

ALASKA ECONOMIC **TRENDS**

NOVEMBER 2005



Alaska: An Interesting Income Picture

WHAT'S INSIDE

Employment Scene
Louisiana – Not So Different from Alaska



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Frank H. Murkowski, Governor
Greg O'Claray, Commissioner

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The Challenge Ahead: Closing the Gap

by Governor Frank H. Murkowski

Alaskans earned a combined \$22.6 billion in 2004. That is, on average, \$34,454 for every man, woman and child living in Alaska and an increase of \$1,241 per person, or 3.7 percent, over our combined earnings in 2003.

This month's Trends cover story explains what the numbers mean and how that money was distributed among Alaskans. The article shows that there's an income disparity in Alaska that's often split along rural and urban lines and between our younger residents and those who are more experienced and established in the community.

The challenge we face is how to close the income gap and give all Alaskans the opportunity to participate in the benefits of Alaska's growing economy and bright future.

First and foremost, we need to prepare our young people for the jobs that are ready for them. Donald Trump isn't the only person looking for an apprentice. Currently about 50 percent of our high school graduates don't immediately, if ever, go on to college. In fact, almost 80 percent of jobs in Alaska don't require a college degree. Many high paying jobs are the result of apprenticeships in construction, the maritime industry, health care and other trades. We need to continue to aggressively pursue my administration's commitment to recruit our young people, currently enrolled in high schools around the state, to pursue high paying vocational careers, including construction, maritime and health care, upon graduation.

Parents need to encourage their school districts to restore vocational preparation courses and join with the Alaska Department of Labor and Workforce Development (DOLWD) to place career guides in our schools.

We need a renewed commitment not only from parents but from Alaska businesses and labor, especially those who will be involved in the construction of our roads, airports and highways, as well as the construction of the Alaska gas pipeline, to expand our training programs.

Since my administration took office in December 2002, the DOLWD, led by Commissioner Greg O'Claray, has distributed and administered over \$11 million – about 50 percent of all the department's training grants – specifically to the construction trades' apprenticeship and training programs throughout the state. That investment has already resulted in about 5,200 Alaskans completing training programs or upgrading skills necessary to acquire and retain these high paying jobs.

This fiscal year the DOLWD has awarded over \$5 million in State Training and Employment Program (STEP) construction grants. These STEP grants are currently training almost 2,100 workers. This is a good start but we can and must do better. The future quality of life of our children and our state depend on it.

My administration has committed \$20 million over the next five years – to match the federal government's \$20 million authorization – for training Alaskans for gas pipeline jobs. We continue to work closely with the oil industry and their contractors to ensure Alaskans get the first priority for these great paying jobs.

By upgrading and expanding our training programs to accommodate the skills necessary for Alaskans to work in the construction industry of the 21st century, we are taking one very big and important step in closing an economic disparity gap. Job training helps ensure that all Alaskans are able to participate in, and enjoy the benefits of, this state's bright future.

Alaska: An Interesting Income Picture

By Neal Fried and
Brigitta Windisch-Cole
Economists

Alaskans earned a combined \$22.6 billion in 2004, an increase of slightly more than \$1 billion from 2003, according to the most recent income data for the state. Dividing that number by the number of residents – every man, woman and child – means that Alaska’s per capita income was \$34,454. That’s an impressive figure, but it only takes on real meaning when compared to other states or when observed in a historical context. And this particular income figure is only one measure among many calculations of income.

This article will explore a number of income measures that should shed some light on the economic well-being of Alaska residents. Has income grown? Where does it come from? What are the differences between per capita income and family income? How is it distributed? Where in the state is income high and where is it low? How does Alaska compare to the rest of the nation? And are we getting richer, poorer or holding steady? The discussion will also address some of the strengths and weaknesses of these income measures and how they might be best interpreted.

Personal income: a comprehensive measure

Each year the U.S. Department of Commerce’s Bureau of Economic Analysis releases personal income data for Alaska and all other states. The same information is also released for every borough, county, parish and census area in the nation, allowing for regional economic performance comparisons. Per capita income is considered a good measure of economic well-being because it includes income generated through work and investments, as well as transfer payments (essentially government payments).

Alaska’s per capita income ranks 13th

Alaska’s 2004 per capita income of \$34,454, up by \$1,241 or 3.7 percent from 2003, puts Alaska in 13th place among all 50 states. (See Exhibit 1.) This ranking has changed little in the past four years. Alaska reached its peak in 1975 as No. 1 in the United States and held the distinction for over a decade. At the onset of the state’s most severe economic recession in 1986, total personal income actually fell two consecutive years. (See Exhibit 2.) As a result,

the state's per capita income picture changed dramatically relative to the country's, shrinking the gap from 38 percent above the national average in 1985 to 15 percent three years later. (See Exhibit 3.)

In the 1990s, Alaska's relative position fell again as its economy grew a bit slower than the national economy. The state experienced strong growth in the lower-wage industries such as retail and other services and weaker growth – and in some cases actual losses – in its high-wage industries such as oil, timber and fishing. The low point was in 2000 when Alaska's per capita income fell to a near-identical level with the U.S. average. (See Exhibit 4.)

The national economy went into a recession in 2001, which Alaska managed to avoid. This in turn meant the state enjoyed some above-average years in personal income growth, relative to the rest of the country, that effectively pushed up its ranking by a few slots and placed per capita income roughly 5 percent above the national average. But inflation-adjusted per capita income has changed little from 2000 to 2004 and since 1990 it has grown by only a half percent per year.

Per capita income varies significantly around the state

Alaska's income disparity is often split along rural and urban lines. (See Exhibit 5.) In most of the state's rural areas, the per capita income is below both statewide and national averages. When the cost-of-living is considered, these disparities grow even larger. High unemployment and a general lack of economic opportunities in Alaska's rural areas help explain these differences. The fact that families in rural areas tend to be larger and the population tends to be younger further depresses rural income.

