

**ECONOMIC IMPORTANCE OF
ALASKA LABOR UNION
PENSION FUNDS**

by
Scott Goldsmith
Professor of Economics

Prepared for
Alaska AFL-CIO

June 2006



Institute of Social and Economic Research
University of Alaska Anchorage
3211 Providence Drive
Anchorage Alaska 99508
907-786-7710
<http://www.iser.uaa.alaska.edu>

ECONOMIC IMPORTANCE OF ALASKA LABOR UNION PENSION FUNDS

I. BACKGROUND

Although Alaska ranks last among the states in the share of the population aged 65 or above, work-related retirement income is an important source of household purchasing power. In 2003, work-related retirement income accounted for \$1.5 billion in Alaska—about 10 percent of total adjusted gross income reported to the Internal Revenue Service (Table 1.). The comparable share for the nation was 12 percent.

TABLE 1. WORK-RELATED RETIREMENT INCOME 2003: ALASKA AND THE U.S. (million \$)		
	Alaska	United States
Adjusted Gross Income	\$14,833	\$6,199,925
Retirement Income	\$1,514	\$768,274
Retirement Share	10%	12%
Population 65+ (2004)	39,201	34,205,301
Population 65+ Share	6%	12%
Source: ISER, IRS, American Community Survey		

We define work-related retirement income to include pensions and annuities as well as Social Security payments. Although many retirees and persons aged 65+ receive income from investments, supplemental social security, and other sources, we have excluded these types of income from this analysis.

Pension income accounts for 69 percent of retirement income in Alaska compared to only 48 percent for the US as a whole. This is due both to the large union presence in the state and the small share of the population receiving social security payments (Table 2.). On a per capita basis (total population), pension income was \$1,589 for Alaska, compared to \$1,259 for the US average (Table 3.).

The share of work-related retirement income from federal employment (civilian and military) is nearly twice as high in Alaska as the U.S. average, because of both military and civilian retirees in the state.

Other retirement income from state/local and private sources is also more important in Alaska than in the United States as a whole, and although a breakdown among those categories is not possible for the US as a whole, it is likely that this is related to the large number of government workers in Alaska as well as to the importance of private labor unions in the state.

	Alaska		United States	
	Amount	Share of Total	Amount	Share of Total
TOTAL	\$1,514		\$768,274	
SOCIAL SECURITY	\$469	31%	\$398,463	52%
PENSIONS	\$1,045	69%	\$369,811	48%
Federal Civilian	\$166	11%	\$51,339	7%
Military	\$232	15%	\$61,007	8%
All Other	\$647	43%	\$257,465	34%
Public	\$384	25%	NA	–
Private	\$263	17%	NA	–
Labor Union	\$133	9%	NA	
Other Private	\$130	9%	NA	

Source: ISER

	Alaska	United States
TOTAL RETIREMENT	\$2,302	\$2,616
Social Security	\$713	\$1,357
Pensions	\$1,589	\$1,259
Federal Civilian	\$252	\$175
Military	\$353	\$208
Other	\$984	\$877
State/Local	\$584	NA
Private	\$400	NA

Source: ISER.

For example, in 2005 Alaska ranked third in the nation, behind New York and Hawaii, in the share of workers who were affiliated with a labor union, at 22.8 percent (Table 4.).

State	Percent Union Members	Rank
New York	26.1%	1
Hawaii	25.8%	2
Alaska	22.8%	3
Michigan	20.5%	4
New Jersey	20.5%	5
Georgia	5.0%	47
Utah	4.9%	48
Virginia	4.8%	49
North Carolina	2.9%	50
South Carolina	2.3%	51

Source: U.S. Department of Labor.

The shares of work-related retirement income from different sources (excluding Social Security) have not changed much in recent years, although state/local retirement payments have increased slightly as a share of the total (Table 5.).

