were the same thing, although technically it is not. All employees who work for a “covered” employer are potentially eligible for UI benefits, depending on their qualifying earnings.

Taxable and reimbursable employers

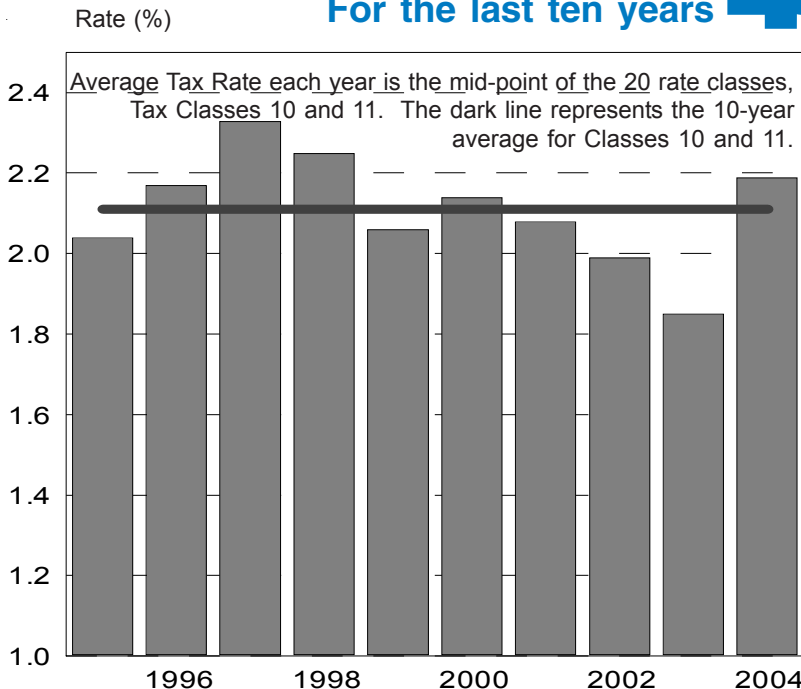
All covered employers participate in the UI system, and are designated either as “taxable” or “reimbursable” employers. Most firms in Alaska are taxable employers, who report employment, wages, and pay UI taxes on a quarterly basis. Other entities do not pay taxes, but reimburse the system for the benefits paid to their former employees. Reimbursable employers include state and municipal governments, and some private non-profit organizations.

Experience rating

The majority of firms are “experience rated” employers, who qualify for inclusion in the experience rating system because they have reported at least four quarters of wage history to the Department of Labor and Workforce Development. These firms are assigned to one of 20 rate classes under the experience rating system. New firms which have fewer than four quarters of wage history are assigned an industry average rate, basically the average of the tax rates paid by all experience rated firms in the same industry. A third class of taxable employers belong to the “penalty class,” a status to be avoided.

Several experience rating systems are in use in the United States. Alaska uses the simplest. A firm whose wage history shows a high degree of variability in employment is assigned a rate that is higher than a firm with a more stable employment pattern. Each year the past 12 quarters of wage

Alaska UI Average Tax Rates 4 For the last ten years



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

history is used to calculate the “payroll decline quotient” for each firm. All the firms are then arrayed, from smallest to largest quotients, so that roughly five percent of the firms fall into each of the twenty rate classes. Class one will have the lowest tax rate, and class 20 the highest, with classes 10 and 11 having the average tax rate.

Tax Rate Calculation

The tax rate calculation for employers has three components, which we will cover here in a simplified manner. The three steps are: 1. Calculate the Average Benefit Cost Rate; 2. Apply the Experience Rating Factor; and 3. Apply the Solvency Adjustment Factor, if other than zero.

