



ALASKA ECONOMIC **TRENDS**

JUNE 2013

Alaska's Oil and Gas Industry

WHAT'S INSIDE

Homer, the city at the end of the road
Income inequality among states



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Sean Parnell, Governor
Dianne Blumer, Commissioner

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On the cover:
This Pacific Northwest National Laboratory aerial photo shows open water and floating ice on ponds, lakes, and river channels in the Sagavanirktok River Delta in Alaska's North Slope. PNNL scientists used satellites to study the effects of oil development on the environment. Using satellite radar to "see" through the ice, scientists detected critical fish overwintering habitats by identifying where ice was grounded and where it was floating. Based on this information, fishery managers can suggest locations for environmentally sustainable energy development. This research was funded by the U.S. Department of the Interior.

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Oil and gas industry forms the foundation of state economy



**By Dianne Blumer,
Commissioner**

This month's *Trends* focuses on employment in Alaska's oil and gas industry. While its direct jobs are just 4 percent of Alaska's total workforce, the oil and gas industry generates the lion's share of Alaska's state budget and also funds many local needs. This article doesn't include the tens of thousands of other jobs that support the oil and gas industry, from security to food and lodging to pipeline transportation.

In 2012, Alaskans benefitted from nearly \$9 billion in oil and gas tax revenue — more than \$12,000 for every man, woman, and child living in Alaska. Because the industry provides 89 percent of state general funds, without oil and gas the Alaska of today wouldn't exist. Roads, bridges, and airports. Public schools, both K-12 and higher education. Parks and recreation. Corrections. Care for people with mental illness and developmental disabilities. Economic development. Environmental projects. Support for local governments. The Alaska Permanent Fund. And much, much more.

The Alaska Legislature passed Senate Bill 21, the More Alaska Production Act, because its members believe that lower taxes foster economic expansion and opportunities for Alaskans. Gov. Sean Parnell signed the act into law in May. The legislation reforms Alaska's oil tax system to attract new investment and increase production on the North Slope.

We already see positive effects of the legislation. ConocoPhillips is moving a new drill rig to the Kuparuk field. Brooks Range Petroleum, a small Alaska-based company, is developing the Mustang field. Representatives from Repsol said that tax reform is a critical factor in their ability to develop several new discoveries on Alaska's North Slope.

Gov. Parnell also worked with the Leg-

islature to pass House Bill 129, his legislation that streamlines the state's oil and gas permitting process. It authorizes the Department of Natural Resources to evaluate oil and gas exploration projects in geographical areas and allows project approvals to be consolidated into a single comprehensive decision.

Gov. Parnell recently proposed an exploration proposal for Arctic National Wildlife Refuge Area 1002, which would evaluate oil and gas resources on the coastal plain that are available for development and production.

At the U.S. Chamber of Commerce announcement in May, North Slope Borough Mayor Charlotte Brower and Arctic Slope Regional Corporation President Rex Rock supported the proposal, under which the state would provide \$50 million to support a seismic program if the federal government will partner on the project.

Alaska can safely and responsibly develop Area 1002 with minimal impact to the Arctic, providing jobs and additional resources for the state, and do its part for American energy independence.

Also in this Issue

While its demographics make Homer somewhat unique in the state — an older, less diverse population — it shares the economic profile of much of Alaska with seasonal jobs in tourism and fishing, and year-round jobs in public services, retail, and manufacturing.

This month's Employment Scene reports that Alaska's income inequality is the second lowest in the nation. Only Wyoming had more equal distribution of income, according to U.S. Census data. New York and the District of Columbia have the highest income disparity.

Alaska's Oil and Gas Industry

A look at jobs and oil's influence on economy

Oil's contribution to Alaska's economic history has no equal. Historians write that the discovery of oil in Cook Inlet helped secure Alaska's quest for statehood, and the subsequent massive discovery of oil in Prudhoe Bay remains the largest in North America.

In the decades since, oil has played the leading role in all the state's major economic and population changes.

During the construction of the oil pipeline in the 1970s and the revenue boom that followed, Alaska's population surged like never before, followed by the state's only economic bust and its largest-ever outflux of population.

However, even after those losses, Alaska's econ-

"The balance sheet of Alaska history is simple: One Prudhoe Bay is worth more in real dollars than everything that has been dug out, cut down, caught, or killed in Alaska since the beginning of time."

Terrence Cole, Alaska Historian

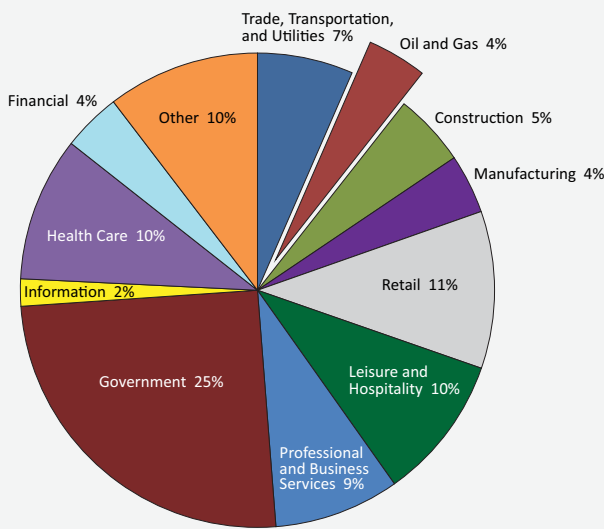
omy remained larger than it had ever been. The state's workforce recovered quickly and grew every year except one over the past 25 years.

Today, oil funds over half the state budget — 56 percent in fiscal year 2012 — and about 90 percent of state general funds.

In fiscal year 2012, the state collected \$8.9 billion in oil revenues. The Permanent Fund, initially created to share Alaska's oil wealth with its residents, has disbursed billions in dividends to Alaskans since it began in 1982.

Oil also generates about 19 percent of gross state

1 Oil a Small Slice of Alaska Jobs State's industry makeup, 2012



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

Who's counted and who isn't

Employment numbers for the oil and gas industry used in this article and regularly published by the Alaska Department of Labor and Workforce Development include companies categorized under "oil and gas extraction" (North American Industry Classification System code 211111), "drilling oil and gas wells" (NAICS code 213111), and "support activities for oil and gas operations" (NAICS code 213112).

This definition does not include oil and gas pipeline transportation companies, refineries, and many construction companies involved in Alaska's oil and gas operations. It also excludes the tens of thousands of jobs created across a range of other industries — jobs that are often included in studies that quantify the importance of the industry to Alaska's economy.

product and supports at least a third of all jobs. On a local level, the industry is sometimes one of the largest property tax payers.

Small employer, big reach

Using the industry definition explained in the sidebar on page 4, direct oil and gas jobs stood at 14,100 in April of this year. Using 2012’s annual averages, this represented 4 percent of Alaska’s wage and salary employment. (See Exhibit 1.)

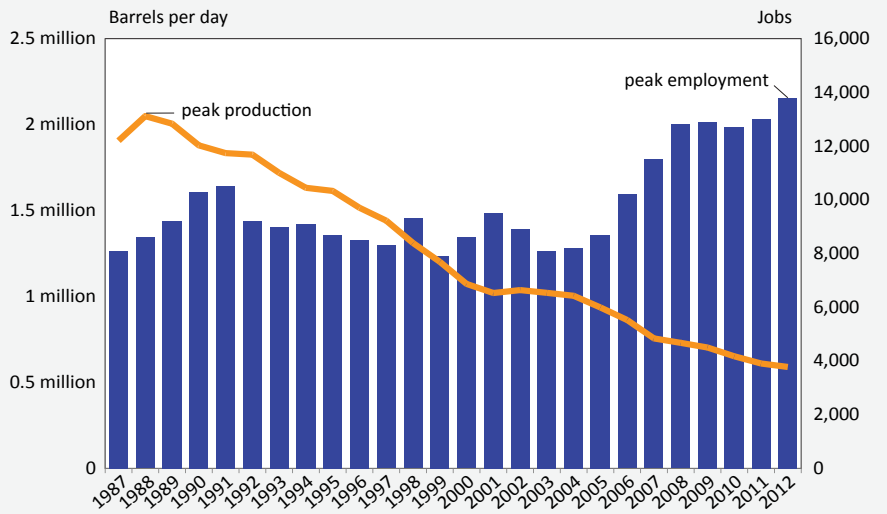
Because average earnings in the oil industry are more than two-and-a-half times the average for all Alaska industries, its payroll impact is more pronounced. The industry paid \$1.7 billion in 2012, or 10 percent of wage and salary payroll. Between 2002 and 2012, the oil industry’s payroll grew by 106 percent, considerably more than the 56 percent growth for all industries.

