

# The 2010 Employment Outlook

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**This decade will see 47,700 more jobs in the state's economy**

**I**ndustries relying on natural resource development and extraction and those selling Alaska's beauty drive Alaska's labor force. Oil and gas, seafood, and tourism employ a significant share of the state's workforce. In recent years, Alaska's economy has better weathered the storms associated with high and low oil prices, fluctuating fish harvests, and fickle tourists than it did thirty years ago. Today, while the health of resource-based industries still heavily influences the workforce, the state has a more diversified economy.

The number of wage and salary jobs increased by 48,623 during the 1990 to 2000 time frame. This was a slower rate of increase than the previous decade when the state added 62,052 jobs. Projections are for creation of another 47,700 jobs during the 2000 to 2010 decade. (See Exhibit 1.) This would be a 1.7% annual increase, lower than between 1980 and 1990 when the workforce increased at a rate of 3.6% annually, and the 1990 to 2000 era when it increased by 2.1% annually.

## Demographics chart the course

Labor force projections are primarily tied to changes predicted in the population. Furthermore, predictions of changes in the kinds of work performed are tied to the state's aging population. The services industry is expected to grow dramatically as the over 55 age group in the state

doubles over the next ten years. The low case population projection predicts Alaska to grow by 43,038 or 0.6% annually in the next ten years. The majority of this growth will occur in the over 55

## Statewide Employment Forecast 2010

	2000 <sup>3</sup>	2010 (Projected)	Avg. Ann. Growth
<b>TOTAL WAGE &amp; SALARY EMPLOYMENT</b>	280,800	328,500	1.7%
<b>GOODS PRODUCING</b>			
Mining	10,100	10,600	0.5%
Construction	14,100	14,900	0.6%
Manufacturing	14,000	14,000	0.0%
Seafood Processing	8,800	8,800	0.0%
Forest Products <sup>1</sup>	1,500	1,500	0.0%
<b>SERVICE PRODUCING</b>			
Transportation/Comm/Utilities	27,500	32,200	1.7%
Air Transportation	9,800	11,900	2.1%
Communications	5,500	6,200	1.3%
Wholesale	8,700	8,800	0.1%
Retail	48,800	56,600	1.6%
Finance, Insurance, Real Estate	11,500	11,800	0.3%
Services and Misc. <sup>2</sup>	73,800	106,600	4.4%
Hotels and lodging places	7,200	9,300	2.9%
Business	9,300	11,600	2.5%
Health and Social	25,400	48,800	9.2%
Engineering/accounting/research	7,500	9,400	2.5%
Government	72,200	72,900	0.1%
Federal	17,100	17,900	0.5%
State	22,200	20,900	-0.6%
Local	32,900	34,100	0.4%

<sup>1</sup> Forest Products includes Pulp Mills as well as Lumber and Wood Products industries.

<sup>2</sup> Services and Misc. includes Agriculture, Forestry, and Fishing industry employees covered by workers' compensation insurance, as well as workers in undetermined industries.

<sup>3</sup> Based on Employment and Earnings Summary Report 2000

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

population, providing increased job opportunities in the services sector.

Most of these people will settle in the Anchorage region and that is where the majority of the workforce will obtain jobs. Almost 50 percent of the workforce is currently based in Anchorage and that proportion is expected to hold through the next ten years. Exhibit 2 shows the regional breakdown of employment in the state for 2000 and projects how it will look in 2010.

### Services sustains long-term growth

The services sector has been chugging along steadily, averaging almost five percent annual growth since 1984. Health and social services employ the biggest group of these workers, almost 40 percent of the services sector. Hotels and other lodging places along with business services employ another 20 percent of services. The projected doubling of the over 55 age group in Alaska over the coming decade will continue to exert pressure on health and social services for more workers.

Exhibit 3 shows the major employers in the services sector.