(1) Average Benefit Cost Rate. The cost of benefits paid out determines the tax rate needed to replace that payout in the trust fund. The average Benefit Cost Rate is the cost of benefits for the past three years compared with total payroll in the economy for three years. The principle of “counter-cyclical financing” is applied using three years of data. The product of this first step is in essence the percent of (or tax rate to equal) wages in the economy needed to replace the benefits paid out. The product of this calculation then is divided so that employers will pay 80 percent of it and employees will pay 20 percent. The employer portion becomes the average employer tax rate.

(2) Experience Rating Factor. Once the Average Employer Tax Rate is obtained, the tax rates for each of the 20 rate classes is computed, by applying the “Experience Rating Factor” for each tax class to the Average. Classes 10 and 11 are the Average Rate Classes. The factors for classes one through nine will result in lower than average rates, with class one having the lowest. The factors for classes twelve through twenty will result in higher than average rates, with class twenty having the highest.

(3) Trust Fund Solvency Adjustment. The balance in the trust fund is compared to the total wages in the economy to determine if a solvency surcharge, or credit, is needed as an adjustment to the tax rates for the twenty tax classes. If other than zero, this solvency factor (rate) is added to, or subtracted from, the tax rates.

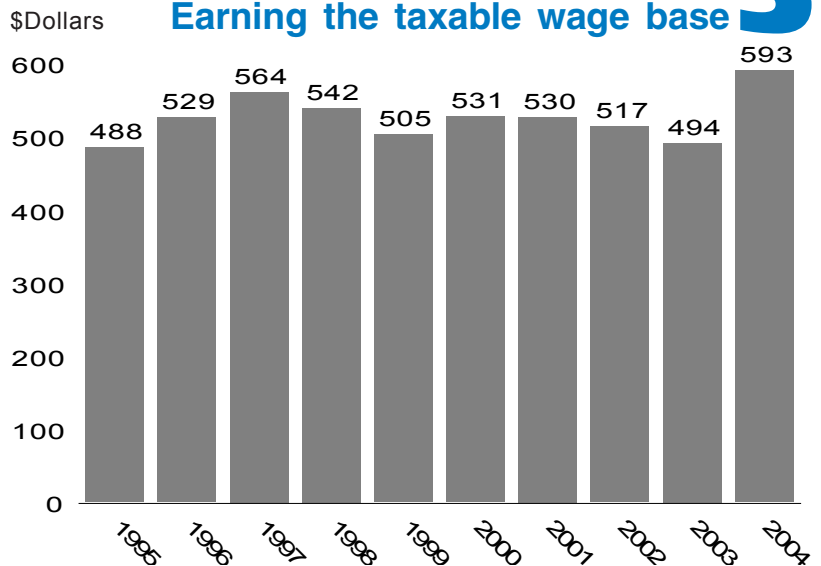
Summary

Alaska’s Unemployment Insurance system is supported with taxes paid by employers and employees, with tax dollars going to pay benefits only, not administrative costs. The Alaska system is responsive to changes in the economy and is self-adjusting so that trust fund solvency will be maintained. With the principle of counter-cyclical financing, the system is geared to buffer changes in tax rates, and smooth out the tax needs over time. Employers who have more stable employment histories enjoy lower tax rates under the experience rating system. Dollars paid out in benefits help to stabilize the economy and maintain availability of an experienced workforce for employers.

For more information about the UI tax system see the Department’s web pages, which include the Alaska Employment Security Tax Handbook, available at <http://www.labor.state.ak.us/estax/taxbook.pdf>.

Directions to web pages
 “How the Tax Rates are Calculated”
 Go to www.almis.labor.state.ak.us
 Follow links on left side bar
 Unemployment
 Unemployment Insurance Program
 See “How is it calculated?” at bottom

Maximum Cost for Each Worker 5
 Earning the taxable wage base



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

Seventeen Years Of Employment Growth

Alaska Employment Scene

by
Neal Fried
Economist

Energizer economy just keeps on going

Employment in Alaska has completed its seventeenth year of nonstop growth. In 2003, the record set by the previous period of uninterrupted growth (1962-1976) was broken and 2004 added another year to the new record. This string of growth puts Alaska in an elite group—only seven states in the country have amassed as many years of continuous gains. The other states are Arizona, Idaho, Montana, New Mexico, North Dakota, and Wyoming.