		Federal		State-Local		Private
	TOTAL	Civilian	Military	PERS	TRS	
1998	\$743	\$134	\$171	\$140	\$107	\$191
1999	\$815	\$138	\$184	\$155	\$117	\$220
2000	\$874	\$138	\$193			
2001	\$905	\$148	\$206			
2002	\$987	\$156	\$222	\$205	\$149	\$255
2003	\$1,045	\$166	\$232	\$223	\$161	\$263
2004		\$174	\$281	\$242	\$168	
Shares						
1998	100%	18%	23%	19%	14%	26%
2003	100%	16%	22%	21%	15%	25%

Source: ISER

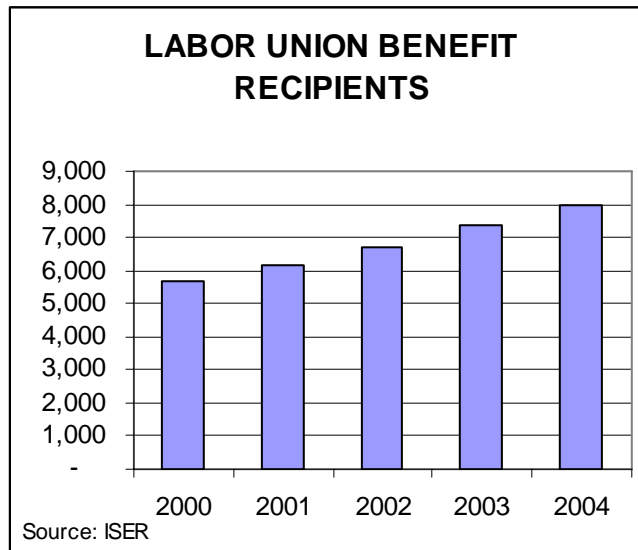
II. LABOR UNION PENSION BENEFIT PAYMENTS

In 2003 the Alaska labor unions listed in Table 6 accounted for about 9 percent of total work-related retirement benefits payments to Alaska residents. In the most recent year for which we have data, 2004, benefits payments of \$147 million were paid to 8,001 residents—about 1.2 percent of the population. Most—7,201—were members of construction unions. The remainder—980—were hospitality union members.

Alaska Carpenters
Alaska Ironworkers
Alaska Laborers Construction Industry
Alaska Pipe Trades
Alaska Teamsters
Alaska Trowel Trades
Anchorage Painters Union
Inter Union of Bricklayers/Allied Craft Workers
International Brotherhood of Electrical Workers
International Union of Operating Engineers (IUOE)
Sheet Metal Workers
Alaska United Food and commercial Workers
Hotel and Restaurant Employees

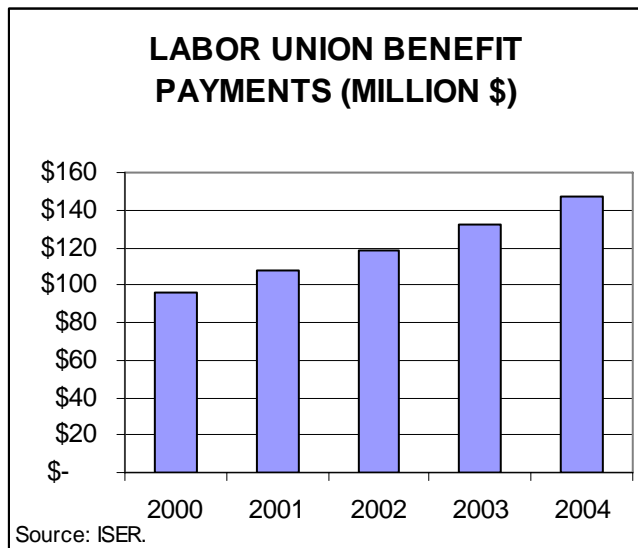
The number of benefits recipients has been increasing about 9 percent annually (Figure 1.). This is much faster than growth in the overall population, presumably due to the continued aging of the Alaska work force, combined with a growing preference of retirees to remain in Alaska. (About half of Alaska labor union retiree benefits are paid to Alaska residents with the remainder going out of state.)

Figure 1. Labor Union Benefit Recipients



Similarly, the level of benefit payments has also been increasing, at 11 percent annually between 2000 and 2004 (Figure 2.). Since total personal income during this period only grew 4.5 percent annually, the importance of labor union retiree benefits has been increasing. The statewide average benefit in 2004 was \$18,410.

Figure 2. Labor Union Benefit Payments



Benefits recipients reside in all parts of the state, although they tend to be concentrated in urban Alaska (Table 7.). In 2004 half the benefits were paid to recipients in the Greater Anchorage area (Anchorage plus the Matsu Borough). But the greatest concentration of recipients (as a share of the population and total income) was situated in Interior Alaska (Fairbanks and the surrounding communities). Recipients are also somewhat concentrated in the Gulf Coast region of the state. Southeast, Northwest, and Southwest Alaska have smaller shares of recipients and benefits.