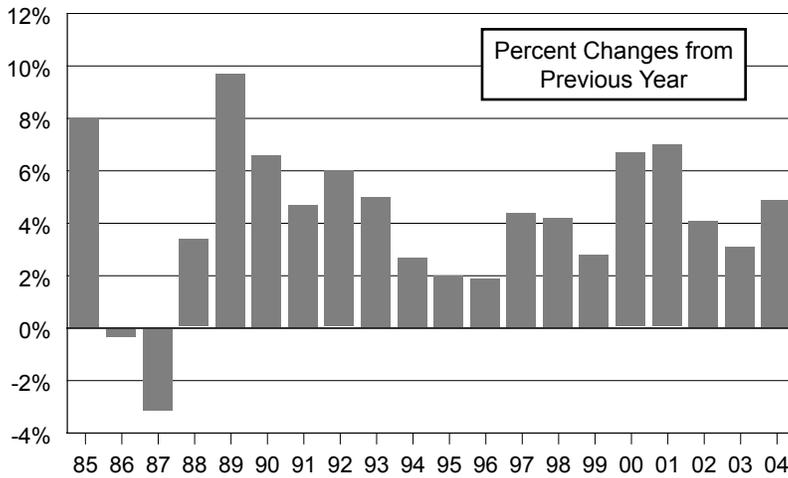
Alaska's Per Capita Income Percent of U.S. average, 2004



Rank		Per Capita Income	Percent of U.S. Average
1	Connecticut	\$45,398	138
2	Massachusetts	\$41,801	127
3	New Jersey	\$41,332	125
4	Maryland	\$39,247	119
5	New York	\$38,228	116
6	New Hampshire	\$37,040	112
7	Colorado	\$36,063	109
8	Delaware	\$35,861	109
9	Minnesota	\$35,861	109
10	Virginia	\$35,477	108
11	Washington	\$35,299	107
12	California	\$35,019	106
13	Alaska	\$34,454	105
14	Illinois	\$34,351	104
15	Wyoming	\$34,306	104
16	Rhode Island	\$33,733	102
17	Nevada	\$33,405	101
18	Pennsylvania	\$33,348	101
	U.S. Average	\$32,937	100
19	Vermont	\$32,770	99
20	Hawaii	\$32,160	98
21	Wisconsin	\$32,157	98
22	Michigan	\$31,954	97
23	Florida	\$31,455	96
24	North Dakota	\$31,398	95
25	Nebraska	\$31,339	95
26	Ohio	\$31,322	95
27	South Dakota	\$30,856	94
28	Kansas	\$30,811	94
29	Missouri	\$30,608	93
30	Maine	\$30,566	93
31	Iowa	\$30,560	93
32	Texas	\$30,222	92
33	Indiana	\$30,094	91
34	Georgia	\$30,051	91
35	Tennessee	\$30,005	91
36	Oregon	\$29,971	91
37	North Carolina	\$29,246	89
38	Arizona	\$28,442	86
39	Oklahoma	\$28,089	85
40	Alabama	\$27,795	84
41	Kentucky	\$27,709	84
42	Louisiana	\$27,581	84
43	South Carolina	\$27,172	82
44	Idaho	\$27,098	82
45	Montana	\$26,857	82
46	Utah	\$26,606	81
47	New Mexico	\$26,191	80
48	West Virginia	\$25,872	79
49	Arkansas	\$25,725	78
50	Mississippi	\$24,650	75

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

2 Moderate Personal Income Growth Alaska

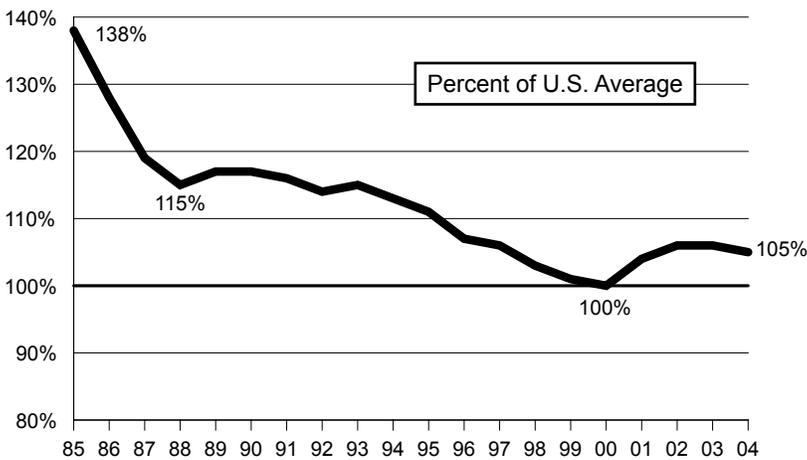


Source: U.S. Department of Commerce, Bureau of Economic Analysis

Transfer income generally plays a much bigger role in rural Alaska's income picture. For example, in the Wade Hampton Census Area, which is part of the Yukon-Kuskokwim region, per capita income is the lowest in the state – less than half the statewide average. The census area is made up of small communities with little cash income. It has the state's youngest population; the median age is 19.3 versus 33.3 statewide. Nearly 45 percent of the census area's income comes from transfer payments. And if one were to include a cost-of-living adjustment, the disparity in income would rise even higher.

But it is also important to remember that there are plenty of exceptions to the rural/urban division. A number of rural areas in the state have above-average incomes, including the Denali, Bristol Bay and North Slope boroughs. And there are urban areas that have a per capita income below the statewide average, such as the Fairbanks North Star and Matanuska-Susitna boroughs.

3 Close to the National Average Alaska's per capita income



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

Important facts influence personal per capita income

During the mid-1970s, state per capita income reached its pinnacle at 75 percent above the national average. Such record high-income numbers were largely driven by the oil pipeline construction, which produced fat paychecks. Back then, the demographic composition of the state pushed those numbers even higher because many of the wage earners were single men who weren't supporting dependents. Another demographic factor that helps boost Alaska's income figures is the percentage of women in the work force, which is among the highest in the nation.

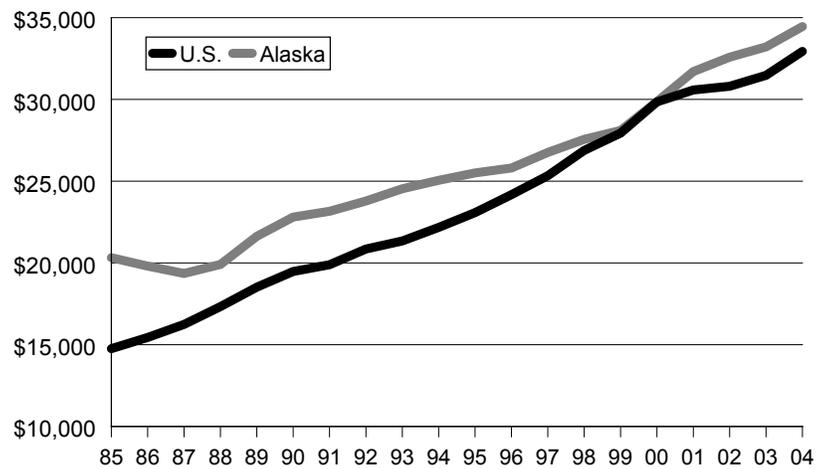
Wages and salaries generate most personal income

Total net earnings in Alaska – the work-related portion of income – was \$16 billion in 2004, which represented 70.7 percent of total personal income. (See Exhibit 6.) Nationwide, net earnings represented 69.4 percent of the total. The Bureau of Economic Analysis released data that show the wage and salary earnings in 2004 represent roughly 84 percent of Alaska’s total net earnings; the remaining 16 percent stemmed from self-employment. In the United States, earnings from wage and salary jobs carried slightly more weight, accounting for 85 percent versus 15 percent for self-employment. The slightly higher proportion of income derived from self-employment earnings in Alaska is not surprising, considering that commercial fishing and tourism are basic sector industries and both offer ample employment opportunities for entrepreneurs.

