



JANUARY 2022

THE ECONOMIC BENEFITS OF ALASKA'S CONSTRUCTION INDUSTRY

The construction industry is a critical component of Alaska's economy. It is integral to all industrial, commercial, residential, and infrastructure development in Alaska. Its economic reach spans the entire state, from the smallest village to the largest city.

2020 BY THE NUMBERS

23,000

NUMBER OF ALASKA CONSTRUCTION WORKERS, INCLUDING WAGE AND SALARY AND SELF-EMPLOYED WORKERS

1 in 20

SHARE OF JOBS IN ALASKA'S ECONOMY THAT WERE IN THE CONSTRUCTION SECTOR

\$2.3 BILLION

TOTAL LABOR INCOME OF CONSTRUCTION WORKERS, INCLUDING SELF-EMPLOYED WORKERS

\$82,330

AVERAGE ANNUAL CONSTRUCTION WORKER WAGE

↑35%

PERCENTAGE OF CONSTRUCTION WORKER WAGE ABOVE THE AVERAGE WAGE FOR ALL ALASKA WORKERS



PERCENTAGE OF CONSTRUCTION JOBS HELD BY ALASKA RESIDENTS



PERCENTAGE OF CONSTRUCTION WAGES PAID TO ALASKA RESIDENTS

2,540

NUMBER OF CONSTRUCTION INDUSTRY EMPLOYERS IN ALASKA

40,000

NUMBER OF STATEWIDE CONSTRUCTION-RELATED JOBS, INCLUDING MULTIPLIER EFFECTS



PERCENTAGE OF ALL ALASKA JOBS SUPPORTED BY CONSTRUCTION-RELATED ACTIVITY

\$3.4 BILLION

TOTAL STATEWIDE LABOR INCOME IMPACT, INCLUDING MULTIPLIER EFFECTS



PERCENTAGE OF ALL ALASKA INCOME RELATED TO CONSTRUCTION-RELATED ACTIVITY

8.6%

PREDICTED GROWTH IN CONSTRUCTION TRADES BETWEEN 2018 AND 2028

\$4.6 BILLION

ESTIMATED 2022 CONSTRUCTION SPENDING

ALASKA'S CONSTRUCTION INDUSTRY JOBS (2020)

Alaska's construction industry is an important source of jobs and wages. The industry employed **22,930** workers, including **15,817** wage and salary employees.

JOBS THROUGHOUT ALASKA

Every census area and borough in Alaska has construction industry employers. Of the \$1.3 billion in wages paid by Alaska's 2,540 construction industry employers almost half are paid in Anchorage (\$593 million). Fairbanks North Star Borough was second (\$233 million), followed by Mat-Su Borough (\$207 million).

These wages do not include self-employment income. Over one-third of Alaska's construction companies and nearly half of construction jobs are based in Anchorage; however, Anchorage-based workers often provide construction services throughout the state.

ALASKA CONSTRUCTION INDUSTRY EMPLOYERS, JOBS, WAGES, 2020 (BY TOP 10 BOROUGHES)

Borough/Census Area	Total number of Employers	Total Jobs (monthly average)	Total Wages (\$million)
Anchorage Municipality	895	7,041	\$593
Fairbanks North Star Borough	333	2,611	\$233
Matanuska-Susitna Borough	483	2,718	\$207
Kenai Peninsula Borough	257	930	\$58
Juneau City and Borough	131	682	\$50
Ketchikan Gateway Borough	64	263	\$18
Kodiak Island Borough	43	167	\$13
Sitka City and Borough	35	137	\$11
Chugach Census Area	26	87	\$7
Southeast Fairbanks Census Area	16	78	\$7
All other Boroughs and Census Areas	257	1,103	\$106
TOTALS	2,540	15,817	\$1,302

Source: Alaska Department of Labor and Workforce Development.

ABOVE AVERAGE WAGE RATE

Only a few Alaska industry sectors have higher average annual wages than construction (e.g., oil and gas, and mining). The average wage for a construction worker was \$82,330, 35% higher than the overall statewide average wage (\$61,128).

