

YEAR IN REVIEW

1976

By Christopher L. Miller

The year 1976 can be seen as the peak year in Alaska's recent economic boom. Total employment in Alaska reached an estimated 185,600 persons during the month of August. Since that time, employment has steadily declined, and may continue to do so through the winter months.

The construction of the Trans-Alaska Oil Pipeline continued to have a major impact on Alaska's economy during the year. During the early months of 1976, all major pipeline materials and equipment were delivered to the job site. The distribution of equipment and material along the pipeline right-of-way created a tremendous boom in employment in the transportation industry; however, with the completion of this task the need for a large over land transportation system was no longer required. As a result, several trucking firms shut down their operations during the first part of the year. Employment in the trucking industry continued to decline through much of 1976 and has only recently shown signs of stabilizing.

Actual construction on the pipeline began in mid-January after a winter shutdown in December. Employment along the Trans-Alaska Oil Pipeline, as reported by Alyeska Pipeline Service Company, quickly increased from a December level of 12,400 workers to more than 20,100 during the month of January. Work on the pipeline continued at a steady pace peaking during the month of August with approximately 26,700 employees working along the line. Lay-offs began shortly after the month of August as different sections of the pipeline reached completion. By mid-September lay-offs were occurring at a steady rate of approximately 1,000 workers per week. Pipeline construction employment declined steadily through December. Construction of the mainline pipe was completed with the exception of some "tie-ins" on December 5th. An estimated 6,000 workers will remain through the winter to finish construction at the pump stations and the Valdez terminal.

Commercial fishing during 1976 was much improved over the previous year. Commercial fishing in Alaska reached an all time low in 1974 when approximately 21 million salmon were caught throughout the state

of Alaska. The 1975 catch was somewhat improved, with a total take of approximately 25.7 million salmon. However, in 1976, approximately 44.1 million salmon were caught. This year's good salmon catch helped to significantly improve employment in the fish processing industry. The 1976 catch was the best catch since 1971, when approximately 47.5 million fish were caught. The most improved fisheries this year were in the western part of Alaska. This region included such areas as Kodiak and the Alaska Peninsula. The central region of Alaska which includes areas such as Prince William Sound, Cook Inlet, and Bristol Bay, also continued to show steady improvement over the previous years. Though Southeastern Alaska did improve slightly in 1976, it still remains a very depressed fishery.

In 1976, the forest products industry, to say the least, has gone through some anxious moments. The cause of all this apprehension was an appeals court action in August 1975, known as the Monongahela decision. In essence this court ruling prohibited the U.S. Forest Service from selling timber that was to be harvested using the clear cutting technique. This decision soon effected Alaska when Judge James von der Heydt of the Federal District Court in Anchorage handed down an injunction against the U.S. Forest Service in 1975 agreeing with the Monongahela decision. Judge von der Heydt's order halted a portion of a fifty year 2.8 billion boardfoot timber sale to the Ketchikan Pulp Company. This single action put a dark cloud over the entire timber industry in Alaska. Many employers were uncertain of the future economic viability of the timber industry under the conditions that prevailed during the early part of 1976. The potential impact of the Monongahela decision on the forest industry was so strong that legislation on the national level was quickly initiated. This legislation culminated in the National Forest Management Act of 1976 which was signed by President Ford on October 22, 1976.

Another dilemma which threatened employment in the timber industry, particularly in the Ketchikan area, was the confrontation between Ketchikan Pulp Company and the Environmental Protection Agency. In the spring of this year the EPA demanded that Ketchikan Pulp Company put in a secondary

treatment plant to further purify the wastes produced by the mill. KPC continued to state that such a plant would be too expensive. In May, Ketchikan Pulp further stated that they would close down their operations permanently rather than meet the July 1st deadline established by the EPA for the construction of a secondary treatment plant. Fortunately for the timber industry and the Ketchikan Labor Market, the July 1st deadline passed and the Ketchikan Pulp Mill did not close. Discussions between EPA and Ketchikan Pulp Company continued for several months until a proposed agreement was publicly announced on November 1st of this year.

Despite all the problems that seemed to plague the forest products industry earlier this year, employment has remained quite stable. In fact, current employment statistics indicate that employment is up over the previous year.

An event of major significance to Alaska and the rest of the nation occurred in the spring of 1976. The first offshore oil lease sale for tracks in the eastern Gulf of Alaska occurred in April of this year. Approximately 571.8 million dollars were spent by firms competing for the rights to develop oil on these tracks of ocean floor. Drilling began early this fall in the Gulf of Alaska and the impact of offshore oil development is already being felt in the communities around the eastern gulf. The cities of Yakutat, Seward, and Kodiak were thought to be the most likely staging areas for offshore development in the gulf area. Currently, Seward has developed as the major offshore supply base for oil development in the Gulf of Alaska. The presence of rail and road transportation to Anchorage was most likely a major reason why Seward has emerged as the primary staging point for the oil companies operating in the gulf.

The effect that offshore oil development will have on Alaska's labor force will most likely be secondary in nature, as most jobs involved in offshore oil development require specialized skills which are not currently available in the Alaska labor market. However, employment in support of offshore development may provide many jobs for Alaskans.

