EMPLOYMENT FORECAST for 2015

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Fairbanks
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Southeast
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Happy New Year! I am honored to serve in the Walker-Mallott Administration as a voice for Alaska’s workforce, and I am ready to roll up my sleeves and get to work improving the lives of Alaska’s workers and increasing workforce development opportunities here in our state. I have a passion for Alaska and for Alaska’s workers.

In this month’s Trends we present the Department of Labor and Workforce Development’s annual economic forecast.

While consumers are celebrating lower prices at the gas pump, these lower oil prices are impacting our state’s income. Alaskans know that our state government and the services we provide are funded primarily through tax revenue on oil and gas production, and the current low prices will mean less revenue — a budget shortfall of more than $3 billion in 2015.

As the forecast details, there is some good news. There will be higher employment in the energy and related industries while work is completed on current exploration and production projects. Construction, health care, and tourism will all continue to add jobs. But the growth in other industries won’t offset the loss of state and federal jobs. Some sectors will likely decline as those projects wind down.

While Alaska is facing tremendous economic challenges, we also have significant opportunities before us.

Even before the Dec. 1 inauguration, the Walker-Mallott Administration began addressing the revenue shortfall through cost reductions.

In late December, Gov. Walker issued Administrative Order 271 to halt nonobligated spending on six projects: Ambler Road, Juneau Access Road, Susitna-Watana Dam, Kodiak Launch Complex, Knik Arm Crossing, and Alaska Stand Alone Pipeline Project.

The action allows the Walker Administration to weigh the substantial state investment that would be needed on these massive projects during this fiscally challenging time. A copy of Administrative Order 271 is available at gov.alaska.gov/Walker_me-

Additionally, Gov. Walker will consider recommendations from commissioners to streamline state services and cut spending, with a focus on redesigning or combining programs without diminishing services to Alaskans.

The governor has asked for ways to maintain regional strength, to partner with local governments and nonprofit organizations, and to evaluate whether the state should continue programs that are not legally required.

In an innovative move, Gov. Walker also invited state employees and the public for input on cutting the budget, with online access available at gov.alaska.gov/Walker/press-room/budget-survey.html.

The administration is taking a two-pronged approach: looking at future economic development, as well as near-term cost savings.

Gov. Walker recently signed a liquefied natural gas agreement with Japan-based Resources Energy, Inc., extending Alaska’s longstanding partnership with Japan in energy markets. REI is exploring whether to build liquefaction facilities in Alaska to export LNG to Japan, which would provide an energy source to replace some of the country’s nuclear power after the Fukushima shutdown.

REI is also working on a smaller LNG project in Cook Inlet to begin deliveries by 2020. The state will work with REI on this project through a coordinated permitting system and potential partial funding through the Alaska Industrial Development and Export Authority.

Alaskans will weather our current fiscal storm and seize the opportunities for a stable economic future.

Heidi Drygas was appointed Commissioner of the Alaska Department of Labor and Workforce Development by Gov. Bill Walker in December 2014. Prior to being named commissioner, Drygas spent nearly a decade as General Counsel to the Alaska District Council of Laborers. She received a bachelor’s degree in history from the University of Alaska Fairbanks and a law degree from Williamette University. Born and raised in Fairbanks, Drygas grew up hiking, fishing, camping, and skiing. She is an avid cook and active member of Alaska’s food writers’ community with a food blog titled Chena Girl Cooks.
Alaska’s job count expected to remain steady this year

By CAROLINE SCHULTZ

Alaska is not expected to gain jobs in 2015, as the state faces downward pressure from low oil prices and tightened government budgets. Net job growth is expected to be flat after an estimated 0.3 percent gain in 2014. (See Exhibit 1.)

Employment growth tapered in Alaska after a strong recovery from the national recession. Alaska added nearly 5,000 jobs per year between 2010 and 2012, bolstered by stimulus-funded construction projects, flush state capital budgets, and high oil prices. Growth slowed in 2013 as shrinking federal civilian employment and local government cutbacks led to public sector losses. Government losses continued into 2014, accompanied by softening private sector growth.

Declines in government are expected to last into 2015, with the addition of slight state government losses. The recent drop in oil prices all but guarantees a substantial budget deficit for state fiscal years 2015 and 2016, but diminished state oil revenue isn’t yet a crisis. Alaska has racked up enviable savings accounts that will help the state weather the next few years if the low price environment lingers. These savings will keep the lights on for state government, but the fiscal year 2016 capital budget will likely be slashed compared to prior years.

Private employers will likely continue to add jobs this year, but not enough to outweigh government losses.

Alaska’s economy is more sensitive to government cuts than most other states because of its high per capita civilian government employment, active duty military, and inflows of other federal spending.

EMPLOYMENT FORECAST
For 2015

1 No Growth Forecasted for 2015
2004 to 2015

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Rate</td>
<td>1.7%</td>
<td>1.8%</td>
<td>1.7%</td>
<td>1.0%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.7%</td>
<td>1.5%</td>
<td>0.3%</td>
<td>0.3%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

*Preliminary  **Forecast
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section
Losses are expected to be mild in 2015, with just 100 jobs forecasted to be lost between State of Alaska administration and the University of Alaska. This is partly because the fiscal year 2016 operating budget doesn’t go into effect until halfway through 2015.

