

# Jobless benefits out of sync

## Part of Alaska's system self-adjusts and part of it doesn't

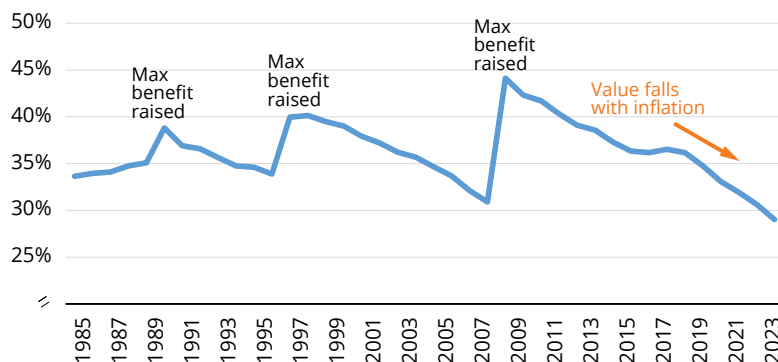
By LENNON WELLER

In statute and by design, unemployment insurance tax rates self-adjust each year according to specific formulas. The system seeks to recover costs while keeping enough money in reserve to weather economic downturns — periods with high unemployment when the benefits paid out exceed the amount collected.

However, the amounts claimants receive in weekly benefits do not self-adjust. The Alaska Legislature has to raise or lower the benefit amounts and set the maximum weekly benefit, and these amounts have remained constant since the last increase in 2009.

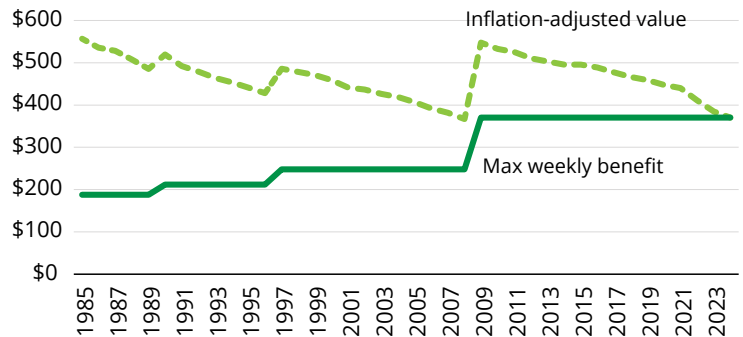
Because of inflation and wage increases, unemployment benefits have replaced increasingly smaller percentages of workers' lost wages since then. The value of those benefits has also declined in the longer term, even with a handful of legislative increases to benefit schedules since the 1980s. (See the exhibit below.)

### Maximum weekly benefit replacement rate for the average earner in Alaska, 1985 to 2023



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

### Alaska's maximum weekly benefit over time



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

At the same time, even while collecting at the lowest tax rates allowed, the unemployment insurance trust fund has grown to a much larger balance than is statutorily targeted.

### Increases didn't outpace inflation

In 1985, Alaska provided a maximum weekly unemployment benefit of \$188, not including any allowance for dependents. Since then, legislators have increased the maximum amount at irregular intervals and by subjective amounts.

The maximum was raised to \$212 a week in 1990, coinciding with a mild national recession. Another increase followed in 1997, to \$248 a week. In 2009, lawmakers increased it again, to \$370, where it has remained for the last 16 years.

Adjusting these amounts to 2024 dollars shows that even with the increases, the real value of the maximum benefit has never again reached that of the 1980s. For a brief period in 2009, it came close.

For example, in 1985, the \$188 maximum was equivalent to \$556 today. After the increase in 2009, it reached nearly \$548 in today's dollars, then began to decline again.

Adjusting for inflation shows that since 2009, the maximum weekly unemployment benefit has lost nearly 32 percent of its purchasing power.

## Wage replacement rate fell 9 points in 15 years

While Alaska's average annual wage has risen 128 percent since 1985, the maximum benefit a claimant can collect has risen 97 percent.

Looking at whether the maximum benefit has kept pace with inflation is one way to evaluate Alaska's unemployment system. Another is to look at replacement rates over time — that is, the percentage of a claimant's lost wages the weekly benefit can replace.

