

The 2004-2014 forecast: Expect 48,000 jobs

By 2014, the number of jobs in Alaska is expected to grow by more than 48,000, bringing the state's total to more than 349,000 wage and salary jobs. Overall employment growth is expected to be 1.5 percent per year through the forecast period, driven especially by population growth and the increased availability of in-state goods and services – including medical. Although the total number of jobs is expected to grow by 16 percent from 2004 to 2014, not every industry will grow at that rate.

The health care and social assistance industry category is expected to add the most jobs, followed by accommodations and food services, and retail trade. Those three combined are expected to add about half the jobs through 2014. (See Exhibits 1-4.) Others expected to add large numbers of jobs include construction and professional, scientific and technical services.

Health care and social assistance, and accommodations and food services are also among those expected to show the fastest rate of growth during the forecast period. The government sector, which does not include the uniformed military, is expected to show positive though below-average growth with federal government by itself slightly declining.

One of the most anticipated projects expected to begin during the forecast period is the construction of a gas pipeline. This forecast assumes the pipeline construction will be in the midst of construction by the end of the forecast period. Though employment gains due to a pipeline project will be significant, especially

to the construction industry, its impact on the state's total employment will be moderate.

This forecast does not assume development in the Arctic National Wildlife Refuge.

Mining including oil and gas

About 85 percent of the state's mining jobs in 2004 were in the oil and gas field. That includes more than 2,500 in oil and gas extraction and 99 percent of mining support activities' 5,850 jobs. Employment for oil and gas extraction is expected to stay flat through the forecast period, while support activities for mining is expected to add 1,100 jobs – an increase of almost 20 percent. Mineral mining – mining for Alaska's considerable deposits of gold, silver, zinc and other minerals – is projected to add 700 jobs, an increase of more than 50 percent. It is projected to grow more than three times as fast as the average for all industries.

High oil prices are currently putting money in the state's and the oil companies' coffers. Those high prices may or may not translate to added development or employment. Getting oil from Alaska is a high risk, expensive proposition and oil companies may first look elsewhere when considering new investments. Smaller independent companies will continue to be some of the major players in developing new fields.

The Alaska Department of Revenue projects an average decline in total oil production of more than 2 percent per year from 2004 to 2014. This anticipated decline takes into account new main and satellite fields expected to come on line during the forecast period.

Most gas pipeline related employment by 2014 will be counted in the construction industry.

Mineral prices have been strong for the past few years, creating an optimistic atmosphere for mineral miners. The Pogo gold mine northeast of Delta Junction came on line in 2006, joining the Red Dog zinc, lead and silver mine north of Kotzebue, the Fort Knox gold mine near Fairbanks, and the Greens Creek gold, zinc, silver and lead mine near Juneau as the Alaska mines with the most employment.

The Kensington gold mine north of Juneau is expected to begin operation during the forecast period and should add 200 jobs. Other large mines that may begin operations later in the forecast period include the Rock Creek gold mine near Nome, the Donlin Creek gold mine near Bethel, and the Chuitna coal project 50 miles west of Anchorage. Chuitna is scheduled to begin operation by about 2011. The Nixon Fork gold mine northeast of McGrath has received the necessary permits to restart.

The controversial Pebble mine near Iliamna would be a large employer in both the construction and mining industries, but as an open-pit gold and copper mining operation, it is perceived by some to be a threat to the important Bristol Bay fishing and visitor industries. Potential Pebble mine employment is not included in this forecast.