Local government losses are expected to continue in 2015. Local administrations and school districts have already faced reduced federal funding, and 2015 will likely bring reductions in state revenue transfers as well. School districts will generate the biggest losses in 2015, mostly in the Anchorage School District.

Gains in the private sector will likely neutralize these government losses, resulting in 2015’s flat forecast. Oil and gas, manufacturing, retail trade, health care, and leisure and hospitality are all expected to grow. Losses are forecasted in construction, information, professional business services, and the broad category called “other services.”

Continued job growth for oil and gas

The oil and gas industry will continue to add jobs in 2015, despite low oil prices, because of a long list of projects under way on the North Slope including Exxon’s development of the Point Thompson project and continuing work at ConocoPhillip’s Kuparuk and Colville River units. New players in the Alaska oil industry, such as the Spanish firm Repsol and independent Calleus, have announced plans to explore and develop new facilities, but the employment impact of these moves in 2015 are hard to predict.

Some of the most familiar faces will have a smaller presence in 2015. BP laid off about 275 employees and sold a sizeable chunk of North Slope assets to Hillcorp, which will likely rehire many of the laid-off workers but not all. Oil services giant CH2MHiIl sought to sell most of its Alaska operations in late 2014, but no sale had been made at the time of publication.

Job growth in oil and gas is expected to slow in 2015, with 200 new jobs compared to the previous year’s 500. (See exhibits 3 and 5.) Employers will likely move conservatively in 2015 in light of low prices, but a dramatic downturn isn’t expected. Alaska remains a competitive place to extract oil, and companies operate based on both long- and short-term expectations.

The recent period of cheap oil has heightened awareness of the state’s reliance on oil, but it hasn’t sent the economy into a tailspin, and not all sectors are flat. Still, none have sufficient momentum this year to pull the state out of the doldrums.

**Government jobs decline**

Most of 2015’s job losses will be in the public sector, which is expected to shrink by 800 jobs. Government declines are slowing, though: 1,600 jobs were lost in 2013, and 800 in 2014. (See Exhibit 2.)

The federal government has led the pack in cuts and will incur a fifth year of reductions, but this year will be the first that state and local government losses will rival the federal decline.

Federal agencies will continue to lose personnel through attrition and lower seasonal hiring in an effort to trim budgets under increased scrutiny. This trend should no longer be a surprise and is likely the new normal for Alaska, although the state will continue to receive more federal money per capita than most.

Federal employment will likely flatten out eventually, especially if the state’s major military bases retain their prominence, but continued losses are projected for the short run.

State government, including the University of Alaska, will be under similar pressure in 2015, facing serious deficits and reaching deep into savings accounts to fund the budget. Similar to their federal counterparts, state agencies will likely trim operating costs through attrition, particularly from record levels of retirements due to the state’s aging workforce.

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**Breakdown of Government Job Loss**

**STATEWIDE, 2004 TO 2015**

<table>
<thead>
<tr>
<th>Year</th>
<th>Local Government</th>
<th>State Government</th>
<th>Federal Government</th>
<th>Total Government</th>
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<tbody>
<tr>
<td>2014*</td>
<td>-2,000</td>
<td>-1,500</td>
<td>-1,000</td>
<td>-500</td>
</tr>
<tr>
<td>2015**</td>
<td>1,000</td>
<td>1,500</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>2004</td>
<td>1,500</td>
<td>500</td>
<td>1,000</td>
<td>3,000</td>
</tr>
<tr>
<td>2005</td>
<td>1,000</td>
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<td>1,000</td>
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</tr>
<tr>
<td>2006</td>
<td>500</td>
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<td>1,000</td>
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<tr>
<td>2007</td>
<td>500</td>
<td>500</td>
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<tr>
<td>2008</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>1,500</td>
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<tr>
<td>2009</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>1,500</td>
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<tr>
<td>2010</td>
<td>500</td>
<td>500</td>
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<td>1,500</td>
</tr>
<tr>
<td>2011</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>1,500</td>
</tr>
<tr>
<td>2012</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>1,500</td>
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<tr>
<td>2013</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>1,500</td>
</tr>
<tr>
<td>2014*</td>
<td>-2,000</td>
<td>-1,500</td>
<td>-1,000</td>
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</tr>
<tr>
<td>2015**</td>
<td>1,000</td>
<td>1,500</td>
<td>2,000</td>
<td>2,000</td>
</tr>
</tbody>
</table>

*Preliminary  **Forecast

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

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3 Modest Growth for Oil and Gas Jobs  
STATEWIDE, 2004 TO 2015

![Graph showing modest growth for oil and gas jobs from 2004 to 2015.]

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

4 Slower Health Care Job Growth  
STATEWIDE, 2004 TO 2015

![Graph showing slower health care job growth from 2004 to 2015.]

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

Construction slows

The construction industry is expected to decline slightly in 2015 after strong growth in 2014. Many of last year’s new construction jobs were related to oil and gas development and took place in the off-season. Other large projects around the state kept summer construction employment up slightly. The same volume of off-season oil and gas construction work isn’t likely this year, and the lack of new projects will keep summer work flat or slightly down.

Industry losses could accelerate over the next few years if state and federal construction spending remains low, but because of projects already in the pipeline, the 2015 forecast is for only 100 fewer jobs than in 2014.

Some growth for health care

Private health care providers are forecasted to add 200 jobs in 2015. The industry has been a source of employment growth for the past 20-plus years, and although growth seems to be slowing (see Exhibit 4), experts still consider much of the state underserved.