The effects of oil and gas employment go far beyond the scope of this article, though. Thousands of jobs that support the industry are not categorized as oil and gas employers.

For example, during the third quarter of 2012, nearly a quarter of the 11,100 jobs in Prudhoe Bay — all of which were oil-related — were

2 More Jobs Despite Production Decline

Alaska oil production and employment, 1987 to 2012



Sources: U.S. Department of Revenue; and Alaska Department of Labor and Workforce Development, Research and Analysis Section

not identified as oil industry employers. Some of these support jobs include security, catering, accommodations, facilities management, transportation companies, engineering services, and logistics.

Employment waxes and wanes

The past 25 years of fluctuating oil employment were punctuated by an era of overall decline that began in the 1990s and lasted through the mid-2000s, accompanied by brief periods of recovery. (See Exhibit 2.)

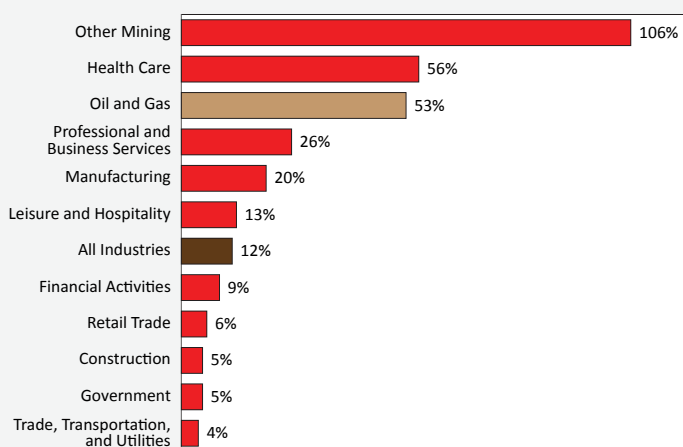
Oil production peaked in 1988 and employment hit a temporary high shortly thereafter, at 10,700 jobs in 1991. The job count dropped off after that and remained below 10,000 until 2006.

One of the largest workforce contractions was the 1,600 jobs lost between 1991 and 1992 — a record loss for a single year. Weak oil prices contributed to another drop in 1995.

By 1998, Alaska’s oil employment began to bounce back with the development of a number of new fields, but this upswing was temporary.

3 A Decade of Strong Job Growth

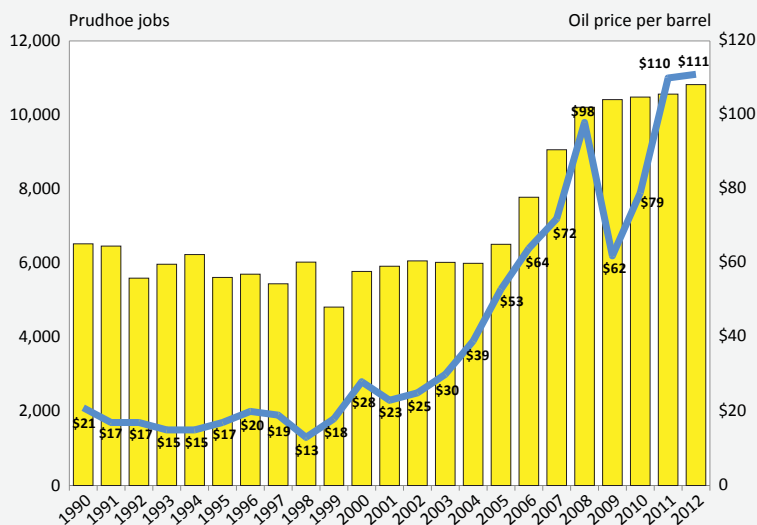
Alaska oil and gas vs. all industries, 2002–12



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

4 Record Employment in Prudhoe Bay

Jobs and oil prices per barrel, 1990 to 2012



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Department of Revenue

Plunging oil prices brought record job losses again that year when oil prices fell to \$13 per barrel from nearly \$19 the year before. In 1999, oil industry employment fell below 8,000 for the first time since 1983, and those losses reverberated throughout the state's economy.

In 2001, employment climbed to a 10-year high, spurred largely by the concurrent development of the Alpine and North Star oil fields and augmented by the construction of large oil modules in Kenai and Anchorage — modules that had been built in the Lower 48 or overseas in the past.

When most of the work on the North Star and Alpine fields was complete, employment fell again and hovered at the 8,000 level through 2004. At the time, it appeared Alaska's oil workforce was entering an era of stagnation.

However, the industry began to grow again in 2005, possibly because four years of above-average oil prices had more than doubled the 2001 price low. Development that breathed new life into the industry included work on heavy oil in West Sak, repair of production wells in Prudhoe Bay, work around Alpine, construction of new connecting pipelines, and continued development of a number of satellite fields.

Jobs, prices reach new highs

More than 25 years after oil production peaked in Alaska, its workforce broke new records and again became one of the fastest-growing industries in the state.

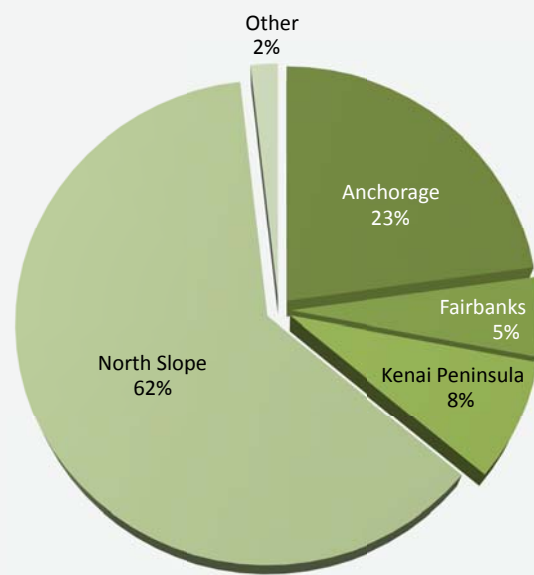
In early 2006, a section of BP's pipeline sprung a leak, which would eventually turn out to be the largest oil spill in the history of the North Slope. Soon after, additional corrosion problems required further work. All of this new activity spurred employment growth, bringing 2007's job levels past the 11,000 mark for the first time in history. In December of that year, jobs hit 12,000.

The average monthly job count rose above 12,000 in 2008, where it remained for the next three years despite large fluctuations over the course of some years in the monthly numbers. Then in 2011, job levels broke the 13,000 barrier and came up just short of 14,000 in 2012. (See Exhibit 3.)

High prices are the best explanation for the past decade's employment growth. In 2008, the average for Alaska North Slope crude climbed to \$98 per barrel, then peaked at \$134 per barrel in June of that year. (See Exhibit 4.)

5 Most Jobs on North Slope

Alaska oil industry, 2012



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

6 Oil and Gas Jobs

Alaska by area, 2012

| Area | Oil Industry Employment |
|------------------------------|-------------------------|
| Statewide | 13,641 |
| North Slope Borough | 8,459 |
| Anchorage, Municipality of | 3,106 |
| Kenai Peninsula Borough | 1,113 |
| Fairbanks North Star Borough | 719 |
| Valdez-Cordova Census Area | — |
| Yukon-Koyukuk Census Area | — |

Notes: Numbers are preliminary. A dash means values can't be disclosed for confidentiality reasons.

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

Prices backed off during the middle of the recession but hit new highs again by 2011, when prices averaged more than \$100 a barrel for the entire year. They averaged more than \$100 again in 2012 and continued at that level through the first quarter of 2013.

A related explanation for the increase in production jobs amid lower output is that deeper and harder-to-reach oil reserves require greater effort to extract. As oil prices rise, it becomes more economically feasible for companies to explore these areas.

