

Business/Economy

A shrinking workforce is hobbling Anchorage's economic recovery, report says

By Alex DeMarban

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Downtown Anchorage, photographed on Sunday, March 14, 2021. (Loren Holmes / ADN)

Anchorage's labor shortage will cost the economy thousands of jobs in high-wage industries like health care this year, according to an [economic forecast](#) released Wednesday by the Anchorage Economic Development Corp. It will also hurt the ability of companies to land federal grants from the giant infrastructure package, the forecast says.

The city is expected to add 1,550 jobs in 2023, said Bill Popp, president of the group, presenting the annual report to the city's business community on Wednesday. No sector is expected to lose jobs, keeping the overall workforce at about 145,000 people, he said.

The job expansion is a positive step forward as the economy continues to recover from the pandemic, he said.

But high hopes for more jobs in key sectors have fallen because of the city's long-dwindling workforce, he said.

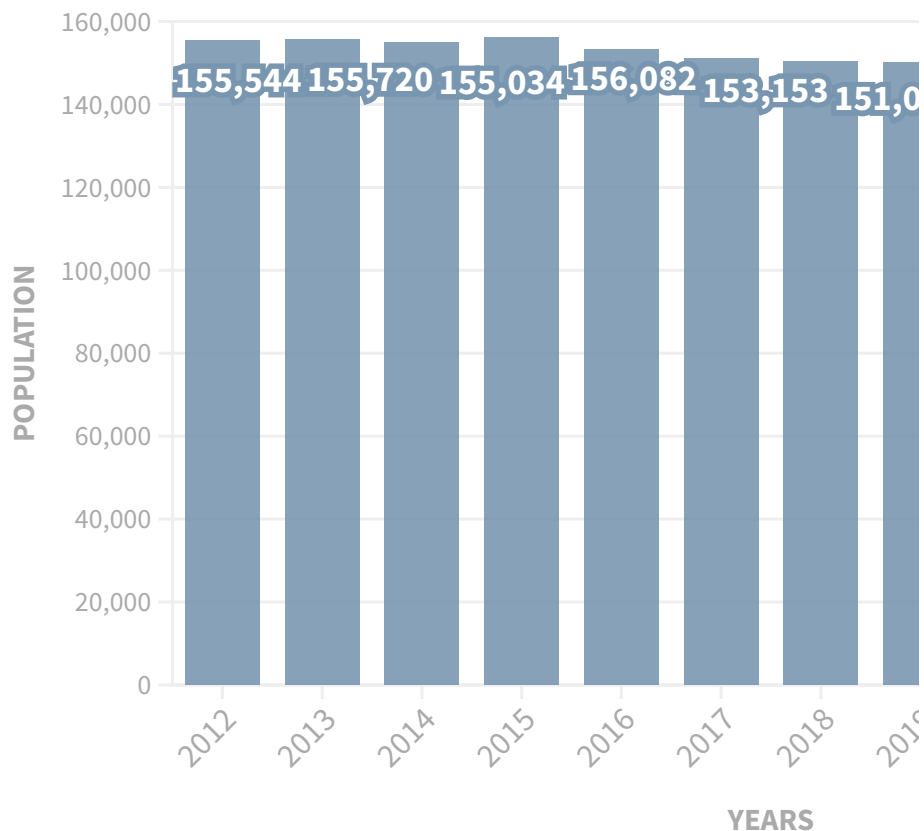
The economic development corporation [last year](#) had anticipated a "wave of job growth" in architecture and engineering jobs, as billions of dollars arrive as part of the [\\$1.2 trillion infrastructure package](#) Congress passed over a year ago, Popp said.

But local employers in those industries and others this year won't be able to take full advantage of the opportunities because of a lack of skilled employees, Popp said.

"The local employers believe they will not be able to hire the necessary skilled workforce, either locally or from out of state, to fill the hundreds of design jobs we believe will be needed for the new infrastructure funding," he said. "Instead, it now appears that most of the new federally funded projects will likely be designed by firms outside of Alaska."

Anchorage employment

Total employment since 2012, 2022 estimate is preliminary, and 2023 is forecasted



Source: Alaska Department of Labor and Workforce Development (2012 – 2021 employment), McKinley Research Group (2022 and 2023 employment) • **KEVIN POWELL** / Anchorage Daily

✶ A Flourish chart

The construction industry will see only modest growth in employment, adding 100 jobs, because of the labor shortage. Construction work for some federal grants will be led by out-of-state firms for that reason, Popp said.