Two additional sources of income exist

In Alaska, investment income such as dividends, interest and rent contributed 14.7 percent to total personal income and the remainder, 14.6 percent, consisted of transfer payments. Nationally, investment contributions amounted to 16.0 percent of the U.S. total and transfer payments were 14.5 percent of the total. Alaska’s lower proportion of dividend, interest and rent income most likely reflects that the state has an essentially young population with fewer older people – those who tend to receive more investment income. The share equality of transfer payments between Alaska and the United States comes as a bit of a surprise because the Alaska Permanent Fund dividends account for a substantial part of the statewide transfer payment amount.

Per Capita Income Alaska and U.S., 1985-2004 **4**



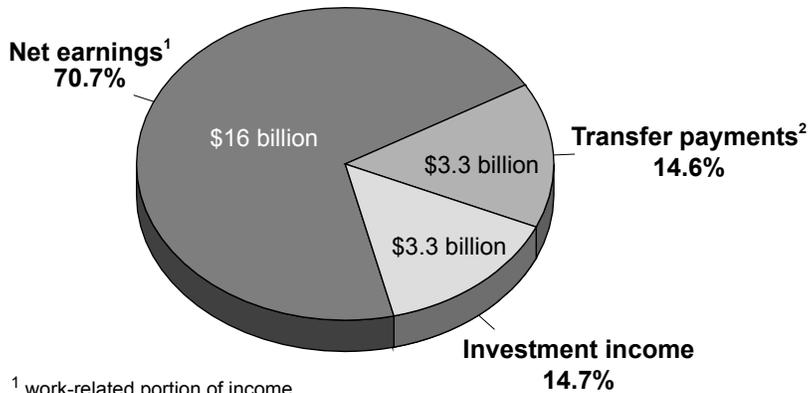
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Alaska Per Capita Income by Area **5**

	Income	Percent of Statewide Income
Statewide	\$33,213	
Aleutians East Borough	\$24,522	74
Aleutians West Census Area	\$25,885	78
Anchorage, Municipality of	\$37,750	114
Bethel Census Area	\$22,883	69
Bristol Bay Borough	\$40,769	123
Denali Borough	\$39,487	119
Dillingham Census Area	\$28,485	86
Fairbanks North Star Borough	\$30,583	92
Haines Borough	\$35,542	107
Juneau, City and Borough of	\$36,668	110
Kenai Peninsula Borough	\$29,362	88
Ketchikan Gateway Borough	\$38,343	115
Kodiak Island Borough	\$29,479	89
Lake and Peninsula Borough	\$22,697	68
Matanuska-Susitna Borough	\$29,483	89
Nome Census Borough	\$24,774	75
North Slope Borough	\$36,613	110
Northwest Arctic Borough	\$24,425	74
Prince of Wales-Outer Ketchikan Census Area	\$21,492	65
Sitka, City and Borough of	\$31,467	95
Skagway-Hoonah-Angoon Census Area	\$34,508	104
Southeast Fairbanks Census Area	\$28,404	86
Valdez-Cordova Census Area	\$33,321	100
Wade Hampton Census Area	\$15,748	47
Wrangell-Petersburg Census Area	\$31,861	96
Yakutat, City and Borough of	\$31,352	94
Yukon-Koyukuk Census Area	\$22,907	69

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

6 Sources of Personal Income, 2004 Alaska's totals \$22.6 billion



¹ work-related portion of income
² essentially government payments

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

Transfer payments redistribute income

Transfer payments largely derive from government payments and underscore the government's important role aside from being a large employer. In Alaska, the state and federal governments' contributions to state personal income exceeded \$3.3 billion in 2004. (As of early October 2005, the breakdown of Alaska's 2004 transfer payments wasn't available.) Alaska's transfer payments in 2003 were also nearly \$3.3 billion. More than \$1.2 billion, or 38 percent of the total transfer payments, was spent for medical benefits. Those included health care payments for Alaska Natives, Medicare benefit recipients and others who qualify for additional medical assistance. Military medical insurance benefits for active duty and retired personnel are also included. Most of these payments come from federal sources.

The second largest transfer payment to Alaska residents, \$691 million, is captured under the "other transfer receipts to individuals" category, a 20.9-percent share of all government payments. The largest share is the Alaska

Permanent Fund dividend. In 2003, the state sent \$660 million in dividend checks to 595,567 people, adding more than \$1,100 to the per capita income. Although the amount varies from year to year, the Alaska Permanent Fund has become a perennial contributor to income. Additional payments from the Bureau of Indian Affairs belong in this group as well as payments made for disaster relief, crime-victim compensation and other special purposes.

Retirement and disability insurance pay was \$596 million in 2003, which made up 18.2 percent of the public money flowing to private individuals or businesses. Ninety-six percent of the retirement and disability insurance pay was from old age, survivors' and disability insurance benefits. Workers' compensation and other government retirement and disability insurance benefits made up the remaining share.

Alaskans received \$336 million in income maintenance benefits in 2003, which was 10.3 percent of the government payments they received that year. These benefit payments, which pay for programs such as supplemental security income, family assistance, food stamps and other supplements, are often referred to as the welfare component. Payments from federal and state unemployment insurance programs totaled \$166 million in 2003, a 5.1-percent share. Veteran benefits amounted to over \$117 million, or 3.6 percent of all transfer payments.

Alaskans' investment and property income is \$3.3 billion

In 2004, investors and landlords added over \$3.3 billion to the state's personal income account, contributing 14.7 percent of the total. Investment income includes dividend distributions from private holdings in corporate stock or interest earned from all sources. Real estate property rental income is measured after subtracting rental property expenses, including the depreciation of fixed assets, from the gross rental income.

Roughly \$1 billion leaves Alaska

Personal income data is adjusted for residency, which in Alaska's case means a sizeable portion of income is earned in the state but spent elsewhere. In other words, nonresidents working in Alaska earned \$1 billion in 2004, representing nearly 5 percent of all income, but they likely spent it in their home states. The amount is not surprising in light of the fact that 18.1 percent of all workers in Alaska don't live in Alaska. A positive in this picture is the trend – each succeeding decade this economic leakage shrinks.

Household and family income are also important gauges of well-being

The U.S. Census Bureau measures other sources of income. It surveys people throughout the United States monthly and estimates household and family income in its American Community Survey. The 2004 survey is based on income information from 3,981 Alaskan households.