New projects, new firms

New firms and new activity — along with continued maintenance and redevelopment of existing oil fields and exploration — helped spur the recent renaissance in Alaska's oil fields. The list of recent projects includes:

- Pioneer Natural Resources finished its offshore Ooguruk project in early 2008, making it the first independently operated oil field on the North Slope.
- ENI developed a similar offshore project, Ni-kaitchuq, shortly thereafter.
- ExxonMobil's massive undertaking at Point Thompson is boosting jobs on the North Slope to build miles of new roads, drill pads, and other oil field development infrastructure along with a 22-mile pipeline to ship condensate down the Trans-Alaska Oil Pipeline.

7 Oil Industry Earnings

Resident workers by area, 2011

By borough/census area with 10 or more workers

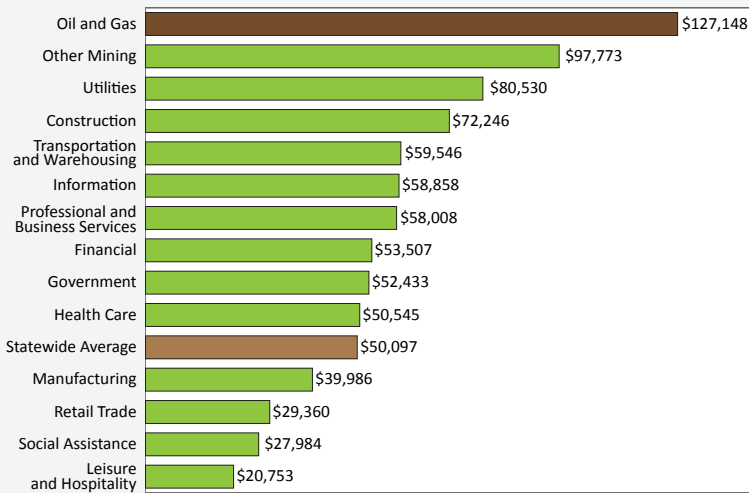
| Borough or census area | Workers | Earnings |
|---------------------------------|---------|---------------|
| Anchorage, Municipality of | 4,900 | \$573,509,637 |
| Kenai Peninsula Borough | 2,886 | \$261,181,653 |
| Matanuska-Susitna Borough | 2,444 | \$222,790,362 |
| Fairbanks North Star Borough | 711 | \$56,828,382 |
| Valdez-Cordova Census Area | 173 | \$12,539,129 |
| North Slope Borough | 69 | \$2,585,915 |
| Yukon-Koyukuk Census Area | 68 | \$4,767,207 |
| Southeast Fairbanks Census Area | 61 | \$4,660,955 |
| Lake and Peninsula Borough | 20 | \$1,156,242 |
| Kodiak Island Borough | 20 | \$1,340,859 |
| Dillingham Census Area | 15 | \$666,944 |
| Denali Borough | 13 | \$920,695 |
| Juneau, City and Borough of | 12 | \$880,538 |
| Nome Census Area | 10 | \$665,847 |
| Bethel Census Area | 10 | \$445,892 |
| Sitka, City and Borough of | 10 | \$694,257 |
| Ketchikan Gateway Borough | 10 | \$941,422 |

By place with 10 or more workers

| Place | Workers | Earnings |
|----------------|---------|---------------|
| Anchorage | 4,179 | \$487,616,617 |
| Wasilla | 1,540 | \$142,110,757 |
| Soldotna | 991 | \$92,405,634 |
| Kenai | 894 | \$81,709,001 |
| Fairbanks | 685 | \$54,801,105 |
| Palmer | 562 | \$51,768,914 |
| Eagle River | 487 | \$61,769,982 |
| Sterling | 270 | \$25,058,872 |
| Nikiski | 257 | \$21,747,456 |
| Chugiak | 171 | \$17,838,331 |
| Homer | 143 | \$12,770,050 |
| Kasilof | 127 | \$10,356,331 |
| Valdez | 115 | \$7,839,379 |
| Big Lake | 98 | \$8,605,232 |
| Willow | 77 | \$6,794,267 |
| Anchor Point | 75 | \$5,817,048 |
| Houston | 58 | \$4,440,533 |
| Girdwood | 54 | \$5,737,019 |
| Talkeetna | 51 | \$4,244,643 |
| Seward | 47 | \$3,721,712 |
| Ninilchik | 44 | \$4,207,352 |
| Delta Junction | 42 | \$3,392,443 |
| Sutton | 35 | \$3,006,731 |
| Barrow | 34 | \$1,135,497 |
| College | 19 | \$1,590,683 |
| Glennallen | 19 | \$1,620,702 |
| Copper Center | 18 | \$1,449,412 |
| Kodiak | 17 | \$1,118,829 |
| Trapper Creek | 17 | \$1,357,958 |
| Tok | 14 | \$962,780 |
| Juneau | 12 | \$880,538 |
| Newhalen | 12 | \$567,405 |
| Clam Gulch | 11 | \$1,008,731 |
| Cooper Landing | 10 | \$936,488 |
| Cordova | 10 | \$734,689 |
| Sitka | 10 | \$694,257 |

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

8 Oil Industry Earnings Are High Alaska yearly averages, 2012



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

- Shell’s massive offshore drilling effort generated considerable economic activity and employment even though it ran into a host of problems.
- Cook Inlet, Alaska’s “mature” oil and gas province, had a notable upswing in recent years.

Some of the new and returning firms include Buccaneer Energy, ENI, Hilcorp, Apache, Armstrong Oil and Gas, NordAq, Brooks Range Petroleum, Respol, Statoil, and Petro Canada. Some of the newcomers, such as ENI, are among the largest oil producers in the world; others are mid-sized and smaller independents such as Hilcorp and Buccaneer, respectively.

Jobs mainly in three areas

Anchorage, the North Slope, and the Kenai Peninsula Borough are home to nearly all of Alaska’s oil industry jobs. (See Exhibits 5 and 6.) The latter two are where all oil is produced, and Anchorage, which has a quarter of industry jobs, is often the headquarters or service center for many of these employers.

Over half the state’s oil workforce is employed in the North Slope Borough and nearly half of the borough’s employment is in the industry, which

is the highest concentration in the state.

Eight percent of the state’s oil and gas jobs are in the Kenai Peninsula Borough. Oil also provides a substantial number of pipeline transportation and refinery jobs, which are counted in other industries but have obvious connections to the state’s oil and gas resources. A liquid natural gas facility that will soon close has been another important employer in the borough.

Oil is fundamental to other areas such as Valdez, the pipeline’s terminus and home to a refinery. Oil properties generated 90 percent of the city’s property taxes in 2011.

Fairbanks’ direct oil and gas employment is small, but the city is a major logistical and supply center for the North Slope and has two refineries. In 2011, 10 percent of the city’s property tax revenue came from oil properties.

Oil workers live all over the state

Though most of the oil industry’s jobs are concentrated in three areas, it draws workers from all over the state and nation. (See Exhibit 7.)

One of the more dramatic examples is the Matanuska-Susitna Borough, which has neither industry employment nor production. Eight percent of the borough’s working residents commuted to the North Slope in 2011, and they brought home \$223 million in wages.

Kenai Peninsula Borough is similar in that it had a little over 1,000 oil and gas jobs in 2011, but 2,900 of its residents worked in the industry. Even the state’s smaller communities have residents who commute to remote oil jobs.

It’s a different story in the North Slope Borough, however. Although half the state’s oil industry workers were employed on the North Slope in 2011, only 69 North Slope workers were also borough residents.

Nonresident workers and wages

Over the past decade, the percentage of nonresident oil and gas workers has fluctuated between 26 and 31 percent. In 2011, nonresidents earned 29.6 percent of oil industry wages, up slightly from 2010. Resident workers earned more on av-

erage, at \$99,411 a year compared to \$92,559 for nonresidents.

Highest-paying industry

Alaska’s oil industry is known for its high average wages — in 2012, the average oil and gas job paid \$127,148. (See Exhibit 8.) This was 254 percent above the statewide average for all wage and salary jobs.

Oil producers tend to pay more than oilfield or drilling support firms. For producing companies, 2012’s average earnings per job were \$188,133 versus \$102,669 for service companies. Earnings were also considerably lower for oil-related jobs classified in other industries.

There are several reasons for the industry’s high earnings, but the weights of these factors are not as clear. Production jobs require experience, a high skill level, and demanding work schedules with a considerable amount of overtime, which stems from nonstandard schedules such as those on the North Slope or on the platforms in Cook Inlet. Remote employees often work 84 hours a week, or the standard 40 hours plus 44 hours of overtime.

