

# Attracting Talent

Systems Evaluation



# When Boomers Bail

*As the industrialized world recovers from the great recession, we face an even graver economic threat. A structural shortage of qualified workers is creating a zero-sum labor market that is forcing communities to steal talent from each other in order to survive and grow. The cause of this impending economic disaster: a baby boom generation who didn't have enough kids to replace themselves, and an education system that has failed to properly prepare students for the new demands of today's market. Add to that 78 million soon-to-be-retired Baby Boomers who will go from high-earning producers to resource-sapping dependents, and the situation worsens. Any community unable to attract and hold talent will join a growing number of economically doomed places where economic development is impossible. This suddenly makes deciding where to live or invest a much higher-stakes game.*

Mark Lautman – Economic Architect – 2011



# Alaska Unemployment by Industry – A Year Ago

## Employment By Industry, December 2021

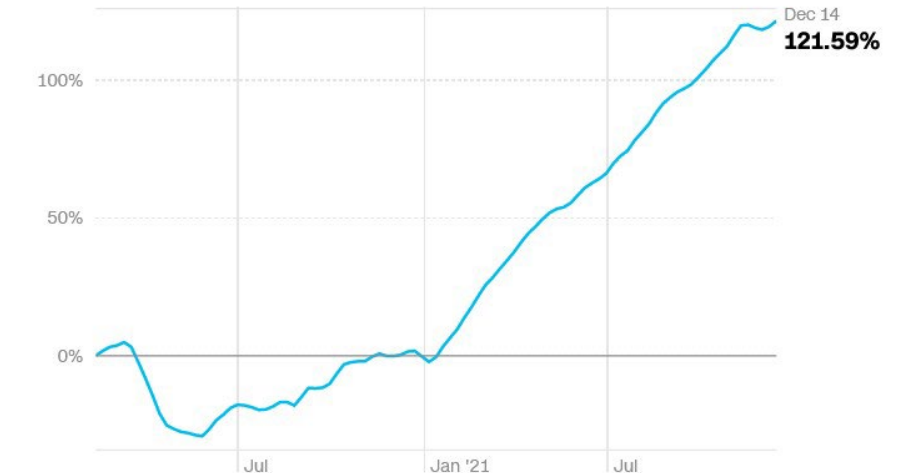
	Average Monthly Employment			Compared to Dec 2020		December 2019	
	Dec 2021*	Nov 2021*	Dec 2020	Change	Percent	Jobs	Chg, 12/19 to 12/21
<b>Total Nonfarm Employment</b>	<b>302,100</b>	<b>303,900</b>	<b>294,100</b>	<b>8,000</b>	<b>2.7%</b>	<b>314,500</b>	<b>-12,400</b>
<b>Total Private</b>	<b>224,400</b>	<b>226,300</b>	<b>216,400</b>	<b>8,000</b>	<b>3.7%</b>	<b>234,500</b>	<b>-10,100</b>
Mining and Logging	10,800	10,400	10,000	800	8.0%	13,500	-2,700
Oil and Gas	7,100	6,700	6,400	700	10.9%	10,100	-3,000
Construction	14,700	15,500	14,300	400	2.8%	14,900	-200
Manufacturing	7,600	8,600	7,200	400	5.6%	6,800	800
Trade, Transportation, and Utilities	61,600	61,100	60,100	1,500	2.5%	62,100	-500
Wholesale	6,200	6,200	6,000	200	3.3%	6,600	-400
Retail	35,000	34,900	34,800	200	0.6%	35,000	0
Transp, Warehousing, Utilities	20,400	20,000	19,300	1,100	5.7%	20,500	-100
Information	4,800	4,800	4,800	0	0.0%	5,300	-500
Financial Activities	10,800	10,700	10,600	200	1.9%	11,200	-400
Professional and Business Services	25,500	25,700	25,300	200	0.8%	27,000	-1,500
Education and Health	51,100	50,700	50,500	600	1.2%	51,400	-300
Health Care	39,200	38,900	38,900	300	0.8%	39,300	-100
Leisure and Hospitality	26,900	28,300	23,600	3,300	14.0%	31,400	-4,500
Other Services	10,600	10,500	10,000	600	6.0%	10,900	-300
<b>Total Government</b>	<b>77,700</b>	<b>77,600</b>	<b>77,700</b>	<b>0</b>	<b>0%</b>	<b>80,000</b>	<b>-2,300</b>
Federal <sup>1</sup>	15,100	14,600	15,000	100	0.7%	14,700	400
State <sup>2</sup>	22,100	22,400	22,800	-700	-3.1%	22,600	-500
Local <sup>3</sup>	40,500	40,600	39,900	600	1.5%	42,700	-2,200

