

THE ECONOMIC BENEFITS OF ALASKA'S CONSTRUCTION INDUSTRY



January 2021

The construction industry is a critical component of Alaska's economy.

It is integral to all industrial, commercial, residential, and infrastructure development in the state. Its economic reach spans the entire state, from the smallest village to the largest city.

2019 BY THE NUMBERS

| | | | |
|----------------------|--|----------------------|---|
| 24,000 | Number of Alaska construction workers, including wage and salary and self-employed workers | 2,507 | Number of construction industry employers |
| 1 IN 20 | Number of jobs in Alaska's economy that were in the construction sector | 42,000 | Number of statewide construction-related jobs, including multiplier effects |
| \$2.3 BILLION | Total labor income of construction workers, including self-employed workers | 9% | Percentage of all Alaska jobs attributed to construction-related activity |
| \$81,258 | Average annual construction worker wage | \$3.4 BILLION | Total statewide labor income impact, including multiplier effects |
| 43% | Percentage of construction worker wage above the average wage for all Alaska workers | 10% | Percentage of all Alaska income affected by construction-related activity |
| 81% | Percentage of construction jobs held by Alaska residents | 8.6% | Predicted growth in construction trades between 2018 and 2028 |
| 86% | Percentage of construction wages paid to Alaska residents | \$4.3 BILLION | Estimated 2021 construction spending, down from 2020 spending forecast |

ALASKA'S CONSTRUCTION INDUSTRY JOBS (2019)

Alaska's construction industry is an important source of jobs and wages. The industry employed about 24,000 workers, including 16,396 wage and salary employees.

Jobs Throughout Alaska

Every census area and borough in Alaska has construction industry employers. Of the **\$1.3 Billion** paid in wages by 2,507 construction industry employers, almost half are paid in Anchorage (\$645 million). Fairbanks North Star Borough was second (\$237 million), followed by Mat-Su Borough (\$179 million). These wages do not include self-employment income.

Alaska Construction Industry Employers, Jobs, and Wages, 2019
(By Top 10 Boroughs)

| Borough/Census Area | Total Number of Employers | Total Jobs (Monthly Average) | Total Wages (\$Millions) |
|---------------------------------|---------------------------|------------------------------|--------------------------|
| Anchorage Municipality | 886 | 7,660 | \$645 |
| Fairbanks North Star Borough | 341 | 2,729 | \$237 |
| Matanuska-Susitna Borough | 466 | 2,495 | \$179 |
| Kenai Peninsula Borough | 251 | 919 | \$56 |
| Juneau City and Borough | 123 | 622 | \$41 |
| Ketchikan Gateway Borough | 67 | 280 | \$18 |
| Valdez-Cordova Census Area | 37 | 185 | \$19 |
| Kodiak Island Borough | 45 | 184 | \$13 |
| Sitka City and Borough | 37 | 155 | \$12 |
| Haines Borough | 16 | 91 | \$10 |
| All Other Boroughs/Census Areas | 238 | 1,076 | \$102 |
| Total | 2,507 | 16,396 | \$1,332 |

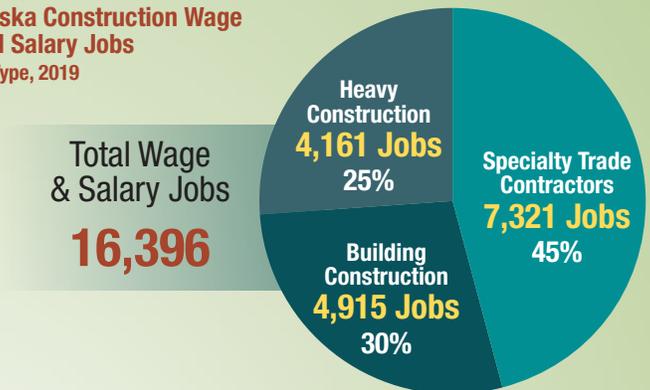
Source: Alaska Department of Labor and Workforce Development

Wage and Salary Construction Jobs & Wages

One-third of Alaska's construction companies and nearly half of construction jobs are in Anchorage; however, Anchorage-based workers often provide construction services elsewhere in the state.

Specialty-trade contractors make up 45% of total construction jobs and 38% of total wages, followed by building construction jobs (30%) and wages (28%), and heavy construction jobs (25%) and wages (34%).

Alaska Construction Wage and Salary Jobs by Type, 2019



Alaska Construction Wages by Type, 2019



Source: Alaska Department of Labor and Workforce Development

Average Wage Rates

Only a few Alaska industry sectors have higher average annual wages than construction (among them oil and gas, and mining). The average wage for a construction worker was \$81,258, 43% higher than the overall statewide average wage (\$56,983).