Another factor is that the oil and gas boom is in full swing around the world, which creates tremendous competition for experienced workers.

Different from other oil states

Alaska ranked third in the nation for oil production for many years, but in 2012 it fell to fifth, surpassed by North Dakota and California. (See Exhibit 9.) As far as oil’s importance to the economy, though, Alaska ranks first when measured by the share of gross domestic product.

Alaska produces 8 percent of the nation’s domestic oil supply but employs a little less than 3 percent of U.S. oil workers. (See Exhibit 10.) In 2012, Texas produced nearly four times more oil but its industry workforce was 17 times larger than Alaska’s. Oklahoma produced less than half Alaska’s oil in 2012 but its workforce was nearly four times larger.

Some of these states produce more natural gas than Alaska, which is reflected in the job numbers, but this doesn’t explain most of the difference.

9 Oil Jobs, Production, Firms by State

Select states, 2011 and 2012

| | Oil and Gas Jobs, 2011 | Oil Production (Thousands of Barrels), 2012 | Gas Production (Mcf ⁴), 2011 ⁴ | 2011 Establishments |
|---------------------------|------------------------|---------------------------------------------|-------------------------------------------------------|---------------------|
| Alaska ¹ | 12,981 | 204,738 | 356,325 | 117 |
| Texas ² | 225,496 | 721,360 | 7,112,863 | 8,563 |
| California ¹ | 20,928 | 213,645 | 250,177 | 479 |
| North Dakota ³ | 14,926 | 242,486 | 97,102 | 44 |
| Louisiana ¹ | 48,947 | 477,283 | 3,029,206 | 1,788 |
| Oklahoma | 49,207 | 89,627 | 1,888,870 | 3,092 |
| New Mexico | 16,310 | 84,179 | 1,237,303 | 873 |
| Wyoming | 16,967 | 58,192 | 2,159,422 | 1,001 |
| Total U.S. | 499,507 | 2,380,824 | 24,036,352 | 24,008 |

¹Includes federal offshore oil production, which is small in Alaska and California but significant in Louisiana

²Excludes federal offshore Gulf of Mexico oil production, which is significant but is not available

³Due to disclosure requirements, North Dakota’s job numbers exclude NAICS code 213111, drilling oil and gas wells.

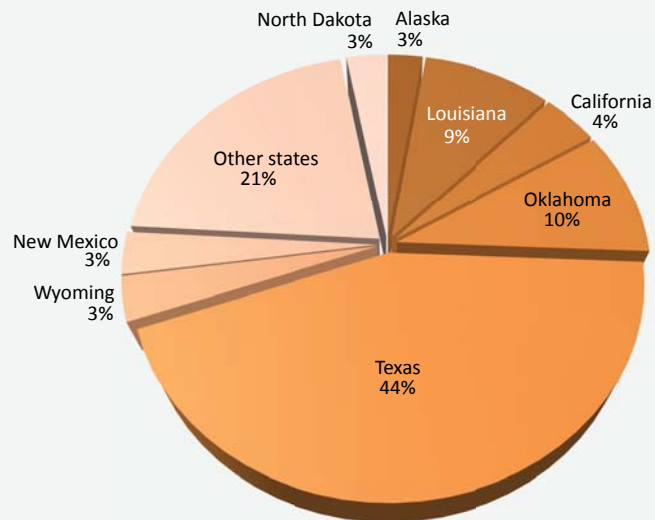
⁴Offshore federal outer continental shelf gas production data are excluded for Alaska (very small), Louisiana, and Texas, and are included in the California and U.S. numbers. This is a limitation of Energy Information Administration data.

*Mcf = Thousand cubic feet

Sources: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Energy Information Administration; Louisiana Department of Natural Resources; Alaska Department of Revenue

10 Oil Employment by State

As percentage of national oil jobs, 2011



Sources: U.S. Department of Labor, Bureau of Labor Statistics; and Alaska Department of Labor and Workforce Development, Research and Analysis Section

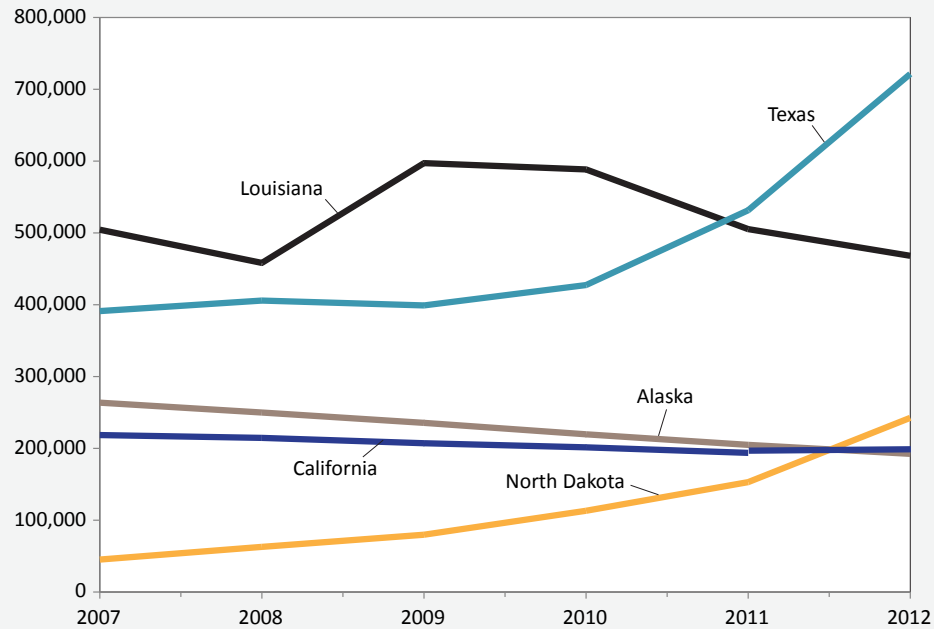
Alaska differs from most oil-producing states in a number of important ways.

- **Alaska’s large oil fields don’t require large workforces.** Prudhoe Bay, which produces 45

11

Oil Production Trends Since 2007

Select energy-producing states, 2007 to 2012



Source: Energy Information Administration

percent of the state's oil, is the largest in the nation but has relatively few workers. Ten out of the nation's 50 largest oil fields are on the North Slope.

- **Most other oil-producing states have a variety of small, medium, and large fields.** For example, the nation has 394,000 marginal fields or stripper wells, which produce 10 barrels of oil or less per day, and Alaska has none.
- **Other oil-producing states have thousands of small oil and gas establishments.** For example, in 2011, Alaska had 117 oil and gas establishments versus 1,788 in Louisiana and 3,092 in Oklahoma. If Alaska's oil fields were not as remote, employment would be considerably higher. Oil fields considered marginal or not economically feasible would be economic if they were less remote.
- **Alaska is less likely to be home to an oil industry headquarters or regional center.** The majority of Alaska's oil workforce exists solely to produce oil and gas in the state

and not to provide services to the rest of the nation or world. Other functions such as management, research, and sometimes exploration take place elsewhere.

- **Alaska has smaller transportation infrastructure and fewer downstream operations, such as refineries.** Though the state has an 800-mile pipeline and a number of smaller ones, they don't compare to the thousands of miles of pipeline snaking through other states. Alaska's refineries typically serve local demand, which is relatively small. In 2012, Louisiana had 19 operating refineries and refined 3.2 million barrels of oil a day compared to Alaska's six refineries, refining 385,000 barrels of oil a day.

Slower job growth in Alaska

Although Alaska has a record number of oil and gas industry workers and is one of the fastest-growing industries in the state, its employment is growing slower than in many oil-producing states. Over the past decade, the nation's oil and gas employment grew by 62 percent versus Alaska's

37 percent. Growth in North Dakota was an eye-popping 557 percent. Alaska's job growth did outpace that of California and Louisiana, two other states whose production hasn't increased over the decade. (See Exhibit 11.)

The role of new technology

Though U.S. oil production started a general decline in 1985, technological breakthroughs and high prices led to increased production starting in 2009. In 2012, U.S. oil production reached its highest level since 1992, with North Dakota and Texas as the major contributors to this jump.

In Alaska, oil and gas production has continued to decline. As the easy-to-extract oil runs out, greater effort and technology will be required to get at the deeper, harder-to-reach oil.

