

ALASKA'S LABOR FORCE AND PIPELINE COMPLETION (A brief review and outlook)

By Christopher Miller

Currently, Alaska is going through the third and final phase of pipeline construction to impact the state's labor force. Phase one of the project consisted mainly of gearing up for the construction. Phase two was the actual construction of the line, and completion of the line and layoff of construction personnel is the last phase.

The effect of pipeline construction on Alaska's labor market can be seen as early as 1971. Unfortunately the pipeline's impact was somewhat negative at the time. Anticipation of the construction was in high gear until environmental and land claims issues put a halt to the project until the latter half of 1974. As a result many people were caught without anything to do. This created a jump in unemployment not experienced since the early sixties.

Actual construction of the trans-Alaska pipeline began in late 1974. The employment picture was already beginning to improve, as large numbers of workers were needed just to transport equipment and material to sites along the pipeline route. Due to the size and notoriety of the project immigration increased tremendously. Alaska's population began to grow rapidly, particularly in those areas close to the pipeline corridor. The city of Fairbanks was probably the most severely impacted by this population growth.

Pressure to complete the pipeline as soon as possible, as well as other factors, such as the sheer size of the project, climatic conditions, and isolation created a situation which soon had a tremendous impact throughout the state. The demand for almost every item available in Alaska skyrocketed. The most notable shortages were in housing, and to no one's surprise the amount of labor available to the local economy. Employers found it very difficult to compete for workers with the high wages paid to pipeline construction personnel. The tremendously high wages paid to pipeline workers occurred not so much from an extraordinarily high hourly wage, but from the almost unheard of amount of overtime

being worked. During peak condition it was not out of the ordinary for workers to put in 12 hours a day six or seven days a week.

During construction of the pipeline Alaska's economy boomed. New businesses sprung up every where in almost every major industry in the economy. Employment levels soared to record heights as business tried to keep up with the demand of the rapidly growing population. Economic activity continued at a feverish pace through all of 1975 and most of 1976, however, a slow down was in the offing as pipeline construction activity reached its peak around August 1976.

The first permanent layoffs along the pipeline began in October of 1976 and continued through November and December. By the end of the year approximately 10,000 pipeline workers had been laid off. The impact of this massive layoff was almost immediate. The CPS adjusted unemployment rate rose from 7.6 percent in October to a rate of 14.5 percent in February. Though unemployment records are not kept by individual firms, approximately one half of the total number of people claiming unemployment insurance were from the construction industry.

By March of this year, the final effort to finish the pipeline was well underway, however, the manpower needed to complete the project was substantially less than in previous years. Employment along the line reached a peak of about 10,500 workers during the month of April compared to the peak last year of approximately 23,000. Many ex-pipeline workers were unable to find pipeline work, and have now been forced to look elsewhere for employment. This has begun to create a surplus of labor in Alaska, where one year ago labor was at a premium.

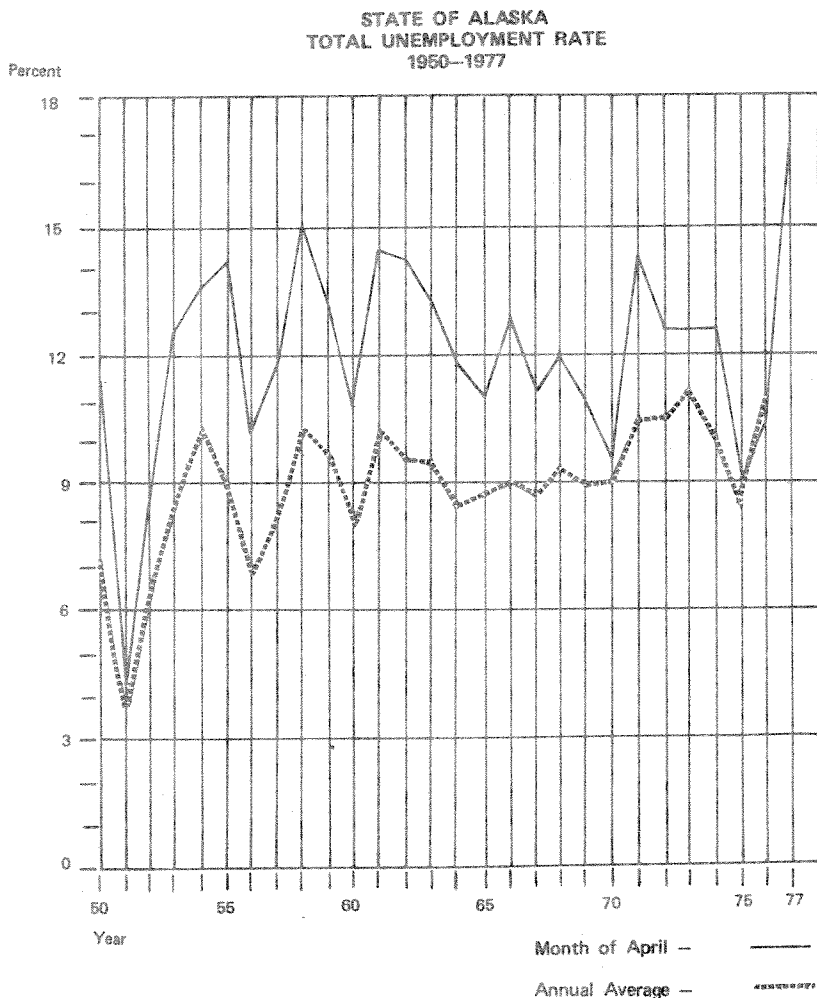
In April, unemployment in Alaska rose to a CPS adjusted rate of 15.4 percent. The unadjusted rate, which probably is more correct, rose to 16.9 percent. This is the first time this decade that the number of unemployed has increased during the month of April. This atypical trend most likely has its origins