Gains in employment through 2014 will be partially offset by losses at the Fort Knox gold mine

Statewide Employment Forecast, 2004 to 2014 By industry



	2004	2014	Change from 2004 to 2014	Total Percentage Change
Total Employment ¹	301,300	349,550	48,250	16.0%
Agriculture, Forestry, Fishing and Hunting	1,050	1,050	0	0.0%
Mining	9,700	11,500	1,800	18.6%
Oil and Gas Extraction	2,500	2,500	0	0.0%
Mining without Oil and Gas	1,350	2,050	700	51.9%
Support activities for Mining	5,850	6,950	1,100	18.8%
Utilities	1,800	2,200	400	22.2%
Construction	17,650	21,400	3,750	21.2%
Manufacturing	12,300	12,500	200	1.6%
Seafood Product Preparation and Packaging	8,550	8,800	250	2.9%
Wood Product Manufacturing	350	350	0	0.0%
Wholesale Trade	6,350	6,550	200	3.1%
Retail Trade	34,900	39,750	4,850	13.9%
Transportation and Warehousing	19,100	20,200	1,100	5.8%
Information	6,850	7,600	750	10.9%
Finance and Insurance	8,550	10,450	1,900	22.2%
Real Estate, Rental and Leasing	4,850	5,850	1,000	20.6%
Professional, Scientific and Technical Services	11,200	14,250	3,050	27.2%
Management of Companies and Enterprises	1,150	1,450	300	26.1%
Administrative, Support, Waste Management and Remediation Services	11,050	11,650	600	5.4%
Educational Services ²	2,000	2,200	200	10.0%
Health Care and Social Assistance	32,700	43,650	10,950	33.5%
Arts, Entertainment and Recreation	3,900	5,000	1,100	28.2%
Accommodations and Food Services	26,250	34,700	8,450	32.2%
Other Services (except Public Administration)	10,750	13,000	2,250	20.9%
Federal Government ³	17,200	17,150	-50	-0.3%
State Government ⁴	24,050	26,800	2,750	11.4%
Local Government ⁵	37,850	40,650	2,800	7.4%

¹ Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers

² Private education only

³ Excludes uniformed military

⁴ Includes University of Alaska

⁵ Includes public school systems

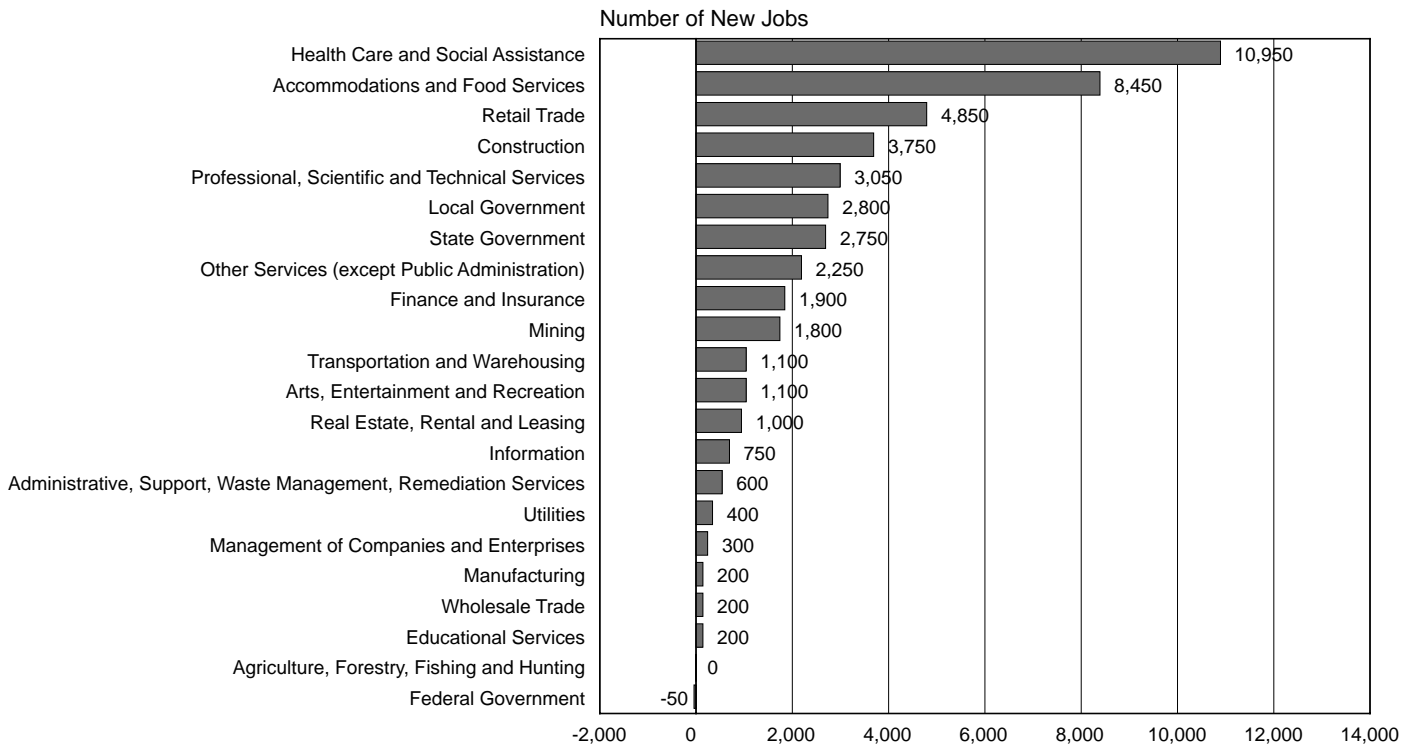
Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