The worker shortage is also the reason the forecast calls for flat growth in the medical industry this year. Strong hiring in health care has driven the state's economic engine for many years, and it has lost only a small number of jobs since 2020, Popp said.

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“But this surface view overlooks the thousands of jobs currently going unfilled in the Anchorage health care system,” Popp said.

Hospitals, clinics, labs and related businesses are struggling with significant staffing shortages, he said.

[Senior clinic at Alaska Regional to close in February, leaving vulnerable patients with limited options for care]

“And it's not just shortages in nurses, doctors and other positions key to delivery of services to patients,” he said. “Thousands of support positions could be filled today including jobs like janitorial, food services, clerical, landscaping, facilities maintenance, and dozens of other positions key to the overall success of our health care system that has taken decades to build up.”

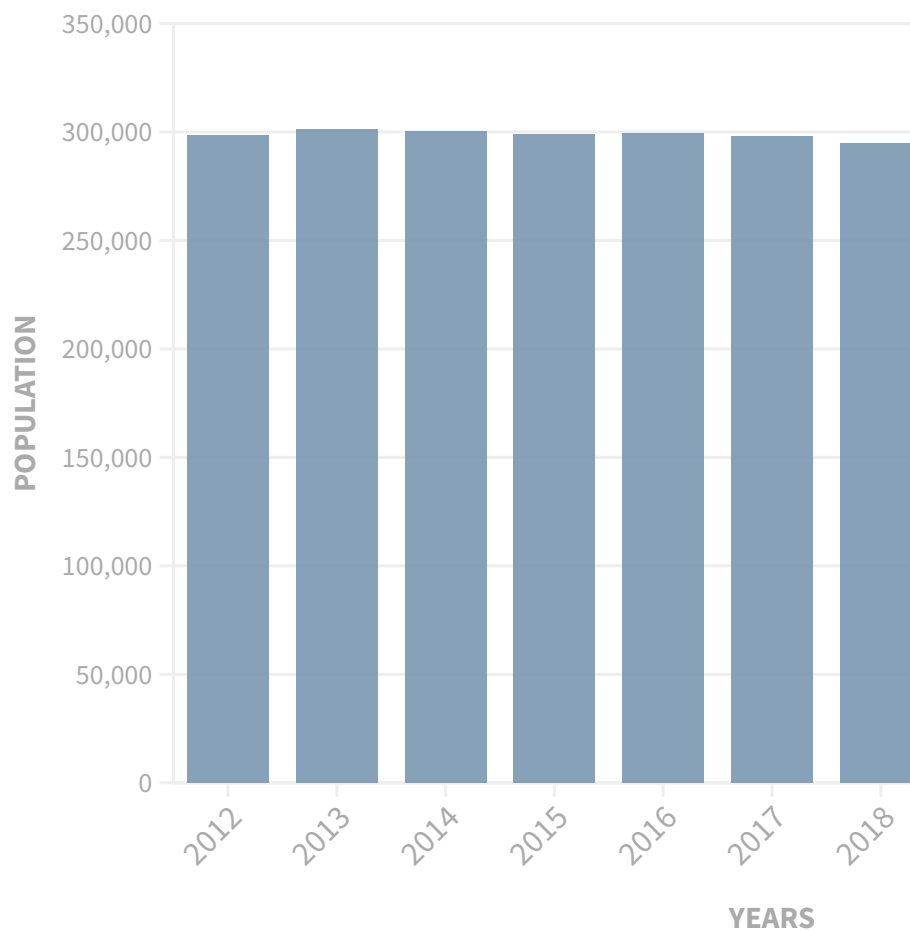
Grinding population loss a factor

The annual forecast, created for more than two decades by McKinley Research Group and its predecessor, McDowell Group, is the group's latest look into employment and business confidence in Anchorage, the economic hub of the state.

[\[Chicken jerky, nacho cheese and raisins: Worker shortage means 8 Anchorage elementary schools are going without hot lunch\]](#)

The city's working-age population has shrunk by nearly 15,000 workers, about a 7% drop, the report says. It's due in large part to a declining overall population that began in 2015 as Alaska faced a three-year statewide recession, just before entering the pandemic, which caused more economic upheaval.

Population of Anchorage since 2012



Source: Alaska Department of Labor and Workforce Development • KEVIN POWELL / Anchorage Daily News

The shrinking population — down another 600 residents last year — is among a whirlwind of problems that will continue to pressure the size of the Anchorage workforce, the report says.