Hospitals and other health institutions are expected to continue down the expansion path they have traveled the last ten years. The Alaska Psychiatric Institute received funding from the state in 2001 for construction of a \$41.7 million replacement hospital scheduled to open in 2004. Providence Hospital expects to spend up to \$80 million over the next five years on construction and renovation. Alaska Regional Hospital is spending \$30 million in a wide-ranging expansion and renovation project. Other convenience-oriented medical services like HealthSouth continue to expand and serve patients requiring fast service. The Alaska Native Medical Center on Tudor Road expanded significantly in recent years. The addition of adjoining medical buildings for health care providers will add even more employment to the services sector. In another area of the state, the Central Peninsula General Hospital in Soldotna plans to double its space and significantly increase its Kenai satellite office staff.

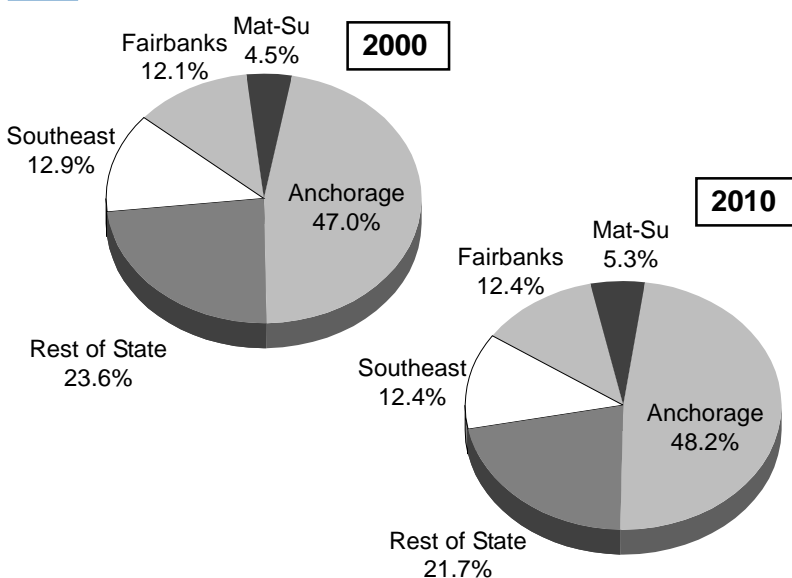
Health services are not the only expanding sector of the services industry. Engineering, accounting, research, management, and other related services play a big role. The small educational services sector is growing.

The services sector is expected to continue the steady growth of its recent years and to add more than 30,000 jobs to state wage and salary employment in the next ten years. Other industries in the state will exhibit much slower growth. Most of this employment will occur in the Anchorage area, but all areas of the state will share in the growth. (See Exhibit 4.)

### The oil and gas horizon

Oil industry employment comprises almost 85 percent of the total mining industry employment in the state. Production on the North Slope employs almost half of these workers. Another 12

## 2 Employment by Region 2000 and 2010



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

# Top Ten Employers for 2000 3

In each major industry

## **AGRICULTURE, FORESTRY, AND FISHING**

Alaskan Leader Fisheries  
Douglas Island Pink and Chum Inc.  
Evergreen Landscaping Inc.  
Gold Nugget Farms  
Green Connection, Inc.  
Mosesian Farms of Alaska, Inc.  
Northern Southeast Regional Aquaculture Assn. Inc.  
Tony's Enterprises  
Veterinary Centers of America

## **MINING**

Alaska Petroleum Contractors, Inc.  
ARCO Alaska Inc.  
Atlantic Richfield Company  
BP Exploration Alaska, Inc.  
Cominco Alaska Inc.  
Houston/NANA JV  
Nabors Alaska Drilling, Inc.  
Peak Oilfield Services Co.  
Phillips Petroleum Co.  
Western Atlas International Inc.

## **CONSTRUCTION**

Alaska Interstate Construction LLC  
Houston Contracting Co.-Alaska Ltd.  
Osborne Construction  
SKW/Eskimos Inc.  
South Coast Inc.  
Summit Alaska Inc.  
UIC Construction Inc.  
Udelhoven Oilfield System Svc.  
Wilder Construction Company  
Wolverine Supply Inc.