as it nears the end of its expected life in 2012.

Construction

The construction industry has been trending more-or-less steadily upward for the past decade. This trend should continue, and overall construction should enjoy faster than average growth through 2014. Most of the growth will be in heavy and civil engineering construction, which will gain more than 2,700 jobs by 2014.

2 Projected Changes in Employment By industries in Alaska, 2004 to 2014



Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

Once the assumed construction of a gas pipeline begins, about 4,200 jobs per year are expected to be directly involved in its completion. There will be nearly as many indirect jobs found in other sectors, including trade and services.

For the past decade, most of Alaska's public construction has been paid for with federal dollars secured by Alaska's delegation in Washington, D.C. (Federal spending in Alaska in 2004 was nearly \$13,000 per person – the highest of any state and nearly twice the national average.) Alaska Sen. Ted Stevens has indicated that federal funding has likely peaked and that the state will need to pick up more of these costs. The Alaska Legislature has shown a willingness to do so, as its 2007 capital budget of \$2.4 billion was up 40 percent over 2006's.

An increased military presence in the state is one type of public spending that would encourage construction on bases. According to the University of Alaska's Institute of Social and Economic

Research, the military will spend \$730 million in Alaska in 2006. Military spending in the next decade will depend on the role Alaska is expected to play in the nation's defense strategy.

Residential construction depends on population growth, a strong economy, construction costs and interest rates. The Matanuska-Susitna Borough is the fastest growing area in the state, largely because of its convenient commute to Anchorage and its favorable supply of affordable land and housing. Mat-Su's growth should continue.

However, interest rates remain low relative to historical averages, but they are rising. This along with high materials and construction costs could moderate growth.

Manufacturing

Seafood processing, which now makes up almost 70 percent of Alaska's total manufactur-

ing employment, should show a slight increase through 2014. Employment in wood product manufacturing in 2004 was barely half of what it was 10 years ago, and employment is expected to remain flat over the next decade.

Though seafood processing employment in 2004 showed significant gains from the previous three years, it is still only three-quarters of what it was at its height in the early 1990s. As companies strive to compete for market share, they will look for ways to increase efficiency, including consolidation, newer processing methods and a better utilization of their work force.

One of seafood processing's positive aspects is its groundfish fishery. It is the largest in the world with more than two billion pounds harvested annually.

Healthy Asian markets should increase demand and the price for all Alaska-caught fish. Processors continue to improve the quality of their products, find new ways to add value to their products and launch creative and aggressive marketing campaigns.