## NATIONALLY, JOB POSTINGS ARE INCREASING

### Job postings

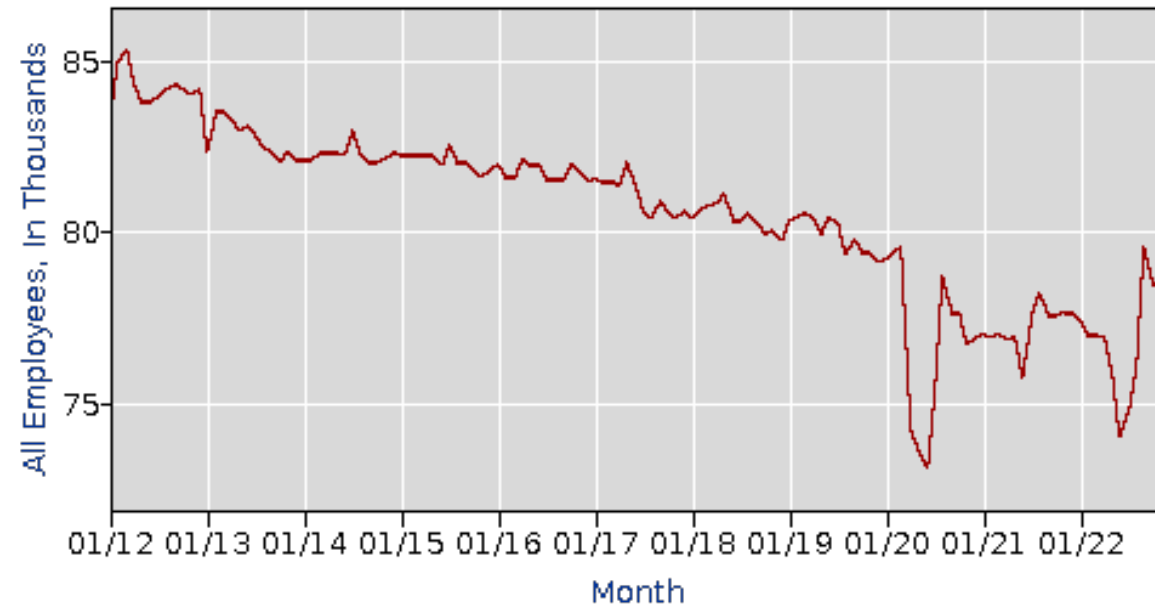
All Industries ▾

Early in the pandemic, LinkedIn noticed a huge decline in new job postings. Click the dropdown menu to see how job listings have changed since February 2020 in each industry.



Note: 14-day average indexed to the week ending February 12, 2020, based on the number of job postings on LinkedIn during this period  
Source: [LinkedIn](#)  
Data as of December 21, 2021

# Alaska Government Employment Trend



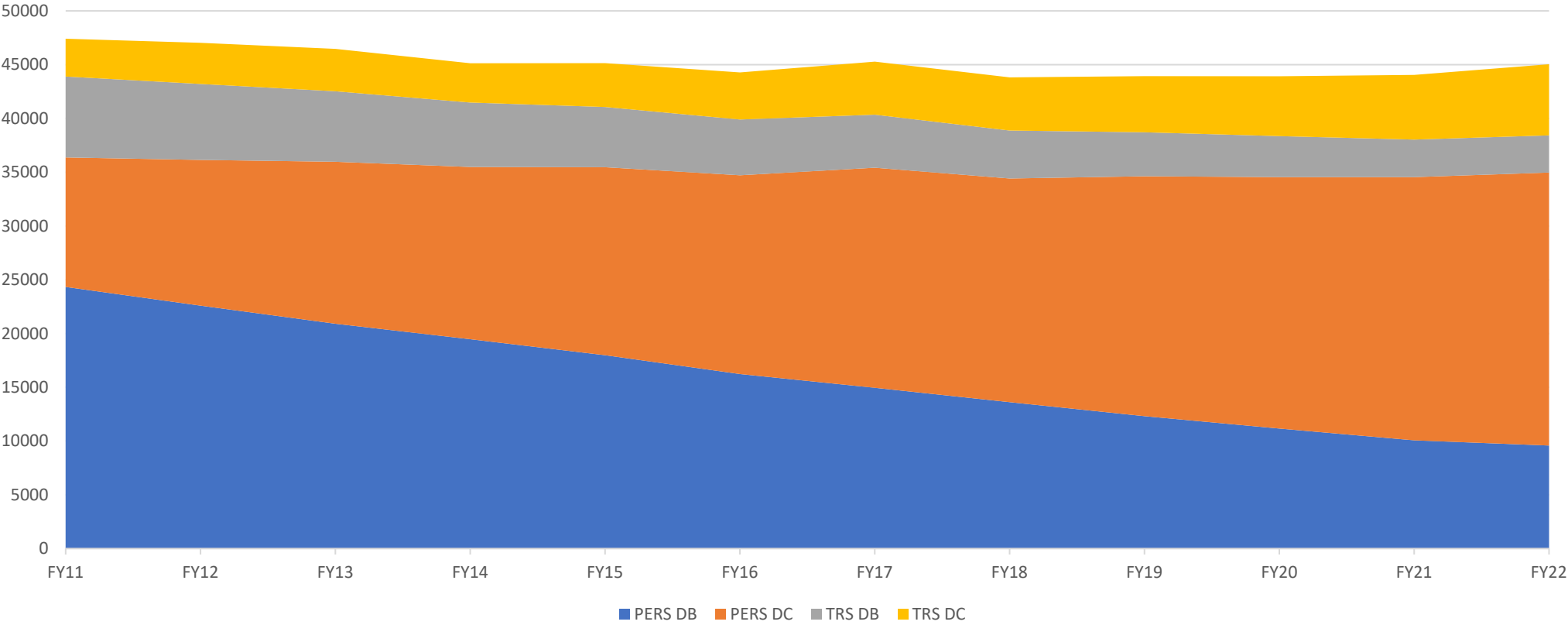
Bureau of Labor Statistics -

[https://data.bls.gov/timeseries/SMS02000009000000001?amp%253bdata\\_tool=XGtable&output\\_view=data&include\\_graphs=true](https://data.bls.gov/timeseries/SMS02000009000000001?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true)