Alaska’s population is younger than the national average, but the state’s 65-plus population is one of the fastest growing age groups and will need more health care as they age. The state also plans to expand Medicaid coverage to more low-income Alaskans, which could also contribute to growth in 2015.

Health care is part of a larger category that includes private education and social assistance employers. The social assistance industry was shaken in 2014 by the state’s crackdown on Medicaid fraud, and several large social assistance firms went out of business as a result. The sector lost around 400 jobs in 2014, but losses aren’t expected to be as severe in 2015.

A mixed outlook for other industries

Other industries expected to add jobs in 2015 include retail and leisure and hospitality. Several major new retailers have popped up in South-central recently, and more are slated to open this year. This year’s visitor season is also expected to be strong, which will bolster restaurants, bars, and hotels.

Professional and business services is a broad category that includes, among others, law firms, engineers, and waste removal and temp agencies. Professional and business services is expected to lose jobs again in 2015, mostly due to low oil prices and a weak construction season, which have decreased demand for engineering services and geophysical studies. (See Exhibit 5.)

Caroline Schultz is an economist at the Department of Labor in Juneau. Reach her at (907) 465-6027 or caroline.schultz@alaska.gov.
Statewide Employment Forecast
2013 to 2015

<table>
<thead>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Total Nonfarm Employment²</td>
<td>335,700</td>
<td>336,700</td>
<td>1000</td>
<td>0.3%</td>
<td>336,700</td>
<td>0</td>
<td>0%</td>
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<td>Natural Resources and Mining</td>
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<td>17,800</td>
<td>400</td>
<td>2.3%</td>
<td>18,000</td>
<td>200</td>
<td>1.1%</td>
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<tr>
<td>Oil and Gas</td>
<td>14,100</td>
<td>14,600</td>
<td>500</td>
<td>3.5%</td>
<td>14,800</td>
<td>200</td>
<td>1.4%</td>
</tr>
<tr>
<td>Construction</td>
<td>16,600</td>
<td>17,100</td>
<td>500</td>
<td>3.0%</td>
<td>17,000</td>
<td>-100</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>14,200</td>
<td>14,500</td>
<td>300</td>
<td>2.1%</td>
<td>14,700</td>
<td>200</td>
<td>1.4%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>35,900</td>
<td>36,600</td>
<td>700</td>
<td>1.9%</td>
<td>36,900</td>
<td>300</td>
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<td>Wholesale Trade</td>
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<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Transportation, Warehousing, and Utilities</td>
<td>21,700</td>
<td>21,600</td>
<td>-100</td>
<td>-0.5%</td>
<td>21,700</td>
<td>100</td>
<td>0.5%</td>
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<tr>
<td>Information</td>
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<td>6,300</td>
<td>100</td>
<td>1.6%</td>
<td>6,200</td>
<td>-100</td>
<td>-1.6%</td>
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<td>Financial Activities</td>
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<td>12,200</td>
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<tr>
<td>Professional and Business Services</td>
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<td>29,700</td>
<td>-200</td>
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<tr>
<td>Educational¹ and Health Services</td>
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<td>46,800</td>
<td>-200</td>
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<td>47,000</td>
<td>200</td>
<td>0.4%</td>
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<tr>
<td>Health Care</td>
<td>33,500</td>
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<td>200</td>
<td>0.6%</td>
<td>33,900</td>
<td>200</td>
<td>0.6%</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>33,600</td>
<td>34,000</td>
<td>400</td>
<td>1.2%</td>
<td>34,300</td>
<td>300</td>
<td>0.9%</td>
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<tr>
<td>Other Services</td>
<td>11,700</td>
<td>11,600</td>
<td>-100</td>
<td>-0.9%</td>
<td>11,500</td>
<td>-100</td>
<td>-0.9%</td>
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<tr>
<td>Government</td>
<td>82,500</td>
<td>81,700</td>
<td>-800</td>
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<td>80,900</td>
<td>-800</td>
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<td>Federal Government⁴</td>
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<td>14,800</td>
<td>-500</td>
<td>-3.3%</td>
<td>14,400</td>
<td>-400</td>
<td>-2.7%</td>
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<tr>
<td>State Government⁵</td>
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<td>0</td>
<td>0%</td>
<td>26,200</td>
<td>-100</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Local Government⁶</td>
<td>40,900</td>
<td>40,600</td>
<td>-300</td>
<td>-0.7%</td>
<td>40,300</td>
<td>-300</td>
<td>-0.7%</td>
</tr>
</tbody>
</table>

¹Preliminary and adjusted estimates
²Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers
³Private education only
⁴Excludes uniformed military
⁵Includes the University of Alaska
⁶Includes elementary and secondary public school systems

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

About these numbers

The 2013 and 2014 employment numbers this forecast uses as base years may not match the employment numbers available on our Web site (laborstats.alaska.gov) as of January 2015.

Employment numbers go through several revisions before they are considered final. The first and largest revisions occur early in the year, and those revised numbers are released in March. Economists had a portion of the updated data when creating these forecasts.

All job numbers in the forecasts are annual averages. In other words, they’re the average job counts for the 12 calendar months and not an actual job count for any specific month.

Economists model statewide and regional industry forecasts using previous years’ trends, and the forecasts are subjectively modified by analyst interpretation.