While this is good news, its limits should be noted. Employment growth in all previous decades since statehood showed considerably more strength. During the first two decades of the state's existence, employment grew at more than six percent per year. Even during the decade of the 1980s, when Alaska experienced its biggest economic bust, employment managed to grow at 3.3 percent per year. It was the 1990s that ushered in the long period of moderate, predictable growth averaging 1.9 percent per year. Since 2000 that rate has changed little—running at approximately 1.7 percent per year. Given the past volatility of Alaska's economy, this is a remarkable sequence of uninterrupted growth.

Few losses and mostly moderate gains

Preliminary 2004 statewide employment numbers show a growth rate of 1.2 percent, compared to the 1.5 percent of 2003. Unlike many years in the past, no big losses marred the year 2004. Most of the major industry categories showed little change from 2003 employment levels, although a few registered gains—some moderate and others with some real strength.

For the first time since 2001 oil industry employment gained a bit of ground. Manufacturing employment levels also edged upward for the second year in a row. This was a welcome change because the manufacturing industry had lost ground during nearly all of the previous seven years. Strong salmon and ground fish harvests in 2004 kept employment in seafood processing slightly positive. The timber industry lost jobs in 2004.

After two weak years, the recovery of the visitor industry helped leisure and hospitality register some moderate employment gains. A surprisingly strong commercial office construction season in Anchorage and major retail expansion in the Mat-

Su and Fairbanks North Star boroughs gave the construction industry an extra boost in 2004. Retail employment growth was concentrated in the Fairbanks and Mat-Su boroughs, where a number of new stores opened.

Once again, the exception to the trend of moderation was health care and social assistance. Approximately half of the overall employment growth came from this one sector. Alaska's largest employer, government, came in slightly below year-ago levels. This small loss came from both state and local government. State government's declines were small, and local government losses were tied to both the school districts and local government operations.

The picture around the state remains mixed

November's employment figures paint a mixed economic picture. (See Exhibit 1.) Half the six regions of the state came in positive relative to year-ago employment levels, while the other three regions lost ground. The two regions out front were Anchorage/Mat-Su and Interior/Fairbanks. Stronger growth in Anchorage and even more robust growth in the Mat-Su Borough are keeping that region's economy positive. With the exception of the construction industry, the service sector is generating most of this region's growth. Health care remains by far the most robust industry in the region, but others such as leisure and hospitality and financial activities were all running firmly in the black in November.

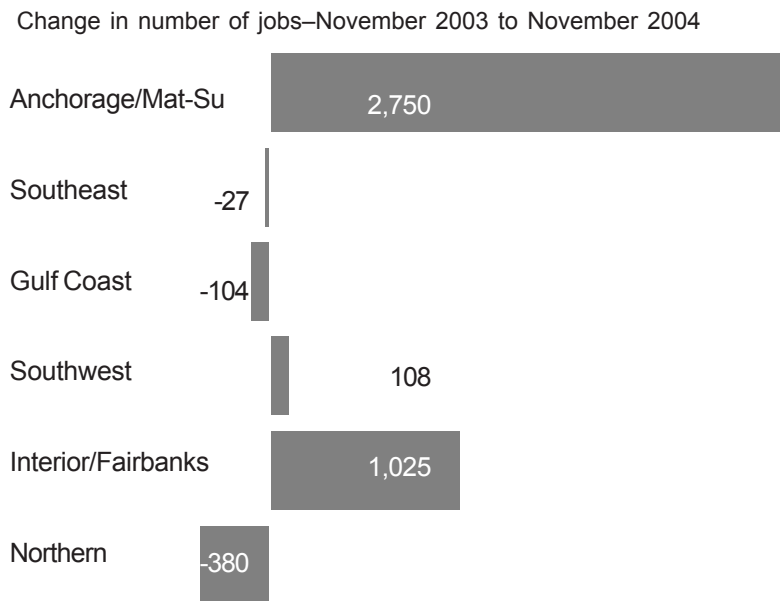
The Interior region's strong over-the-year growth is not surprising, given strong construction activity, new retailers and gains in leisure and hospitality.