Family and household income focuses on the wealth of similar but distinct economic units living under one roof. The distinction between family and household is the relationship between householders or members within such units. Family members under one roof share a home and are related to one another by birth, marriage or adoption. Households are units that consist of one or several members whose bond is the joint living arrangement, not their relationship. Families and households are not mutually exclusive economic units – often they are identical.

The American Community Survey identifies members of a household or a family as those who shared the living arrangement with the householder for all or part of the 12 months previous to when the count was taken. Since the Census Bureau counts the income of only people 15 years old or older, actual local household or family income may be understated.

The Census Bureau's income statistics encompass all types of money received during a 12-month span by economic units that benefit families or households. Those include total earnings received from employment; the net income of people who are self-employed; investment income such as dividends, interest and rents including royalties and payments from trust funds; Social Security income; and supplemental security income for the needy, aged, blind or disabled. They also include public assistance income other than non-cash benefits; retirement and disability incomes of union or former public-sector employees, workers' compensation, receipts from annuities, IRAs and Keogh plans; and other income such as veteran payments, alimony and child support, payments received from people not living in the household, military pay supplements and other kinds of periodic income other than earnings.

More Earners, Higher Income

Alaska's median family income, 2004



	Median Family Income
Total	\$66,254
No earners	\$32,194
One earner	\$43,709
Two earners	\$77,159
Three earners or more	\$100,896

Source: U.S. Census Bureau's 2004 American Community Survey

Income by Family Size

Alaska's median family income, 2004



	Median Family Income
Total	\$66,254
Two-person families	\$59,980
Three-person families	\$68,140
Four-person families	\$76,369
Five-person families	\$66,881
Six-person families	\$63,625
Families of seven or more	\$60,772

Source: U.S. Census Bureau's 2004 American Community Survey

9 Alaska High in Household Income

U.S. median household income, 2004

Rank		Median Household Income
1	New Jersey	\$61,359
2	Connecticut	\$50,528
3	Maryland	\$57,424
4	Alaska	\$57,027
5	Massachusetts	\$55,658
6	New Hampshire	\$55,580
7	Hawaii	\$53,554
8	Virginia	\$51,689
9	California	\$51,185
10	Minnesota	\$50,860
11	Delaware	\$50,315
12	Illinois	\$48,953
13	Rhode Island	\$48,722
14	Colorado	\$48,198
15	Washington	\$47,659
16	New York	\$47,349
17	Utah	\$47,074
18	Vermont	\$46,543
19	Wisconsin	\$45,315
20	Michigan	\$44,905
	U.S. Average	\$44,684
21	Nevada	\$44,646
22	Wyoming	\$44,275
23	Georgia	\$43,037
24	Pennsylvania	\$42,941
25	Ohio	\$42,240
26	Indiana	\$42,195
27	Maine	\$42,163
28	Arizona	\$41,995
29	Oregon	\$41,794
30	Texas	\$41,759
31	Nebraska	\$41,657
32	Kansas	\$41,638
33	Missouri	\$41,473
34	Iowa	\$41,350
35	Florida	\$41,236
36	Idaho	\$39,934
37	South Carolina	\$39,837
38	North Dakota	\$39,447
39	North Carolina	\$39,428
40	Tennessee	\$38,794
41	South Dakota	\$38,472
42	Alabama	\$36,709
43	New Mexico	\$36,043
44	Oklahoma	\$35,357
45	Kentucky	\$35,269
46	Montana	\$35,239
47	Louisiana	\$35,110
48	Arkansas	\$32,983
49	Mississippi	\$31,642
50	West Virginia	\$31,504

Source: U.S. Census Bureau's 2004 American Community Survey

Because many households often just have one person, the average household income is usually less than the average family income. Consequently, the size of the household or family plays an important role.

In Alaska in 2004, the median household size was 2.78 while the median family size was 3.32. Inflation-adjusted median household income in Alaska was \$57,027 and median family income was \$66,254. (See Exhibits 7-9.) Median income values are midpoints. They show that 50 percent of all household or family units had incomes below the median and the other 50 percent had incomes higher than the median. While family income linearly increases with the number of earners, additional family members do not always result in gains.

The demographic composition of households or families often determines their income status. The Census Bureau identified a four-person family to be the wealthiest unit in Alaska, with an average income of \$76,369 in 2004. (See Exhibit 8.) This statistic may be somewhat surprising because the vast majority of these households receive Alaska Permanent Fund dividend checks. One might make the assumption that the larger the family, the higher the income. However, the exclusion of income of people under age 15 negates in part the incremental growth due to additional household or family members. Specific family circumstances also help clarify why larger families do not accumulate more than smaller units. For example, large families with young children may have to rely on fewer wage earners because spouses are staying home to care for the children. The Census Bureau found that in 21 other states the four-person family also commanded the highest income.

Compared to other states, Alaska in 2004 ranked fourth in terms of household income and sixth in family income. (See Exhibits 9 and 10.) One reason for Alaska's high ranking is its high labor-force participation rate, which was 72.4 percent – the highest in the nation. The labor force participation rate is basically the proportion of the adult population in the labor force. A reason Alaska's is high is because it has so few retirees.

Among U.S. cities with populations over 65,000, Anchorage was second to only San Jose, Calif., in both the median household and family income categories. (See Exhibit 11.) Anchorage has Alaska's largest and most diverse labor market.

Alaska has the most equally distributed income in the nation

After measuring the distribution of income for the nation and all 50 states, the Census Bureau determined Alaska's income was more equally distributed than any other state. (See Exhibit 12.) The Census Bureau used income results from the 2000 Census and applied the accepted statistical measurement, the "Gini coefficient," to identify income inequality or income concentration. Its ratio ranges from 0 to 1, with 0 indicating perfect equality and 1 perfect inequality. With the latter, one person would have all the income and the rest would have none. According to the Census Bureau, Alaska's income distribution has changed little over the past three decades. In comparison, income inequality has increased in the United States over time. Why Alaska holds this spot isn't fully understood. Some possible reasons include Alaska's large public-sector work force, the fact that residents get yearly Alaska Permanent Fund dividends, there's less poverty in Alaska, the state is relatively young and doesn't have much "old wealth" and most of the "super rich" live elsewhere.