These forecasts are based on the assumption that the dynamic processes governing employment demand in specific industries will not change dramatically, and they don’t attempt to forecast any economic catastrophes or booms. While it’s unlikely these forecasts will be precise, they’re considered the most likely midpoint outcomes, given specified assumptions.
Anchorage faces greater uncertainty this year

By NEAL FRIED

Anchorage’s economy faces an extra layer of uncertainty this year. Oil prices fell in the latter part of 2014, and the state faces a record revenue deficit for 2015 and an even larger one in 2016. Whether oil prices fall further and how the oil industry reacts to the lower price environment will be major factors for Anchorage, where job growth has already slowed.

Jobs in the state’s oil industry grew for seven solid years and helped power the Anchorage economy, but the industry is unlikely to fill that role this year. Some of the city’s industries are projected to gain jobs — including tourism, health care, and retail — and these will offset some of the decline. Still, Anchorage is forecasted to lose 800 jobs in 2015. (See Exhibit 1.)

Oil industry will remain busy

Statewide oil industry employment appeared to hit a new record in 2014 after growing nearly every year since 2006. The effects of lower oil prices on these record job levels are a question mark for 2015.

Oil prices and employment have historically been correlated, but because a long list of projects is already under way and some sizeable new ones will likely move forward, the industry could sustain its current level of employment through 2015.

Public sector will lose more ground

Anchorage lost both federal and local government jobs during the past two years, and this trend is forecasted to continue into 2015.

The city lost 300 federal jobs in 2014 and will lose additional ground this year, albeit more modestly. (See exhibits 2 and 3.)

An additional negative at the federal level is the loss of uniformed military personnel. Joint Base Elmendorf-Richardson announced it would lose about 780 positions by the end of the year. They aren’t included in the employment numbers used here, but on-base reductions will ripple through the city’s economy.

After years of modest increases in state government, state employment may fall in 2015. For the second year in a row, the state’s budget is under tremendous pressure and budget cuts are on the table. This means moderate losses in both general government and the University of Alaska are forecasted for 2015.

Local government employment fell by 300 in 2014 and will drop again in 2015. Because of tighter budgets, the Anchorage School District is likely to sustain losses similar to last year. State budget cuts could also put pressure on the Municipality of Anchorage budget if cuts to state pass-through funds like revenue sharing go through.

Construction could sustain levels

Building valuation in Anchorage was up by $50 million,
or 9 percent, for the first 11 months of 2014, the highest since 2006. Construction employment estimates were also up slightly in 2014. Additional growth isn’t likely for 2015 because of the completion of numerous large utility projects, fewer federal projects, and shrinking state capital budgets — but there appears to be enough work to keep employment levels within a few hundred jobs of 2014’s level.

Construction will begin or continue on a number of sizeable buildings. These include the new engineering and industrial building and parking garage at University of Alaska Anchorage, a new 170-room patient housing facility for the Alaska Native Tribal Health Consortium, an $11 million storage building for cement at the Port of Anchorage, and one to three new hotels.

The forecast for highway construction is for jobs to remain at last year’s level. Continued low interest rates, a 6 percent increase in single-family home prices, and a small inventory on the market are likely to generate a decent year for residential construction.
Health care growth slows but still positive

Health care has long generated the largest number of annual jobs in Anchorage. During the past decade, health care employment grew 3.5 percent per year on average and was responsible for over a third of all job growth in Anchorage. (See Exhibit 4.) However, during the past two years, health care employment grew just 0.6 and 2.2 percent respectively. The forecast in 2015 is for moderate growth, similar to last year. Continued implementation of the Affordable Care Act and the expansion of Medicaid could add to those numbers.

Another good year for tourism

The leisure and hospitality industry, which includes hotels, bars and restaurants, and entertainment, is driven by local consumption habits as well as tourism. Last year’s employment in this industry was relatively flat, with slight growth in accommodations and small losses in food services.

The visitor-dependent slice of this industry should fare well in 2015. A record 1 million tourists came through Anchorage last year, and bed taxes collected for the first three quarters of the year were up 8 percent.

The ingredients for another good visitor season are in place. The national economy has continued to grow, which will generate more convention and visitor traffic. The industry projects a 3 percent increase in cruise ship passengers and a 2 to 3 percent increase for all visitors in 2015, optimism that shows in new hotel construction. A new 144-room Marriott will open this year and at least one other new hotel will be built, with two or three more possible.

Employment in restaurants and bars, which represents two-thirds of leisure and hospitality jobs, tends to be fickle from year to year. During the past decade, these types of jobs have grown by more than 1,600, and a number of new restaurants will open in 2015. However, given the additional uncertainty in the economy and slow population growth, the forecast for this part of the industry is flat.

Retail could grow again this year

Last year was a banner year for retail. Retail employment grew strongly for the first time in over a decade, gaining 600 jobs, or 4 percent. This was the largest yearly increase for retail in Anchorage in 20 years and the largest gain among industries in 2014.

A long list of large stores opened or expanded over the
Fairbanks job growth will be back in the black

By ALYSSA SHANKS

The last few years have been rough for the Fairbanks North Star Borough. The area sustained a second year of job losses in 2014, primarily in professional and business services, social services, and the federal government.

The tide appears to have turned, with 2015 expected to bring 200 new jobs. However, that reversal won’t entirely make up for the last few years of losses. (See exhibits 1 and 2.)

Pillars of the economy

For more than three decades, the military, state government (including the University of Alaska Fairbanks), and the civilian federal government have been pillars of the Fairbanks economy. The relative importance of each has waxed and waned as times have changed, but they remain the basic determinants of the area’s economic health.