Construction activity at Eielson Air Force Base and Fort Wainwright in Fairbanks and missile defense work at Fort Greely combined with the construction of the new Pogo mine near Delta Junction kept that industry humming.

Southwest employment numbers in November were positive, but only slightly. Southeast's slightly negative numbers are largely due to continuing losses in the timber industry and state government. The biggest employment losses in the Northern region are tied to declines in the North Slope's local government. Weak seafood processing and leisure and hospitality employment numbers were largely responsible for the Gulf Coast region's red ink.

(continued on page 26)

Three Regions Grow Three lose jobs



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

2 Nonfarm Wage and Salary Employment

By place of work

Alaska	preliminary revised		Changes from:			Municipality of Anchorage	preliminary revised		Changes from:		
	11/04	10/04	11/03	10/04	11/03		11/04	10/04	11/03	10/04	11/03
Total Nonfarm Wage & Salary¹	295,200	303,900	291,900	-8,700	3,300	Total Nonfarm Wage & Salary¹	145,400	146,500	143,600	-1,100	1,800
Goods Producing	34,800	40,400	34,000	-5,600	800	Goods Producing	12,900	14,000	12,300	-1,100	600
Services Providing	260,400	263,500	258,000	-3,100	2,400	Services Providing	132,500	132,500	131,400	0	1,100
Natural Resources & Mining	10,300	10,500	9,900	-200	400	Natural Resources & Mining	2,300	2,300	2,200	0	100
Logging	500	500	600	0	-100	Mining	2,200	2,200	2,100	0	100
Mining	9,500	10,000	9,400	-500	100	Oil & Gas Extraction	2,000	2,100	1,900	-100	100
Oil & Gas Extraction	8,300	8,500	7,900	-200	400	Construction	8,900	9,900	8,300	-1,000	600
Construction	17,100	19,500	16,400	-2,400	700	Manufacturing	1,700	1,800	1,700	-100	0
Manufacturing	7,500	10,400	7,600	-2,900	-100	Trade, Transportation, Utilities	33,800	33,800	33,500	0	300
Wood Products Manufacturing	200	200	300	0	-100	Wholesale Trade	4,600	4,700	4,500	-100	100
Seafood Processing	4,000	6,600	4,000	-2,600	0	Retail Trade	18,100	17,900	18,100	200	0
Trade, Transportation, Utilities	60,800	61,900	59,700	-1,100	1,100	Food & Beverage Stores	2,400	2,400	2,400	0	0
Wholesale Trade	6,100	6,300	6,000	-200	100	General Merchandise Stores	4,600	4,500	4,500	100	100
Retail Trade	35,100	35,200	34,300	-100	800	Trans/Warehousing/Utilities	11,100	11,200	10,900	-100	200
Food & Beverage Stores	5,900	5,900	5,900	0	0	Air Transportation	3,700	3,700	3,500	0	200
General Merchandise Stores	9,100	9,100	8,800	0	300	Information	4,500	4,500	4,600	0	-100
Trans/Warehousing/Utilities	19,600	20,400	19,400	-800	200	Telecommunications	2,600	2,600	2,700	0	-100
Air Transportation	6,200	6,300	6,000	-100	200	Financial Activities	9,100	9,100	8,800	0	300
Truck Transportation	2,700	2,800	2,600	-100	100	Professional & Business Svcs	15,700	16,100	15,800	-400	-100
Information	6,800	6,900	6,900	-100	-100	Educational & Health Svcs	18,600	18,700	17,800	-100	800
Telecommunications	4,000	4,000	4,000	0	0	Health Care/Social Assistance	17,400	17,500	16,600	-100	800
Financial Activities	14,500	14,500	14,400	0	100	Ambulatory Health Care	7,000	7,000	6,300	0	700
Professional & Business Svcs	22,300	23,000	22,300	-700	0	Hospitals	5,300	5,400	5,100	-100	200
Educational & Health Services	35,200	35,000	33,600	200	1,600	Leisure & Hospitality	14,700	14,700	14,500	0	200
Health Care/Social Assistance	33,100	32,900	31,400	200	1,700	Accommodation	3,000	3,100	3,000	-100	0
Ambulatory Health Care	14,100	14,000	12,800	100	1,300	Food Svcs & Drinking Places	10,000	10,000	9,900	0	100
Hospitals	8,600	8,700	8,400	-100	200	Other Services	5,600	5,400	5,600	200	0
Leisure & Hospitality	27,300	28,800	27,100	-1,500	200	Government²	30,500	30,300	30,700	200	-200
Accommodation	6,300	7,000	6,100	-700	200	Federal Government ³	9,700	9,700	9,800	0	-100
Food Svcs & Drinking Places	17,800	18,100	17,500	-300	300	State Government	9,700	9,700	9,700	0	0
Other Services	11,000	10,800	11,300	200	-300	State Education	2,600	2,600	2,600	0	0
Government²	82,400	82,500	82,500	-100	-100	Local Government	11,100	10,900	11,100	200	0
Federal Government ³	16,900	17,000	16,800	-100	100	Local Education	7,900	7,700	7,900	200	0
State Government	24,500	24,400	24,400	100	100	Tribal Government	300	300	300	0	0
State Education	7,800	7,600	7,900	200	-100						
Local Government	41,000	41,100	41,300	-100	-300						
Local Education	23,400	23,100	23,500	300	-100						
Tribal Government	3,900	4,000	3,800	-100	100						