## **MANUFACTURING**

Anchorage Daily News Inc.  
Cook Inlet Processing  
Icicle Seafoods Inc.  
North Pacific Processors Inc.  
Norquest Seafoods Inc.  
Ocean Beauty Seafoods Inc.  
Peter Pan Seafoods Inc.  
Trident Seafoods Corp.  
Unisea Inc.  
Wards Cove Packing Co Inc.

## **TRANSPORTATION, COMMUNICATION, AND UTILITIES**

Alaska Airlines Inc.  
Alaska Communications System  
Alyeska Pipeline Services Co Inc  
ERA Aviation Inc.  
Federal Express Corp.  
Laidlaw Transit Inc.  
Royal Highway Tours Inc.  
Southeast Stevedoring Corp  
Westours Motorcoaches Inc.

## **WHOLESALE TRADE**

Alaska Pipe and Supply  
B&C Supply Stores/Alaska Auto Inc.  
Emerald Shared Service  
Food Services of America, Inc.  
Odom Company  
OfficeMax  
Signature Flight Support, Anchorage  
Snug Harbor Seafoods, Inc.  
Wage Wholesale Co. LLC

## **RETAIL TRADE**

Alaska Commercial Co.  
Aramark Services Management of Alaska Inc.  
Fred Meyer Shopping Centers  
Kmart Corp.  
NANA/Marriott JV  
Pizza Hut  
Restaurants Northwest, Inc.  
Safeway, Inc.  
Sears Roebuck and Co.  
Wal-Mart Associates Inc.

## **FINANCE, INSURANCE, AND REAL ESTATE**

First National Bank of Anchorage  
Alaska Housing Finance Corp.  
Alaska USA Federal Credit Union  
AVCP Housing Authority  
Denali Alaskan Federal Credit Union  
Interior Region Housing Authority  
Keybank National Association  
NANA Development Corp.  
National Bancorp of Alaska Inc.  
Northrim Bank

## **SERVICES**

Alyeska Resort  
Banner Health System  
Facility Management of Alaska Inc.  
Galen Hospital Alaska Inc.  
Labor Ready Northwest Inc.  
North Employment Agency Inc.  
Providence Hospital  
VECO Alaska Inc.  
Westmark Hotels Inc.  
Yukon Kuskokwim Health Corp.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

percent of mining industry workers are employed in coal mining, with the balance in metal mining and mining of nonmetallic minerals. The top ten mining employers for year 2000 were associated with oil and gas extraction, except for Cominco Alaska Inc., which is listed as metal mining. (See Exhibit 3.)

A natural gas pipeline has been prominent in the news during the last year and has been a Knowles administration priority. Industry analysts, however, have said the project is not economical at less than \$3.00 per million BTU. Recent prices have been just under this figure, but a year ago they were over \$5.00 per million BTU. This has led to discussions of ways to reduce the project's cost, including creative financing and tax credits. The earliest projections for construction of the pipeline are for 2005, with the project coming on line in 2008. Given the low price of gas, however, this forecast assumes that the project will not be completed before 2010, but that planning, engineering, and possibly some construction may take place in the latter portion of the forecast period.

Expansion of the Point Thompson Unit on the North Slope is scheduled to come on line in 2008 producing both oil and gas. The Point Thompson Unit does not depend on construction of the gas pipeline so its employment is included in this forecast.

Cook Inlet oil and gas production is the bright spot for the industry. Existing infrastructure should be able to absorb increased production in the Inlet. The Nikiski liquid natural gas (LNG) plant and the ammonia plant are ongoing but are not expected to expand in the next ten years.