Alaska Sixth Nationally U.S. median family income, 2004 **10**

Rank		Median Family Income
1	New Jersey	\$73,973
2	Connecticut	\$73,458
3	Maryland	\$69,695
4	Massachusetts	\$68,701
5	New Hampshire	\$67,848
6	Alaska	\$66,254
7	Hawaii	\$63,813
8	Minnesota	\$62,538
9	Virginia	\$61,309
10	Illinois	\$60,387
11	Delaware	\$60,352
12	Rhode Island	\$58,978
13	Colorado	\$58,849
14	California	\$58,327
15	Washington	\$57,478
16	New York	\$56,556
17	Vermont	\$55,819
18	Wisconsin	\$55,780
19	Michigan	\$55,778
20	Wyoming	\$54,935
	U.S. Average	\$53,692
21	Pennsylvania	\$53,680
22	Kansas	\$53,541
23	Nebraska	\$52,472
24	Utah	\$52,286
25	Indiana	\$52,267
26	Ohio	\$51,966
27	Nevada	\$51,722
28	Iowa	\$51,505
29	Maine	\$51,372
30	North Dakota	\$51,020
31	Oregon	\$51,011
32	Missouri	\$50,819
33	Georgia	\$49,745
34	Florida	\$49,461
35	South Dakota	\$49,380
36	Texas	\$49,086
37	Arizona	\$48,995
38	South Carolina	\$47,680
39	Tennessee	\$47,530
40	North Carolina	\$47,112
41	Idaho	\$46,586
42	Alabama	\$45,768
43	Montana	\$44,958
44	Oklahoma	\$44,508
45	Kentucky	\$43,953
46	Louisiana	\$42,886
47	New Mexico	\$42,240
48	West Virginia	\$40,827
49	Arkansas	\$39,945
50	Mississippi	\$39,319

Source: U.S. Census Bureau's 2004 American Community Survey

11 U.S. Cities with Top Income Household and family income, 2004

Rank		Household Income
1	San Jose, Calif.	\$71,765
2	Anchorage	\$61,595
3	San Francisco	\$60,031
4	Virginia Beach, Va.	\$55,781
5	San Diego	\$51,382
6	Anaheim, Calif.	\$49,622
7	Raleigh, N.C.	\$47,878
8	Seattle	\$46,650
9	Washington, D.C.	\$46,574
10	Honolulu, Hawaii	\$46,500

Rank		Family Income
1	San Jose, Calif.	\$77,232
2	Anchorage	\$73,840
3	San Francisco	\$68,667
4	Seattle	\$65,080
5	Raleigh, N.C.	\$64,908
6	Virginia Beach, Va.	\$60,926
7	Honolulu, Hawaii	\$60,618
8	San Diego	\$59,818
9	Arlington, Texas	\$58,924
10	Charlotte, N.C.	\$58,116

Source: U.S. Census Bureau's 2004 American Community Survey

Differences exist between per capita and family or household income

Although various income measures contain similar elements, they cannot be compared directly. There are major differences between the Bureau of Economic Analysis' data collection and the Census Bureau's methods. The Bureau of Economic Analysis derives its income information mainly from business and government administrative records. The Census Bureau obtains its data through its household survey, the American Community Survey, where householders provide the information about their income.

The definitions of income between the two agencies are also different. The Bureau of Economic Analysis includes "in kind" income, such as medical vendor payments for specific populations, including Medicare payments. It also includes government-employee pension contributions in gross pay. Therefore, its per capita income amount is usually higher than the Census Bureau's figure.

Alaskans earn \$39,054 in annual average earnings in 2004

Annual average wage and salary income is another important measure. It's simply a count of payroll and jobs. It comes from dividing the state's total wage and salary payroll by the average annual number of jobs. But it has to be used with caution, because there are some things it doesn't say. For instance, it's a count of jobs, not individuals with jobs, and it doesn't reflect the cases where one individual has several jobs. It doesn't distinguish between full-time and part-time jobs and doesn't include self-employment.

Alaska Most Equally Distributed Gini coefficient of household income, 1999

Despite its shortcomings, the annual average wage and salary income measure does provide some insight into an area's income-generating capacity. Since wages and salaries make up nearly 57 percent of all personal income, it is not surprising that Alaska's annual wage and per capita income ranking are quite similar. And the historic trend of the two is similar as well.

As recently as 1995, Alaska's average annual earnings ranked fifth in the United States, making its average 17 percent above the nation's. However, by 2004, Alaska's average earnings fell to 15th among the states; earnings, at \$39,054, were nearly 1 percent below the national average. (See Exhibit 13.) Per capita income has also fallen to near the U.S. average. Slower overall wage growth and strong growth in lower-wage employment has put a damper on Alaska's broad wage picture. In recent years it has hovered around the national average. After adjusting the average annual earnings for inflation, the adjusted earnings figure has changed very little over the past decade. (See Exhibit 14.)

Oil and gas wages remain in their own league

Subsets of the average annual earnings are earnings by industry. Long hours, high wages and a year-round work force keep the oil and gas industry's average wages on the top – they're nearly three times as high as the overall average earnings. On the opposite side of the wage spectrum is the leisure and hospitality industry, which largely consists of hotels and eating and drinking places. (See Exhibit 15.) Its employment characteristics include lower wages – tips are underrepresented – as well as seasonal work, and to a larger extent, part-time work. All other industries fall somewhere in between these

Rank		Gini Coefficient
1	Alaska	0.402
2	Utah	0.410
3	Wisconsin	0.413
4	New Hampshire	0.414
5	Iowa	0.418
6	Vermont	0.423
7	Indiana	0.424
8	Nebraska	0.424
9	Minnesota	0.426
10	Idaho	0.427
11	Wyoming	0.428
12	Delaware	0.429
13	North Dakota	0.429
14	Hawaii	0.434
15	Maine	0.434
16	Maryland	0.434
17	South Dakota	0.434
18	Kansas	0.435
19	Montana	0.436
20	Washington	0.436
21	Colorado	0.438
22	Oregon	0.438
23	Nevada	0.439
24	Michigan	0.440
25	Ohio	0.441
26	Missouri	0.449
27	Virginia	0.449
28	Arizona	0.450
29	North Carolina	0.452
30	Pennsylvania	0.452
31	South Carolina	0.454
32	Oklahoma	0.455
33	Illinois	0.456
34	Rhode Island	0.457
35	Arkansas	0.458
36	New Jersey	0.460
37	New Mexico	0.460
38	Georgia	0.461
39	Massachusetts	0.463
	U.S. Average	0.463
40	Tennessee	0.465
41	Kentucky	0.468
42	West Virginia	0.468
43	Florida	0.470
44	Texas	0.470
45	California	0.475
46	Alabama	0.475
47	Connecticut	0.477
48	Mississippi	0.478
49	Louisiana	0.483
50	New York	0.499