Notes to Exhibits 2, 3, 4, & 6—¹Nonfarm excludes self-employed workers, fishermen, domestics, and unpaid family workers as well as agricultural workers. ²Includes employees of public school systems and the University of Alaska. ³Excludes uniformed military. Exhibits 2 & 3—Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics. Exhibits 4 & 6—Prepared in part with funding from the Employment Security Division.

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

3 Hours and Earnings

For selected industries

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	preliminary	revised	revised	preliminary	revised	revised	preliminary	revised	revised
	11/04	10/04	11/03	11/04	10/04	11/03	11/04	10/04	11/03
Mining	\$1,462.70	\$1,498.50	\$1,386.11	49.6	50.0	44.8	\$29.49	\$29.97	\$30.94
Construction	1,091.93	1,229.76	1,092.28	38.3	42.0	37.6	28.51	29.28	29.05
Manufacturing	510.46	459.73	513.38	37.7	37.9	38.0	13.54	12.13	13.51
Seafood Processing	255.73	346.70	422.28	23.9	30.6	39.1	10.70	11.33	10.80
Trade, Transportation, Utilities	523.87	511.04	546.53	32.1	31.9	34.9	16.32	16.02	15.66
Retail Trade	431.00	431.44	446.19	31.3	31.4	33.7	13.77	13.74	13.24
Financial Activities	689.16	725.20	767.18	34.1	35.0	35.9	20.21	20.72	21.37

Average hours and earnings estimates are based on data for full-time and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing). Averages are for gross earnings and hours paid, including overtime pay and hours.