Although the U.S. Department of Labor recommends a wage replacement rate of 50 percent, it's important to note that Alaska doesn't explicitly use a replacement percentage to calculate someone's qualifying benefit amount.

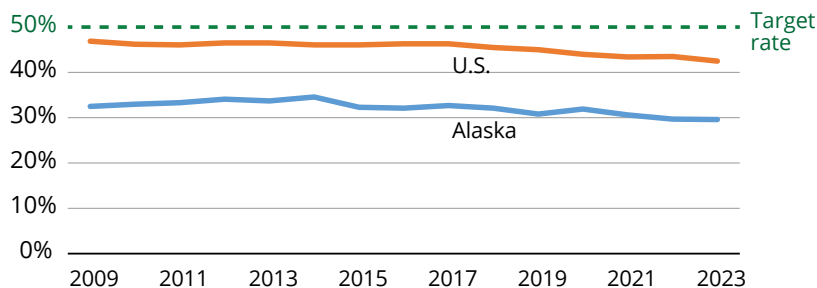
The state has a benefit schedule that begins at \$2,500 in annual wages, which qualifies for \$56 a week in unemployment benefits. Every additional \$250 earned increases the weekly benefit by \$2, to a maximum of \$370 a week for \$41,750 earned. Workers who earned more than that do not qualify for additional benefits.

The last time the maximum weekly benefit was increased, in 2009, the average weekly wage was \$838, or \$43,600 yearly. At that time, the maximum benefit would have replaced roughly 44 percent of the average worker's earnings.

In 2024, that same maximum weekly benefit replaces just 29 percent of the average weekly wage, the lowest replacement rate in Alaska's program history.

Even in 1985, when the weekly maximum was at its highest real value, it still replaced just 34 percent of the average wage. Every increase in the benefit schedule since then shows an upward correction to the replacement rate followed by a decline in value until the next adjustment.

## Average wage replacement rate for Alaska, U.S.



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

The U.S. Department of Labor publishes comparable replacement rates for all states, using a weighted average of the weekly benefit amount and a "normalized" hourly wage of the typical claimant. While this measure is a bit massaged, it allows rough comparisons not just between states but with regions and the national average.

Alaska's wage replacement rate was the lowest among states last year and has historically been near the bottom. The federal measure put Alaska's replacement rate at 29.6 percent in 2023 and the national rate at 42.5 percent. While the gap has narrowed, both have fallen by several percentage points in the last decade and a half.

Alaska's wage replacement rate in 2009 was 32.5 percent. It peaked in 2014 at 34.6 percent, and since then, our rate has fallen five percentage points. During the pandemic, it ticked up briefly, but the long-term trend has been decidedly downward.

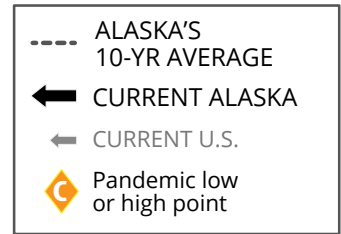
While our replacement rate and weekly amounts are low, Alaska's system is among the most lenient in the nation in terms of who qualifies to receive benefits. Alaska is one of the few states that allow claimants who left their jobs voluntarily to collect, for example, after a waiting period.

## More claimants hit the ceiling of the allowed benefit schedule

To get the full picture of how well Alaska's system covers its claimants, it's important to look at the filers who are stuck at the maximum benefit, given the amount of qualifying wages they earned, and that number is increasing.

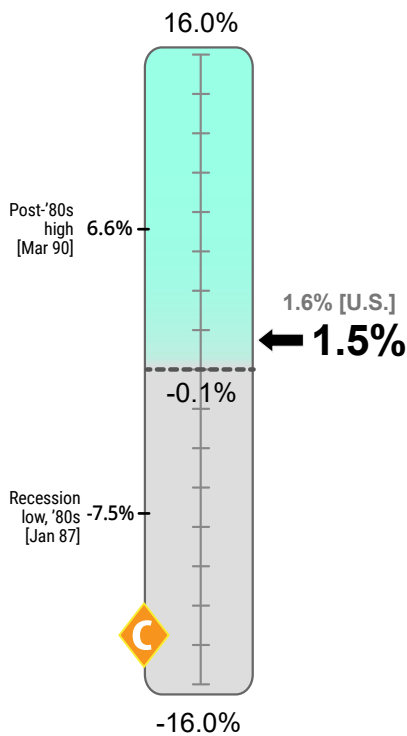
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# Gauging The Economy