Source: U.S. Census Bureau's 2000 Census

13 Earnings by State

Annual wage and salary, 2004

Rank		Earnings
1	Connecticut	\$50,987
2	New York	\$49,905
3	Massachusetts	\$48,987
4	New Jersey	\$48,042
5	California	\$44,622
6	Maryland	\$42,587
7	Delaware	\$42,494
8	Illinois	\$42,278
9	Virginia	\$40,537
10	Minnesota	\$40,397
11	Michigan	\$40,371
12	Colorado	\$40,285
13	Washington	\$39,357
	U.S. Average	\$39,348
14	New Hampshire	\$39,177
15	Alaska	\$39,054
16	Pennsylvania	\$38,545
17	Texas	\$38,521
18	Georgia	\$37,857
19	Rhode Island	\$37,614
20	Nevada	\$37,107
21	Arizona	\$36,664
22	Ohio	\$36,445
23	Oregon	\$35,625
24	Hawaii	\$35,199
25	Florida	\$35,149
26	Tennessee	\$34,932
27	Missouri	\$34,855
28	North Carolina	\$34,787
29	Wisconsin	\$34,742
30	Indiana	\$34,689
31	Alabama	\$33,414
32	Vermont	\$33,273
33	Kentucky	\$33,135
34	Kansas	\$32,737
35	Utah	\$32,169
36	Iowa	\$32,091
37	Maine	\$31,925
38	Louisiana	\$31,837
39	South Carolina	\$31,831
40	Nebraska	\$31,503
41	New Mexico	\$31,398
42	Wyoming	\$31,210
43	Oklahoma	\$30,741
44	West Virginia	\$30,384
45	Arkansas	\$30,236
46	Idaho	\$29,869
47	North Dakota	\$28,976
48	Mississippi	\$28,531
49	South Dakota	\$28,281
50	Montana	\$27,829

Source: U.S. Department of Labor, Bureau of Labor Statistics

two industries. Because there has been strong employment growth in those industries with below-average wages such as retail and leisure and hospitality, and losses in industries such as oil and gas, the overall average has struggled to make headway. There are exceptions, such as the construction industry, where earnings are high and growth over the past decade has been impressive.

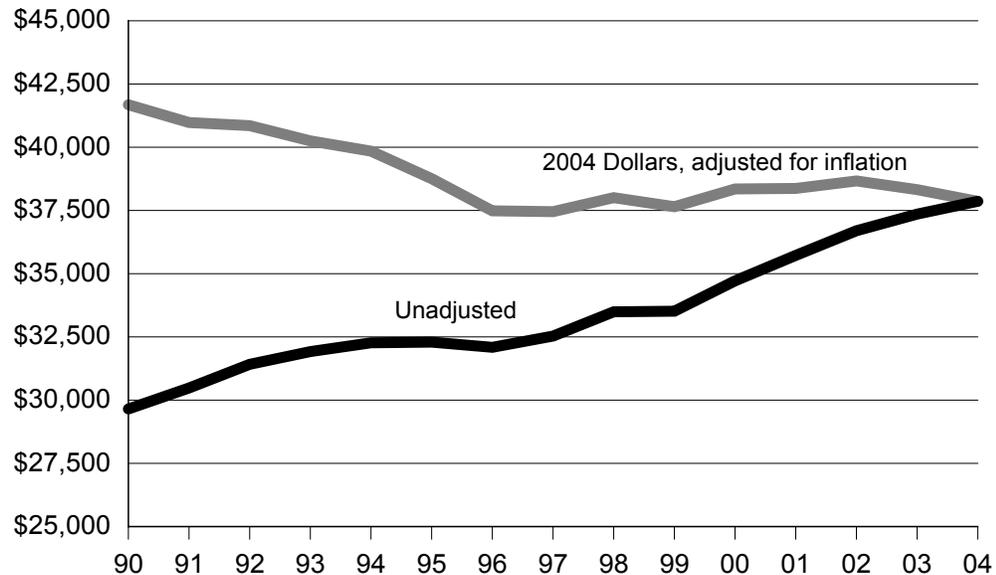
Summary – Alaska’s income story is mixed

All kinds of income measures exist to help assess Alaskans’ economic well-being and they all tell a different story. Alaskans’ per capita income is now 5 percent higher than the U.S. average, but that’s a far cry from the 38 percent above the U.S. average it was in 1985, just before Alaska’s economic recession that began in 1986. The annual wage story is similar. The median household income estimate, though, tells a very different story: Alaska’s now ranks as the fourth highest in the nation – a full 28 percent above the national average. And when it comes to income distribution, Alaska’s is the most equally distributed in the country. Yet income disparities do exist, as proven by local-area per capita comparisons. Usually, but not always, these income gaps fall along urban/rural lines.

Earnings Have Changed Little in the Last 10 Years

Alaska's average annual earnings, 2004 dollars

14

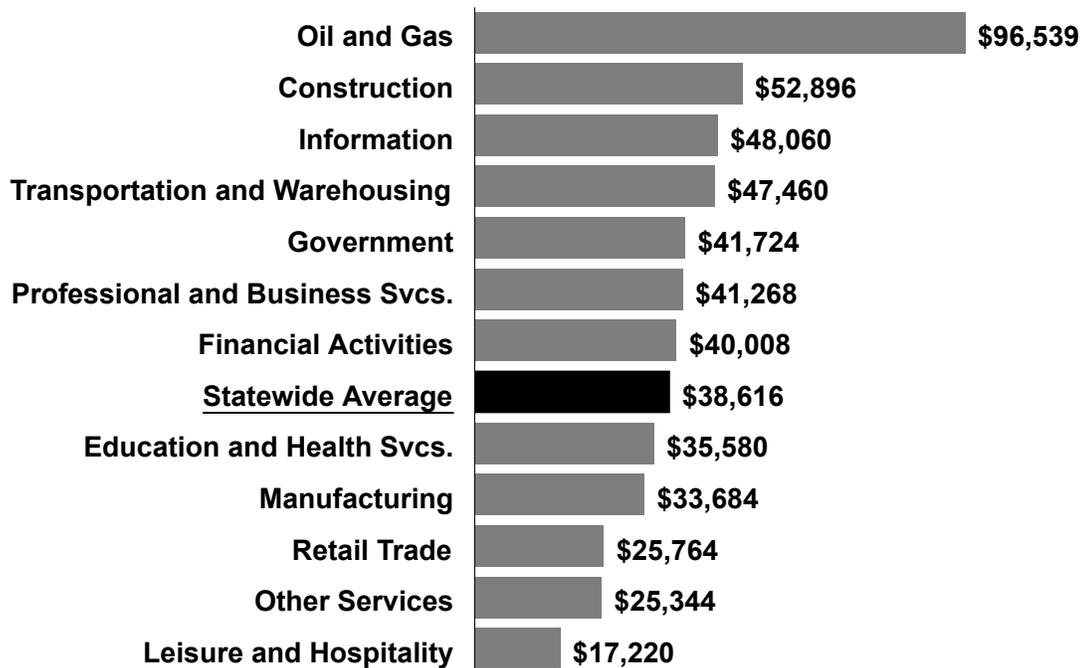


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

How the Earnings Picture Stacks Up in Alaska

Alaska's average annual wage and salary earnings, 2004

15



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

“Gone with the Wind”

Alaska Employment Scene

by
Neal Gilbertsen
Economist

“...There Was a House in New Orleans”

In spite of vastly different climates and topography, Alaska and Louisiana have a lot in common or at least they did before Rita and Katrina made landfall. The economies of both states rely heavily upon oil, fisheries and tourism. Before the hurricanes – including federal offshore resources routed through its facilities – Louisiana ranked first in the nation in oil production. Alaska was third. Alaska led the nation in seafood production; Louisiana was second. Employment in the leisure and hospitality industry provided 10.6 percent of Louisiana’s total jobs compared to 10 percent of those in Alaska. (See Exhibit 1.)