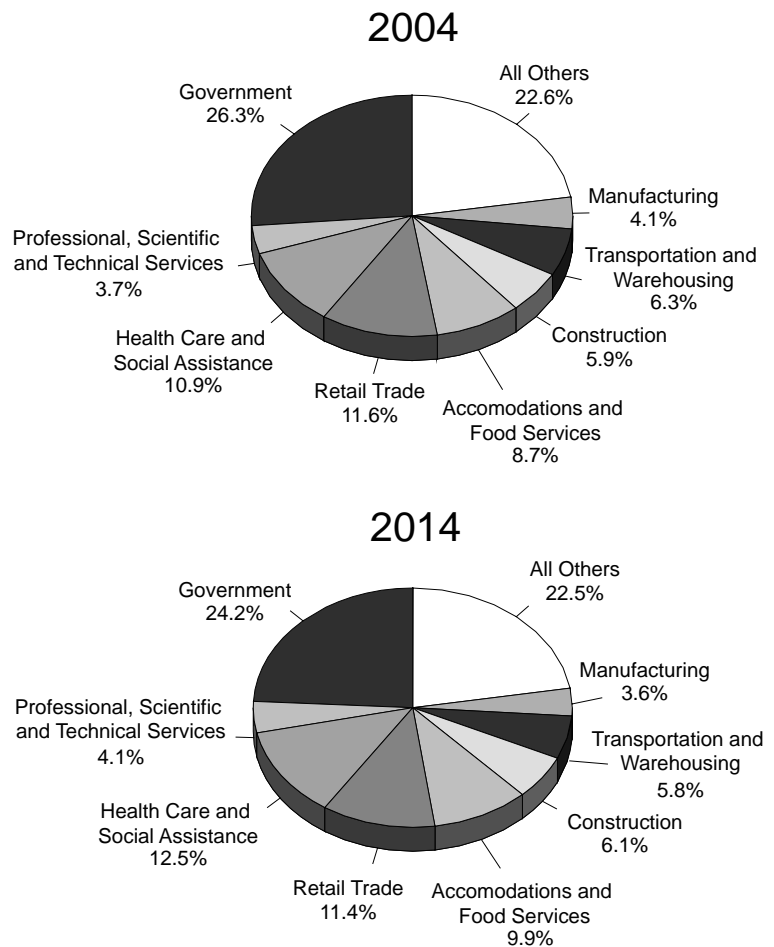
Transportation and warehousing

Transportation and warehousing grew more than 17 percent between 1994 and 2004. That growth is projected to slow over the forecast period to a more modest 5.8 percent, which equates to about 1,100 jobs from 2004 to 2014.

Ted Stevens Anchorage International Airport is the second largest U.S. cargo airport – behind Tennessee's Memphis International Airport – and is the nation's major hub for cargo flown between North America and Asia. Expanding markets in Asia, especially China, should provide opportunities for growth in air transportation.

Employment in pipeline transportation includes those working on the current trans-Alaska oil pipeline, and since this forecast assumes a gas pipeline will be in the midst of construction, those hired in anticipation of gas line operation.