Benchmark: March 2003

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

4 Nonfarm Wage and Salary Employment

By place of work

Fairbanks North Star Borough

	preliminary revised		Changes from:		
	11/04	10/04	11/03	10/04	11/03
Total Nonfarm Wage & Salary¹	35,900	36,850	35,150	-950	750
Goods Producing	3,750	4,500	3,700	-750	50
Services Providing	32,150	32,350	31,450	-200	700
Natural Resources & Mining	850	850	850	0	0
Mining	850	850	850	0	0
Construction	2,400	3,100	2,350	-700	50
Manufacturing	500	550	450	-50	50
Trade, Transportation, Utilities	7,300	7,350	6,900	-50	400
Wholesale Trade	600	600	600	0	0
Retail Trade	4,450	4,450	4,000	0	450
Trans/Warehousing/Utilities	2,250	2,300	2,300	-50	-50
Information	550	550	600	0	-50
Financial Activities	1,350	1,400	1,350	-50	0
Professional & Business Svcs	2,000	2,000	1,850	0	150
Educational & Health Services	4,200	4,150	4,200	50	0
Health Care/Social Assistance	4,050	4,000	3,900	50	150
Leisure & Hospitality	3,600	3,800	3,500	-200	100
Accommodation	950	1,100	850	-150	100
Food Svcs & Drinking Places	2,250	2,300	2,250	-50	0
Other Services	1,350	1,350	1,350	0	0
Government²	11,800	11,750	11,700	50	100
Federal Government ³	3,150	3,250	3,200	-100	-50
State Government	5,400	5,350	5,300	50	100
Local Government	3,250	3,150	3,200	100	50
Tribal Government	0	0	0	0	0

Southeast Region

Total Nonfarm Wage & Salary¹	34,000	35,400	34,050	-1,400	-50
Goods Producing	3,550	3,950	3,600	-400	-50
Services Providing	30,450	31,450	30,450	-1,000	0
Natural Resources & Mining	650	650	750	0	-100
Logging	350	350	450	0	-100
Mining	300	300	300	0	0
Construction	1,650	1,850	1,600	-200	50
Manufacturing	1,200	1,450	1,300	-250	-100
Wood Products Mfg.	150	150	150	0	0
Seafood Processing	800	1,050	850	-250	-50
Trade, Transportation, Utilities	6,350	6,750	6,350	-400	0
Retail Trade	4,100	4,250	4,050	-150	50
Trans/Warehousing/Utilities	1,850	2,100	1,850	-250	0
Information	500	500	500	0	0
Financial Activities	1,250	1,250	1,250	0	0
Professional & Business Svcs	1,300	1,450	1,350	-150	-50
Educational & Health Services	3,550	3,500	3,500	50	50
Health Care/Social Assistance	3,350	3,350	3,300	0	50
Leisure & Hospitality	2,950	3,350	2,900	-400	50
Accommodation	900	950	900	-50	0
Food Svcs & Drinking Places	1,500	1,550	1,450	-50	50
Other Services	1,150	1,150	1,150	0	0
Government²	13,450	13,500	13,550	-50	-100
Federal Government ³	1,900	1,950	1,950	-50	-50
State Government	5,450	5,450	5,550	0	-100
Local Government	6,100	6,100	6,050	0	50
Tribal Government	800	850	800	-50	0

Interior Region

	preliminary revised		Changes from:		
	11/04	10/04	11/03	10/04	11/03
Total Nonfarm Wage & Salary¹	41,250	42,750	40,200	-1,500	1,050
Goods Producing	4,050	4,900	4,000	-850	50
Services Providing	37,150	37,850	36,200	-700	950
Natural Resources & Mining	950	950	950	0	0
Mining	950	950	950	0	0
Construction	2,550	3,300	2,550	-750	0
Manufacturing	550	600	500	-50	50
Trade, Transportation, Utilities	7,900	8,050	7,600	-150	300
Information	650	600	600	50	50
Financial Activities	1,450	1,550	1,450	-100	0
Professional & Business Svcs	2,400	2,500	2,200	-100	200
Educational & Health Services	4,750	4,600	4,350	150	400
Leisure & Hospitality	4,100	4,600	4,000	-500	100
Accommodation	1,150	1,400	1,000	-250	150
Food Svcs & Drinking Places	2,600	2,800	2,600	-200	0
Other Services	1,550	1,550	1,550	0	0
Government²	14,400	14,450	14,450	-50	-50
Federal Government ³	3,650	3,700	3,650	-50	0
State Government	5,650	5,600	5,550	50	100
Local Government	5,100	5,150	5,300	-50	-200
Tribal Government	350	400	350	-50	0