TABLE 7. REGIONAL INDICATORS OF UNION PENSIONS 2004

	Pension	Recipients	Pension Share of Income	Recipient Share of Population	Distribution		Share of State Total Distribution
					Per Capita	Per Recipient	
State	\$147,298,079	8,001	0.7%	1.2%	\$224	\$18,410	
Anchorage/Matsu	\$72,758,905	3,806	0.6%	1.1%	\$210	\$19,118	49%
Interior	\$42,295,907	2,224	1.3%	2.2%	\$418	\$19,015	29%
Gulf Coast	\$18,864,986	1,168	0.8%	1.6%	\$252	\$16,150	13%
Southeast	\$11,319,275	639	0.5%	0.9%	\$159	\$17,715	8%
Northwest	\$1,495,125	122	0.2%	0.5%	\$63	\$12,275	1%
Southwest	\$563,881	42	0.1%	0.1%	\$14	\$13,448	0%

Source: ISER



TABLE 8. DEFINITION OF REGIONS	
Economic Region	Census Area
Anchorage/Matsu	Anchorage Muni
	Mat Su Borough
Interior	Fairbanks North Star Borough
	SE Fairbanks Census Area
	Denali Borough
	Yukon Koyukuk
Gulf Coast	Kenai Peninsula Borough
	Valdez-Cordova Census Area
	Kodiak Island Borough
Southeast	Juneau City and Borough
	Ketchikan Gateway Borough
	Sitka City and Borough
	Wrangell Petersburg
	Skagway-Hoonah-Angoon
	Haines Borough
	Prince of Wales
	Yakutat
Northwest	Nome Census Area
	North Slope Borough
	Northwest Arctic Borough
Southwest	Bethel Census Area
	Bristol Bay Borough
	Dillingham Census Area
	Aleutians East Borough
	Lake and Peninsula Borough
	Wade Hampton Census Area
	Aleutians West Borough

If we further disaggregate benefit distributions down to the census division level (including Boroughs) we see that four Boroughs—Anchorage, Fairbanks, Matsu, and Kenai Peninsula—accounted for about 83 percent of the state total (Table 9).

TABLE 9. PRIVATE UNION PENSION DISTRIBUTIONS CENSUS AREAS RANKED BY AMOUNT OF DISTRIBUTION							
	Distribution	Recipients	Pension Share of Income	Recipients Share of Population	Distribution		Share of Total State Distribution
					Per Capita	Per Recipient	
	\$147,298,079	8,001	0.7%	1.2%	\$224	\$18,410	100.0%
Anchorage Muni	\$54,892,285.81	2752	0.5%	1.0%	\$200	\$19,950	34.4%
Fairbanks North Star Borough	\$36,497,987.51	1941	1.3%	2.2%	\$420	\$18,805	24.3%
Mat Su Borough	\$17,866,619.24	1054	0.8%	1.5%	\$248	\$16,947	13.2%
Kenai Peninsula Borough	\$13,489,277.32	859	0.9%	1.7%	\$261	\$15,711	10.7%
Juneau City and Borough	\$5,830,127.77	236	0.5%	0.8%	\$187	\$24,744	2.9%
Valdez-Cordova Census Area	\$3,960,987.91	236	1.2%	2.4%	\$398	\$16,811	2.9%
Ketchikan Gateway Borough	\$2,707,910.70	214	0.5%	1.6%	\$205	\$12,674	2.7%
SE Fairbanks Census Area	\$2,333,221.87	146	1.3%	2.4%	\$380	\$16,007	1.8%
Denali Borough	\$1,931,248.94	56	2.5%	2.9%	\$1,007	\$34,543	0.7%
Yukon Koyukuk	\$1,533,448.96	82	1.0%	1.3%	\$244	\$18,731	1.0%
Kodiak Island Borough	\$1,414,720.60	74	0.3%	0.6%	\$107	\$19,149	0.9%
Sitka City and Borough	\$1,013,422.60	66	0.4%	0.7%	\$114	\$15,380	0.8%
Nome Census Area	\$743,150.21	60	0.3%	0.6%	\$80	\$12,406	0.7%
Wrangell Petersburg	\$518,912.16	42	0.3%	0.7%	\$82	\$12,375	0.5%
Skagway-Hoonah- Angoon	\$497,417.07	26	0.5%	0.8%	\$158	\$19,163	0.3%
North Slope Borough	\$458,438.88	30	0.2%	0.4%	\$65	\$15,306	0.4%
Haines Borough	\$408,319.31	32	0.5%	1.4%	\$181	\$12,781	0.4%
Northwest Arctic Borough	\$293,535.99	32	0.2%	0.4%	\$39	\$9,188	0.4%
Prince of Wales	\$282,404.08	20	0.2%	0.3%	\$49	\$14,143	0.2%
Bethel Census Area	\$215,549.60	14	0.1%	0.1%	\$13	\$15,421	0.2%
Bristol Bay Borough	\$159,236.14	8	0.3%	0.7%	\$146	\$19,937	0.1%
Dillingham Census Area	\$93,882.70	10	0.1%	0.2%	\$19	\$9,404	0.1%
Yakutat	\$60,761.13	4	0.3%	0.6%	\$86	\$15,215	0.0%
Aleutians East Borough	\$33,557.98	2	0.0%	0.1%	\$13	\$16,806	0.0%
Lake and Peninsula Borough	\$32,396.91	4	0.1%	0.3%	\$20	\$8,112	0.0%
Wade Hampton Census Area	\$22,625.11	2	0.0%	0.0%	\$3	\$11,331	0.0%
Aleutians West Borough	\$6,632.49	2	0.0%	0.0%	\$1	\$3,322	0.0%