## Job Growth

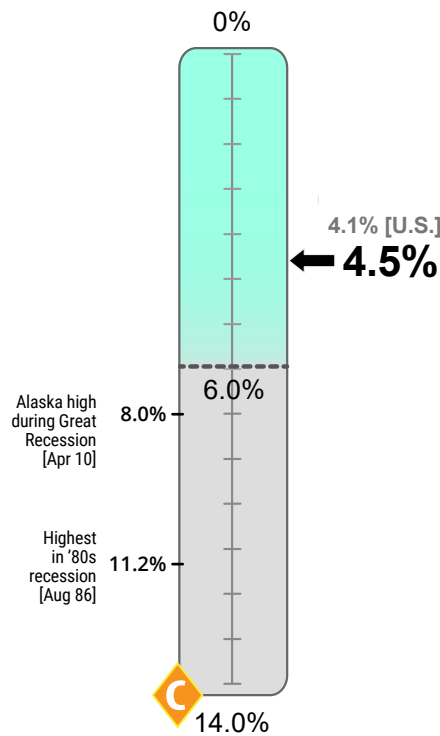
June 2024  
Over-the-year percent change



Alaska's June employment was 1.5 percent above last June while national employment was up 1.5 percent over the same period.

## Unemployment Rate

June 2024  
Seasonally adjusted

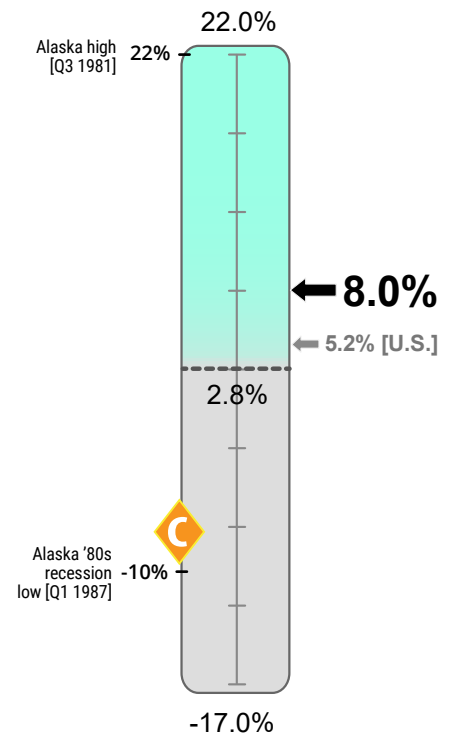


Alaska's unemployment rate has been less useful as an economic measure since the pandemic because of data collection and other technical difficulties.

It's clear, however, that unemployment rates in Alaska and the U.S. are historically low and that the shortage of workers is a bigger economic challenge than unemployment.

## Wage Growth

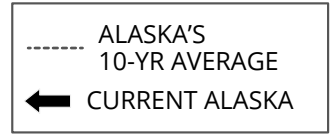
4th Quarter 2023  
Over-the-year percent change



Total wages paid by Alaska employers have shown strong growth in recent quarters.

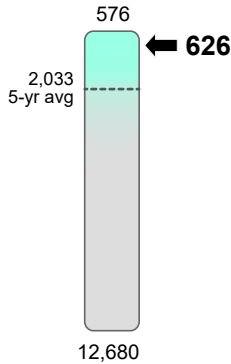
Wages were up 8.0 percent from year-ago levels in the fourth quarter of 2023 — well above the 5.2 percent growth for the U.S. — and 20.3 percent above fourth quarter 2019.

# Gauging The Economy



## Initial Claims

Unemployment, week ending July 6, 2024\*

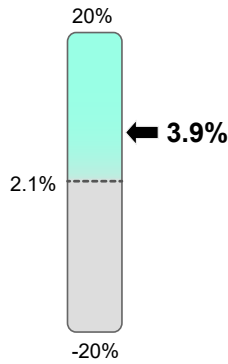


Pandemic-driven high claims loads have fallen, and new claims for benefits are well below their long-term average.