Imagine an Alaska with Anchorage severely damaged and largely depopulated: An Alaska with 80 percent of its oil production shut down, wells and pumping stations abandoned, the pipeline shattered and much of the related infrastructure in need of extensive repairs. An Alaska with most of its fishing fleet and seafood processing facilities torn away by the sea. An Alaska without a tourist industry. An Alaska with many of its people scattered across the country lacking both homes and jobs. While Alaskans might find this hard to visualize, their fellow citizens who hail from the bayous no longer do.

“The Night They Drove Old Dixie Down”

According to the U.S. Department of Energy’s Energy Information Administration, on Sept. 26, 2005 – two days after Rita and nearly a month after Katrina¹ – “shut-in” oil, in hurricane-impacted areas, amounted to 1.5 million barrels a day. In other words, roughly 28 percent of the total U.S. oil production was offline. Most of this oil was produced by platforms located on the outer continental shelf of Louisiana. By Oct. 7, some production had been restored but the total was still down by 77 percent with 1.1 million barrels a day “shut in.” In addition, by Oct. 10, eight Gulf Coast refineries capable of processing 2.1 million barrels a day remained closed, and 17 percent of those that were open were operating at reduced rates. Moreover, the ports in Louisiana, Mississippi and Alabama that usually accommodate 23 percent of U.S. oil imports were not yet fully operational.

The assessment of damage to the fishing industry is less precise, but it is clear that coastal communities bore the brunt of the storms. The Louisiana port of Empire-Venice, which ranks second only to Alaska’s Dutch Harbor in terms of volume of seafood landings,

¹Hurricane Rita made landfall Sept. 24, 2005; it was technically a hurricane Sept. 18-26, 2005. Hurricane Katrina hit land Aug. 29, 2005; it was technically a hurricane Aug. 23-31, 2005, according to the National Weather Service’s National Hurricane Center.

was directly in Katrina's path. It suffered extensive damage, as did the fleet moored there. The National Marine Fisheries Service ranked another seven Louisiana cities, and six more in other hurricane-affected states, in its 2003 list of top 50 ports for fisheries landings. All saw their fleets and shore facilities damaged, destroyed or in some cases simply vanish.

While fisheries are important to Louisiana, a major part the industry has been struggling in recent years. Louisiana accounts for 46 percent of the total U.S. wild shrimp harvest, but like Alaska's wild salmon industry, imports of low-priced farmed product now dwarf domestic production and this has driven ex-vessel prices to extremely low levels. Many fishermen had been forced from the industry before the storms and whether the fishery can recover from this added shock is at least problematical.

Louisiana also produces 35 percent of the nation's oysters and 28 percent of all blue crabs. While the crab fishery may rebound sooner, it will take at least two years for the oyster beds to regain pre-Katrina production levels. In the meantime, oyster growers in Washington and other states have seen prices surge by as much as 50 percent. These prices are likely to hold until large quantities of Gulf oysters are available.

Louisiana Department of Wildlife and Fisheries' preliminary estimates indicate at least a 40-percent reduction in fisheries revenue – commercial and recreational retail harvest values – over the next year. This amounts to a potential \$1.1 billion loss from the \$2.85 billion the fisheries produced in 2003. It is still too early to predict how soon and how fully the industry will recover.

Much of Louisiana's tourist industry was located in areas impacted by the hurricanes. While New Orleans' French Quarter seems on the road to recovery, many Gulf Coast resorts and casinos were totally destroyed. In both cases, the employees who provided the services have lost homes or have been relocated to other states. When and whether these people will return remains an open question.

“North to Alaska”

The immediate impact of Katrina and Rita will see Alaskans paying more for gasoline and heating oil this winter. Until the Gulf Coast wells, refineries and ports resume full operations, Alaska can also expect to see continuing high oil prices, which, in turn, enhance state revenues. Whether this disruption will lead to increased oil exploration and development in Alaska is still unknown. But repairs to damaged infrastructure will undoubtedly absorb much of the oil industry's energy and resources in the coming months.

The estimated \$200 billion repair bill will also impact Alaskans, whether it is paid for by increased taxes or increased government borrowing. The latter would logically register as rising interest rates.

Alaska's seafood sector might realize some gains until the Gulf fisheries recover. Still, Alaska is not well-positioned to fill the national shortfall in oyster or shrimp harvests. Halibut, groundfish and crab prices might see some gains, as these products fill gaps in the restaurant trade, but will Cajun chefs really accept blackened yellow eye rockfish as a substitute for red snapper or surimi as imitation crawfish?

If Alaska's seafood industry is not likely to benefit from Louisiana's problems, its tourist industry is even less so. Much of Alaska's visitor industry is based on summer tour ship sailings while Louisiana depends upon winter destination tourists and especially, in the case of New Orleans, Mardi Gras. February weather in Alaska's "Big and Not So Easy" is somehow not as conducive to the outdoor activities, parades and scanty attire that attract visitors seeking escape from northern winters. Neither is Anchorage's Fifth Avenue a believable alternative to Bourbon Street.

"Do You Know What It Means to Miss New Orleans?"

Alaskans who live with the ever-present possibilities of earthquakes, volcanoes, tsunamis and extreme weather conditions should be able to empathize with those whose lives have been disrupted by the fury of Rita and Katrina. Our cities, fishing fleets and tourist facilities, as well as our homes and loved ones, are vulnerable to similar catastrophes. If and when such an event transpires, Alaskans will need the generous national response that Louisiana requires today.

1 Louisiana and Alaska

Rank in the United States

	Louisiana	Alaska
Oil Production	1 ¹	3
Per-Capita Oil Consumption	3	1
Fisheries Landings	2	1
Top Fisheries (port and rank)	Empire-Venice, 2	Dutch Harbor, 1
Ports in National Marine Fisheries' Top-50 List	2	1

Numerical Values

	Louisiana	Alaska
2005 Oil Production (barrels per day)	1,463,000 ¹	894,000
2001 Per Capita Oil Consumption	784 BTUs ²	1,164 BTUs
2003 Fisheries Landings	294,011,000	989,781,000
2004 Commercial Fishing Vessels	8,433 ³	10,091 ⁴
2003 Number of Ports in NMFS' Top-50 List	8	9
2004 Leisure and Hospitality Total Wage and Salary Jobs, as a percentage	10.6%	10.0%

¹Includes federal offshore production.