Employment by Industry Alaska, 2004 and projected 2014



Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

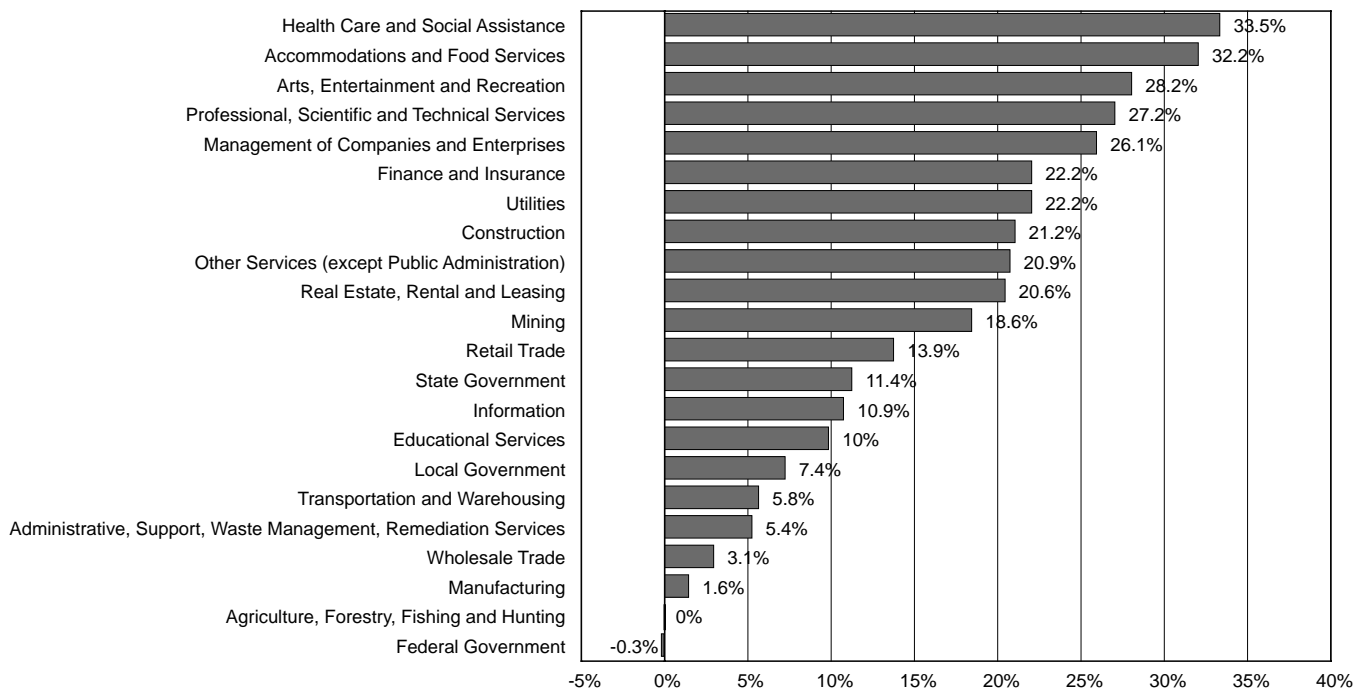
Overall, a decline in pipeline transportation employment is expected through 2014, as decreases due to planned layoffs and increased efficiency are expected to more than offset any anticipated employment gains for gas pipeline companies.

Warehousing and storage jobs are projected to grow faster than average through 2014. This relatively small category is expected to add about 275 jobs.

Retail trade

Statewide population growth of 70,000 by 2014 and expanded opportunities for spending mon-

4 Projected Job Growth By industries in Alaska, 2004 to 2014



Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section

ey in-state rather than Outside should support growth in retail trade through the next decade. Statewide, retail trade grew 14.9 percent from 1994 to 2004 and is expected to grow 13.9 percent through this forecast period.

With almost 12 percent of the state's total jobs in retail trade, it has been a solid performer for the past 10 years. Anchorage has about 40 percent of the state's population and 50 percent of the state's retail trade employment.

Accommodations and food services

Nearly 1.5 million tourists visited the state in the summer of 2005, and indications are that Alaska will continue to be a popular travel destination. (See Sidebar.) Visitors impact a number of Alaska businesses, but none more than the ones that provide them places to stay and food to eat. Accommodations and food services is expected to grow 32.2 percent over the next decade, more than twice the average of all industries. Roughly 7-in-10 of these jobs are in food services, 3-in-10 in accommodations.

Health care and social assistance

The employment category that combines health care and social assistance employers – social assistance includes everything from food banks to day care providers and vocational rehabilitation services – will add more jobs than any other category and will supplant retail trade with the most total jobs. The health care and social assistance category was among the fastest growing in the state from 1994 to 2004 and both components should enjoy faster than average growth through 2014. Over 43,600 jobs are projected in this industry in Alaska in 2014, up 33.5 percent from the 32,700 in 2004. Three-quarters of the employment is expected to be in the health care component and about a quarter in the social assistance component.