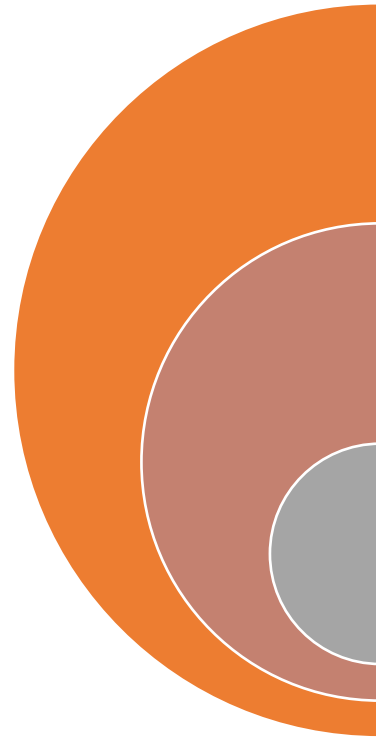
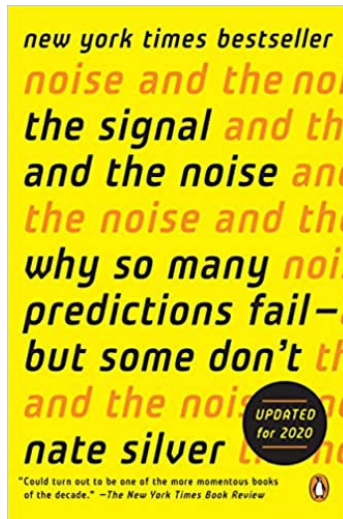


# PERS Participation

PERS Active Over Time



# Systems Review



Demographics
Circumstance
Competition



# AML Classifieds








2x as many as last year

**Start Your Job Search**

Keywords  Location

☐ Remote positions only

☒ Buy/Sell/Trade/Share ☒ Full Time ☒ Part Time ☒ RFP ☒ Seasonal

	<b>Corrections Officer</b> City of Unalaska	Unalaska (Remote)	<b>Full Time</b> Posted 7 days ago
	<b>Administrative Assistant II</b> City of Unalaska	Unalaska (Remote)	<b>Full Time</b> Posted 7 days ago
	<b>Public Works Wastewater Operator</b> Bristol Bay Borough	Naknek, AK	<b>Full Time</b> Posted 7 days ago
	<b>Public Relations/Personnel Officer</b> City of Kotzebue	Kotzebue, AK	<b>Full Time</b> Posted 1 week ago
	<b>Dispatch/Corrections Officer</b> Bristol Bay Borough	Naknek, AK	<b>Full Time</b> Posted 2 weeks ago
	<b>Local Government Specialist 1/2/3</b> State of Alaska, Community & Regional Affairs	Fairbanks, AK	<b>Full Time</b> Posted 2 weeks ago
	<b>Principal Planner</b> Ketchikan Gateway Borough	Ketchikan, AK	<b>Full Time</b> Posted 2 weeks ago
	<b>City Administrator</b> City of Unalakleet	Unalakleet, Alaska	<b>Full Time</b> Posted 2 weeks ago
	<b>Assistant Finance Director – Revenue Cycle Manager</b> City of Dillingham	Dillingham	<b>Full Time</b> Posted 3 weeks ago





Not all jobs  
are equal

**Figure 5. How Does Pay of State and Local Government Workers Compare With Pay in Private Industry?**

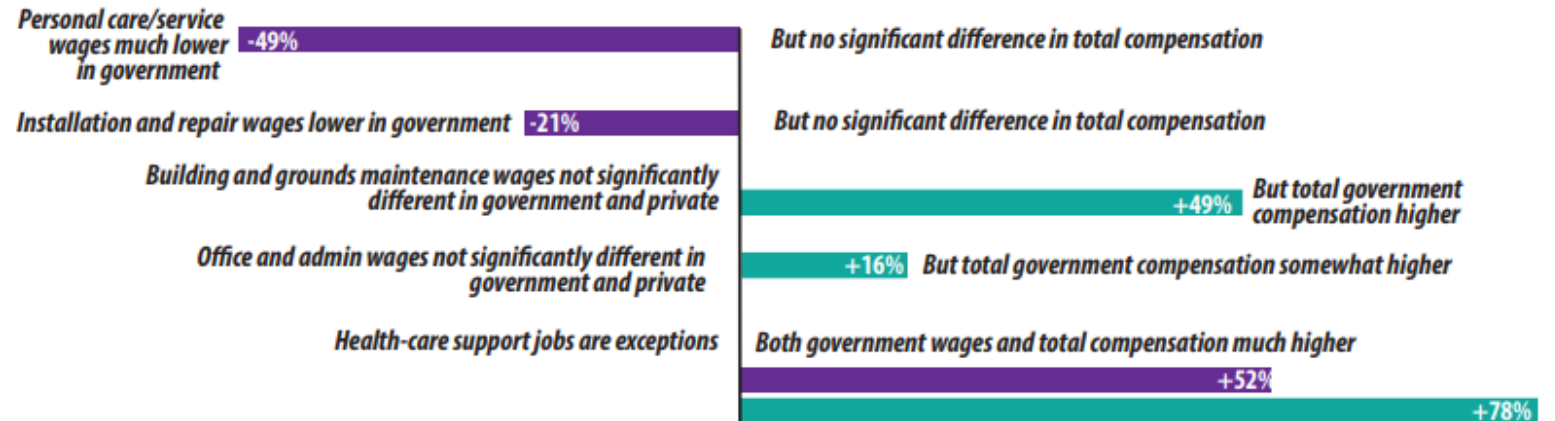
(All resident wage and salary workers in private industry and state and local government, average 2009-2013)

On average for all occupations, government workers earn 8% less. But the higher average value of government benefits means there is no significant difference in total compensation.