Horizontal drilling and hydraulic fracturing, or fracking, are playing major roles in other states, opening new areas to development. Fracking involves pumping pressurized liquid down into layers of rock to get at deeper trapped oil or gas. North Dakota produces 95 percent of its oil this way, and this new technology has also reinvigorated oil and gas production in Texas, where gas production has grown by 17 percent in the past five years. Gas production in Louisiana more than doubled during that period.

Fracking hasn't yet played a major role in Alaska, and the jury remains out on its widespread application in the state. Alaska also has yet to commercially develop its vast reserves of natural gas.

Homer More Than a Fishing Town

An economically diverse city at the end of the road



The city of Homer was inhabited long before its namesake, Homer Pennock, arrived and lured other settlers with the ultimately unfulfilled promise of gold.

Alaska Natives had used the area's bountiful natural resources for thousands of years before Russians first arrived seeking fish, furs, and trade. After the Russians came the beginning of coal mining, then the 1896 arrival of gold mining company promoter Pennock.

Homer's beginning as an official city started with a roar. In 1964, the Good Friday earthquake destroyed the port and caused the Homer Spit to sink 2 to 8 feet into the water. Homer became an incorporated city four days later, on March 31, and the port was eventually rebuilt with federal funds.

Today, the southernmost town on the state's contiguous highway system is a growing and economically diverse community. Since 2000, the city has added residents at an average rate of 0.6 percent annually for a 2012 population of about

5,200. In 2005, the growing town finally got its first traffic light.

Despite some similarities to the rest of the state, Homer has key differences in industry makeup, income, and demographics.

Older and less diverse

Homer has grown in past years from attracting new residents as well as from births. The 2000 and 2010 censuses show approximately 2,000 adults between ages 25 and 54 moved to the area and often brought children with them. Like much of Alaska, more 20-to-24-year-olds left than arrived, which is typical for young people everywhere when they pursue outside job opportunities or further education.

Though Homer isn't a retirement community, it does have an older population — a high percentage of people between 55 and 74 moved to Homer over the last two decades, reflected in the area's higher median age of 44 versus 33.8 for the whole state. (See Exhibit 1.)



This aerial photo shows the Homer Spit. Photo courtesy of the Alaska ShoreZone Program, National Oceanic and Atmospheric Administration, National Marine Fisheries Service

Homer stands out in other ways as well. Its population is overwhelmingly Caucasian — over 90 percent on average between 2007 and 2011 compared to 67 percent statewide — with just 5 percent Alaska Native or American Indian residents versus 14 percent statewide. Less than 1 percent were black and just one-tenth of 1 percent were Native Hawaiian or Pacific Islander.

Homer also has a large population of veterans despite being nowhere near a military installation. Its veteran residency rate is 14.2 percent — slightly less than the state as a whole but much

higher than the nation's 9.1 percent.

Some costs are higher

Many facets of everyday life cost more in Homer than in the encompassing Kenai Peninsula Borough or Anchorage. (See Exhibit 2.) Food costs in 2008 were 13 percent higher than in Anchorage while transportation and clothing cost 20 and 21 percent more, respectively.

The highest relative costs were for utilities and airfare, at 63 and 56 percent more than Anchorage. These costs will likely come down over the next few years as natural gas is piped into Homer and households transition to gas from other heating methods.

Not everything in Homer is more expensive, though. Housing, which is typically a family's largest expenditure, was 21 percent cheaper than in Anchorage, and Homer's medical costs were just 3 percent higher.

A different industry mix

Homer's distribution of jobs in health care, manufacturing, and transportation is nearly identical to the state's overall job market, but the similarities end there. (See Exhibit 3.) Homer has no oil or mining to speak of — key industries in Alaska — and its high proportions of local government and leisure and hospitality far exceed the state average.

Local government is Homer's largest sector, which is common for small communities, and its most common occupation is a teacher or instructor. Public schools make up most of local government, which was responsible for 19.5 percent of Homer's employment in 2011.

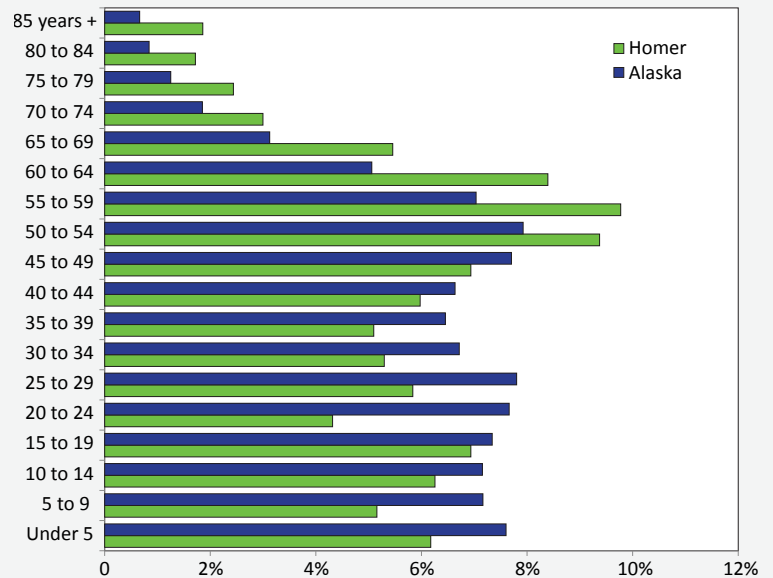
Leisure and hospitality, a frequent proxy for tourism, was the second-largest industry at 16.3 percent. It includes food and entertainment such as hotels, restaurants, bars, bowling alleys, and movie theaters.

Earnings versus income

Homer's industry makeup largely

1 Homer Residents Tend to Be Older

Homer and Alaska, 2010



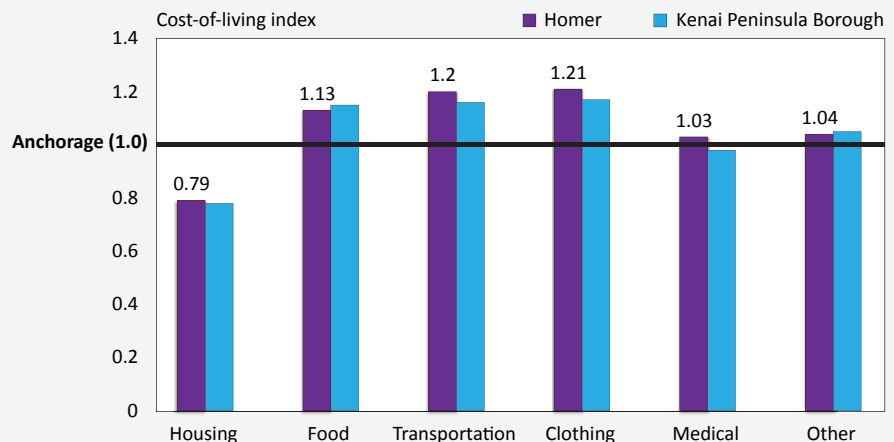
Source: U.S. Census Bureau

explains its low average earnings of \$36,000 in 2011, considerably less than the statewide average of \$48,900. The area has relatively few high-paying jobs — such as those in oil and gas — and has a higher proportion of lower-paying leisure and hospitality jobs.

Leisure and hospitality's average pay is \$16,500 a year, partly because many of its jobs are part-

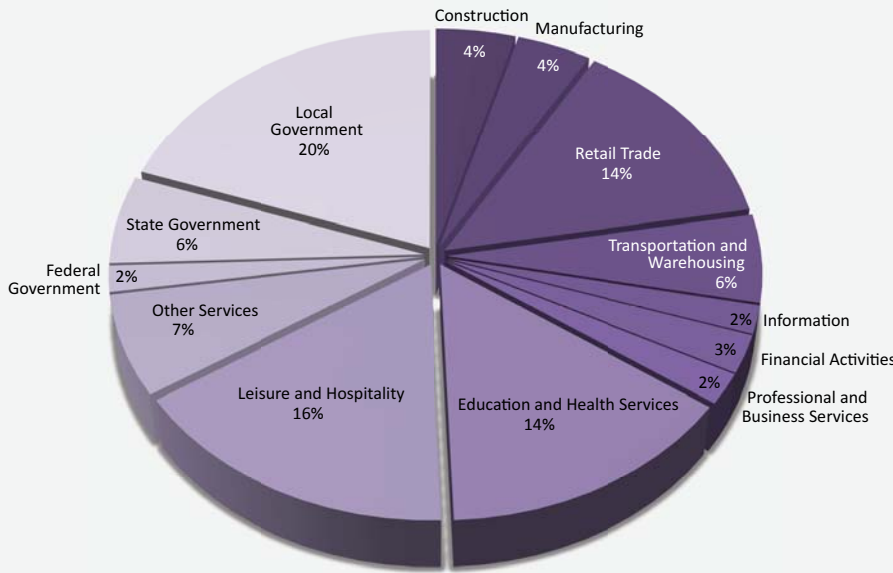
2 Most Costs Are Higher in Homer

Relative to Anchorage and Kenai borough, 2008



Source: Alaska Geographic Differential Study, 2008

3 Local Government Largest Industry Homer, 2011



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

time. Even statewide, this industry averaged just \$20,300 per year.