The following is an industry-by-industry recap of the past year.

Mining: Employment in the mining industry gradually increased in 1976 over the previous year.

Much of this increase was in the oil and gas extraction industry. This probably was due to the stepped up development activity in the Prudhoe Bay oil field and the beginning of intensive offshore oil exploration in the Gulf of Alaska. Employment in the mining industry peaked in June of this year with an estimated 4,700 workers employed in the industry. Significant events in hard rock mining were: the expansion of gold mining operations in the Nome area; and the discovery of molybdenum near Ketchikan.

Construction: Again, as in recent years, the most outstanding project in the construction industry has been the construction of the Trans-Alaska Oil Pipeline. The year 1976 was the last full year of pipeline construction, as all pipe was laid in place on December 5th of this year. Due to warmer weather than normal, nonpipeline related construction continued into October and November before cold winter weather forced construction operations to shut down.

Manufacturing: Employment in the manufacturing industry was generally much better than one year ago. The improved fish catch helped tremendously to improve employment in the fish processing industry. Many fish canneries, particularly in western Alaska, were at peak production throughout most of the salmon fishing season. Employment in the timber industry also was much improved over last year. This was primarily due to increased demand by Japan and warmer than normal weather this fall. Peak employment in the manufacturing industry occurred in July of this year when approximately 13,900 workers were employed. This compares with last year's peak in August of 12,200 workers.

Transportation, Communication and Utilities: Employment in the transportation industry peaked during the month of July with an estimated 15,500 employees working in this industry. This was down from last year's high of 18,000 recorded during the month of September. The tremendous demand created by the Trans-Alaska Oil Pipeline on the transportation industry, was no longer present this year as most of the pipe and material required for the project were delivered by the end of 1975.

Trade: Employment in the trade industry during the first half of the year followed normal seasonal trends; however, employment during the second half of the year has been atypically sluggish. This may have been

due to a cautious attitude on the part of employers as they held back expansion to see how completion of the oil pipeline would affect the economy. In the past few months employment has slowly declined and a significant growth in employment during the Christmas season is not expected to occur.

Finance, Insurance and Real Estate: The finance and trade industries have had similar employment growth patterns in that during the first half of the year employment continued to grow steadily upward; however, in the second half of the year, employment has leveled off and even declined slightly. This most likely is a reaction to the completion of the Trans-Alaska Oil Pipeline.

Services and Miscellaneous: Employment in the services and miscellaneous industry was also slightly below year-ago levels. Employment in the service industry reached its peak this year during the month of August with approximately 28,400 employees as opposed to last year's peak of 28,800 during the same month.

ALASKA LABOR MARKET IN OCTOBER

Employment and Unemployment: Fed by layoffs from the Trans-Alaska oil pipeline, total employment in the state during the month of October dropped approximately 6.3 percent. The rapid rise in Alaska's unemployment rate was and may continue to be the result of two somewhat related factors. As the oil pipeline is completed many workers on that project have been leaving the state for the lower 48. This decline in the labor force has been compounded by an increase in unemployment due to normal seasonal trends plus unemployed pipeline workers who have decided to remain in the state.

Mining: Employment in this industry dropped during the month of October due mainly to a decline in employment in hard-rock mining. This is normal for this time of year, as cold winter weather has forced the closure of several operations. An exception to this employment trend was the oil industry. Oil companies in the Prudoe Bay area began to gear up their workforce in anticipation of the coming freeze-up which will enable further drilling operations to begin.

Construction: Construction employment during the month of October continued to drop precipitously due primarily to layoffs along the oil pipeline. It

should be pointed out, however, that employment in building and housing construction did not slow down during the month. The primary cause for continued employment in building construction in October was the warmer than normal weather this fall.

Manufacturing: Employment declines in the manufacturing industry during the month of October were primarily due to normal seasonal factors. Usually by the end of September the salmon season is all but over and many fish canneries either shut down for the winter or operate with a minimum staff. Declines in the lumber and wood products industry were mainly due to initial winter layoffs by logging companies. However, due to the much warmer weather this fall, employment in the logging industry was much improved over one year ago.

Transportation, Communication, and Utilities: As anticipated, employment in the transportation industry during the month of October continued to decline. Employment in this industry normally declines during this time of year as freeze-up conditions make travel extremely difficult if not impossible in many areas of the state. Air transportation experienced the greatest drop over the month, which should be expected as travel to many locations in the state will not be possible until winter freeze-up is complete.

Trade: Declining employment in the wholesale trade sector continued to impact the trade industry. Employment in the retail trade sector remained in a static situation with no change from the previous month. Employment gains generally were brought on by the coming Christmas shopping season. It's interesting to point out that food items in the Anchorage consumer price index have risen less than any other item during 1976.

Finance, Insurance and Real Estate: Employment in this industry during the month of October dropped in the banking and the finance sectors. Reduced employment in these sectors most likely was due to a drop in lobby traffic, as the large numbers of transient workers needing banking services are no longer in the state. Employment in the real estate sector of this industry remained relatively stable during the month of October.

Services and Miscellaneous: Employment declined mainly in tourist oriented resort industries. September usually is the last full month of the