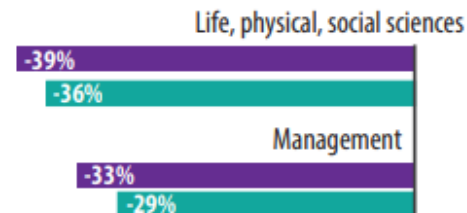
-8% No significant difference in total compensation

Wages  
Total compensation (wages plus benefits)

In many lower- and mid-pay occupations, government wages are lower, but the higher value of benefits makes government compensation equal to or higher than private.



In higher-paying occupations, both government pay and total compensation are considerably less than private pay and compensation.

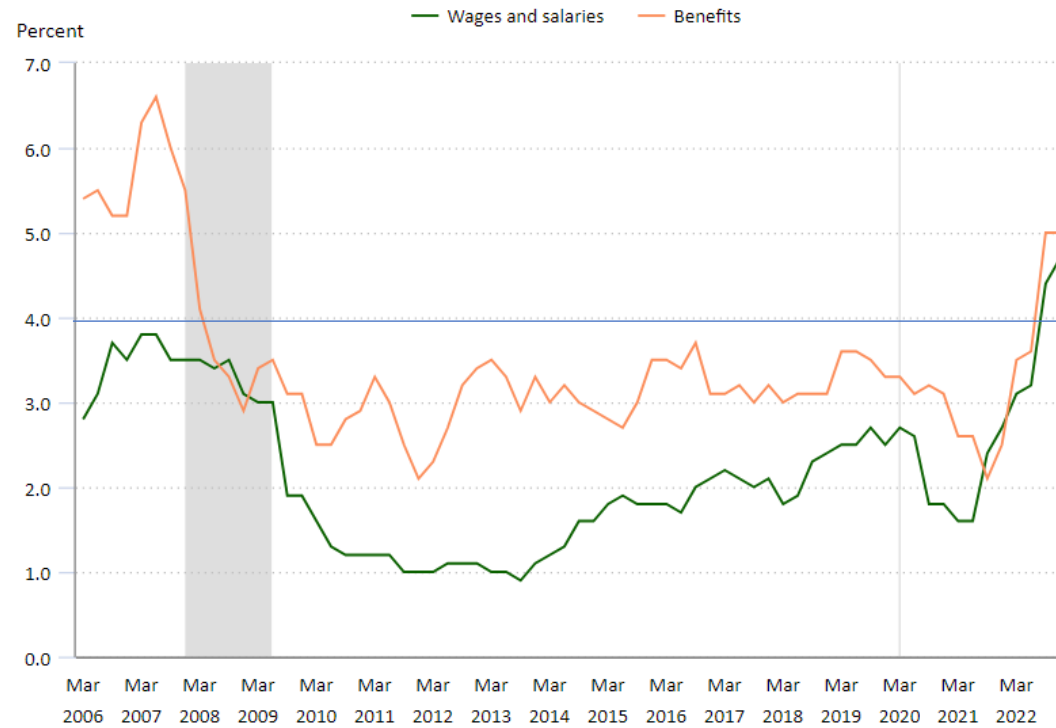


Source: A Wage and Compensation Analysis of Alaska's Public Sector Employees, author's calculations, with data from American Community Survey, 2009-2013