Anchorage/Mat-Su Region

Total Nonfarm Wage & Salary¹	162,000	163,250	159,250	-1,250	2,750
Goods Producing	15,050	16,300	14,400	-1,250	650
Services Providing	146,950	146,950	144,850	0	2,100
Natural Resources & Mining	2,400	2,450	2,250	-50	150
Construction	10,700	11,800	10,150	-1,100	550
Manufacturing	1,950	2,050	1,950	-100	0
Trade, Transportation, Utilities	37,600	37,500	36,950	100	650
Information	4,950	5,000	5,100	-50	-150
Financial Activities	9,800	9,850	9,450	-50	350
Professional & Business Svcs	16,600	17,000	16,650	-400	-50
Educational & Health Services	21,200	21,300	20,150	-100	1,050
Leisure & Hospitality	16,300	16,350	16,100	-50	200
Other Services	6,200	5,900	6,100	300	100
Government²	34,350	34,000	34,400	350	-50
Federal Government ³	9,900	9,950	10,000	-50	-100
State Government	10,700	10,650	10,700	50	0
Local Government	13,750	13,400	13,700	350	50
Tribal Government	350	350	300	0	50

Gulf Coast Region

Total Nonfarm Wage & Salary¹	25,950	27,550	26,050	-1,600	-100
Goods Producing	4,450	5,400	4,650	-950	-200
Services Providing	21,500	22,150	21,400	-650	100
Natural Resources & Mining	1,150	1,250	1,050	-100	100
Oil & Gas Extraction	1,000	1,100	950	-100	50
Construction	1,500	1,750	1,600	-250	-100
Manufacturing	1,750	2,400	2,050	-650	-300
Seafood Processing	1,100	1,750	1,350	-650	-250
Trade, Transportation, Utilities	5,200	5,450	5,100	-250	100
Retail Trade	3,200	3,400	3,100	-200	100
Trans/Warehousing/Utilities	1,750	1,750	1,750	0	0
Information	450	400	450	50	0
Financial Activities	750	750	650	0	100
Professional & Business Svcs	1,250	1,300	1,300	-50	-50
Educational & Health Services	2,450	2,400	2,250	50	200
Health Care/Social Assistance	2,400	2,350	2,150	50	250
Leisure & Hospitality	2,750	3,100	2,850	-350	-100
Accommodation	800	950	850	-150	-50
Food Svcs & Drinking Places	1,600	1,750	1,650	-150	-50
Other Services	1,150	1,150	1,300	0	-150
Government²	7,550	7,550	7,550	0	0
Federal Government ³	800	850	800	-50	0
State Government	1,700	1,700	1,700	0	0
Local Government	5,050	5,000	5,050	50	0
Tribal Government	300	300	300	0	0

5 Unemployment Rates

By region and census area

(continued from page 23)

Job market changed little

In November, the statewide unemployment rate was 7.0 percent, and generally speaking this year's jobless rates have not been very different from year-ago levels. The improving national labor market may have helped relieve some pressure on Alaska. This appears to be confirmed by 2004's net migration numbers, which turned slightly negative in 2004 after two years of positive in-migration. Ultimately, this may mean that Alaskans looking for work did not have to compete with quite so many other job seekers.