Homer's earnings were lower than the statewide average in every category except local government. (See Exhibit 4.) However, average earnings don't tell the whole story, because not everyone who lives in Homer works in Homer. Sixteen percent of employed Homer residents worked outside the Kenai Peninsula Borough in 2011 — 6 percent worked in Anchorage and 4 percent in the North Slope Borough. These commuters' earnings were not reported in Homer but still infused money into the Homer economy.

Per capita income, an inclusive measure of all money going into residents' pockets and not just their wages, was also lower than the statewide average by nearly \$14,200 and below the Kenai Peninsula Borough average by \$10,300.

Like earnings, though, part of the difference in income is due to data availability. At the borough level, a higher percentage of income came from transfer payments, including retirement and disability insurance, than at the statewide level. However, this level of detail doesn't exist for Homer, where transfer

payments are likely significant because 14.5 percent of the population was 65 or older in 2010, compared to just 7.7 percent statewide.

Fishing an important piece of the economy

Sport and commercial fishing are important pieces of Homer's economy, but because most seafood harvesters are considered self-employed, their earnings are reported differently and they aren't counted in the previous jobs and earnings breakdown.

On the commercial fishing side, the number of pounds of fish caught and gross earnings have been on the rise over the last decade (see Exhibit 5) but volatile due to changes in fish prices and the amount available for harvest.

The highest grossing year was 2008, when commercial fishing brought more than \$86 million into Homer. However, it was in 2010 that the greatest poundage came across the docks, with more than 122 million pounds of crab, halibut, herring, various shellfish and groundfish, sablefish, and salmon.

Among sport fishermen, more than 35,600 salt

4 How Earnings Compare in Homer Versus Alaska average, 2011

| Industry | Homer | Statewide |
|--------------------------------------|----------|-----------|
| Total | \$36,008 | \$48,845 |
| Natural Resources and Mining | n/a | \$112,910 |
| Construction | \$55,463 | \$70,125 |
| Manufacturing | \$25,199 | \$38,518 |
| Trade, Transportation, and Utilities | \$37,642 | \$41,760 |
| Retail Trade | \$25,952 | \$28,663 |
| Transportation and Warehousing | \$45,555 | \$58,906 |
| Information | \$34,475 | \$58,488 |
| Financial Activities | \$43,052 | \$52,210 |
| Professional and Business Services | \$33,948 | \$56,890 |
| Health Care and Social Assistance | \$25,336 | \$44,336 |
| Leisure and Hospitality | \$16,501 | \$20,316 |
| Other Services | \$29,662 | \$29,991 |
| Federal Government | \$71,767 | \$71,784 |
| State Government | \$49,430 | \$51,205 |
| Local Government | \$49,256 | \$43,066 |

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

water anglers logged a total of 56,400 fishing days in Homer in 2011 and caught an estimated 73,100 pounds. This generated additional business for other Homer industries such as retail and leisure and hospitality, as fishermen need lodging and food and many spend money on additional gear and services during their trip.

A busy port

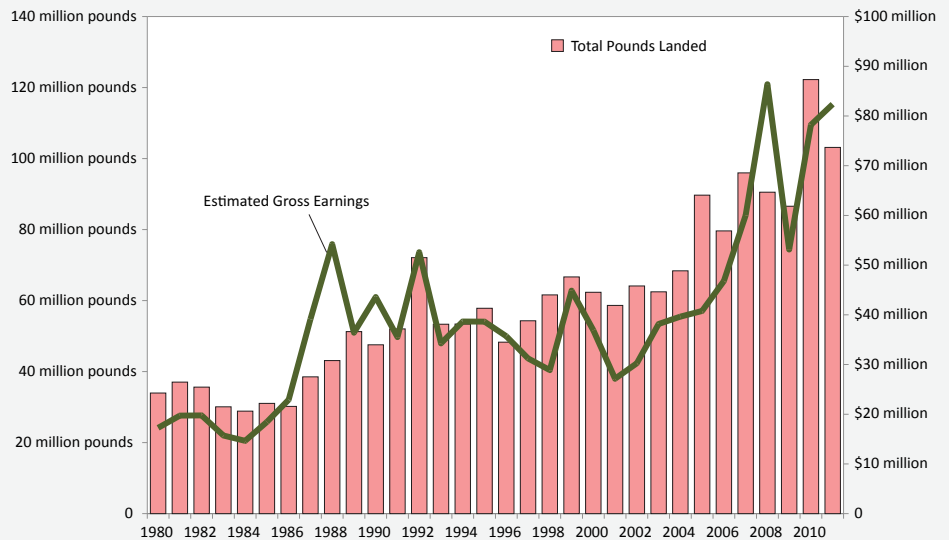
The Homer deep water port and harbor is extremely popular, and it has seen many large vessels since its repair and completion in 1964. For its size, it's well-equipped to serve the needs of vessels large and small. Services include everything from carpentry, hydraulics, welding, and general repair to finance and insurance — and recently, a small Coast Guard Station.

There were nearly 800 annual reservations for moorage in 2012, more than 1,700 monthly transient moorage sales, and more than 2,200 daily transient moorage sales. Approximately 1,300 additional boats were on the waiting list for a stall.

Industries foster balance

Despite the characteristics that make Homer unique, its economy shares a key similarity to many Alaska communities — seasonal jobs such as fishing and tourism boost the town in the summer while its public services, the industrial harbor, retail, lodging, and manufacturing provide stable, year-round jobs and keep money flowing.

5 Pounds of Seafood and Total Earnings Homer, 1980 to 2011



Source: Commercial Fisheries Entry Commission

Employment Scene

Alaska's income inequality the second lowest in the U.S.



1 Income Inequality By State 2011

↑
More
equal

↓
Less
equal

| Area | Median Income | Gini Coefficient |
|----------------------|-----------------|------------------|
| Wyoming | \$56,322 | 0.408 |
| Alaska | \$67,825 | 0.410 |
| Utah | \$55,869 | 0.425 |
| Hawaii | \$61,821 | 0.430 |
| Vermont | \$52,776 | 0.431 |
| Idaho | \$43,341 | 0.432 |
| South Dakota | \$48,321 | 0.432 |
| Iowa | \$49,427 | 0.434 |
| Montana | \$44,222 | 0.435 |
| New Hampshire | \$62,647 | 0.435 |
| Wisconsin | \$50,395 | 0.437 |
| Delaware | \$58,814 | 0.440 |
| Kansas | \$48,964 | 0.444 |
| Minnesota | \$56,954 | 0.444 |
| North Dakota | \$51,704 | 0.445 |
| Washington | \$56,835 | 0.445 |
| Indiana | \$46,438 | 0.446 |
| Maryland | \$70,004 | 0.447 |
| Maine | \$46,033 | 0.451 |
| Nevada | \$48,927 | 0.453 |
| Ohio | \$45,749 | 0.459 |
| Oregon | \$46,816 | 0.459 |
| Arizona | \$46,709 | 0.460 |
| Michigan | \$45,981 | 0.461 |
| Missouri | \$45,247 | 0.461 |
| Oklahoma | \$43,225 | 0.461 |
| Pennsylvania | \$50,228 | 0.461 |
| Virginia | \$61,882 | 0.463 |
| South Carolina | \$42,367 | 0.465 |
| Rhode Island | \$53,636 | 0.467 |
| Arkansas | \$38,758 | 0.468 |
| New Jersey | \$67,458 | 0.469 |
| Kentucky | \$41,141 | 0.471 |
| Illinois | \$53,234 | 0.472 |
| North Carolina | \$43,916 | 0.472 |
| West Virginia | \$38,482 | 0.472 |
| Alabama | \$41,415 | 0.474 |
| Mississippi | \$36,919 | 0.474 |
| United States | \$50,502 | 0.475 |
| Tennessee | \$41,693 | 0.476 |
| Georgia | \$46,007 | 0.477 |
| Massachusetts | \$62,859 | 0.477 |
| Nebraska | \$50,296 | 0.477 |
| Texas | \$49,392 | 0.477 |
| California | \$57,287 | 0.481 |
| Florida | \$44,299 | 0.481 |
| New Mexico | \$41,963 | 0.482 |
| Louisiana | \$41,734 | 0.484 |
| Connecticut | \$65,753 | 0.486 |
| New York | \$55,246 | 0.503 |
| Puerto Rico | \$18,660 | 0.531 |
| District of Columbia | \$63,124 | 0.534 |
| Colorado | \$55,387 | 0.569 |

Source: U.S. Census Bureau

The difference between Alaska's high and low income residents

is the second-lowest in the nation according to the U.S. Census Bureau's Gini coefficients — measures of income equality comparable across all states.