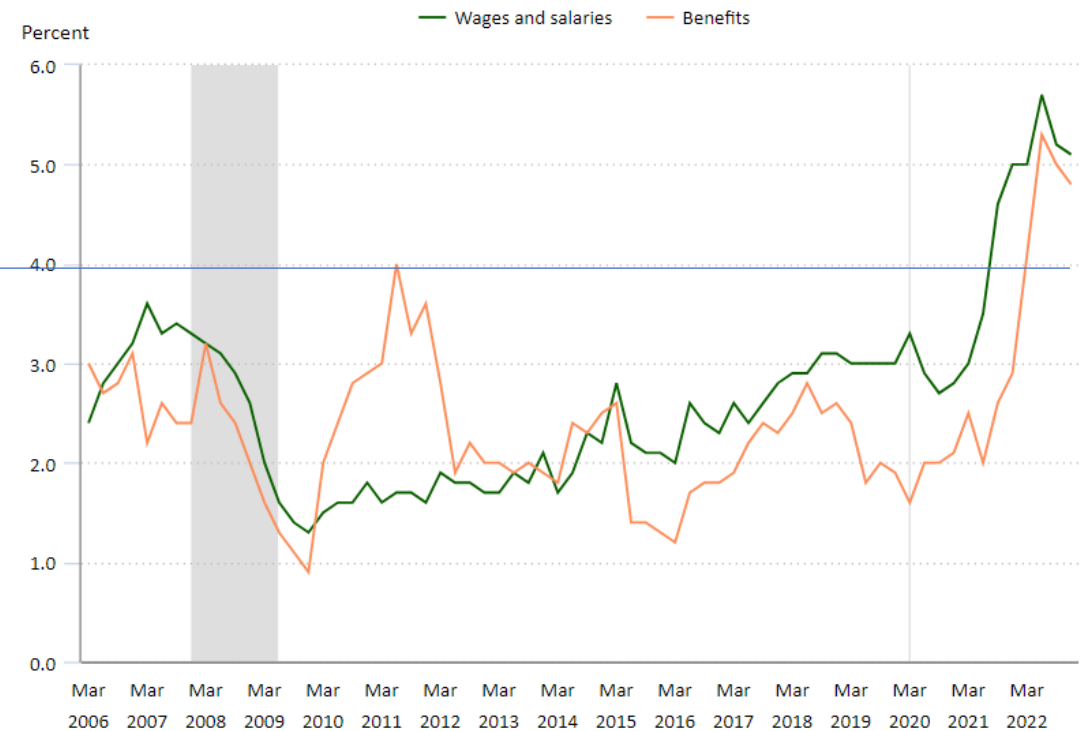


# Public v. Private

**Wages and salaries and benefits for state and local government, 12-month percent change, not seasonally adjusted**



**Wages and salaries and benefits in private industry, 12-month percent change, not seasonally adjusted**



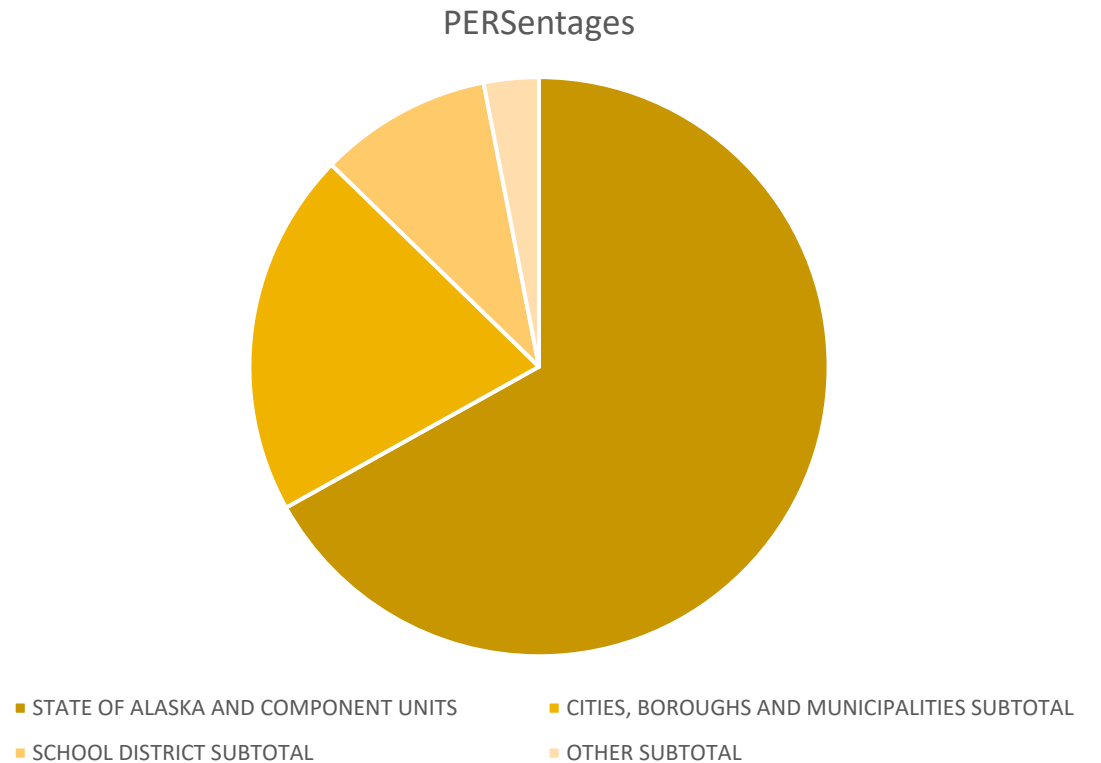
# Pensions Perspective - Employers

77 smallest make up 1% of annual payroll

University of Alaska is more than 4%

Other = housing authorities +

64 of 165 cities and boroughs participate

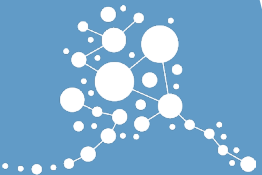


# Pensions Perspectives – Rate Setting

	PERS				TRS			
	FY24 PERS Total Payroll *		\$ 2,437,619,000		FY24 TRS Total Payroll		\$ 762,084,000	
	Preliminary	Contribution	Adopted	Contribution	Preliminary	Contribution	Adopted	Contribution
DB Pension Plan - Normal Cost	2.14%	52,165,000	2.14%	52,165,000	2.05%	15,623,000	2.05%	15,623,000
DB Pension Plan - Past Service Cost	→ 16.33%	398,063,000	16.33%	398,063,000	→ 16.44%	125,287,000	16.44%	125,287,000
DB Health Plan - Normal Cost	2.50%	60,940,000	0.00%	-	2.41%	18,366,000	0.00%	-
DCR Plan	6.63%	161,614,000	6.63%	161,614,000	7.03%	53,575,000	7.03%	53,575,000
	<b>27.60%</b>	672,782,000	→ <b>25.10%</b>	611,842,000	<b>27.93%</b>	212,851,000	→ <b>25.52%</b>	194,484,000
State Of Alaska Contributions	27.60%	334,978,000	25.10%	304,636,000				
Non-State Employer Contributions	<b>22.00%</b>	269,264,000	<b>22.00%</b>	269,264,000	<b>12.56%</b>	95,718,000	<b>12.56%</b>	95,718,000
Additional State Contributions	5.60%	68,540,000	→ 3.10%	37,942,000	15.37%	117,132,000	12.96%	98,766,000