SOURCE: ISER

If the census areas are ranked on the importance of union pension benefit payments as a share of total income, Fairbanks is again important, but several smaller census areas—Denali Borough, Southeast Fairbanks, Valdez-Cordova, and Yukon-Koyukuk—top the listing (Table 10.).

						Distribution	
	Distribution	Recipients	Pension Share of Income	Recipients Share of Population	Per Capita	Per Recipient	
	\$147,298,079	8,001	0.7%	1.2%	\$224	\$18,410	
Denali Borough	\$1,931,249	56	2.5%	2.9%	\$1,007	\$34,543	
SE Fairbanks Census Area	\$2,333,222	146	1.3%	2.4%	\$380	\$16,007	
Fairbanks North Star Borough	\$36,497,988	1,941	1.3%	2.2%	\$420	\$18,805	
Valdez-Cordova Census Area	\$3,960,988	236	1.2%	2.4%	\$398	\$16,811	
Yukon Koyukuk	\$1,533,449	82	1.0%	1.3%	\$244	\$18,731	
Kenai Peninsula Borough	\$13,489,277	859	0.9%	1.7%	\$261	\$15,711	
Mat Su Borough	\$17,866,619	1,054	0.8%	1.5%	\$248	\$16,947	
Ketchikan Gateway Borough	\$2,707,911	214	0.5%	1.6%	\$205	\$12,674	
Juneau City and Borough	\$5,830,128	236	0.5%	0.8%	\$187	\$24,744	
Anchorage Muni	\$54,892,286	2,752	0.5%	1.0%	\$200	\$19,950	
Skagway-Hoonah-Angoon	\$497,417	26	0.5%	0.8%	\$158	\$19,163	
Haines Borough	\$408,319	32	0.5%	1.4%	\$181	\$12,781	
Sitka City and Borough	\$1,013,423	66	0.4%	0.7%	\$114	\$15,380	
Kodiak Island Borough	\$1,414,721	74	0.3%	0.6%	\$107	\$19,149	
Bristol Bay Borough	\$159,236	8	0.3%	0.7%	\$146	\$19,937	
Nome Census Area	\$743,150	60	0.3%	0.6%	\$80	\$12,406	
Wrangell Petersburg	\$518,912	42	0.3%	0.7%	\$82	\$12,375	
Yakutat	\$60,761	4	0.3%	0.6%	\$86	\$15,215	
Prince of Wales	\$282,404	20	0.2%	0.3%	\$49	\$14,143	
North Slope Borough	\$458,439	30	0.2%	0.4%	\$65	\$15,306	
Northwest Arctic Borough	\$293,536	32	0.2%	0.4%	\$39	\$9,188	
Lake and Peninsula Borough	\$32,397	4	0.1%	0.3%	\$20	\$8,112	
Dillingham Census Area	\$93,883	10	0.1%	0.2%	\$19	\$9,404	
Bethel Census Area	\$215,550	14	0.1%	0.1%	\$13	\$15,421	
Aleutians East Borough	\$33,558	2	0.0%	0.1%	\$13	\$16,806	
Wade Hampton Census Area	\$22,625	2	0.0%	0.0%	\$3	\$11,331	
Aleutians West Borough	\$6,632	2	0.0%	0.0%	\$1	\$3,322	

SOURCE: ISER

We do not have information on the age and labor force status of labor union pension recipients in Alaska, so we cannot directly compare them with the population of all retirees either in the state or by region. And because some union pension recipients are younger than aged 65, we cannot directly calculate what share of the senior (65+) population labor union retirees represent. (Table 11. shows the senior population in Alaska by Census Area in 2005.)

