

STATEWIDE IN ALASKA

As most "Trends" readers are aware, on August 15, President Nixon took drastic action in an attempt to cure the woes besetting the nation's economy. This action included: setting the dollar adrift from gold in world money markets, placing a ten percent surcharge on imports, and imposing a freeze on wages and prices here at home. Needless to say, this complete reversal of the administration's previous policy of non-intervention in the nation's economy will have far reaching effects both nationally and internationally. The following article represents an attempt to analyze some of these effects as they relate to the economy of Alaska.

Probably the area of Alaska's economy where the wage freeze will be most immediately noticeable is government. The freeze came too late to affect wage increases of State government employees, whose five percent cost of living increase became effective in July of 1971. In addition there are indications that at least some if not all of the local government units scheduled to receive cost of living raises saw these advances go into effect prior to the implementation of the freeze. However, employees of federal, State and local government entities in Alaska, like their counterparts across the nation, will not be allowed annual merit pay increases during the duration of the freeze. For government employees, these merit increases represent a substantial portion of gains in employee wages which occur each year. While the lack of such increases will not halt the steady income growth among federal, State and local government workers in Alaska, it will certainly do nothing to spur it. In addition, President Nixon has announced that a federal pay raise slated to go into effect on January 1, 1972, will be delayed six months. This, together with the freeze on merit increases, to all government workers, could have a considerable effect on other areas of the economy, particularly retail trade, as we will see in a moment.

For other industries the consequences of the new economic policy are less certain. Because economic activity is declining seasonally the effects will not be as great as they would have been had the freeze been imposed during May or June, when Alaska's total employment was approaching its seasonal high. In the food processing sector of manufacturing, much of this year's salmon canning had taken place by the time the freeze was imposed. Hence wages for workers in salmon canneries should have been relatively unaffected. Furthermore, because most of the marketing activities relating to canned salmon take place outside of Alaska, the freeze on prices for this commodity will have little effect on the State's economy.

However, food processing could be affected, and severely so, in the King Crab area. Catches of this shellfish have been marginal to poor for the last few years. The inability of processors to raise the sale price of processed King Crab will limit the price paid to fishermen for catches of King Crab. This could result in a substantial reduction of crab fishing since fishermen might find it unprofitable. Reduced landings of King Crab would have the effect of lowering employment in some canneries this winter. Areas hardest hit by such reductions would be Kodiak Island, and the Aleutians.

On the other hand, the effects of the national administration's new economic policy on the logging, lumber and pulp sector of manufacturing could be highly beneficial. The de facto devaluation of the dollar in world money markets could increase the volume of Alaska's timber production, virtually all of which is exported to Japan, by making Alaska's wood products more competitive on the Japanese market. These effects would be further heightened should Japan revalue the yen. Since the yen is presently one of the most under valued currencies in the world, most monetary authorities feel that it is only a matter of time until this occurs. An improved market position for Alaskan wood products could result in increased exports of timber to Japan, which would in turn create additional jobs in the State's forest industries.

In retail trade, gains in prices that occur as a result of wholesale price advances that took effect before the freeze could cause a slight drop in spending among consumers as a whole. However, what could affect retail trade employment much more is the freeze on various types of pay raises to government workers. These may result in federal, State and local civil service employees deciding to defer purchases of non-necessary consumer goods until after the freeze is lifted. Because of the relative stability of government employment and the fact that civil

service employees comprise roughly one third of the State's wage earners, a decline in consumer spending by this group could have a dire effect upon retail trade employment in Alaska.

In construction a slight increase in activity may be noted as employers attempt to get as much work as possible out of the way while workers' wages, and the wholesale price of building materials are frozen. If this does occur, the effect should be to hold employment at higher than normal levels during the next three months, normally a period of seasonal decline for the industry. In addition longer than average work weeks for this time of year may be noted for the industry. A lengthened workweek would to some extent counteract the effect of the freeze on workers' incomes.