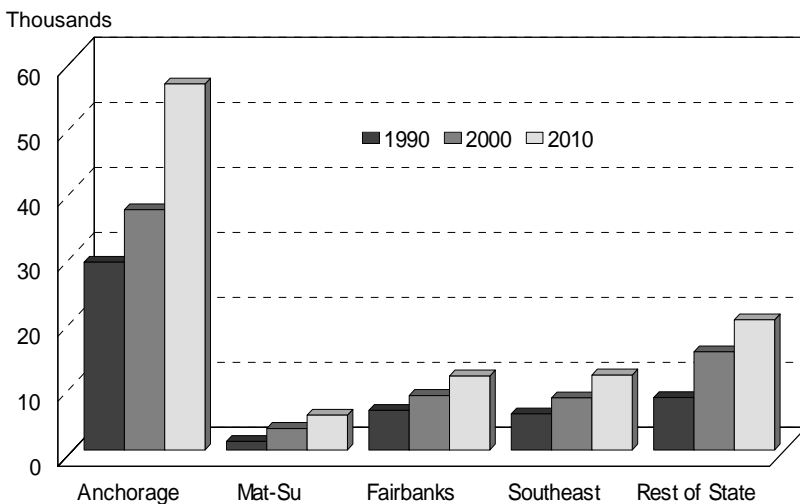
This forecast assumes that the Arctic National Wildlife Refuge will remain off limits to the oil industry for the next ten years. Exploration and drilling in the National Petroleum Reserve-Alaska, however, will contribute modestly to employment in the state.

Other mining industry employment comprises a much smaller portion of total jobs and is not expected to change very much during the forecast period. Historically, gold has been the backbone of the metal mining industry in the state, but today it seems to be yielding this role to duller metals. Falling gold prices have depressed the gold industry for many years. The Red Dog lead and zinc mine today provides more than half of the metal mineral output of the state. Additional development at Red Dog is possible. Processing the ore on site by bio-leaching has been considered. This would require a great deal of additional energy, but could lead to an additional 100 to 200 jobs.

Several probable and potential new metal mining operations hold out prospects. The Kensington Mine, near Juneau, would employ about 225 workers during a ten to fifteen year period. This project is still awaiting permits, and may not proceed.

The Pogo mine project near Delta Junction would employ about 300 workers for the 12-year expected life of the project. Teck Cominco hopes

## 4 Services Sector Employment 1990, 2000, and projected 2010 by region



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

to commence development in 2004, but permits are still pending. Pebble Creek is a huge copper-gold deposit near Iliamna, where Dynasty Minerals plans to conduct exploratory drilling this year. Nova Gold is moving ahead with development of its Donlin Creek property in the Kuskokwim Mountains.

This forecast assumes that the True North project will provide employment during the forecast period and that the Red Dog mine will continue its expansion. The Kensington Mine is not expected to come on line in the next ten years and the Pogo mine is expected to provide construction jobs in the latter years of the forecast. Most of the employment opportunities for the mining industry are located outside of the urban areas in the state. (See Exhibit 5.)

### Tourism still solid contributor

Tourism has been one of the fastest growing industries in Alaska. The effects of tourism are felt in several industry sectors: services, trade, and transportation. Between summer 1989 and summer 1998, the total number of visitors to Alaska grew 86 percent, or at an annual average growth rate of seven percent.

The cruise industry is a major growth engine in tourism. Cruise passengers participate in multiple tours, and many passengers cruise to Alaska and travel overland into the state. The cruise industry continues to develop infrastructure throughout Alaska and add new tour operations. The industry has stated plans to add more ships to Alaska over the next six years. The cruise industry's key demographic target, baby boomers earning \$55,000 a year or more, will double by 2010, and Alaska cruise prices continue to decrease, making cruises increasingly affordable.

Highway and ferry visitors and independent travelers, the biggest spending visitors to the state, have the highest growth rates. In the summer of 1998, highway and ferry visitors were up

dramatically with annual increases of 17 percent and 14 percent, respectively.