Alaska's significant health care investments over the past decade are paying off. As more facilities are built, equipped and staffed, Alaskans are finding they can get most of their health care needs taken care of in-state. This not only saves on expensive trips to Outside specialists and

providers, but it offers good-paying jobs to health care professionals and support staff within Alaska. As facilities become fully staffed, employment growth may stabilize and slow slightly.

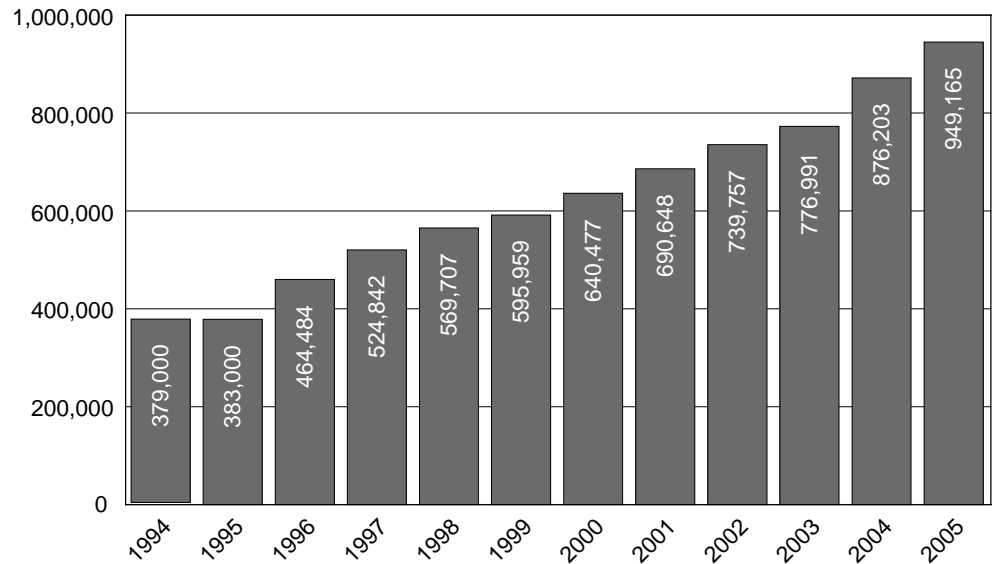
Alaska has a lower median age than that of the nation as a whole, but the state still has an aging population that will require more and specialized care in the future. While much of the infrastructure needed to provide that care is in place, more will be needed. That need is likely to spur growth in both health care and social assistance jobs.

One factor that could work to moderate growth is funding. In

Growth in Cruise Ship Passenger Numbers Alaska, 1994 to 2005

5

Cruise Ship Passengers



Source: Cruise Line Agencies of Alaska

Alaska's visitors: "Provide the feast, father, and bid the guests..."

— William Shakespeare, *The Taming of the Shrew*

It's no secret that visitors to the state are important contributors to the state's economy. They pay Alaskans to transport them, put them up and feed them. They buy souvenirs, rent cars and pay Alaskans to show them where the fish are and how to catch them.