Table 11. 2005 ALASKA POPULATION 65+		
	NUMBER	SHARE OF REGION
ALASKA	43,376	6.6%
Haines Borough	284	12.6%
Wrangell Petersburg	696	11.1%
Sitka City and Borough	936	10.5%
Ketchikan Gateway Borough	1,227	9.3%
Skagway-Hoonah-Angoon	291	9.3%
Kenai Peninsula Borough	4,510	8.7%
SE Fairbanks Census Area	536	8.7%
Yukon Koyukuk	516	8.2%
Prince of Wales	459	8.0%
Juneau City and Borough	2,301	7.4%
Valdez-Cordova Census Area	706	7.1%
Lake and Peninsula Borough	111	7.0%
Mat Su Borough	4,982	6.9%
Yakutat	48	6.8%
Dillingham Census Area	311	6.3%
Bristol Bay Borough	68	6.2%
Anchorage Muni	16,969	6.2%
Nome Census Area	568	6.1%
Kodiak Island Borough	767	5.8%
Northwest Arctic Borough	426	5.6%
Wade Hampton Census Area	417	5.6%
Denali Borough	104	5.4%
Bethel Census Area	919	5.4%
Fairbanks North Star Borough	4,675	5.4%
North Slope Borough	351	5.0%
Aleutians East Borough	74	2.8%
Aleutians West Borough	24	2.3%
SOURCE: Alaska Department of Labor.		

However we can get some sense of the importance of labor union retirees among the older residents of different parts of the state by calculating the ratio of union retirees to the senior population in each region. Table 12. shows there to be considerable variation across the state in that ratio, ranging from a high of 54 percent in the Denali Borough to a low of about 1 percent in Wade Hampton Census Area.

TABLE 12. LABOR UNION PENSION RECIPIENTS CENSUS AREAS RANKED BY NUMBER COMPARED TO POPULATION 65+		
	Recipients	Recipients/Population 65+
	8,001	18.4%
Denali Borough	56	53.8%
Fairbanks North Star Borough	1,941	41.5%
Valdez-Cordova Census Area	236	33.4%
SE Fairbanks Census Area	146	27.2%
Mat Su Borough	1,054	21.2%
Kenai Peninsula Borough	859	19.0%
Ketchikan Gateway Borough	214	17.4%
Anchorage Muni	2,752	16.2%
Yukon Koyukuk	82	15.9%
Bristol Bay Borough	8	11.7%
Haines Borough	32	11.2%
Nome Census Area	60	10.5%
Juneau City and Borough	236	10.2%
Kodiak Island Borough	74	9.6%
Skagway-Hoonah-Angoon	26	8.9%
North Slope Borough	30	8.5%
Yakutat	4	8.3%
Northwest Arctic Borough	32	7.5%
Sitka City and Borough	66	7.0%
Wrangell Petersburg	42	6.0%
Prince of Wales	20	4.4%
Lake and Peninsula Borough	4	3.6%
Dillingham Census Area	10	3.2%
Aleutians East Borough	2	2.7%
Aleutians West Borough	2	1.6%
Bethel Census Area	14	1.5%
Wade Hampton Census Area	2	0.5%
SOURCE: ISER		

III. LABOR UNION PENSION ECONOMIC SIGNIFICANCE

Labor union retirees could choose to live anywhere and those that remain in Alaska and collect their pensions in Alaska add to total economic activity. Pension distributions are one important source of purchasing power that flows into Alaska supporting households and generating income and jobs in a wide range of economic sectors.

In this way union pension payments are similar to the wages paid in our natural resource export industries like petroleum, mining, and fishing and to the distributions made through the Permanent Fund Dividend program. All of these bring new money from outside the state into Alaska where it becomes income for Alaskan households. When

these households then spend this income, sales, jobs, and payrolls are generated in trade, services, construction, and other sectors of the local economy. As these dollars re-circulate through the local economy, additional sales, jobs, and payroll are generated through the process known as the multiplier.