Not Seasonally Adjusted	preliminary		revised	
	11/04	10/04	11/03	10/03
United States	5.2	5.1	5.6	
Alaska Statewide	7.0	6.6	7.8	
Anchorage/Mat-Su Region	5.4	5.2	6.0	
Municipality of Anchorage	4.8	4.8	5.4	
Mat-Su Borough	7.4	6.9	8.4	
Gulf Coast Region	11.4	10.0	12.9	
Kenai Peninsula Borough	10.5	9.6	12.2	
Kodiak Island Borough	13.5	10.2	16.1	
Valdez-Cordova	12.2	11.5	11.9	
Interior Region	6.6	6.0	7.7	
Denali Borough	11.8	11.3	16.7	
Fairbanks North Star Borough	5.6	5.1	6.7	
Southeast Fairbanks	12.7	11.0	12.6	
Yukon-Koyukuk	16.2	15.2	16.6	
Northern Region	14.0	14.8	14.8	
Nome	13.6	13.6	14.1	
North Slope Borough	11.8	13.3	14.5	
Northwest Arctic Borough	17.6	18.7	16.2	
Southeast Region	7.8	7.2	8.6	
Haines Borough	11.4	9.1	13.6	
Juneau Borough	5.8	5.9	6.7	
Ketchikan Gateway Borough	8.6	8.0	8.9	
Prince of Wales-Outer Ketchikan	11.5	10.0	12.7	
Sitka Borough	6.6	4.9	7.3	
Skagway-Hoonah-Angoon	15.2	13.6	14.0	
Wrangell-Petersburg	8.2	7.0	10.2	
Yakutat Borough	19.2	18.3	13.5	
Southwest Region	14.4	13.2	14.4	
Aleutians East Borough	4.9	3.5	5.5	
Aleutians West	13.1	10.6	11.0	
Bethel	14.7	14.3	15.5	
Bristol Bay Borough	11.2	8.5	13.7	
Dillingham	11.9	11.8	13.1	
Lake & Peninsula Borough	19.8	14.3	17.2	
Wade Hampton	23.8	22.2	22.9	
Seasonally Adjusted				
United States	5.4	5.5	5.9	
Alaska Statewide	7.2	7.2	8.1	

2003 Benchmark

Comparisons with previous year's numbers are of very limited use because of the magnitude of year-end revisions. The current, official definition of unemployment excludes anyone who has not made an active attempt to find work in the four-week period up to and including the week that includes the 12th of the reference month. In rural Alaska, many individuals do not meet the official definition of unemployed because they have not conducted an active job search due to the scarcity of employment opportunities.

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

6 Nonfarm Wage/Salary Employment

By place of work

Northern Region	preliminary revised		Changes from:		
	11/04	10/04	11/03	10/04	11/03
Total Nonfarm Wage & Salary¹	15,600	15,800	16,000	-200	-400
Goods Producing	5,500	5,550	5,450	-50	50
Services Providing	10,100	10,250	10,550	-150	-450
Oil & Gas Extraction	4,900	4,850	4,700	50	200
Government²	4,850	5,050	5,100	-200	-250
Federal Government ³	150	150	150	0	0
State Government	350	350	350	0	0
Local Government	4,350	4,550	4,600	-200	-250
Tribal Government	550	550	550	0	0

Southwest Region

Total Nonfarm Wage & Salary¹	16,550	18,900	16,450	-2,350	100
Goods Producing	2,150	4,150	2,050	-2,000	100
Services Providing	14,400	14,750	14,400	-350	0
Seafood Processing	1,850	3,800	1,700	-1,950	150
Government²	7,600	7,750	7,600	-150	0
Federal Government ³	350	350	350	0	0
State Government	550	550	550	0	0
Local Government	6,700	6,900	6,650	-200	50
Tribal Government	1,550	1,650	1,550	-100	0

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

Employer Resources

The Employment Security Tax Section is responsible for providing assistance and information to employers concerning the Unemployment Insurance (UI) tax program and for the collection of UI taxes. The ES Tax page shows office locations, tax rates, laws and cases, forms, etc. to assist you in handling your business tax records more efficiently. From the employer web page of <http://www.labor.state.ak.us/employer/employer.htm>, click on "Employment Security Tax".

