

## ALASKA HIRE AND THE OIL PIPELINE

Currently the major force shaping the Alaskan economy is the construction of the Alaska Pipeline which will permit the development of petroleum reserves on Alaska's North Slope.

Alaska has been traditionally dependent upon the development of its natural resources. Development of mineral resources, fisheries, and timber have caused booms throughout Alaskan history resulting in economic expansion, influx of population to meet the increased demand for labor, and in varying degree, jobs filled by Alaskan residents.

In 1972 the State legislature found that "Alaska's uniquely high unemployment record, as compared to other states, was due in large part to both cultural and geographical migration barriers. The legislature further noted that employment opportunities which from time to time occur in the areas of the State suffering from the largest chronic unemployment problem are nonrecurring and usually relate to the exploitation of the State's natural resources...." It was the conclusion of the lawmakers, that the State "has an obligation to assure that the benefits of this employment accrue to the residents of Alaska."

Hence, the opportunity for Alaskan residents to fill jobs on the Alaska pipeline is an important issue to the citizens of Alaska.

The origin of resident hire in Alaska has its grass roots in the State's policy to develop its human resources in conjunction with the development and management of the State's natural resources. In order to provide maximum employment opportunities for Alaska residents, the Commissioner of Natural Resources has been empowered, by Alaska Statute 38, Chapter 40 ("Public lands: Local Hire Under State Leases"), to incorporate into all oil and gas leases, easements and right-of-way permits for oil and gas pipeline projects, and joint ventures, negotiated after July 7, 1972, provisions requiring the hiring of qualified Alaska residents. Employers obligated to meet resident hiring specifications under AS 38.40 are required to comply with the reporting provisions which the executor of the statute, the Commissioner of Labor, determines to be necessary to carry out the intent of the law.

Each oil and gas lease issued by the State contains a proviso requiring the lessee to furnish the Alaska Department of Labor a quarterly report relating to employment on leased properties owned by the State. Under Title 8 of the Alaska Administrative Code, Chapter 35 ("Labor: Oil and Gas Leases, Local Hire"), each lessee, contractor, sub-contractor, and lessee's supplier is required to file an employment and wage report, on or before the end of the month following each calendar quarter. The summary of these quarterly reports, which is prepared by the Wage and Hour Division of the Department of Labor, contains a wealth of information that runs the gamut from a count of the total number of persons employed in a lease area to job classification of the employees in the work area.

Recent figures compiled by the Wage and Hour Division have confirmed preliminary reports by the Alyeska Pipeline Service Company that Alaska residents held nearly 60 percent of the jobs on the trans-Alaska pipeline project for the three month period ending June 30, 1975.

According to the Wage and Hour Division's analysis of the payroll employment reports that are forwarded to Alyeska by Alyeska contractors, and are then dispatched to the Department of Labor, State residents accounted for 58.3 percent of the 25,000 workers employed on the pipeline project during second quarter, 1975. During this period, total pipeline employment increased from 17,804, in the first quarter, to 24,494, and the number of Alaska residents employed on the pipeline rose to 14,292, up 5,016 from the previous quarter and up 9,422 from fourth quarter, 1974. (The employment figures refer to people, not jobs, and double counting is assumed in the data). Those persons included in the Wage and Hour count of Alaska residents were determined to be residents or non-residents primarily on the basis of a consideration of physical residence, the payment center location denoted by the first three digits of a worker's social security number, and the initial date of Alaskan residence.

The difference between the Wage and Hour estimate of Alaska hire for the second quarter and Alyeska's slightly more optimistic estimate of 60 percent is a

matter of definition. Whereas the Department of Labor uses a combination of three factors for evaluating Alaska residency, Alyeska favors a single criterion (i.e. the initial date a domicile is established) to identify a State resident. A typical situation which illustrates the variation in procedures involves a worker who has been domiciled in the State for twelve months or more, but does not meet the statutory requirement of being physically present in the State for one year immediately prior to the time he entered into a contract of employment on the pipeline; consequently, the worker is determined to be a non-resident by the Wage and Hour Division.

Alaska hire is a visible indication of public policy in action. While the preferential treatment accorded Alaska residents has been roundly debated, the employer's quarterly reporting system that has been implemented by the Commissioner of Labor serves a primary role in monitoring the massive economic changes that have been loosed by the pipeline project. More importantly, Alaskans are filling Alaska jobs.

#### ALASKA'S LABOR MARKET IN JULY

**Employment — Unemployment:** Alaska's total unemployment rate declined from 8.6 percent in June to 8.3 percent in July, however, this was countered by an increase of 4,200 in the total civilian labor force bringing the July figure to 190,500. Total unemployment in July fell to 15,700 down 300 from June and representing a 2,600 increase over July a year ago. The total civilian labor force continues to expand to 190,500 in July a 26.9 percent increase over July a year ago.

**Mining:** The mining industry experienced no change from June to July. The July figure of 3,700, however, is up 300 from July a year ago. Drilling operations saw a continued slowdown as the summer season progressed with 11 drilling operations underway at the end of July down 2 from June. Drilling operations on the Kenai Peninsula was affected by work stoppages.

**Construction:** Construction employment in July climbed to 17,200, up 1,200 from the June figure of 16,000. This is an increase of 3,100 from July of a year ago. Local construction on highways, commercial buildings and waste treatment facilities continued in full swing. The month of July saw

approximately 4% of the trans-Alaska pipeline laid, while revised cost estimates for the entire project were put at \$6.375 billion, an increase of over 6 times the 1969 estimate of \$900 million. The week ending July 20 showed approximately 23 percent of the pipeline portion of the project completed with 45.5 miles of pipe in the ground.

**Manufacturing:** Total manufacturing rose by 900 from 9,700 in June to 10,600 in July. This is substantially off the July, 1974 figure of 13,400 a drop of 2,800 most of which can be attributed to one of the poorest years for the fishing industry. By the week ending July 27, cases of canned salmon, statewide, totaled 578,000 off 89,000 or 13.3 percent from July, 1974 and off 20.6 percent from July, 1973 figures.

**Transportation, Communications and Utilities:** Overall industry employment estimates show a slight rise of 200 bringing the July figure to 15,400, up 2,400 from July a year ago. The marked rise over the year reflected increasing pipeline construction activity and additions of new capital expenditures by the industry.

**Trade:** Retail trade employment figures showed a slight increase from June, however, July figures indicate an increase of 2,200 over a year ago. Eating and drinking establishments total remained stable through July, but showed an increase in employment of 800 over one year ago. Total trade experienced a 2,700 increase in employment over July a year ago bringing the current figure to 23,000.

**Finance, Insurance and Real Estate:** Total employment showed an increase of 200 from a June level of 5,500. The July estimate of 5,700 represents a 600 increase over July a year ago.

**Services and Miscellaneous:** As the influx of tourists continued into the summer season industry employment continued to rise. July yielded an estimate of 20,400, up 700 from June figures. This is an increase of 1,000 over one year ago.

**Government:** Overall government employment estimates show July with 46,300, down 1,100 from June, however, an increase of 3,200 from July a year ago. Local government led in the increase over July, 1974 figures with a 2,000 increase. State government,