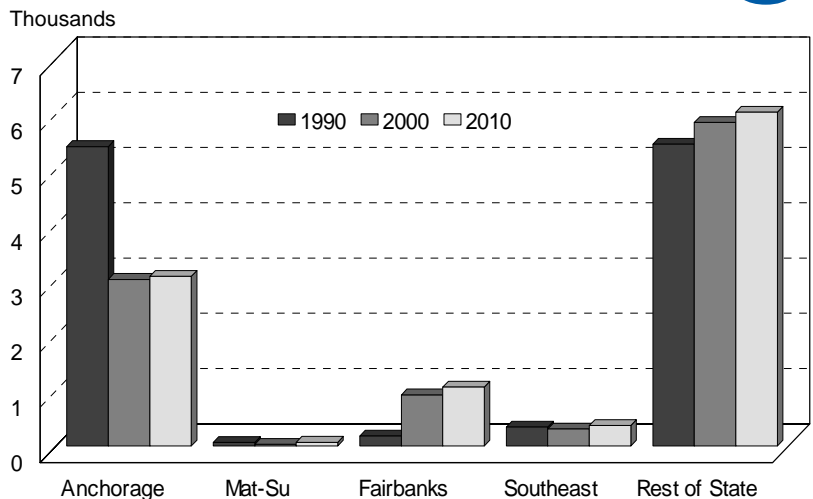
Winter tourism, while a small portion of total tourism in the state, will continue to grow, doubling its numbers over the next ten years. These travelers include visitors to the Interior to view the Northern Lights, race enthusiasts traveling to Alaska for the Iditarod, and skiers coming to Mt. Alyeska and the myriad heli-skiing sites in the state.

Some factors that may have a negative effect on tourism are:

- price competitiveness,
- crowding at some ports and need for additional capacity,
- recent slow rates of growth.

Growth is expected to continue at a slow rate as the uncertainties now associated with international travel cause travelers to spend their vacation time on U.S. soil. These conditions will support Alaska tourism's continued slow steady growth well into the forecast period.

## Mining Sector Employment 5 1990, 2000, and projected 2010 by region



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## Troubled waters for the seafood industry

The greatest threat to Alaska's seafood industry is the rapid rise in farmed salmon. Even halibut and cod are being farmed. Farm fish, with its consistent quality, reliable supply, and lower prices continues to expand to meet the increasing worldwide demand for seafood. Inherent fluctuations in wild fish availability contribute to supply swings that affect Alaska's market share. British Columbia's recent lifting of a moratorium on farming Atlantic salmon will further erode wild salmon cash value.

Processors and fishers continue to explore alternatives, as both ex-vessel and first wholesale values decline. Whether solutions to these problems can be found in new product forms, fleet rationalization as a means of limiting participation in the fishery, or other approaches, remains an open question.

Some hopeful indicators include the fact that Alaska's air transportation has made great strides in delivering fresh fish to markets. Processing plants are extending their seasons by processing more than one species, and many fishermen are diversifying their operations.

Alaska Seafood International (ASI), created in 1996 with the help of the Alaska Industrial Development and Export Authority, is adding value to product by providing high quality, easy to prepare, or ready prepared seafood. ASI, mired in financial problems in recent years, has settled lawsuits and overdue bills. The company secured a contract with warehouse giant Sam's Club and is expected to offer year round employment during the forecast period.