Although the outlook for state and federal government is less than rosy, losses over the prior two years took much of the slack out of these industries, and 2015 losses are expected to be minimal.

Constructing stability

Fairbanks construction rises and falls largely in response to the availability of state contracts, and the majority of construction projects for the Northern Region — an area roughly the size of California, Arizona, and Nevada combined — are based in Fairbanks.

In 2014, horizontal construction (road projects) and vertical construction (structures) each grew by 200 jobs. Major projects included the Fairbanks International Airport and the resurfacing of Johansen Expressway. Other projects included water and utility upgrades along with pavement and sidewalk replacements along portions of South Cushman Street. Although these are state-funded projects, they are contracted out to private construction companies, creating private-sector job growth.
Fairbanks Employment Forecast

2013 to 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<td>38,500</td>
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<td>-0.9%</td>
<td>38,700</td>
<td>200</td>
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<td>1,400</td>
<td>-50</td>
<td>-3.4%</td>
<td>1,450</td>
<td>50</td>
<td>3.6%</td>
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<tr>
<td>Construction</td>
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<td>0%</td>
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<td>600</td>
<td>0</td>
<td>0%</td>
<td>500</td>
<td>100</td>
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<td>7,800</td>
<td>0</td>
<td>0%</td>
<td>7,950</td>
<td>150</td>
<td>1.9%</td>
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<td>Retail Trade</td>
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<td>4,700</td>
<td>50</td>
<td>1.1%</td>
<td>4,800</td>
<td>100</td>
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</tr>
<tr>
<td>Transportation, Warehousing and Utilities</td>
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<td>2,350</td>
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<td>2,450</td>
<td>100</td>
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<td>0</td>
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<td>500</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Financial Activities</td>
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<td>1,350</td>
<td>-50</td>
<td>-3.6%</td>
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<td>-50</td>
<td>-3.7%</td>
</tr>
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<td>Professional and Business Services</td>
<td>2,400</td>
<td>2,250</td>
<td>-150</td>
<td>-6.3%</td>
<td>2,400</td>
<td>150</td>
<td>6.7%</td>
</tr>
<tr>
<td>Educational and Health Services</td>
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<td>5,150</td>
<td>-100</td>
<td>-1.9%</td>
<td>5,200</td>
<td>150</td>
<td>1.0%</td>
</tr>
<tr>
<td>Health Care</td>
<td>3,900</td>
<td>3,850</td>
<td>-50</td>
<td>-1.3%</td>
<td>3,900</td>
<td>50</td>
<td>1.3%</td>
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<tr>
<td>Leisure and Hospitality</td>
<td>4,200</td>
<td>4,250</td>
<td>50</td>
<td>1.2%</td>
<td>4,250</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Other Services</td>
<td>1,150</td>
<td>1,100</td>
<td>-50</td>
<td>-4.3%</td>
<td>1,100</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Government</td>
<td>11,650</td>
<td>11,450</td>
<td>-200</td>
<td>-1.7%</td>
<td>11,400</td>
<td>-50</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>3,050</td>
<td>2,900</td>
<td>-150</td>
<td>-4.9%</td>
<td>2,900</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>State Government</td>
<td>5,450</td>
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<td>-50</td>
<td>-0.9%</td>
<td>5,350</td>
<td>-50</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Local Government</td>
<td>3,150</td>
<td>3,150</td>
<td>0</td>
<td>0%</td>
<td>3,150</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

1Preliminary and adjusted estimates
2Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers
3Private education only
4Excludes uniformed military
5Includes the University of Alaska
6Includes elementary and secondary public school systems

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

Privately funded vertical construction also contributed to job growth in 2014 with the construction of two new Walgreens and an AutoZone. The 2015 construction season is expected to bring two additional fast food restaurants to the northeast corner of Fairbanks along the Johansen Expressway.

The number of state-funded projects should remain relatively stable in 2015 with two new weigh stations built along the Richardson Highway, though paving costs have increased 20 percent over closure of the North Pole refinery and subsequent import of asphalt from the Kenai Peninsula. The number of industry jobs is also expected to remain stable.

New retailers will add jobs

The two new Walgreens and AutoZone will also add retail jobs in 2015. (See Exhibit 3.) One of the Walgreens opened in November 2014 and the second will open in February 2015. AutoZone will contribute to Fairbanks’ already larger-than-average motor vehicle and parts dealer category. These types of stores made up 17 percent of all Fairbanks retail in 2013 versus 12 percent statewide. (See Exhibit 4.)

Retail is forecasted to gain 100 jobs in 2015 after gaining 50 in 2014. With these additional jobs, retail employment in the borough will hit a new high of 4,800.

Falling jobs in financial activities

The financial activities sector, which includes banks, credit unions, insurance agencies, and real estate renting and leasing companies, lost 50 jobs in 2014 and is expected to lose another 50 in 2015.

Several changes in the financial sector have contributed to these losses. A massive reduction in refinancing combined with an increase in online banking for everything from checking to mortgage lending and an increase in the use of online insurance providers have shackled local financial institutions’ growth.

Health care waxes and wanes

Health care employment declined in 2014 as losses at the end of 2013 carried over into the new year. These declines were due in part to the bankruptcy of the Fairbanks Community Behavioral Health Center, which resulted in nearly 40 lost jobs. (See Exhibit 5.)