Reduction of 2.5% for non-State employers = \$24.3m

Savings from reduction to Additional State Contribution by ARM board action = \$30.6m



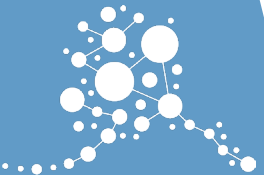
# Pensions Perspectives – System Issues

- Salary floor (2008) adds another \$1.5-2.5 million to employer costs
  - No incentive for right-sizing or efficiency
- Employers in arrearages about \$26.2 million
  - Prisoners of PERS – can't afford to stay in, nor get out
- Employer delinquencies about \$3.5 million
  - Evaluate over time to see stressors on employers
- 11-15% penalty for late payment
- Termination studies apply only to non-State employers
  - By class, which for small employers could be one employee
- Net pension liability follows employee, making retiree hiring difficult



# Current AML proposals

- Update to 2008 floor – move forward and rolling average
- Termination studies for State and by employee
  - Evaluate vacancy rates
- 22% a cap not a floor
  - Pay down net pension liability by increased additional state contribution = \$10 million for 1%
- Retiree hiring ability without accrued liability
- Opt-out for small or stressed employers – exit strategy
- Five-year audit of terminated employer net pension liability
  - State contribution to avoid spread, based on % of payroll
- Adjust high interest rate on past due payments to reasonable amount
- Locked in net pension liability option, ability to pay down, and exit date



## In considering DB...

- AML members divided on question
- Real and valid concerns expressed by educators and public safety employees
- Resolution expressing concern about liability exposure
- If specific to employee group, opt in at employer level
- For employers it applies to, ringfence liability

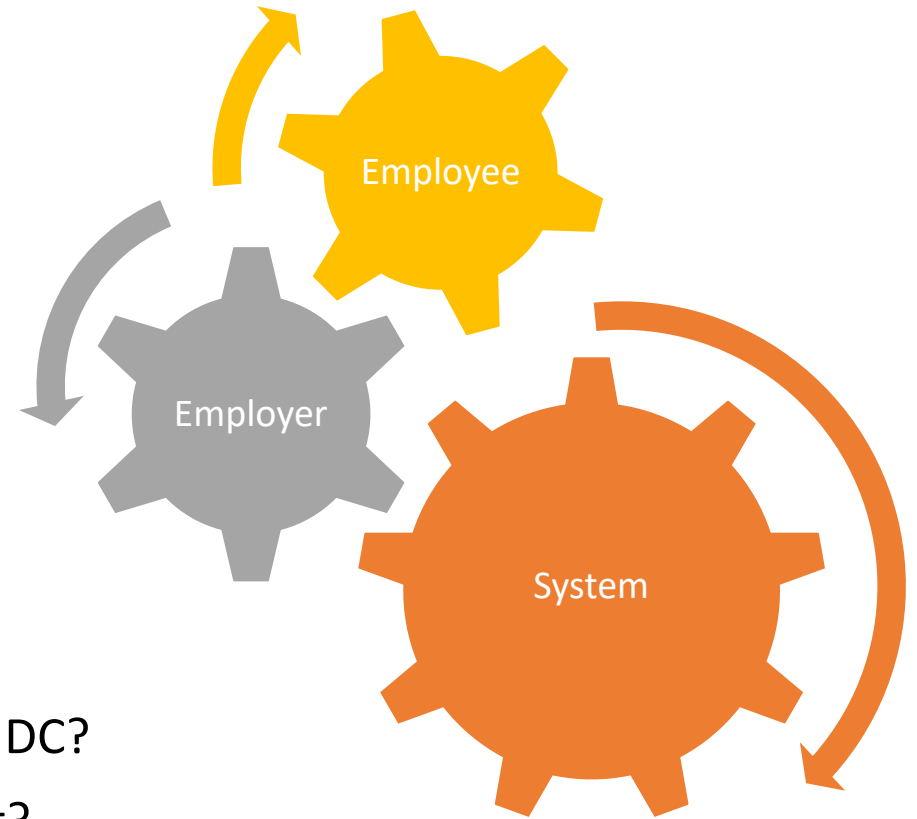
Fundamentally:

- Address systems issues
- Free up greater % of employer payrolls



# Questioning Assumptions

- What does employee need?
  - Do all types of employees need the same thing?
- What does employer need?
  - How do we differentiate between employers?
- What is the role of the State?
- Are there pension system issues to be addressed?
- How do we evaluate benefits and costs of DB and DC?
- What is fair allocation of liability, cost, and benefit?
- What are the full suite of options available for retirement?
- How does retirement fit into recruitment and retention?
- What are we missing?





# Are Pensions the Answer to Public Sector Worker Shortages?

“Recently, state and local governments have offered more incentives like sign-on bonuses and other benefits in the hiring phase to get more applicants in the door. But these are short-term fixes that may temporarily help with attracting applicants but not with retention. Given the high costs associated with employee turnover, a long-term solution is needed.”



**Route Fifty** @routeifty · 1h

A study found that 84% of millennials working in state and local governments said their pension benefit was the reason they're staying in the public sector



[route-fifty.com](https://route-fifty.com)

Are Pensions the Answer to the Public-Sector Worker Shortage?