\*Four-week moving average ending with specified week

## GDP Growth

1st Quarter 2024  
Over-the-year percent change\*

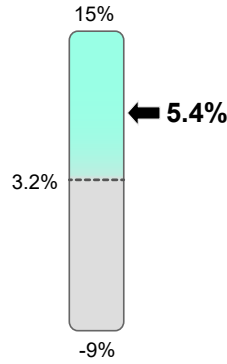


Gross domestic product is the value of the goods and services a state produces. It's an important economic measure but also a volatile one for Alaska because commodity prices influence the numbers so much — especially oil prices.

\*In current dollars

## Personal Income Growth

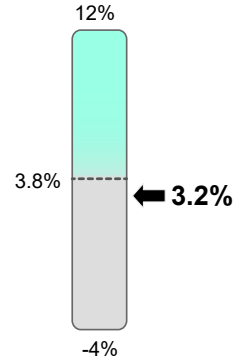
1st Quarter 2024  
Over-the-year percent change



Personal income consists of three main parts: 1) wages and salaries; 2) dividends, interest, and rents; and 3) transfer payments (payments from governments to individuals).

## Change in Home Prices

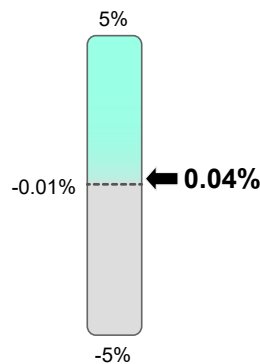
Single-family, percent change from prior year, Q1 2024



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

## Population Growth

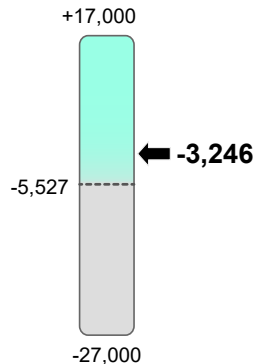
2022 to 2023



After four years of decline, Alaska's population has grown slightly in each of the last three years as natural increase (births minus deaths) has slightly exceeded migration losses.