“The city has struggled with several factors that contribute to workforce availability and overall quality of life: high housing costs, low availability of child care services, and uncertainty surrounding K-12 education funding being three of the most prominent in 2022,” the forecast says.

“The shortage of available and affordable child care is keeping hundreds, if not thousands of workers out of the labor force in order to stay home to take care of their children. Child care related jobs declined by 9% statewide in the first half of 2022, with a corresponding loss of capacity,” Popp said in his presentation.

[Alaska’s overall economic performance among the worst in US for several years, research finds]

The shrinking working-age population is rippling across the economy in other ways. It has contributed to an extremely tight job market, helping push unemployment rates to record lows, Popp said.

“Average unemployment for 2022 in Anchorage was 3.7% for the year,” he said. “This is a historic low for this metric in the modern history of Anchorage.”

Growth in tourism

Some industries will see solid growth in 2023, though the worker shortage will drag on employment there, too, the report says.

Hotels, restaurants and tourism operators will help lead the way in hiring thanks to strong growth in tourism, the report forecasts. The leisure and hospitality industry is expected to account for more than half of the city’s new jobs, with 800 additional positions.

“Cruise ship passenger capacity has been increased by 10% for the 2023 season,” Popp said. “Strong advance reservations are being seen in the hotel sector. As an example, the Hotel Captain Cook is now fully sold out for the summer season. There is the potential for a record year for visitors to Anchorage in 2023, and restaurants and retail should enjoy a great summer, along with hotels and tourism vendors.”

The transportation, warehouses and utilities sector will grow by 200 jobs, with the Ted Stevens Anchorage International Airport, one of the world’s busiest cargo hubs, leading the way. The sector is a “rock star” and is the only Anchorage industry that has fully recovered from both pandemic and recession job losses, the report says.

The airport has been “blowing the roof off” expectations in recent years with expansion in cargo and passenger traffic, injecting hundreds of millions of dollars into payrolls and purchases in Anchorage, the report says.

One of seven Anchorage jobs is directly or indirectly tied to the airport.

[Why Anchorage’s international airport is such a big cargo destination – and how it could get even bigger]

The high-paying oil and gas industry will add 100 new jobs in Anchorage, after losing about 100 jobs last year, the report says.

“This hopefully is the beginning of a recovery of the 2,200 jobs lost since 2015,” Popp said.



Bill Popp, president and CEO of the Anchorage Economic Development Corporation, delivered the 2023 Economic Forecast during a luncheon at the Dena'ina Center on Wednesday, Jan. 25, 2023. (Bill Roth / ADN)

Large new oil prospects on the horizon will help by bringing billions of dollars in new investment to Alaska, like [the Pikka oil field](#) pursued by Australia-based Santos and Spain-based Repsol.

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National factors will affect Anchorage businesses this year, but inflation is expected to moderate as supply chain issues ease, the report says.

Popp said he doesn't see looming signs that Anchorage or the state will enter a recession this year, despite concerns from some in the business community, he said.

Overall, Anchorage business leaders are "very optimistic" about the prospects for their own businesses this year, but less so for the overall economy, based on a [survey](#) commissioned by the AEDC, Popp said.

[\[The pandemic years changed shopping in Anchorage. Maybe forever.\]](#)

Consumers, on the other hand, are “markedly pessimistic” about the economy this year, perhaps in part because of problems that seem to lack solutions year after year, such as housing, homelessness and the state’s fiscal crisis, he said.

Popp said AEDC is working with many other Anchorage groups and businesses on a multifaceted initiative called Choose Anchorage that seeks to boost participation in workforce training and recruit skilled Lower 48 workers who can help close Anchorage’s labor shortage and grow roots in the city.

AEDC contracted with TIP Strategies of Austin, Texas – a consulting firm that helps communities nationwide address workforce and other issues – to conduct research and help create an action plan.

Jeff Marcell, TIP’s principal, was a keynote speaker at the economic forecast luncheon. He said Anchorage business leaders must play a lead role to put the brakes on the city’s workforce losses, which will become a bigger problem if it continues. Fighting it will require new resources, which could mean funding and “sweat equity,” he said.

“This is a crisis,” he said. “You can’t bury your head in the sand for a crisis.”

AEDC released the data during a lunch crowd of more than 1,000 at the Dena’ina Civic and Convention Center.

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