In the petroleum sector, activity is already at such a low ebb that implementation of the freeze will have little if any effect on the industry. The only exception to this might be natural gas production in Cook Inlet. Here, as with wood products, changes in the monetary relationship between the Japanese yen and the U.S. dollar could heighten the already improving competitive position on the Japanese market of Alaskan liquified gas vs. hydrocarbon fuels from other sources. However, because of the highly automated nature of the petroleum industry, any resulting increase in gas production would create few additional employment opportunities for Alaskans.

In conclusion then, the immediate effects on Alaska's economy of the administration's new economic policy should not be too extreme. The main exception to this might be a sharp decline in consumer spending among workers in government occupations resulting from restrictions on various types of civil service pay increases. In addition some hardship might be experienced by persons engaged in shellfish processing occupations this winter. On the other hand, the long term effects probably will prove much more significant. These basically relate to Alaska's exports of raw materials most of which go to Japan. If the dollar can maintain its improved monetary position in relation to the yen and other foreign currencies, an increase in the volume and value of exported goods from Alaska should result. Such an advance would have the effect of creating jobs for Alaskans and generally strengthening the State's economy.

OES - PROGRAM: During the remainder of 1971, the U.S. Department of Labor and the National Science Foundation will be conducting a nationwide survey of occupational employment in manufacturing industries. This survey marks the beginning of a major federal-State cooperative statistics gathering program known as the Occupational Employment Statistics Program. Sponsored by the Manpower Administration, it is designed to permit collection of data for more than 2,000 occupations which would yield manpower statistics not now available from any other source. The survey comes in response to a rising demand from both the public and private sectors for current occupational employment data. Such data is needed in order to project future manpower requirements and to analyze the current and prospective supply of workers in various occupations. The need for occupational employment information becomes obvious when one considers the fact that government and private sources spend billions of dollars for education and training each year (more than \$50 billion in FY 1969). In addition, there is a requirement for more accurate information concerning the effects of public policy upon shortages and surpluses in various occupational areas. (Current unemployment among scientists and engineers underlines the need to assess the effects of changes in the distribution of federal expenditures on manpower supply and demand.)

Basically then, the OES program has the goal of providing data which will serve as the major criteria for federal and/or State decisions regarding the establishment and funding of manpower training projects. In addition, it will guide the National Science Foundation in offering educational grants to students and educational institutions for scientific study and research. Data from the program will be made available to interest companies, groups and individuals on request.

The surveys will be conducted by mail, using questionnaires containing a list of the occupations on which reporting is desired, and definitions of the occupations. Although the questionnaires are "structured" (i.e. containing list of occupations), there will be an open-end feature to permit respondents to identify separately important, as well as new and emerging, occupations, not specified in the document. The survey will cover all nonagricultural wage and salary employment. Both

manufacturing and non-manufacturing industries will be surveyed over a two-year cycle, manufacturing this year and nonmanufacturing in 1972.

Alaska is one of a number of cooperating states presently enrolled, although all of the states are expected to join the program over the next several years. Alaska's participation stems in large measure from the fact that in 1970 the Alaska Department of Labor's Research and Analysis Section completed an occupational study of the State's workforce. This study, with which many "Trends" readers will be familiar, was the project known as *Alaska's Manpower Outlook—1970's* (AMO-70's). The major tool in the study was a structured survey form mailed to randomly selected employers. Many of those selected are also represented in the sample for Alaska's Current Employment Statistics program, which will be the basis for the OES survey. By participating directly in the OES program, the Department will be able to continue its occupational analysis and predictions system as instituted during AMO-70's while avoiding duplication during its regular update. In addition the BLS-OES program will act as a discipline to refine AMO-70's while continuing the occupational analysis and predictions system as instituted therein.

U. I. ACTUARIAL STUDY IN PROGRESS: Work is currently being completed by the Alaska Department Labor's Unemployment Insurance actuarial staff and Dr. George Rogers on Phase I of the Department of Labor's Unemployment Insurance Actuarial Study. An integral part of Phase I was a review of Alaska's tax structure. This review has already resulted in recommendations which were incorporated into House Bill 433 ^{1/} introduced by the Governor during the past legislature. In addition Phase I resulted in the publishing of the *Alaska Unemployment Insurance Financial Handbook*. Phase II, which got underway in August, concentrates primarily on the adequacy of Alaska's benefit structure in meeting a claimant's nondeferrable

expenses (food, shelter, etc.). Included in the study will be claimant interviews, to be conducted in various areas of the State, to determine the expenses of unemployed persons and the income they receive (other than UI payments).