## Net Migration

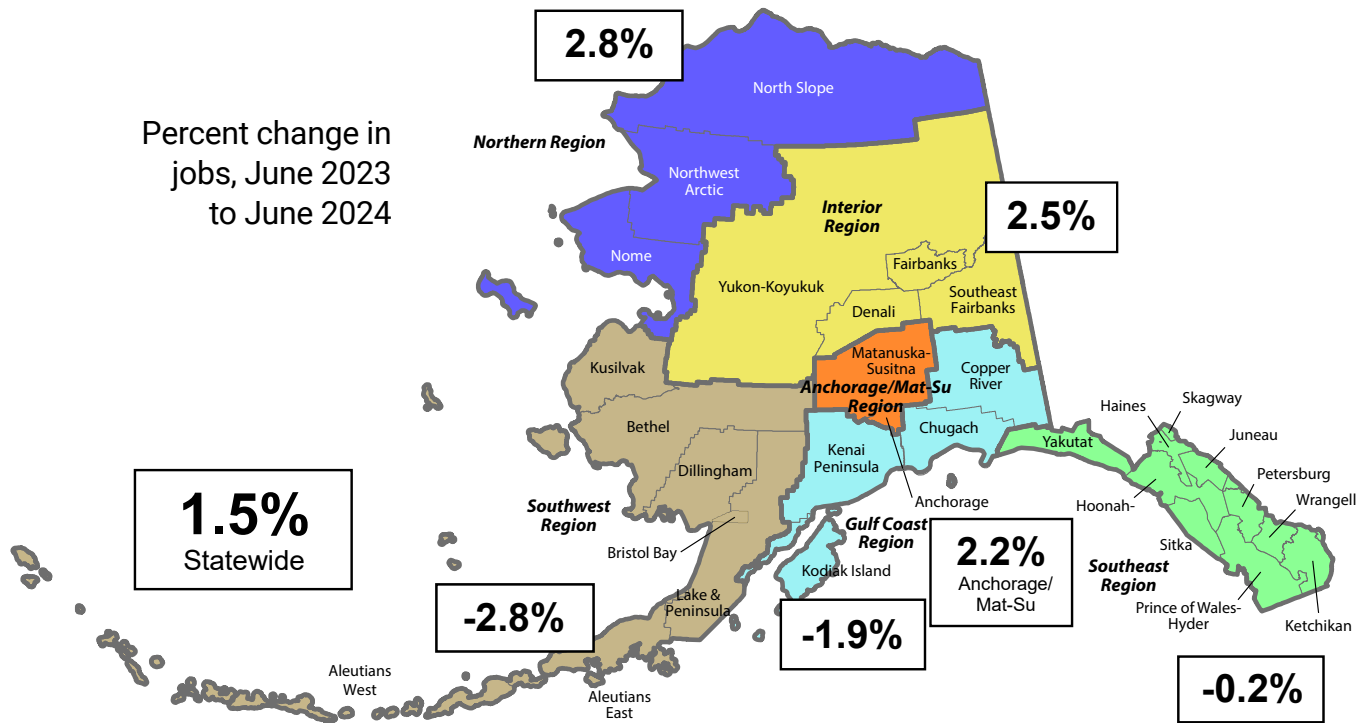
2022 to 2023



The state had net migration losses for the 11th consecutive year in 2023. Losses were larger than the previous two years but smaller than the late 2010s. Net migration is the number who moved to Alaska minus the number who left.