Despite 2014’s downturn, the outlook for 2015 is positive. The industry is expected to add jobs, as several community health organizations such as the Tanana...
Retail Forecasted to Hit New High

**FAIRBANKS AVERAGE ANNUAL RETAIL JOBS, 2000 TO 2015**

<table>
<thead>
<tr>
<th>Year</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3,910</td>
</tr>
<tr>
<td>2001</td>
<td>4,160</td>
</tr>
<tr>
<td>2002</td>
<td>4,360</td>
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<tr>
<td>2003</td>
<td>4,640</td>
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<tr>
<td>2004</td>
<td>4,670</td>
</tr>
<tr>
<td>2005</td>
<td>4,660</td>
</tr>
<tr>
<td>2006</td>
<td>4,530</td>
</tr>
<tr>
<td>2007</td>
<td>4,550</td>
</tr>
<tr>
<td>2008</td>
<td>4,660</td>
</tr>
<tr>
<td>2009</td>
<td>4,740</td>
</tr>
<tr>
<td>2010</td>
<td>4,650</td>
</tr>
<tr>
<td>2011</td>
<td>4,700</td>
</tr>
<tr>
<td>2012</td>
<td>4,800</td>
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<tr>
<td>2013</td>
<td>4,660</td>
</tr>
<tr>
<td>2014</td>
<td>4,830</td>
</tr>
<tr>
<td>2015</td>
<td>4,740</td>
</tr>
</tbody>
</table>

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

Chiefs Conference and Interior Community Health Center received more than $400,000 in federal grants to expand service.

The end of an era

Flint Hills Refinery closed after nearly 40 years in business, and its transformation into a distribution company leveled a blow at the borough’s manufacturing employment for 2015 with an estimated loss of 80 jobs.

At least 20 Flint Hills employees have remained with the company but relocated to the Lower 48, and others will take early retirement or find jobs elsewhere in the region.

Tourism, entertainment growth

The leisure and hospitality industry conjures thoughts of staying at hotels while on vacation, eating out at restaurants, going bowling, and grabbing a drink with friends. That industry did well in 2014, adding 50 jobs over the year.

However, despite predictions of more cruise ship passengers in 2015, many of whom will make their way up the highway to Fairbanks, the industry is expected to hold steady in part because of a decrease in winter aurora viewing tourism.
Losses in state government

Fairbanks state government employment includes the University of Alaska Fairbanks, whose strained budget is expected to result in a shortfall of approximately $14 million. This could mean job losses for the university for the second half of 2015.

State government employment, including the university, declined by 50 jobs in 2014 and a similar decline is expected for 2015. Along with possible job losses at the university, State of Alaska employment has been falling through attrition: employees retiring and not being replaced.

F35s may be on the horizon

The Air Force selected Eielson Air Force Base as the preferred site to house two squadrons of F-35 fighter jets. The decision won’t be final until November 2015, though, so the impact probably wouldn’t be felt until 2016. Even then, the effects would start small and grow until the squadrons’ arrival in 2019.

The potential addition of these two squadrons would add hundreds of jobs on Eielson along with added jobs in the industries that support soldiers, their dependents, and civilian employees. (See Exhibit 6.)

Alyssa Shanks is an economist at the Department of Labor in Anchorage. Reach her at (907) 269-4863 or alyssa.shanks@alaska.gov.
Southeast faces small employment loss in 2015

By CONOR BELL

Southeast Alaska lost about 250 jobs in 2014, or 0.7 percent of total employment. The decline was due to moderate government losses accompanied by a flat private sector.

That trend is expected to continue in 2015 with a loss of about 200 jobs, or 0.5 percent. (See Exhibit 1.) A lack of population growth and government budget constraints will set the trend for this year, although the private sector should maintain its current job levels.

Population levels off

Southeast gains new residents through natural increase, or births minus deaths, as is typical throughout the United States. However, these gains are balanced out by negative net migration, meaning more people have been leaving the region than moving in.

During the recent national recession and its aftermath, more people moved to Southeast than moved away. This created four years of positive net migration, years that deviated from the norm established over the preceding decade. (See Exhibit 2.) Southeast lost population from 2000 to 2008 and again in 2013, and is forecasted to continue declining in the near future. An aging population will temper natural increase in the long term.

Losses throughout government

Government budget cuts and limited funding spell continued job losses this year. Government provided 35 percent of jobs in Southeast in 2013 and 42 percent of total wages. While government jobs are important throughout the state, they’re critical in Southeast, where 47 percent of current workers who earned wages in at least five of the 10 prior years worked for state or local government at some point in the last decade. Statewide, it was 33 percent.

State government’s 10-year employment in Southeast had fallen by 3 percent as of 2013 but had grown 9 percent statewide. (See Exhibit 3.) With budget concerns mounting, further losses are expected in Southeast. Enrollment has also declined at the University of Alaska Southeast.

Over 40 percent of Southeast’s state employees are 50 or older, and as these workers retire, many of their positions will likely remain vacant. Positions that are

Minor Job Loss Forecasted for Southeast

2004 to 2015

*Preliminary  **Forecast

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section
refilled could still push employment averages down, as they can remain vacant for a long time before a replacement is hired.

Federal government has generally been on the decline for the last decade. While many of the prior losses were in the U.S. Forest Service, that agency’s employment has leveled off. Losses in 2015 will be due to attrition in most other federal programs.

