

STATEWIDE EMPLOYMENT FORECAST

By Stephen Harrison

During the 1970's, total nonagricultural wage and salary employment nearly doubled in Alaska. In the single year between 1973 and 1974, Alaska employment grew a phenomenal 26 percent. Over the entire interval between 1970 and 1979, Alaska employment expanded at an average rate of 7 percent per year. Despite record state capital and operating expenditures, the rate of Alaska wage and salary employment growth through 1981 is expected to amount to a moderate 3 percent (or one-third of the comparable rate from the 1970's).

Major projects such as the proposed gas pipeline and the Alpetco Project have not been included in the base case scenario presented here. Direct gasline construction employment is estimated to peak at 6,800 workers during the second year of the project. The Alpetco Project is expected to peak at 2,300 construction workers. Presently, however, the timing of projects is uncertain and we do not have the final information needed to elaborate year-by-year impacts on the state's economy. The Alaska Department of Commerce estimates that if the Gasline, the Pacific Alaska natural gas plant in Kenai, and the Alpetco plant in Valdez were all timed to peak in the same year, a peak of approximately 11,000 construction jobs would result. The total impact would amount to 38,000 jobs. It is felt that these three projects combined may have about one half the direct impact of the now completed oil pipeline. As additional information becomes available to us, we will produce updated reports to keep these forecasts current.

All in all, even without including these major projects in our analysis, the economy of Alaska should undergo an interval of moderate but continuous growth through 1981. The overall wage and salary employment growth rate is expected to proceed at approximately 3 percent per year for 1980 and 1981. Average growth rates forecasted for individual industries range between 0.5 percent up to 13 percent annually.

Of the basic pace-setting industries, mining will lead with 13 percent annual growth. Although only 1 of every 30 Alaskan workers is employed in mining, the industry plays an important role in the Alaska economy. In 1978, oil and gas mining amounted to 93 percent of total mining, with hardrock mining comprising the balance. Three phases of oil mining activity (exploration, development, production) contrast sharply in terms of employment requirements. Prudhoe Bay is currently in the high employment "development phase" and will remain so throughout the forecast period. Work will soon begin on a new brine injection system to maintain oil pressure at Prudhoe Bay.

With the price of gold and certain other metals reaching record levels, new hardrock mining activity becomes more economically feasible. Depending upon the outcome of D-2 legislation and national economic factors, growth in hardrock mining may become very strong. Because hardrock mining comprises only seven percent of mining in the state, changes in hardrock mining employment will not noticeably change the picture for the entire mining industry.

Construction may be another high growth pace setter through 1981 expanding at nearly 8.5 percent per year. This forecasted growth rate reflects the impact of record capital funding levels by the state. Base case growth in construction could be substantial even without consideration of major projects now waiting for the go ahead. Due to lags involved, impacts of election year spending will be slow to start but will probably continue to stimulate the construction industry for several years to come. Thus the outlook is for increasingly strong growth in construction; an industry which now employs one out of every thirteen working Alaskans.

Manufacturing comprises seven percent of total wage and salary employment in Alaska. Our short-range forecasts show manufacturing growing less rapidly than during the 1970's. Larger salmon runs, anticipated increases in processing capability, planned developments in bottomfish processing and marketing are expected to support growth in the food processing industry over the long term. Factors such as the current surplus of frozen salmon and the specter of lower prices expected to be offered to fishermen for their catch will contribute an element of uncertainty in the near term. In addition, record high interest rates may dampen employment growth in food processing. Those processors who rely on borrowed capital to finance their annual operations, may not be able to obtain needed funds at acceptable interest rates. One major processor (New England Fish Co.) has been especially hard hit by financial problems and has in fact initiated bankruptcy proceedings.

One of every six manufacturing workers is involved in logging, lumber, and pulp processing. Nationwide this industry has been another victim of high interest rates which have triggered a residential construction slowdown. In Alaska however, the wood products industry primarily supplies a Japanese market for wood products. Over the forecast period, growth is expected in this industry. While logging on federal lands should be stable, Sealaska and other native corporations are preparing to harvest timber on their lands. The outlook calls for steady growth in wood products and in the manufacturing industry as a whole.

The model forecast shows that government is expected to follow an employment growth pattern of 2.3 percent increase per year through 1981. Every third working Alaskan is attached to the public sector. Local government, which increased at a rapid 11 percent rate during the 1970's, will slow to a moderate 3.5 percent during the forecast period. State government growth is expected to moderate somewhat from the 5 percent rate of the 1970's to a rate of roughly 3 percent out to 1981, where federal government is likely to pursue a constant 1.5 percent gain per year.

Mining, manufacturing, construction, and government comprise 50 percent of wage and salary employment statewide. As these industries take on additional workers during the forecast period, additional employment growth may be expected in the support industries. Support industries are those which primarily serve the needs of Alaskans and Alaskan industry.

Transportation will likely slow from its historical growth rate of 6 percent to 3 percent per year during the forecast period. Increased transportation capacity will be necessary to support anticipated levels of construction and mining activity. However, this industry's employment growth should be somewhat modest over the next 2 years.

Employment in trade will grow at nearly 3 percent per year over the forecast period. Both wholesale and retail are likely to expand at similar rates. As tax rebates and other cash transfers are made to citizens of Alaska it is likely that trade will be positively stimulated.

Public utilities employment is expected to slow to a 4.5 percent rate of growth throughout the forecast period. Public utilities employment ordinarily exhibits a very uniform rate of growth with little display of seasonality or response to general cyclical economic conditions. Public utility employment should trace a relatively smooth path from 1400 jobs in the year 1979 to 1550 jobs in the year 1981.

Finance, insurance, and real estate which added jobs at an annual rate of 11 percent during the 70's is expected to grow at a very modest rate of 1.7 percent per year during 1980 and 1981. This industry which has been bolstered by economic stimulus has also been resistant to decline in the past two years. As a whole the industry appears able to expand during periods of growth without becoming over extended. Finance, insurance and real estate should grow from 8100 jobs today to 8250 by the year 1981.

In sum, we anticipate total wage and salary employment growth in Alaska from today's 166,000 to 177,000 by 1981. On an industry by industry basis we should see relatively steady increase across the boards.