In addition to the "*Financial Handbook*," which was published in January of this year, three further publications relating to Phase I are to be out by October. One will provide employment, wage, benefit and other data on medical and health service employers, educational institutions, nonprofit organizations, and State and local government. Many of the services performed for these groups are required to be covered by the recently passed Employment Security Amendments of 1970, Public Law 91-373. Another publication will present the results of the average weekly wage survey conducted at the request of the Secretary of Labor in the Fall of 1970. From this survey over 2000 employers were contacted to determine the actual number of weeks worked by 832 sampled claimants. This publication is to be a technical analysis of the survey and a stepping-stone for Phase II of Alaska's actuarial study. Last, but not least, a publication entitled *Alaska Unemployment Insurance 1972-1977 Actuarial Planning Period* will contain an economic analysis and recommendations concerning Alaska's experience rating system and benefit structure. It is this document which contains many of the concepts which were incorporated into the Governor's House Bill 433.

Individuals or groups desiring copies of any of the above-mentioned publications should write to:

The Alaska Department of Labor
Research and Analysis Section
Box 3-7000
Juneau, Alaska 99801

^{1/} House Bill 433 provides an economically sensitive Alaska Unemployment Compensation tax and benefit structure, actuarially designed to balance taxes and benefits equitably over the 1972-1977 Actuarial Planning Period.

ESTIMATED CIVILIAN WORKFORCE IN ALASKA August 1971 1/

INDUSTRY	Current Month	Previous Month	Current Mo. Year Ago	Net Changes From:	
	July '71	June '71	July '70	Prev. Mo.	Year Ago
CIVILIAN WORKFORCE	134,900	134,400	130,600	500	4,300
INVOLVED IN WORK STOPPAGES	0	0	300	0	300
TOTAL UNEMPLOYMENT	14,400	19,500	12,200	-5,100	2,200
Percent of Workforce	10.7	14.5	9.3	-	-
TOTAL EMPLOYMENT <u>2/</u>	120,500	114,900	118,100	5,600	2,400
Nonagricultural Wage & Salary <u>3/</u>	105,900	101,200	103,800	4,700	2,100
Mining	2,400	2,400	2,600	0	- 200
Construction	9,400	8,500	9,900	900	- 500
Manufacturing	14,200	11,900	14,700	2,300	- 500
Food Processing	9,600	7,300	10,700	2,300	-1,100
Logging-Lumber & Pulp	3,200	3,200	2,700	0	500
Other Manufacturing	1,400	1,400	1,300	0	100
Transp.-Comm. & Utilities	10,000	9,900	10,300	100	- 300
Trucking & Warehousing	1,500	1,600	1,700	- 100	- 200
Water Transportation	1,300	1,200	2,000	100	- 700
Air Transportation	2,500	2,400	2,800	100	- 300
Other Transp.-Comm. & Utilities	4,700	4,700	3,800	0	900
Trade	15,700	15,500	15,100	200	600
Wholesale Trade	3,500	3,500	3,300	0	200
Retail Trade	12,200	12,000	11,800	200	400
General Merchandise & Appar.	3,500	3,400	3,400	100	100
Food Stores	1,900	1,900	1,700	0	200
Eating & Drinking Places	2,800	2,700	2,700	100	100
Other Retail Trade	4,000	4,000	4,000	0	0
Finance-Insurance & Real Estate	3,400	3,300	3,000	100	400
Service & Miscellaneous	11,900	11,600	11,600	300	300
Government <u>4/</u>	38,900	38,100	36,600	800	2,300
Federal	17,300	16,900	17,800	400	- 500
State	13,000	12,700	11,100	300	1,900
Local	8,600	8,500	7,700	100	900

1/ Estimated in accordance with techniques recommended by U. S. Bureau of Labor Statistics.

2/ Includes domestics, nonagricultural self employed and unpaid family workers, and agricultural workers.

3/ Prepared in cooperation with the U. S. Bureau of Labor Statistics.

4/ Includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.