The picture for local government is similar, as diminishing federal funding will squeeze tribal governments and budget cuts will lead to minor losses in local government administration. School districts will also face mild thinning due to declining enrollment and funding.

Strong year for manufacturing

Manufacturing in Southeast is primarily seafood processing, an industry characterized by low wages and 67 percent nonresident workers. Employment in seafood processing has been high for the last few years, and the Department of Fish and Game has forecasted a strong 2015 pink salmon harvest of 58 million fish, which will help sustain the elevated levels of summer employment seen in the past few years.

In other manufacturing, the State of Alaska has hired Vigor Alaska, which owns the Ketchikan Shipyard, to build two Alaska Class ferries. The company plans to hire up to 80 additional employees, in jobs that tend to be high-wage, at its Ketchikan facility for the multi-year project.

Stable health care negated by social assistance losses

The education and health services sector includes private education, health care, and social assistance, though Southeast has little private education.

Private health care is more variable in the region than it is statewide. After a tough 2013 and 2014, the industry began to stabilize. Social assistance, which has been on a continual decline due to decreased federal funding, should push the sector as a whole into the red in 2015.

Other private industries

Southeast construction has been strong for the last few years, and its high employment is expected to continue. Spending on capital projects will likely decrease in the future due to budget constraints, but that’s unlikely to affect 2015 significantly, because many projects throughout Southeast are in intermediary stages.

As the U.S. economy continues to recover, more tourists will visit Southeast and patronize restaurants, hotels, and recreation establishments. While tourism spans multiple sectors in the economy, its jobs are mainly in leisure and hospitality, which is forecasted to grow in 2015.

Trade, transportation, and utilities will remain flat. Though tourism will boost some retail trade and
Less State Government Employment

**SOUTHEAST VS. STATEWIDE, 2005 TO 2015**

<table>
<thead>
<tr>
<th>Year</th>
<th>Southeast</th>
<th>Alaska</th>
<th>Change 2013 to 2014</th>
<th>Percent Change 2013 to 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>20.0%</td>
<td>22.9%</td>
<td>-2.9%</td>
<td>-12.4%</td>
</tr>
<tr>
<td>2006</td>
<td>19.3%</td>
<td>22.9%</td>
<td>-3.6%</td>
<td>-15.8%</td>
</tr>
<tr>
<td>2007</td>
<td>18.6%</td>
<td>21.9%</td>
<td>-3.3%</td>
<td>-15.0%</td>
</tr>
<tr>
<td>2008</td>
<td>17.9%</td>
<td>21.3%</td>
<td>-3.4%</td>
<td>-15.1%</td>
</tr>
<tr>
<td>2009</td>
<td>17.2%</td>
<td>20.6%</td>
<td>-3.4%</td>
<td>-16.4%</td>
</tr>
<tr>
<td>2010</td>
<td>16.5%</td>
<td>19.9%</td>
<td>-3.4%</td>
<td>-17.6%</td>
</tr>
<tr>
<td>2011</td>
<td>15.8%</td>
<td>18.6%</td>
<td>-2.8%</td>
<td>-18.2%</td>
</tr>
<tr>
<td>2012</td>
<td>15.1%</td>
<td>17.7%</td>
<td>-2.6%</td>
<td>-19.0%</td>
</tr>
<tr>
<td>2013</td>
<td>14.4%</td>
<td>17.0%</td>
<td>-2.6%</td>
<td>-19.1%</td>
</tr>
<tr>
<td>2014</td>
<td>13.7%</td>
<td>16.2%</td>
<td>-2.5%</td>
<td>-19.8%</td>
</tr>
<tr>
<td>2015</td>
<td>13.0%</td>
<td>15.6%</td>
<td>-2.6%</td>
<td>-20.3%</td>
</tr>
</tbody>
</table>

*Preliminary  **Forecast

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

Southeast Employment Forecast

**2013 TO 2015**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Total Nonfarm Employment</td>
<td>37,350</td>
<td>37,100</td>
<td>-250</td>
<td>-0.7%</td>
<td>36,900</td>
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<td>Total Private</td>
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<td>-0.2%</td>
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<td>0</td>
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<tr>
<td>Mining and Logging</td>
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<td>900</td>
<td>-50</td>
<td>-5.3%</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Construction</td>
<td>1,650</td>
<td>1,700</td>
<td>50</td>
<td>3.0%</td>
<td>1,700</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2,200</td>
<td>2,300</td>
<td>100</td>
<td>4.5%</td>
<td>2,350</td>
<td>50</td>
<td>2.2%</td>
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<td>Trade, Transportation, and Utilities</td>
<td>7,150</td>
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<td>-10.0%</td>
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<tr>
<td>Financial Services</td>
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<td>-50</td>
<td>-4.2%</td>
<td>1,100</td>
<td>-50</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>1,500</td>
<td>1,500</td>
<td>0</td>
<td>0%</td>
<td>1,500</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Education and Health Services</td>
<td>3,950</td>
<td>3,850</td>
<td>-100</td>
<td>-2.5%</td>
<td>3,800</td>
<td>-50</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>3,800</td>
<td>3,850</td>
<td>50</td>
<td>1.3%</td>
<td>3,950</td>
<td>100</td>
<td>2.6%</td>
</tr>
<tr>
<td>Other Services</td>
<td>1,250</td>
<td>1,250</td>
<td>0</td>
<td>0%</td>
<td>1,250</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Government</td>
<td>13,200</td>
<td>13,000</td>
<td>-200</td>
<td>-1.5%</td>
<td>12,800</td>
<td>-200</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>1,550</td>
<td>1,450</td>
<td>-100</td>
<td>-6.5%</td>
<td>1,400</td>
<td>-50</td>
<td>-3.4%</td>
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<tr>
<td>State Government</td>
<td>5,500</td>
<td>5,450</td>
<td>-50</td>
<td>-0.9%</td>
<td>5,350</td>
<td>-100</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Local Government</td>
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<td>6,100</td>
<td>-50</td>
<td>-0.8%</td>
<td>6,050</td>
<td>-50</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