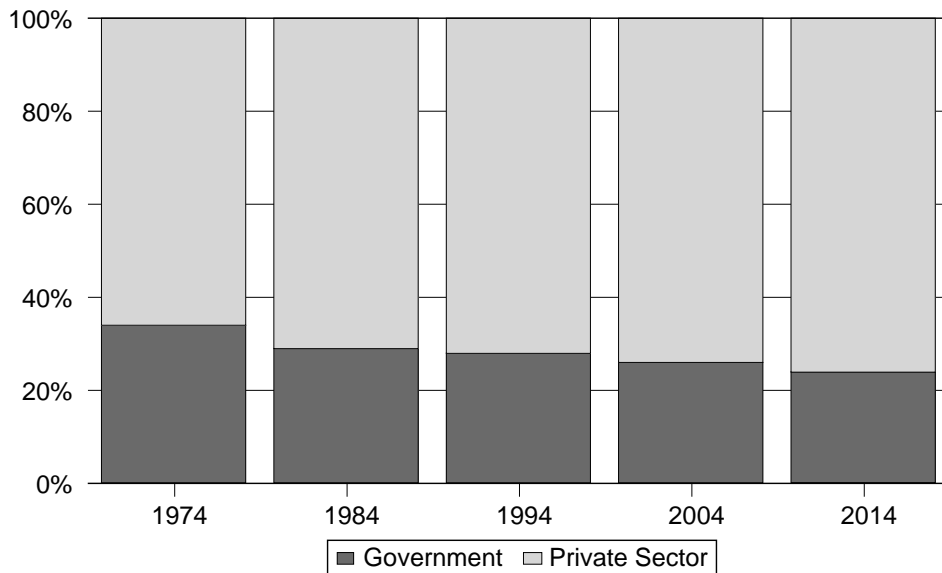
- Most of the growth over the last decade in visitors coming to the state has been from cruise ship passengers. Affordable fares, large ships and more frequent sailings have made this method of visiting the state attractive to the traditional 61-and-over population as well as to a growing number of younger couples with families. A record high 950,000 visitors arrived by cruise ship in 2005, (see Exhibit 5), but there are some signs that the strong growth may be flattening.

Growth will increasingly be dependent on whether cruise ship companies add more ships and whether they continue to switch out smaller ships for larger ones. The lack of deepwater ports in some places could influence cruise lines' decisions to make the switchover. At this point, it is still too early to tell if a statewide cruise ship passenger head tax that voters approved in August will survive likely court challenges, and if it does, how it might impact the number of travelers coming into the state.

- About 42 percent of the state's summer visitors in 2004 arrived by domestic air, according to a 2005 study commissioned by the Alaska Department of Commerce and Economic Development. That figure jumps to nearly 50 percent for the entire year when fall/winter numbers are included.
- Transportation-related companies are obviously not the only ones to profit from visitor spending. The World Tourism Organization has developed the Tourism Satellite Account standard as a consistent measure of tourist impact. The measure identifies more than 26,000 full-time equivalency jobs in Alaska in 2002 in core tourism industries.

According to the World Tourism Organization's measurement, those tourism-related jobs accounted for 9.1 percent of all employment in the state that year.

6 Government Jobs as a Percent of Employment Alaska, 1974 to 2014



Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section: *Employment and Earnings Report*

recent years, Alaska has been the recipient of substantial federal money directed at satisfying health care needs in the state. Future growth could be impacted if those funds are not available.

Government

Federal employment is expected to stay flat to slightly decline through 2014. Jobs may be added to meet needs such as homeland security, but those gains will likely be offset by pressures to decrease the nation's budget by outsourcing and by transferring some federal government functions to state and local governments.

State employment will depend on oil prices, revisions to the Petroleum Production Tax and the prospects of a gas line. Revenues from high oil prices and a revised PPT could offset expected

declines in oil production. Though this forecast assumes a gas pipeline will come on line after 2014, there will likely be some state jobs created to directly work with the project within the forecast period.

School employment is a major component of local government. The total population of school-age children in the state is expected to increase slightly by the end of the forecast period. The loss of the state's revenue sharing program affected municipalities and has been reflected in job cutbacks, but if oil prices stay high, some of that money could find its way back to the communities.

Potential increases in retirement fund contributions by state and local governments could limit available funds and thus negatively impact employment in both state and local governments.

The military is one of the largest employers in Alaska. In 2005, about 20,000 uniform military and their dependents were stationed in the state. About 40 percent live off-base, creating and supporting additional jobs within their local communities. Employment for these jobs will depend on how many and where troops are stationed through the next decade.

Conclusion

Alaska is expected to continue its steady growth during the next 10 years. New mineral development, gas pipeline construction, population growth, expanded health care needs and continuing interest in Alaska as a visitor destination will fuel the growth during the coming decade.