SEASONALITY

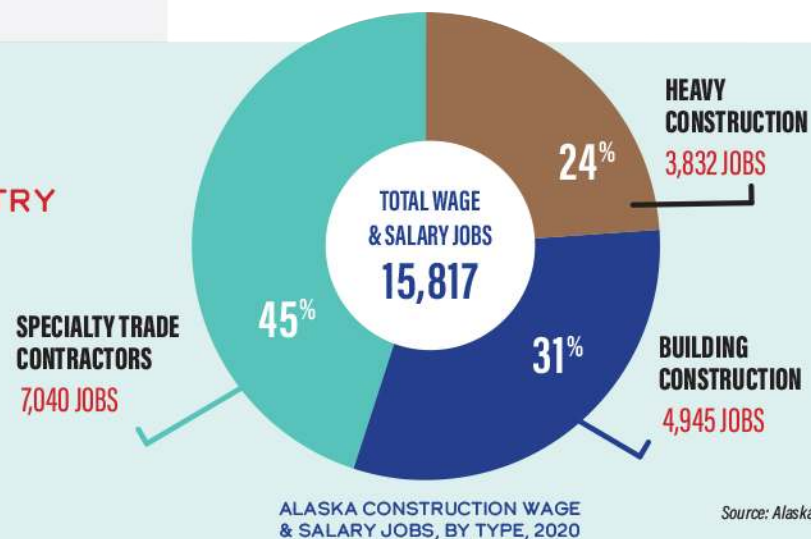
The industry is an important source of jobs year-round, never falling below 13,300 jobs at any point in the year. However, construction employment in Alaska tends to be seasonal, with summer employment about 27% higher than the winter low-point.

EXPECTED EMPLOYMENT GROWTH

Accounting for the impact of COVID-19, the Alaska Department of Labor and Workforce Development anticipated 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). *This forecast did not account for the potential employment impact of the November 2021 Federal Infrastructure Investment and Jobs Act which may increase demand for construction workers in Alaska.*

A DIVERSE CONSTRUCTION INDUSTRY

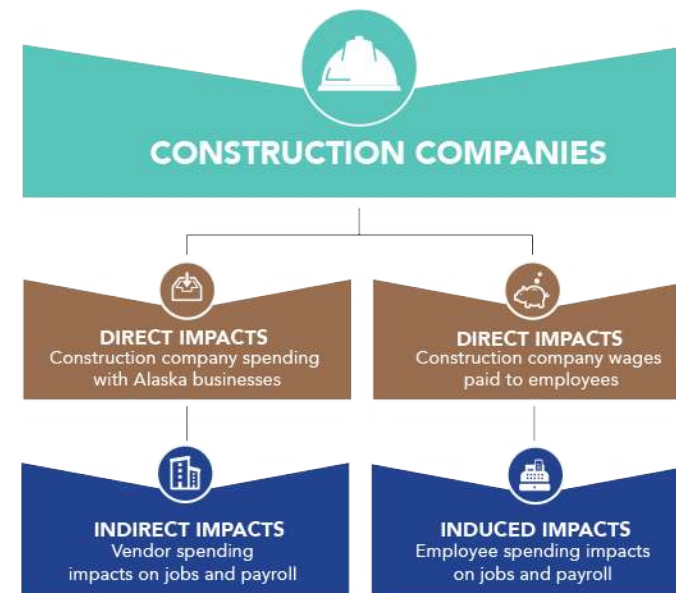
Specialty-trade contractors make up 45% of total construction jobs and 38% of total wages, followed by building construction jobs (31%) and wages (29%), and heavy construction jobs (24%) and wages (33%).



Source: Alaska Department of Labor and Workforce Development.

ECONOMIC IMPACT OF THE CONSTRUCTION INDUSTRY (2020)

HOW CONSTRUCTION INDUSTRY MONEY FLOWS THROUGH ALASKA'S ECONOMY



Statewide construction industry-related jobs represent 9% of all Alaska jobs (40,000 of 425,953).

Construction industry-related activity accounted for \$3.4 billion in labor income, 11% of Alaska's total labor income (\$32.1 billion).

CONSTRUCTION INDUSTRY-RELATED JOBS AND LABOR INCOME IMPACTS IN ALASKA, 2020

	Jobs	Labor Income
Direct	23,000	\$2.3 BILLION
Indirect & Induced	17,000	\$1.1 BILLION
TOTAL	40,000	\$3.4 BILLION

Source: 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.