A Gini coefficient closer to zero indicates less income disparity.

A Gini coefficient close to one indicates larger income gaps while closer to zero denotes less income inequality. These rates typically don't change much from year to year.

In 2011, only Wyoming had more equitably distributed income than Alaska. On the other end of the spectrum, the District of Columbia and New York had the most income disparity in the nation. (See Exhibit 1.)

Excluding Wyoming, Alaska has the smallest income gap among energy-producing states. Alaska's Gini coefficient in 2011 was 0.410, while Texas and North Dakota were 0.477 and 0.445 respectively.

Income inequality can also be demonstrated by income distribution graphs such as those in Exhibit 2. Alaska's income distribution shows a much lower concentration of people with incomes below \$24,999 than either Texas or North Dakota while also having a higher concentration of people making more than \$150,000 a year.

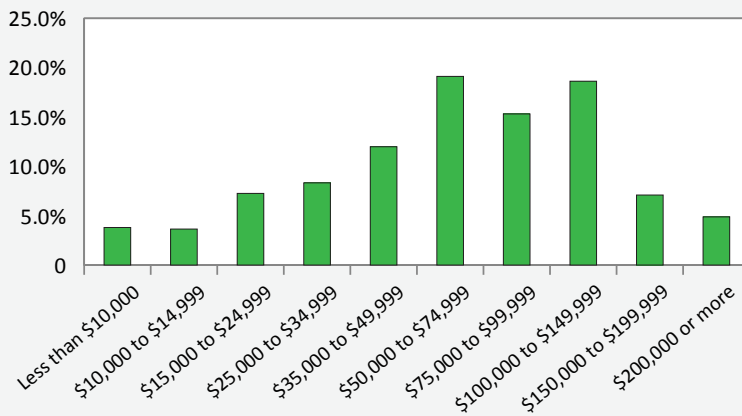
Considering both indicators can be helpful because each has its own strengths and drawbacks. Gini coefficients are more precise overall, but are best at identifying inequality between high-wage earners and middle-class earners than between high-wage and very low-wage earners. Income distribution charts provide a broader picture of income from the lowest wage-earners to the highest, but the comparison is less precise.

2

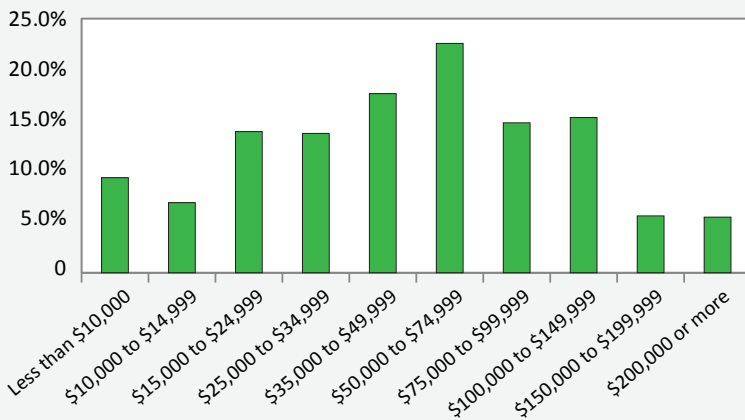
Income Distribution

Select energy-producing states, 2011

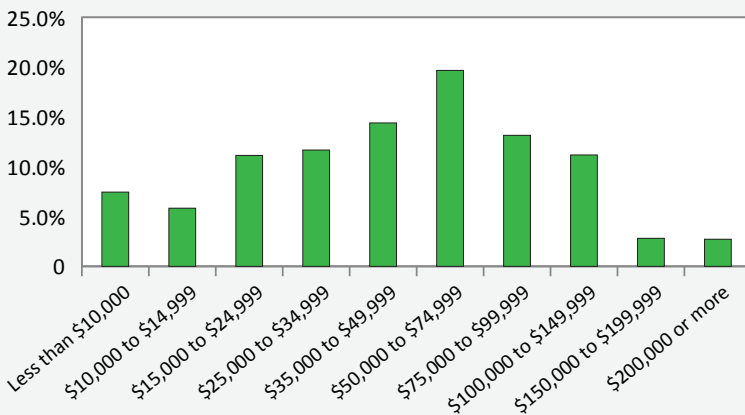
Alaska



Texas



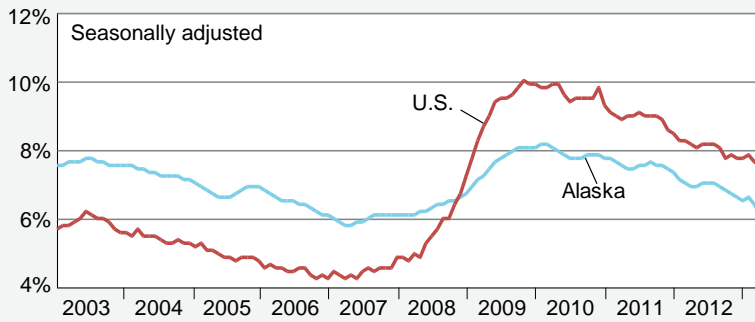
North Dakota



Note: Values are adjusted for inflation.
 Source: U.S. Census Bureau

1 Unemployment Rates

January 2003 to April 2013



Source: Alaska Department of Labor and Workforce Development, Research and Analysis; and U.S. Bureau of Labor Statistics

3 Unemployment Rates

Boroughs and census areas

| | Prelim. 4/13 | Revised 3/13 | 4/12 |
|-------------------------------------|--------------|--------------|------|
| SEASONALLY ADJUSTED | | | |
| United States | 7.5 | 7.6 | 8.1 |
| Alaska Statewide | 6.0 | 6.2 | 7.0 |
| NOT SEASONALLY ADJUSTED | | | |
| United States | 7.1 | 7.6 | 7.7 |
| Alaska Statewide | 6.3 | 6.6 | 7.2 |
| Anchorage/Mat-Su Region | 5.4 | 5.5 | 6.2 |
| Municipality of Anchorage | 4.9 | 4.9 | 5.6 |
| Matanuska-Susitna Borough | 7.1 | 7.7 | 8.3 |
| Gulf Coast Region | 7.2 | 7.8 | 8.3 |
| Kenai Peninsula Borough | 7.5 | 8.2 | 8.7 |
| Kodiak Island Borough | 4.8 | 4.6 | 5.7 |
| Valdez-Cordova Census Area | 9.0 | 9.9 | 9.5 |
| Interior Region | 6.5 | 6.8 | 7.5 |
| Denali Borough | 16.0 | 20.2 | 18.5 |
| Fairbanks North Star Borough | 5.5 | 5.7 | 6.5 |
| Southeast Fairbanks Census Area | 10.7 | 11.5 | 11.5 |
| Yukon-Koyukuk Census Area | 14.0 | 14.7 | 15.3 |
| Northern Region | 8.6 | 8.8 | 9.7 |
| Nome Census Area | 10.5 | 10.5 | 11.4 |
| North Slope Borough | 4.4 | 4.6 | 5.0 |
| Northwest Arctic Borough | 13.7 | 14.4 | 15.9 |
| Southeast Region | 6.2 | 7.0 | 6.9 |
| Haines Borough | 8.2 | 10.0 | 9.6 |
| Hoonah-Angoon Census Area | 18.2 | 22.3 | 19.7 |
| Juneau, City and Borough of | 4.4 | 4.6 | 4.8 |
| Ketchikan Gateway Borough | 6.6 | 7.4 | 7.1 |
| Petersburg Census Area ¹ | 8.9 | 11.8 | 9.2 |
| Prince of Wales-Hyder Census Area | 12.2 | 13.3 | 14.6 |
| Sitka, City and Borough of | 4.5 | 5.3 | 5.3 |
| Skagway, Municipality of | 14.6 | 19.4 | 15.8 |
| Wrangell, City and Borough of | 7.2 | 10.3 | 9.4 |
| Yakutat, City and Borough of | 8.1 | 12.0 | 9.6 |
| Southwest Region | 13.3 | 12.2 | 13.6 |
| Aleutians East Borough | 7.4 | 8.3 | 8.6 |
| Aleutians West Census Area | 8.9 | 4.8 | 10.3 |
| Bethel Census Area | 15.6 | 15.2 | 15.3 |
| Bristol Bay Borough | 7.0 | 8.8 | 8.8 |
| Dillingham Census Area | 9.0 | 9.1 | 9.4 |
| Lake and Peninsula Borough | 8.5 | 9.6 | 9.7 |
| Wade Hampton Census Area | 21.4 | 21.9 | 21.5 |