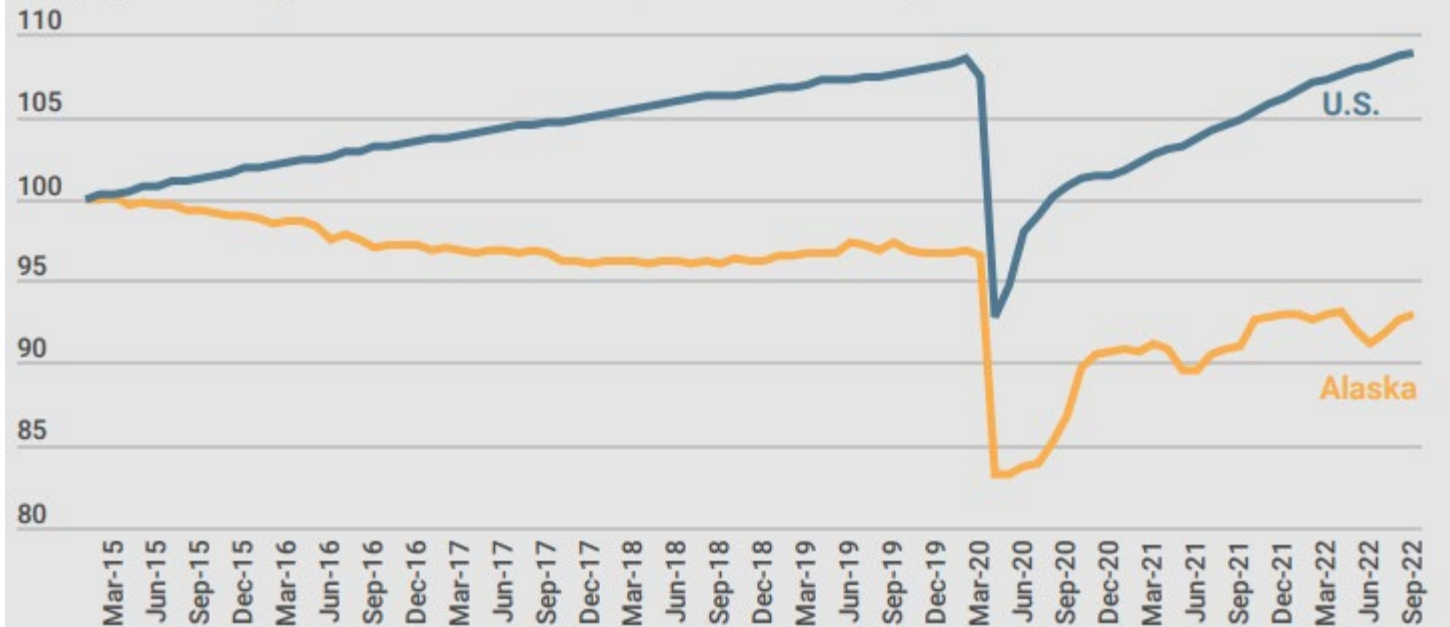
COMMENTARY | Research shows that pension benefits overwhelmingly help attract skilled workers, especially millennials.



Are we  
competing for  
talent?