The size of the annual infusion of purchasing power into the economy from labor union pension funds, although modest in comparison to some other sources, is not insignificant. For example, in 2004 the union pension fund infusion of \$147 million was about one-quarter as large as the distribution from the Alaska Permanent Fund. It was about 50 percent larger than the payroll of the mining industry (Table 13).

TABLE 13. 2004 LABOR UNION PENSION INCOME COMPARISON (million \$)	
Union Pensions	\$147.30
Wage Income	\$11,638.00
Private Sector	\$8,339.00
Mining	\$93.76
Truck Transport	\$124.09
Seafood Processing	\$253.16
Construction	\$933.85
Non-Wage Income	\$6,218.00
Federal Pensions*	\$169.00
PERS-TRS*	\$307.00
Permanent Fund Dividend	\$581.00
Source: ISER.	
*Paid in Alaska to persons 60+	

We cannot calculate the number of jobs and the amount of sales and income generated in the Alaska economy from labor union retiree pension distributions. These economic effects depend upon the circumstances of the recipient households—characteristics such as age, health status, labor force participation, and other sources of household income. However, we can use a simple “rule of thumb” (or bang per buck) of 8 jobs per \$1 million of pension income to show the order of magnitude of importance of this source of economic activity. In 2004, household spending of \$147 million of labor union pension income generated 1,176 jobs across the economy (annual average jobs). Similar rule-of-thumb calculations suggest the payroll associated with these jobs was about \$33 million and that local businesses experienced additional sales of about \$120 million.

Retiree income viewed as an economic enterprise has a number of attractive features. These include:

Local Spending—A large share of household spending is local within the Alaska economy, resulting in a large economic impact.

Diverse Job Mix—Pension spending generates jobs across a broad range of employment categories. They include low-wage jobs in trade and services as well as high-paying jobs in construction.

Year-round Employment—Pension spending occurs throughout the year with little seasonality.

Stability—The level of economic activity is stable from year to year and not dependent upon world market conditions for natural resources.

Environmentally Benign—Unlike resource-extraction industries, pension spending does not create significant adverse effects on the natural environment.

Compatibility—Pension spending generally does not compete with other industries for scarce resources as is the case with some extractive industries, such as mining and fish harvesting.

Non-Enclave—The economic impacts of pension spending occur throughout the state and are not concentrated in remote rural areas.

Stable Potential Tax Base—Pension income is an important potential tax base for broadening the sources of state revenues.

Economies of Scale—Pension spending increases the size of the economy and fosters economies of scale in the provision of goods and services. It also allows the fixed costs of operations, particularly in health-care delivery, to be spread over a larger customer base, thus reducing unit costs.

Demand on Scarce Resources—As with any expansion of the economy that increases the population, the presence of retirees does require the use of some scarce resources. For example, the size of the Permanent Fund Dividend will be smaller if the population is larger.

Working Pensioner “Bonus”—An unknown number of labor union pension recipients are still in the work force at other jobs. These pensioners bring a “pensioner bonus” to the economy because a worker who also receives income from a pension has greater purchasing power than a worker at the same job without pension income. This greater purchasing power, in turn, can generate more total economic impact per worker.

Labor union retirees may be eligible for health benefits in addition to their pensions. Pensioners who are no longer in the labor market and have reached retirement age are eligible to collect Social Security payments and to enroll in the federal Medicare

program. Social Security payments increase retiree purchasing power directly, and Medicare payments made to health care providers increase retiree purchasing power indirectly. These additional payments to pensioners, because they result in infusions of money into the Alaska economy, add to the size of the economic effect of labor union pension retirees on the economy. We are unable to estimate the size of these additional economic effects, however, because we do not have information on the share of retirees eligible for health benefits or those who are aged 65 or above and who are consequently eligible for Social Security and Medicare.

The fact that older persons require on average more medical care than young persons complicates the exercise of estimating the economic benefits and costs of retirees to a local or regional economy. With the aging of the baby-boomer population nationally, states and regions have become more interested in the potential of attracting retirees as a source of economic growth. A number of studies have estimated the benefits and costs to the local economy of pursuing such a policy, but as yet no consensus has emerged regarding the long term value of a policy aimed at attracting retirees.

However, it is clear that it would make the most sense to attract younger, healthier, and wealthier retirees. They bring with them the most purchasing power and put the least burden on local public services, particularly Medicaid (jointly funded by the federal and state governments) and other health-related services.