*Preliminary and adjusted estimates

1Excludes self-employed workers, fishermen, domestic workers and unpaid family workers.
2Private education only
3Excludes uniformed military
4Includes the University of Alaska
5Includes elementary and secondary public school systems

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

Transportation businesses, Southeast’s lack of population growth will put a damper on the sector overall.

Mining job levels should hold steady. The industry has grown over the past several years due to the opening of Kensington Mine near Juneau. Exploration will continue at levels similar to 2014, primarily on Prince of Wales Island, but no new mines are slated to open this year. The investment climate remains weak, due in part to low mineral prices.

Conor Bell is an economist at the Department of Labor in Juneau. Reach him at (907) 465-6037 or conor.bell@alaska.gov.
Unemployment Rates
JANUARY 2003 TO NOVEMBER 2014

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

ANCHORAGE FORECAST
Continued from page 10

last year, including Natural Pantry, Three Bears in Chugiak, Cabela’s, Bass Pro Shop, and Fred Meyer.

Stores opening in 2015 include Nordstrom Rack, a new Pier 1 Imports, a new Men’s Warehouse, and an H&M. These new retailers’ combined employment will be significantly smaller than last year’s list. Stores also often over-hire when they open and trim with time, meaning a few of last year’s new jobs will disappear. As a result, retail is forecasted to grow again in 2015, but more moderately.

Little change in financial industry

One of the financial industry’s major drivers is real estate and its connected activity, including mortgage lending, title work, and insurance. During the first three quarters of 2014, home sales declined 8 percent in Anchorage, while the price of single-family homes increased by 6 percent. (See Exhibit 5.) The number of new residential building units permitted increased, though, from 518 for the first 11 months of 2013 to 758 for 2014, all from a surge in multi-family units. This helped keep the industry on an even keel.

The balance of the financial industry, which includes banking, investments, financial brokers, and other types of insurance, is not likely to change much during the forecast period.

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Safety Minute

How to work safely around frozen bodies of water

Winter is here, and Alaska's lakes, streams, bays, inlets, ponds, and manmade impoundments are freezing. This creates working hazards, including falling through the ice, which can cause hypothermia and drowning.

Careful assessment of the dangers should always precede working and traveling on or around frozen bodies of water. A comprehensive health and safety program should include, but not be limited to, avoiding unsafe conditions at the job site before starting work.

Alaska can be harsh and hazardous when working in extreme weather, so training employees to recognize and avoid these hazards is critical. Keep in mind:

• The National Drowning and Prevention Alliance warns that ice seldom freezes uniformly. It's thinner over moving water and where it surrounds partially submerged objects such as rocks and tree limbs.

• Water flowing from streams and springs onto ice causes slick spots and indicates hazardous areas.

• Do not travel on newly frozen bodies of water, on shore ice, or on ice that's known to be unstable.

• Having an emergency response plan in place before heading out may save a life in the event of an accident.

• Ensure communication systems are in place in outdoor work locations and are available to all employees to minimize delays in contacting emergency services.

For more information on how to identify workplace hazards or for assistance implementing a health and safety program, please contact Alaska Occupational Safety and Health Consultation and Training at the Department of Labor and Workforce Development's Occupational Safety and Health Section, 3301 Eagle St., Suite 305, Anchorage, AK 99503 or at (800) 656-4972.

Safety Minute is written by the Labor Standards and Safety Division, Alaska Occupational Health and Safety Consultation and Training Program of the Alaska Department of Labor and Workforce Development.

Employer Resources

Registered Apprenticeship programs available in Alaska

Registered Apprenticeship is a national training system that combines paid learning on the job and related technical and theoretical instruction in a skilled occupation.

The purpose of a Registered Apprenticeship program is to enable employers to develop and apply industry standards to training programs that can increase productivity and improve the quality of the workforce.

According to the Office of Registered Apprenticeship Web site, 250,000 separate employers in the United States offer Registered Apprenticeship employment and training to almost 450,000 apprentices in such industries as construction, manufacturing, transportation, telecommunications, information technology, biotechnology, retail, health care, the military, utilities, security, and the public sector. By providing on-the-job learning, related classroom instruction, and guaranteed wage structures, employers who sponsor apprentices provide the incentives to attract and retain more highly qualified employees and improve productivity and services.

The site goes on to say that regions that adopt robust Registered Apprenticeship programs in the context of economic development strategies create seamless pipelines of skilled workers and flexible career pathways to meet current and future workforce demands.

The Department of Labor and Workforce Development has programs available to assist employers with wages while apprentices learn their trade and to support the worker while in training.

If you're interested in becoming a sponsoring employer or would like more information, please contact Lisa Mielke at lisa.mielke@alaska.gov or (907) 465-6275.

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