Seasonality

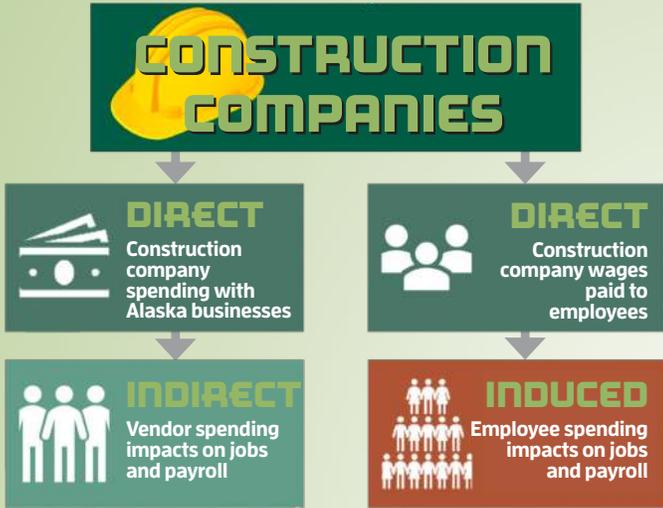
The industry is an important source of jobs year-round, never falling below 13,300 jobs at any point in the year. However, construction employment in Alaska tends to be seasonal, with summer employment about 40% higher than the winter low-point.

Expected Employment Growth

Accounting for the impact of COVID-19, the Alaska Department of Labor and Workforce Development anticipates 8.6% growth in construction trades occupations between 2018 and 2028, with annual average openings of 1,726 jobs. Occupations with the highest expected average annual openings between 2018 and 2028 include construction laborers (455 annual openings), operating engineers and other construction equipment operators (346), carpenters (270), and electricians (225).

ECONOMIC IMPACT OF THE CONSTRUCTION INDUSTRY (2019)

How Construction Industry Money Flows through Alaska's Economy



Statewide construction industry-related jobs represent **9%** of all Alaska jobs (42,000 of 459,788).

Construction industry-related activity accounted for **\$3.4 billion** in labor income, 10% of Alaska's total labor income (\$32.7 billion).

Construction Industry-Related Jobs and Labor Income Impacts in Alaska, 2019

| Impacts | Jobs | Labor Income |
|--------------------|---------------|----------------------|
| Direct | 24,000 | \$2.3 billion |
| Indirect & Induced | 18,000 | \$1.1 billion |
| Total | 42,000 | \$3.4 billion |

Sources: Direct impacts, U.S. Bureau of Economic Analysis. Indirect and induced impacts, McKinley Research Group estimates



Government Spending Trends

Federal, state, and local government spending on a wide range of construction projects plays an important role in Alaska's construction sector.

Federal Government Construction Spending

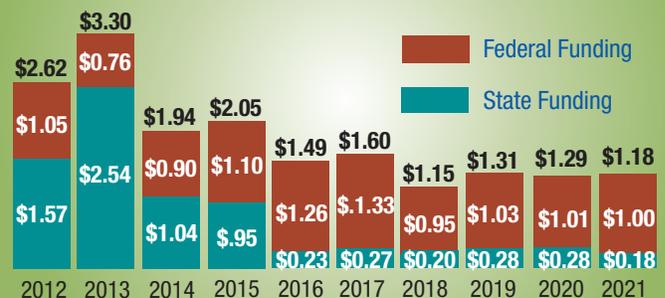
In Federal Fiscal Year (FFY) 2020, the federal government contracted for and assisted **\$1.5 billion** in construction in Alaska.

- **\$343 Million** in federal contracts supporting infrastructure initiatives requiring no matching funds, such as national defense spending or infrastructure and facilities supporting federal government services.
- **\$1.2 Billion** in federal assistance for construction projects requiring some level of matching support from state or local government, such as federal highways funding.

State Government Construction Spending

State capital budget appropriations for construction (including federal funds) have been at historically low levels in recent years, and well below peak years of over \$3 Billion. State fiscal year (SFY) 2021 saw a smaller capital budget for construction compared to recent years at **\$1.2 Billion**, including \$180 million in state funding support.

State and Federal Funding for State of Alaska Construction Projects (\$Billions, Inflation Adjusted) SFY2012-2021



Source: Office of Management and Budget, Office of the Governor, State of Alaska

OIL PRICE IMPACTS

COVID-19 IMPACTS

Construction activity in Alaska is impacted by oil prices, which affect oil and gas sector investment and state revenue.

In 2020, oil prices experienced significant declines, at times falling as low as \$9/barrel. Low oil prices impact the financial feasibility of new oil and gas developments and may impact companies' available capital to pursue construction projects. Uncertainty around Alaska's oil tax structure also impacted oil and gas industry construction planning in 2020.

Alaska's state revenue is highly related to oil prices due to the state's oil and gas production tax structure, which taxes gross production value. Oil price declines reduce Alaska's taxable production, leaving less funding for capital projects. Over the past decade, the state has met declining oil revenues with reduced spending on construction.



As essential workers, the construction industry continued work on projects across Alaska throughout the coronavirus pandemic.

Companies worked to proactively ensure the health of their employees and communities where they operate. However, due to revenue constraints, supply chain challenges, and complicated logistics, construction activity was significantly impacted in 2020; these impacts are expected to continue in 2021.



Construction Company Impacts
Construction firms collectively spent millions of dollars responding to the pandemic by instituting new employee quarantine procedures (especially in rural Alaska), incurring additional worker

accommodation and living expenses, chartering transportation to job sites, proactively testing employees for the virus, and purchasing personal protective equipment.