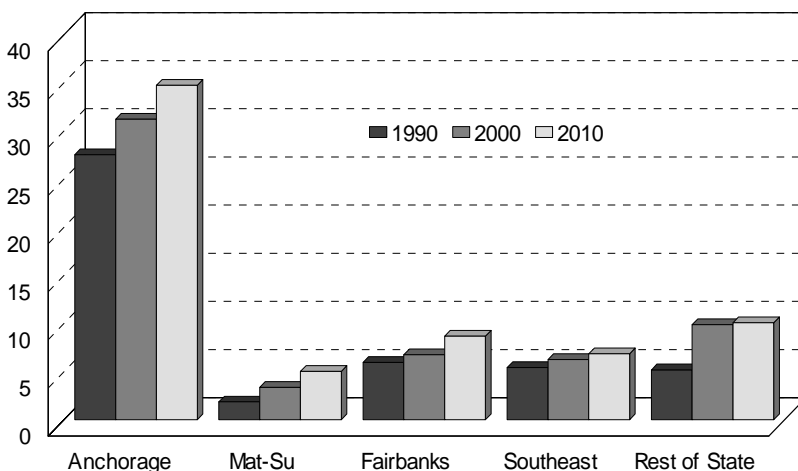
Alaska's offshore groundfish industry continues to be the world's largest single-species fishery. Quotas for 2002 increased, and biological assessments of stocks remain positive. The Steller's sea lion issue has receded. However, the continuing economic troubles of Asia, especially Japan, have impacted demand and ex-vessel values.

Seafood processing employment will be relatively flat, growing at just 0.2% by 2010 as permit holders forego fishing at low harvest prices and farmed product continues to erode the Alaska market.

## Retail remains robust

The retail trade industry captured an ever-increasing slice of the employment pie in the last ten years, and this trend appears set to continue over the next ten. Anchorage leads the pack by supplying more than half of the total retail trade jobs in the state. Plans to build a new Best Buy store this year, a new Lowe's Home Improvement store for next year, and two new Fred Meyer stores, one already open in south Anchorage and another in Eagle River, will continue to provide additional employment. The expansion at the Ted Stevens International Airport will also include new retail space. The Mat-Su Valley welcomed a new Sears store in Wasilla, and Fairbanks got a Home Depot this year. The Kmart bankruptcy could dampen some of this growth, but at present the Alaska stores are slated to remain open. Kmart, Fred Meyer, and Wal-Mart all make the top ten list of retailers in the state for the calendar year 2000. (See Exhibit 3.)

## 6 Trade Industry Employment 1990, 2000, and projected 2010 by region



Source: Alaska Department of Labor and Workforce Development, Research and Analysis

The retail trade industry has grown at an average annual rate of 2.1% since 1984. General merchandise stores, a subset of retail trade, has grown at the phenomenal average annual rate of 7.5%. Statewide, the retail trade industry is expected to grow annually at 1.6% over the next ten years, with the lion's share of these workers located in the Municipality of Anchorage. See Exhibit 6 for the combined retail and wholesale trade employment projections.