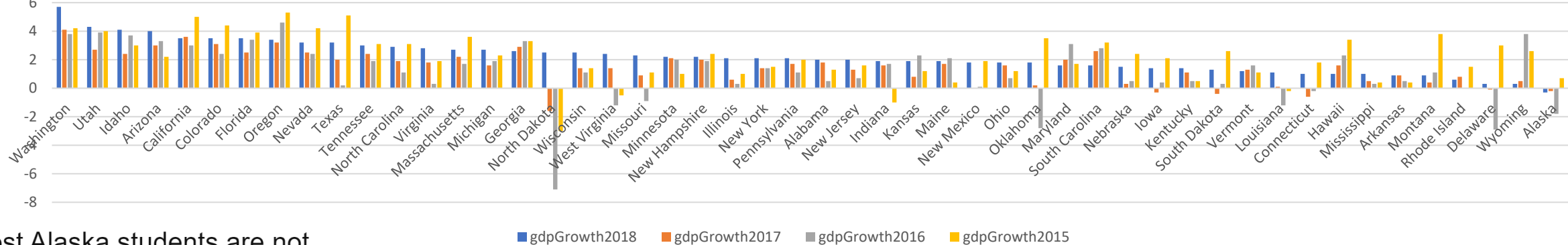
### Employment growth: paths diverge

Employment change in the U.S. and Alaska, indexed to January 2015



Source: BEA

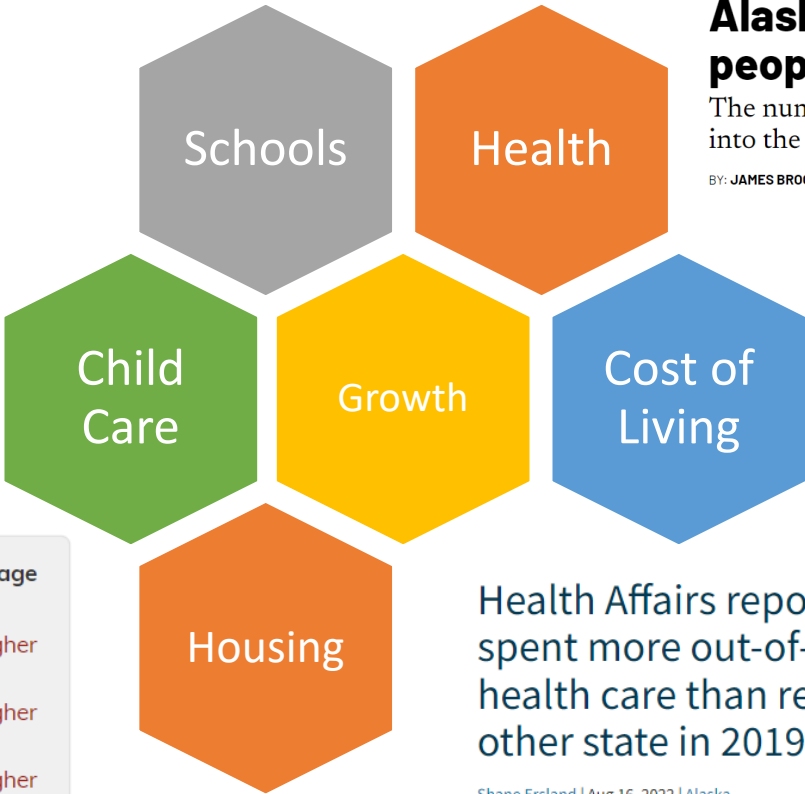




Most Alaska students are not proficient in reading and math, state test scores show

By Katie Anastas, Alaska Public Media - Anchorage - November 11, 2022

Are we competing?



**Alaska’s population rose slightly in 2022, but more people continue to leave than arrive**  
 The number of people moving out of Alaska exceeded the number of people moving into the state for a 10th consecutive year

BY: JAMES BROOKS - JANUARY 5, 2023 4:37 PM



**-\$165M**

THE UNTAPPED POTENTIAL: Childcare issues result in an estimated \$165 million loss annually for Alaska's economy

**-\$13M**

Alaska loses an estimated \$13 million annually in tax revenue due to childcare issues

**-\$152M**

Absences and employee turnover cost Alaska employers an estimated \$152 million per year

**77%**

77% of parents reported missing work due to childcare issues in the past 3 months

**26%**

In addition to the majority of households in which parents, stepparents, or guardians provide childcare, 26% of households use other family members and friends to supplement care

**~7%**

Approximately 7% of parents voluntarily left a job due to childcare issues

**36%**

36% of parents postponed school or a training program due to childcare issues

Health Affairs report shows Alaskans spent more out-of-pocket dollars on health care than residents in any other state in 2019

Shane Ersland | Aug 16, 2022 | Alaska

Cost of Living in Alaska Compared to National Average	
Housing (Buy and Rent)	28% higher
Utilities (Monthly)	53% higher
Food	34% higher
Healthcare	53% higher
Transportation	10% higher
Goods & Services	16% higher

**KEY FACTS**

**17,129 OR 19%**

Renter households that are extremely low income

**-10,756**

Shortage of rental homes affordable and available for extremely low income renters

**\$32,750**

Maximum income for 4-person extremely low income household (state level)

**\$50,578**

Annual household income needed to afford a two-bedroom rental home at HUD's Fair Market Rent.

**64%**

Percent of extremely low income renter households with severe cost burden

# Tackling Competition

1. Incentivize and support solutions to address child care deficit
2. Incentivize and support solutions to address housing affordability and sufficiency
3. Right size education funding, including to address maintenance backlog
4. Lifecycle approach for community and economic development
5. Lower energy and healthcare costs – transactional costs of living and doing business
6. Establish consistent fiscal policy that envisions growth
7. Ensure public sector employers have capacity to increase compensation packages
8. Maximize ability to leverage federal infrastructure investment



# An Alaska that will Grow

We bequeath to you a state that will be glorious in her achievements, a homeland filled with opportunities for living, a land where you can worship and pray, a country where ambitions will be bright and real, an Alaska that will grow with you as you grow.

We trust you; you are our future. We ask you to take tomorrow and dream; we know that you will see visions we do not see.

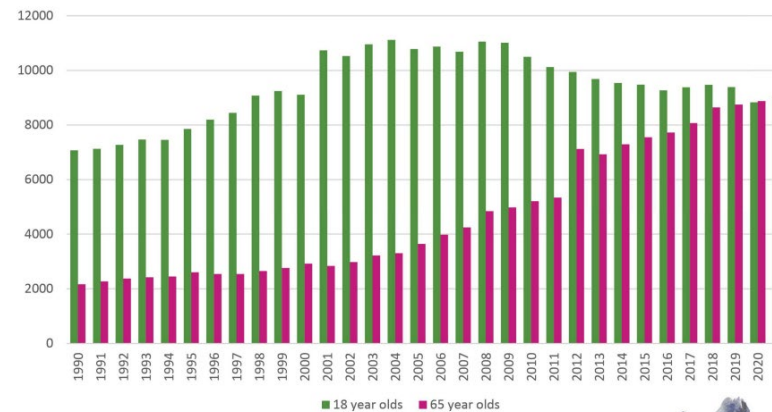
We are certain that in capturing today for you, you can plan and build.

You are Alaska's children...

## Important Pre-COVID Trends

Section G, Item 3.

Turned 18 yrs old vs. Turned 65 yrs old 1990-2021



THANK YOU

# Strengthening Local Governments

Questions: Nils Andreassen, Executive Director \* [nils@akml.org](mailto:nils@akml.org)