²A British thermal unit is the amount of heat required to increase the temperature of a pound of water 1 degree Fahrenheit.

³NMFS' preliminary estimate

⁴CFEC 2003 data

Sources: U.S. Department of Energy's Energy Information Administration; National Oceanic and Atmospheric Administration's National Marine Fisheries Service; Alaska Department of Fish and Game's Commercial Fisheries Entry Commission; U.S. Department of Labor's Bureau of Labor Statistics; and Gibson Consulting, a private consulting firm specializing in geology and oil exploration.

2 Nonfarm Wage and Salary Employment

	preliminary	revised	revised	<u>Changes from:</u>	
	09/05	08/05	09/04	08/05	09/04
Alaska					
Total Nonfarm Wage & Salary¹	324,600	330,000	319,600	-5,400	5,000
Goods Producing	47,300	52,300	45,500	-5,000	1,800
Service-Providing	277,300	277,700	274,100	-400	3,200
Natural Resources & Mining	10,800	10,700	10,300	100	500
Logging	400	500	500	-100	-100
Mining	10,300	10,300	9,800	0	500
Oil & Gas Extraction	8,700	8,600	8,400	100	300
Construction	21,700	22,600	20,900	-900	800
Manufacturing	14,800	19,000	14,300	-4,200	500
Wood Product Mfg	400	400	400	0	0
Seafood Processing	10,900	15,000	10,400	-4,100	500
Trade, Transportation, Utilities	65,700	67,700	65,200	-2,000	500
Wholesale Trade	6,400	6,600	6,400	-200	0
Retail Trade	36,800	37,700	36,100	-900	700
Food & Beverage Stores	6,100	6,300	6,200	-200	-100
General Merchandise Stores	9,600	9,700	9,500	-100	100
Trans/Warehousing/Utilities	22,500	23,400	22,700	-900	-200
Air Transportation	6,600	6,800	6,700	-200	-100
Truck Transportation	3,100	3,200	3,100	-100	0
Information	7,100	7,000	6,900	100	200
Telecommunications	4,300	4,300	4,200	0	100
Financial Activities	15,100	15,400	15,000	-300	100
Professional & Business Svcs	24,700	24,900	24,400	-200	300
Educational & Health Svcs	36,200	36,000	34,700	200	1,500
Health Care	26,300	26,300	25,100	0	1,200
Leisure & Hospitality	35,100	37,700	34,500	-2,600	600
Accommodation	10,200	11,400	10,000	-1,200	200
Food Svcs & Drinking Places	20,600	21,600	20,200	-1,000	400
Other Services	11,700	11,600	11,900	100	-200
Government²	81,700	77,400	81,500	4,300	200
Federal Government ³	17,400	17,800	17,500	-400	-100
State Government	24,600	23,000	24,600	1,600	0
State Gov't Education	7,400	5,500	7,300	1,900	100
Local Government	39,700	36,600	39,400	3,100	300
Local Gov't Education	21,400	17,800	21,000	3,600	400
Tribal Government	4,300	4,500	4,400	-200	-100

Notes

¹Excludes 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.

⁴Metropolitan Statistical Area

Prepared in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics.

Regional data prepared in part with funding from the Employment Security Division.

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

3 Unemployment Rates By borough and census area

	prelim.	revised	revised
	09/05	08/05	09/04
NOT SEASONALLY ADJUSTED			
United States	4.8	4.9	5.1
Alaska Statewide	6.0	5.7	6.5
Anchorage/Mat-Su (MSA)⁴	5.4	5.2	5.8
Municipality of Anchorage	5.1	4.9	5.5
Mat-Su Borough	6.4	6.4	6.7
Gulf Coast Region			
Kenai Peninsula Borough	7.2	6.4	7.9
Kodiak Island Borough	7.0	6.0	7.5
Valdez-Cordova	7.0	5.8	7.3
Interior Region			
Denali Borough	2.7	2.0	3.1
Fairbanks North Star Bor. (MSA) ⁴	5.0	4.6	5.5
Southeast Fairbanks	7.9	7.8	9.1
Yukon-Koyukuk	9.5	8.9	9.7
Northern Region			
Nome	10.8	11.8	11.2
North Slope Borough	10.1	9.5	10.6
Northwest Arctic Borough	13.9	13.3	13.9
Southeast Region			
Haines Borough	5.3	4.1	5.7
Juneau Borough	4.7	4.7	5.3
Ketchikan Gateway Borough	4.9	4.5	5.6
Prince of Wales-Outer Ketchikan	10.7	9.8	10.4
Sitka Borough	4.4	4.2	4.7
Skagway-Hoonah-Angoon	6.7	6.3	7.7
Wrangell-Petersburg	6.9	6.1	9.0
Yakutat Borough	6.0	4.7	4.7
Southwest Region			
Aleutians East Borough	7.2	6.8	7.6
Aleutians West	4.3	3.7	5.1
Bethel	12.4	12.5	12.6
Bristol Bay Borough	4.8	3.5	4.7
Dillingham	9.2	9.5	10.4
Lake & Peninsula Borough	4.4	3.4	7.3
Wade Hampton	19.5	21.7	19.0
SEASONALLY ADJUSTED			
United States	5.1	4.9	5.4
Alaska Statewide	6.8	6.5	7.5

2004 Benchmark

The official definition of unemployment excludes anyone who has not actively sought work in the four-week period up to and including the week that includes the 12th of the reference month. Many individuals do not meet this definition because they have not conducted an active job search due to the scarcity of employment opportunities in rural Alaska.

4 Nonfarm Wage and Salary Employment By Region

	preliminary	revised	revised	<u>Changes from:</u>		<u>Percent Change:</u>	
	09/05	08/05	09/04	08/05	09/04	08/05	09/04
Anch/Mat-Su (MSA) ⁴	169,400	169,100	165,700	300	3,700	0.2%	2.2%
Gulf Coast	30,700	33,350	30,550	-2,650	150	-7.9%	0.5%
Interior	48,200	48,600	47,600	-400	600	-0.8%	1.3%
Northern	15,750	15,600	15,850	150	-100	1.0%	-0.6%
Southeast	39,400	41,850	39,400	-2,450	0	-5.9%	0.0%
Southwest	21,050	21,700	20,750	-650	300	-3.0%	1.4%

For more current state and regional employment and unemployment data, visit our Web site.

almis.labor.state.ak.us