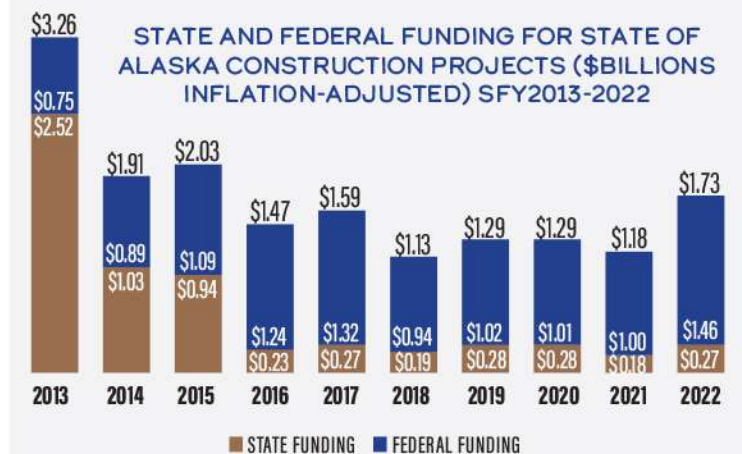
FEDERAL GOVERNMENT CONSTRUCTION SPENDING

In Federal Fiscal Year (FFY) 2021, the federal government contracted for and assisted \$1.6 billion in construction in Alaska.

- **\$407 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 prior to State Fiscal Year (SFY) 2022, and well below peak years of over \$3.0 billion. SFY 2022 saw a higher capital budget for construction compared to recent years at \$1.7 billion, including \$270 million in state funding support due in large part to higher federal transportation infrastructure funding.



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

RECENT FORCES AFFECTING CONSTRUCTION ACTIVITY

MATERIAL COSTS AND SUPPLY CHAIN DISRUPTIONS

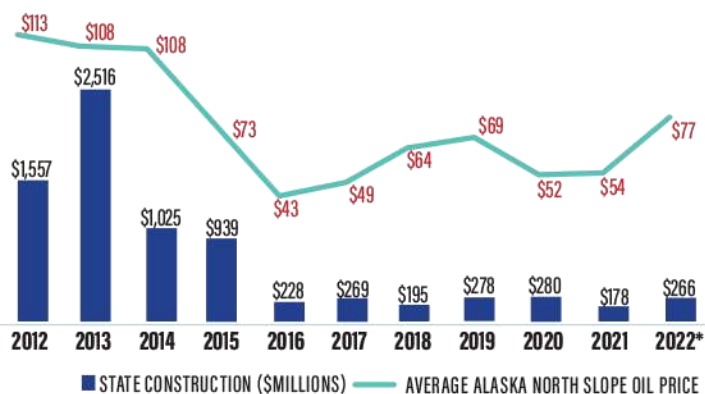
24%

OVERALL COST OF CONSTRUCTION UP
24% FROM PRE-PANDEMIC LEVELS.*

*Based on inputs to construction industries producer price index in October 2019 and October 2021. Source: US Bureau of Labor Statistics.

Construction firms contended with considerable financial risk in 2021 due to rising and volatile material costs. Manufacturing slowdowns contributed to rapidly changing prices and significantly longer lead times across a range of construction supplies. As of October 2021, overall construction material costs had risen 24% compared to the same period in 2019. Materials like steel mill products more than doubled in cost and lumber costs persisted at 40% above pre-pandemic levels even after decreasing from extreme highs in mid-2021. Global transportation bottlenecks added an additional layer of pricing and construction management uncertainty. Material availability, price, and transportation challenges are expected to continue into 2022.

STATE OF ALASKA CAPITAL BUDGET FOR CONSTRUCTION AND AVERAGE ANNUAL OIL PRICE, SFY2012-2022



*SFY2022 average annual oil price based on Alaska North Slope price between July 2021 and December 2021. Source: Office of Management and Budget, Office of the Governor, State of Alaska; Alaska Department of Revenue, Tax Division.

OIL PRICE IMPACTS

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

Oil price volatility continued in 2021 following significantly depressed prices in 2020. While higher oil prices can positively affect the financial feasibility of new oilfield developments, higher fuel prices also impact construction costs in Alaska. As of October 2021, diesel fuel prices had risen by 70% over the same period in 2019.

State of Alaska revenue is highly related to oil prices. Higher oil prices increase the taxable value of production, which has the potential to generate more funding for capital projects. Over the past decade, state capital spending has declined significantly due to low oil prices and slowly declining production.

RECOVERY FROM PANDEMIC-RELATED JOB LOSSES

By June 2021, total construction employment in Alaska had recovered about 700 jobs compared to the same month in 2020 yet remained below 2019 levels. The number of unemployment insurance claimants also declined substantially in the latter half of 2021 but remained above pre-pandemic levels (1,231 in October 2021 compared to 799 in October 2019).

CONSTRUCTION WORKER UNEMPLOYMENT CLAIMANTS, BY MONTH, 2019-2021*



*Source: Alaska Department of Labor and Workforce Development.



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CONSTRUCTION INDUSTRY PROGRESS FUND
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