# Employment Growth by Region

Percent change in jobs, June 2023 to June 2024



## Unemployment Rates

Seasonally adjusted

	Prelim.		Revised
	6/24	5/24	6/23
United States	4.1	4.0	3.6
Alaska	4.5	4.5	4.1

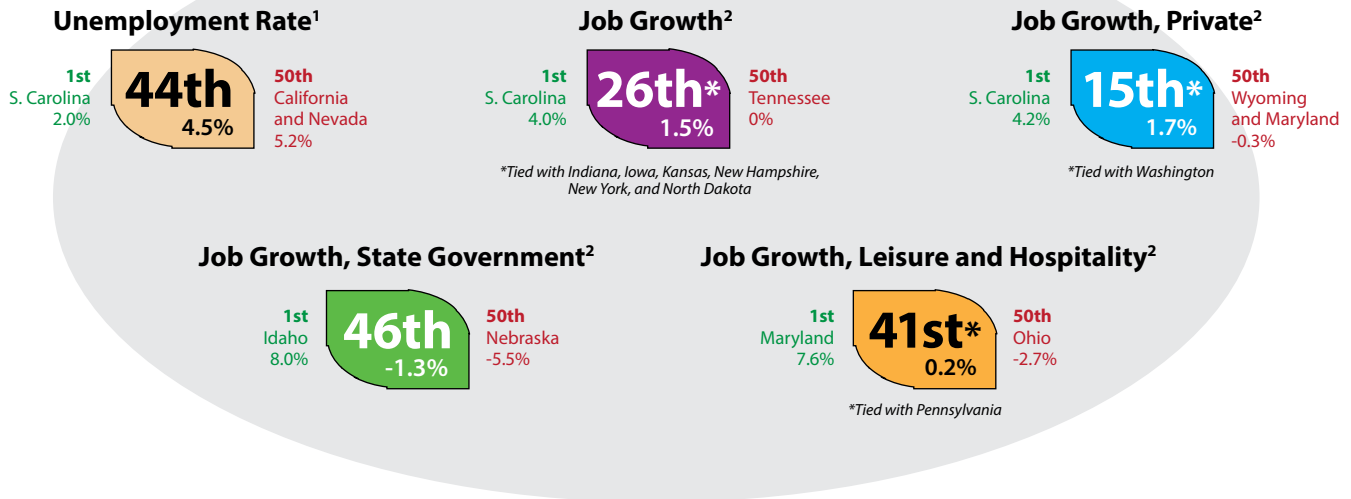
Not seasonally adjusted

	Prelim.		Revised
	6/24	5/24	6/23
United States	4.3	3.7	3.8
Alaska	4.9	4.2	4.4

Regional, not seasonally adjusted

	Prelim.			Revised				Prelim.			Revised			
	6/24	5/24	6/23	6/24	5/24	6/23		6/24	5/24	6/23	6/24	5/24	6/23	
<b>Interior Region</b>	<b>4.8</b>	<b>4.1</b>	<b>4.3</b>	<b>Southwest Region</b>	<b>9.1</b>	<b>9.4</b>	<b>7.8</b>	<b>Southeast Region</b>	<b>4.0</b>	<b>3.5</b>	<b>3.6</b>			
Denali Borough	2.8	3.7	2.8	Aleutians East Borough	2.3	5.1	1.8	Haines Borough	5.7	5.6	4.9			
Fairbanks N Star Borough	4.5	3.8	4.0	Aleutians West Census Area	4.6	6.3	3.7	Hoonah-Angoon Census Area	3.7	3.7	3.7			
Southeast Fairbanks Census Area	6.3	5.2	5.6	Bethel Census Area	12.2	10.6	10.5	Juneau, City and Borough	3.6	3.0	3.1			
Yukon-Koyukuk Census Area	8.9	9.5	8.8	Bristol Bay Borough	2.5	4.4	1.9	Ketchikan Gateway Borough	3.8	3.4	3.4			
<b>Northern Region</b>	<b>9.0</b>	<b>7.4</b>	<b>8.2</b>	Dillingham Census Area	8.7	7.3	6.6	Petersburg Borough	4.4	4.3	4.8			
Nome Census Area	9.6	7.8	8.8	Kusilvak Census Area	20.9	15.2	19.7	Prince of Wales-Hyder Census Area	7.6	6.5	6.7			
North Slope Borough	6.6	5.5	5.7	Lake and Peninsula Borough	6.9	6.8	5.2	Sitka, City and Borough	3.3	2.9	2.9			
Northwest Arctic Borough	10.7	8.9	10.0	<b>Gulf Coast Region</b>	<b>5.0</b>	<b>4.5</b>	<b>4.3</b>	Skagway, Municipality	2.7	3.1	2.7			
<b>Anchorage/Mat-Su Region</b>	<b>4.6</b>	<b>3.8</b>	<b>4.1</b>	Kenai Peninsula Borough	5.1	4.4	4.5	Wrangell, City and Borough	5.9	4.5	4.4			
Anchorage, Municipality	4.2	3.6	3.7	Kodiak Island Borough	5.0	4.4	4.0	Yakutat, City and Borough	5.9	6.0	6.6			
Mat-Su Borough	5.6	4.6	5.2	Chugach Census Area	4.4	4.7	3.4							
				Copper River Census Area	5.9	6.7	5.9							

# How Alaska Ranks



Note: Government employment includes federal, state, and local government plus public schools and universities.

<sup>1</sup>June seasonally adjusted unemployment rates

<sup>2</sup>June employment, over-the-year percent change

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

## Other Economic Indicators

	Current	Year ago	Change
<b>Urban Alaska Consumer Price Index</b> (CPI-U, base yr 1982=100)	264.367 1st half 2024	257.938	+2.5%
<b>Commodity prices</b>			
Crude oil, Alaska North Slope, * per barrel	\$84.36 June 2024	\$75.81	+11.3%
Natural gas, Henry Hub, per thousand cubic feet (mcf)	\$2.81 June 2024	\$2.47	+13.6%
Gold, per oz. COMEX	\$2,456.40 7/13/2024	\$1,980.80	+24.0%
Silver, per oz. COMEX	\$30.22 7/13/2024	\$25.26	+19.7%
Copper, per lb. COMEX	\$4.28 7/13/2024	\$3.83	+11.8%
<b>Bankruptcies</b>			
	49 Q1 2024	52	-5.8%
Business	7 Q1 2024	4	+75.0%
Personal	42 Q1 2024	48	-12.5%
<b>Unemployment insurance claims</b>			
Initial filings	2,366 June 2024	2,947	-19.7%
Continued filings	17,822 June 2024	14,920	19.5%
Claimant count	4,607 June 2024	4,034	14.2%

\*Department of Revenue estimate

Sources for this page and the preceding three pages include Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; U.S. Energy Information Administration; U.S. Census Bureau; COMEX; NASDAQ; Alaska Department of Revenue; and U.S. Courts, 9th Circuit

# JOBLESS BENEFITS

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Between 2015 and 2023, the percentage of claimants who qualified for the maximum amount rose from 30 percent to 40 percent.