in the decline of pipeline construction activity. A second round of layoffs began in May, and will continue to completion of the line in early July. By July the remaining 10,500 construction workers will be out of work. This massive layoff of workers will strengthen an already atypical employment trend. It is quite possible that Alaska's unemployment rate will rise during the early summer months of 1977, rather than decline as has been the case in more normal years.

Due to this large drop in construction employment other industries will also be affected in varying degrees. Those industries more closely involved in pipeline construction may experience a decline in activity by mid-summer as demand for their services begins to fall off. For industries not associated with pipeline construction, such as retail trade, any change in the current level of activity should take longer to take effect:

The coming summer employment season may help to ease some of the impact of pipeline completion. Summer is the normal time for increased employment, and most industries, with the possible exception of construction, should experience some growth in employment. However, this seasonal expansion of the economy will not provide nearly enough jobs to employ all of the pipeline workers looking for employment.

Looking beyond the summer months, Alaska's labor market will continue to decline, as the economy adjusts to a lower level of economic activity in the post pipeline era. It is generally agreed that Alaska's labor force will not return to prepipeline levels, but a reduction in total employment of approximately twelve percent in 1977 is quite likely.



ALASKA CIVILIAN LABOR FORCE SUMMARY 1/ 4/
BY PLACE OF RESIDENCE

Changes From:

	<u>p/</u>		<u>r/</u>		*		
	<u>4-77</u>	<u>3-77</u>	<u>4-76</u>	<u>3-77</u>	<u>4-76</u>	<u>4-77</u>	
CIVILIAN LABOR FORCE.....	159,800	153,800	156,900	6,000	2,900	197,500	
INVOLVED IN WORK STOPPAGES.....	0	0	100	-	-	0	
TOTAL UNEMPLOYMENT.....	24,600	21,700	12,900	2,900	11,700	33,300	
Percent of Labor Force.....	15.4	14.1	8.2	-	-	16.9	
TOTAL EMPLOYMENT <u>2/</u>	135,200	132,100	144,000	3,100	-8,800	164,200	

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT 1/
BY PLACE OF WORK

Changes From:

	<u>p/</u>		<u>r/</u>			
	<u>4-77</u>	<u>3-77</u>	<u>4-76</u>	<u>3-77</u>	<u>4-76</u>	
Nonagricultural Wage & Salary.....	154,900	151,500	168,300	3,400	-13,400	
Mining.....	5,000	5,100	3,700	- 100	1,300	
Construction.....	18,800	18,500	29,800	300	-11,000	
Manufacturing.....	10,700	9,300	9,000	1,400	1,700	
Durable Goods.....	3,200	2,900	2,700	300	500	
Lumber, Wood Products.....	2,700	2,400	1,900	300	800	
Other Durable Goods.....	500	500	800	0	- 300	
Nondurable Goods.....	7,500	6,400	6,300	1,100	1,200	
Food Processing.....	4,900	3,900	4,000	1,000	900	
Other Nondurable Goods.....	2,600	2,500	2,300	100	300	
Transp.-Comm. & Utilities.....	14,900	14,300	15,400	600	- 500	
Trucking & Warehousing.....	3,200	2,800	3,000	400	200	
Water Transportation.....	1,400	1,400	1,200	0	200	
Air Transportation.....	4,200	4,100	4,600	100	- 400	
Other Transp.-Comm. & Utilities..	6,100	6,000	6,600	100	- 500	
Trade.....	26,400	26,000	27,300	400	- 900	
Wholesale Trade.....	5,500	5,400	6,200	100	- 700	
Retail Trade.....	20,900	20,600	21,100	300	- 200	
General Merchandise & Apparel..	3,700	3,800	4,100	- 100	- 400	
Food Stores.....	3,200	3,100	3,000	100	200	
Eating & Drinking Places.....	6,600	6,500	6,300	100	300	
Other Retail Trade.....	7,400	7,200	7,700	200	- 300	
Finance-Insurance & Real Estate....	7,400	7,300	6,700	100	700	
Services & Miscellaneous.....	25,600	25,100	28,900	500	-3,300	
Government <u>3/</u>	46,100	45,900	47,500	200	-1,400	
Federal.....	17,500	17,500	17,600	0	- 100	
State.....	14,500	14,500	15,900	0	-1,400	
Local.....	14,100	13,900	14,000	200	100	

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

2/ Includes: domestics, nonagricultural self-employed and unpaid family workers, agricultural workers and adjustment for commuting, multiple job-holding and unpaid absences.

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

4/ Adjusted to add to the national totals produced by the Current Population Survey method.

* Not adjusted by the Current Population Survey method.

p/ Denotes preliminary estimates.

r/ Denotes revised estimates.

INDICATORS OF ALASKA ECONOMIC ACTIVITY*

INDICATOR	Most	Previous	Year
	Recent	Month	Ago
	Month	Month	
	<u>4-77</u>	<u>3-77</u>	<u>4-76</u>
Selected Economic Activity Measures			
Total Labor Force <u>a/</u>	161,786	160,045	160,750
Total Unemployment Rate <u>a/</u>	13.2	10.9	7.0
Insured Unemployment (weekly average) <u>a/ b/</u>	12,434	12,407	9,713
New Employers (unadjusted) <u>c/</u>	248	285	175
Nonagricultural Wage Payments (millions \$, unadjusted)...	267	261	242
Wage Payments in Mining, Manufacturing & Construction..	105	103	117
Employment (1967=100) <u>a/</u>			
Nonagricultural Wage & Salary.....	214.0	217.6	227.4
Mining.....	237.6	256.7	175.8
Construction.....	478.1	551.2	647.6
Manufacturing.....	176.2	180.1	148.2
Transportation-Communications & Utilities.....	204.7	208.0	211.6
Trade.....	234.2	234.6	239.4
Finance-Insurance & Real Estate.....	323.7	325.9	293.0
Services.....	291.1	295.8	328.6
Government.....	144.2	145.6	148.6
Alaska State Employment Service Activities			
Nonagricultural Placements (unadjusted).....	1,416	1,978	2,219
Nonagricultural Placements (daily average) <u>a/</u>	103	147	163
Banking Activities (millions \$, unadjusted) <u>e/</u>			
Loans & Investments.....	1,028	1,003	856
Demand Deposits.....	578	506	491
Time Deposits.....	468	492	419
	<u>2-77</u>	<u>1-77</u>	<u>2-76</u>
Personal Income (millions \$ Annual Rate) <u>d/</u>	4,457.6	4,433.7	3,105.9
Crude Petroleum Production (000 bbls., unadj.) <u>f/</u>	4,968	5,647	5,817

* All data seasonally adjusted unless otherwise noted. Current month preliminary.
a/ Seasonally adjusted by the 1966 U.S. Bureau of Labor Statistics seasonal adjustment method.

b/ Unemployment in Alaska insured by State law.

c/ Employers newly subject to the Alaska Employment Security Act.

d/ Source: Business Week Magazine, seasonally adjusted by the Alaska Employment Security Division.

e/ Source: Federal Reserve Bank of San Francisco. Members banks only.

f/ Source: Alaska Department of Natural Resources, Division of Mines and Minerals.