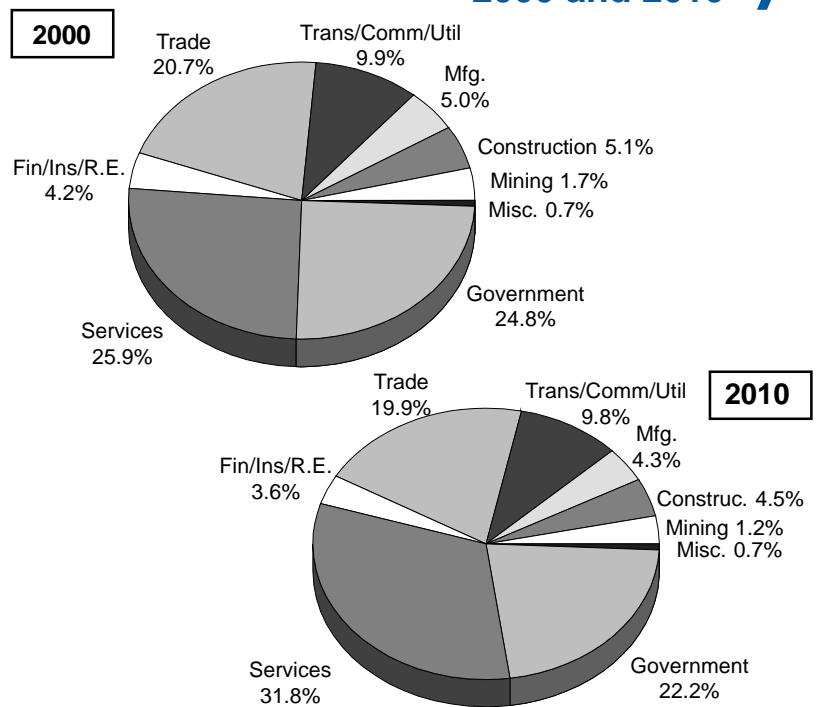
### Changing government share

State government is heavily dependent on oil revenues. Oil prices continue to fluctuate wildly. Alaska North Slope oil hit a low of \$9.72 per barrel in July 1986, then rebounded to a high of \$32.32 per barrel in September 1990. The swings prompted various discussions of tapping the Permanent Fund, instituting an income or sales tax, and other innovative ways of replacing and/or supplementing the way state government is funded. Fortunately, Alaska has a rainy day fund, the Constitutional Budget Reserve Fund (CBRF), which has filled the gaps and absorbed the shocks of low oil prices in the past. Unfortunately, the rate at which the CBRF is currently being drawn down is expected to bring it to zero in the next few years.

Workers in the government sector represent an ever-decreasing slice of the state's employment pie. (See Exhibit 7.) Federal, state, and local government jobs comprised more than 30 percent of the employment in the state in the mid-80s, and are now projected to make up around 22 percent of the total workforce for 2010. Government sector employment overall is expected to remain flat over the next ten years. Federal government employment is expected to increase slightly when the Anti-Ballistic Missile site at Fort Greely begins operations. The Kodiak Launch Complex is expected to benefit as it joins the ABM site in ventures with the Department of Defense in test launching missiles. Given the events of September 11, no base closures are expected in Alaska over the next ten years.

State government jobs are expected to decline slightly in number as the state continues to tighten its belt on spending. Discussion of enacting a state income tax will exert further pressure to reduce state government spending, which typically results in lost public employment opportunities. Local government jobs will increase slightly as city and borough governments pick up some of the services previously provided by the state. Other changes include the Alaska Air National Guard's taking over regional monitoring of Alaska airspace, thereby transferring some federal positions to the state, an estimate of nearly 150 jobs total. Total government sector employment is expected to grow annually at 0.1% over the next ten years.

## Employment by Industry 7 2000 and 2010



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## Construction builds on its numbers

The Denali Commission is expected to continue to create jobs, building infrastructure and providing economic development in rural areas of the state. This year's funding is \$55 million for rural water and sewer projects.

The construction industry has been trending more-or-less steadily upward since about 1987, when it began to recover from the oil price collapse of 1986. Given that construction employment has not returned to pre-1986 levels, another collapse in oil prices would do less harm than the 1986 debacle, which cut employment in the construction industry by more than half. The construction industry as a whole is expected to grow at 0.6% annually over the next ten years.

The residential construction industry in Alaska will probably benefit from low interest rates for several years to come. The national economy is expected to recover slowly so the Federal Reserve will have little incentive to raise interest rates. Residential housing on the road system is expected to expand steadily over the next ten years.

The heavy construction industry has been in a downtrend for many years. The Anti-Ballistic Missile Defense site at Fort Greely is already under construction, and federal transportation dollars are expected to continue to shore up the industry for the first half of the ten-year forecast. Neither the trans-Alaska gas pipeline system nor opening of the Arctic National Wildlife Refuge is assumed to occur in the next ten years, so a light decline in the heavy construction industry is anticipated over the period.

## Summing it all up

Employment in the state will be a somewhat mixed bag for the next ten years. Alaska's aging population will cause services industry employment numbers to rise. Oil and gas industry employment along with tourism and retail trade will see modest increases. The seafood industry will struggle to maintain its share of employment. The prediction is for 47,700 jobs to be added to employment and earnings rolls in the next decade, the majority of them in the services industry. This amounts to a 1.7% annual growth rate for employment in Alaska.