Over the same time, the percentage receiving at least 50 percent wage replacement fell from 35 percent to 24 percent of claimants.

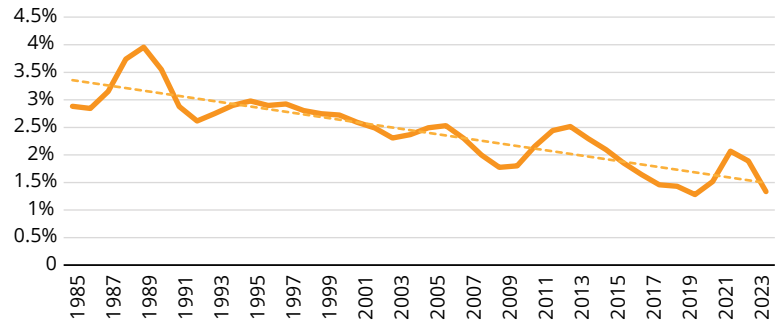
In essence, more and more unemployed people are hitting the ceiling where the maximum benefit replaces a progressively smaller percentage.

## Unemployment insurance system ability to buffer downturns

Unemployment insurance provides income relief at critical times in U.S. and state-level economic downturns. These dollars flow directly to a group most likely to need support, and that money recirculates into their local economies as they pay their bills and buy goods and services.

This reduces the broad hardships the economy would weather if the program didn't exist and alleviates the financial strain on the unemployed until they can find work again.

## System benefit costs\* have fallen since 1985



\*The cost rate is measured as what the system pays out in benefits as a percentage of the total wages it covers, and the target rate is 3 to 3.5 percent. In Alaska, about 98 percent of all jobs are covered by the unemployment insurance system.

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

As mentioned earlier, Alaska's benefit schedule is the only provision in state statute for the unemployment insurance system that isn't linked to fluctuations in wage levels. The system's financing targets a certain percentage of covered wages to recoup its costs and calculate taxes. While these occur automatically, the benefit schedule relies on legislative action for updates.

If the trend of out-of-sync benefit amounts continues and no changes are made to the way taxes are calculated, the trust fund balance will continue to grow, employers will continue to pay more taxes than required to maintain adequate reserves, and benefit amounts will continue to lose ground to inflation.

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# EMPLOYER RESOURCES

## Free fidelity bonds help employers hire skilled workers

Fidelity bonding is an effective job placement tool that helps concerned employers and at-risk job seekers. It is proven to combat recidivism.

The Alaska Fidelity Bonding Program offers no-cost, no-deductible bonds to employers who hire at-risk employees such as people recovering from substance abuse, those with poor work or credit histories, and other workers who are not otherwise bondable. It is the only program that bonds ex-offenders.

Bonds insure employers against any job-related theft, forgery, larceny, or embezzlement by an employee, on or off the work site. Obtaining a free fidelity bond allows the employer to focus on a worker's skills and productivity while mitigating risk of worker dishonesty.

While self-employed individuals are not eligible, employers can bond any full- or part-time, permanent or temporary, new or returning employee who meets the state's legal age requirement to work. Under some

circumstances, no-cost bonds may also be available to promote or retain at-risk workers. Bonds may be issued without the need to sign forms. It takes just a few minutes for Alaska job center staff to take down information about the employer, employee, and hire date for the bond to take effect.

Up to five \$5,000 bonds are effective for six months, with renewals through the Fidelity Bonding Program available in some circumstances. Employers may also continue coverage directly with the underwriter if there were no claims in the first six months.

For more information about Alaska's Fidelity Bonding Program, visit <https://labor.alaska.gov/bonding/> and contact your nearest Alaska job center at [jobs.alaska.gov/offices](https://jobs.alaska.gov/offices) to obtain bonds.

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