2 Statewide Employment

Nonfarm wage and salary

| | Preliminary | | Revised | | Year-Over-Year Change | |
|----------------------------------------------------|-------------|---------|---------|--------|-------------------------|-------|
| | 4/13 | 3/13 | 4/12 | 4/12 | 90% Confidence Interval | |
| Alaska | | | | | | |
| Total Nonfarm Wage and Salary¹ | 326,400 | 323,800 | 326,200 | 200 | -5,877 | 6,277 |
| Goods-Producing ² | 43,700 | 43,500 | 43,600 | 100 | -2,866 | 3,066 |
| Service-Providing ³ | 282,700 | 280,300 | 282,600 | 100 | - | - |
| Mining and Logging | 17,500 | 17,300 | 16,600 | 900 | -335 | 2,135 |
| Mining | 17,100 | 16,900 | 16,200 | 900 | - | - |
| Oil and Gas | 14,100 | 14,000 | 13,300 | 800 | - | - |
| Construction | 15,600 | 15,100 | 14,500 | 1,100 | -413 | 2,613 |
| Manufacturing | 10,600 | 11,100 | 12,500 | -1,900 | -4,259 | 459 |
| Wholesale Trade | 5,900 | 5,900 | 6,100 | -200 | -539 | 139 |
| Retail Trade | 35,200 | 34,400 | 34,700 | 500 | -284 | 1,284 |
| Food and Beverage Stores | 6,000 | 6,000 | 6,100 | -100 | - | - |
| General Merchandise Stores | 9,800 | 9,700 | 9,600 | 200 | - | - |
| Transportation, Warehousing, Utilities | 21,100 | 20,700 | 20,500 | 600 | -234 | 1,434 |
| Air Transportation | 5,600 | 5,500 | 5,600 | 0 | - | - |
| Information | 6,000 | 6,100 | 6,200 | -200 | -475 | 75 |
| Telecommunications | 3,900 | 3,900 | 4,100 | -200 | - | - |
| Financial Activities | 13,000 | 13,100 | 13,100 | -100 | -967 | 767 |
| Professional and Business Services | 27,900 | 27,200 | 27,900 | 0 | -1,356 | 1,356 |
| Educational⁴ and Health Services | 47,900 | 47,700 | 46,200 | 1,700 | 565 | 2,835 |
| Health Care | 33,500 | 33,800 | 32,700 | 800 | - | - |
| Leisure and Hospitality | 29,500 | 29,400 | 30,500 | -1,000 | -3,669 | 1,669 |
| Other Services | 11,400 | 11,400 | 11,500 | -100 | -921 | 721 |
| Government | 84,800 | 84,400 | 85,900 | -1,100 | - | - |
| Federal Government ⁵ | 15,100 | 14,900 | 16,300 | -1,200 | - | - |
| State Government ⁶ | 26,900 | 26,800 | 26,800 | 100 | - | - |
| State Government Education ⁷ | 8,700 | 8,700 | 8,600 | 100 | - | - |
| Local Government | 42,800 | 42,700 | 42,800 | 0 | - | - |
| Local Government Education ⁸ | 24,100 | 24,100 | 25,200 | -1,100 | - | - |
| Tribal Government | 3,400 | 3,500 | 3,500 | -100 | - | - |

A dash means confidence intervals aren't available at this level.

¹Excludes the self-employed, fishermen and other agricultural workers, and private household workers. For estimates of fish harvesting employment and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm.

²Goods-producing sectors include natural resources and mining, construction, and manufacturing.

³Service-providing sectors include all others not listed as goods-producing sectors.

⁴Private education only

⁵Excludes uniformed military

⁶This number is not a count of state government positions, but the number of people who worked during any part of the pay period that included the 12th of the month (the same measure used for all employment numbers in this table). The numbers can vary significantly from month to month; when attempting to identify trends, annual averages are more useful.

⁷Includes the University of Alaska. Variations in academic calendars from year to year occasionally create temporarily large over-the-year changes.

⁸Includes public school systems. Variations in academic calendars from year to year occasionally create temporarily large over-the-year changes.

Sources for Exhibits 1, 2, and 3: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Department of Labor, Bureau of Labor Statistics

Employer Resources

Hiring young people can boost seasonal businesses

A number of Alaska businesses only operate during the summer, and their recruitment of summer workers, college students, and other temporary hires often begins in early spring — some even have their staff hired by February. Competition for these workers can be fierce, and the success of a seasonal business can depend on how well it can meet staffing demands, especially when some workers quit before the season ends.

Hiring young people can help employers fill that gap. According to the U.S. Department of Labor's Bureau of Labor Statistics, just 48.8 percent between the ages of 16 and 24 were employed in July of last year. This means over half of that age group, who are legally able to work, may be seeking employment.

Hiring youth and young adults for the summer can also bring many benefits to the workplace, including a willingness to learn, positivity, motivation to succeed, and adaptability. All of these qualities can help build a strong foundation in a dedicated employee. Young people are often ready and able to work — it's just a matter of con-

necting with them.

The Alaska Department of Labor and Workforce Development's Alaska Job Center Network can help employers connect with available youth through its 21 job centers around the state. One of those job centers, the Anchorage Youth Job Center, is dedicated specifically to working with young people between the ages of 14 and 24. The AYJC, which is funded by the Youth First Initiative grant, operates year-round with three career guides who assist youth with career guidance, employability skills, job searches, and job placement. The grant also funds three more career guides who are located in Kodiak, Ketchikan, and Wasilla.

Our career guides and employment specialists at any of the Alaska Job Centers can help you find staff and ensure your business operates smoothly. To reach a job center in your area, call (877) 724-2539 or visit jobs.alaska.gov/offices.

Employer Resources is written by the Employment Security Division of the Alaska Department of Labor and Workforce Development.

Safety Minute

Job hazard assessments help protect seafood employees

The seafood industry is a major private employer in Alaska and an important component of our economic engine. Many jobs in this industry are in challenging conditions, but every year workers sign up and bring in millions of tons of seafood.

Seafood harvesting and processing present a variety of potential physical and health hazards: wet, slippery walking and working surfaces; loud and dangerous machinery; forklifts; loading docks with moving trucks and trailers; water-side docks with shore side cranes; highly hazardous or otherwise toxic chemicals; and other mechanical material handling equipment. These can cause injury and even death if workers aren't trained or if the equipment is poorly maintained or improperly operated.

A job hazard assessment of the workplace, available through the Alaska Department of Labor and Workforce Development, will help management take the proper measures to protect their workers and train them for the specific hazards they might face.

The department's Occupational Safety and Health Section, or AKOSH, can lead employers through the hazard assessment process. The service is free and available upon written request by the employer. Contact AKOSH at (800) 656-4972 to learn more about job hazard assessments or to find out more about providing a safe and healthful workplace.

Safety Minute is written by the Labor Standards and Safety Division of the Alaska Department of Labor and Workforce Development.