

Resident Hire: A Closer Look

By Jeff Hadland

The Alaska Department of Labor recently completed a study to determine the impact of nonresidents on Alaska's economy during 1984. The study, entitled "Nonresidents Working in Alaska", identified the number of nonresidents that worked and the total dollar volume of wages associated with these nonresident workers in 1984. Although some aspects of the study have been reported by the media, a great deal of information generated may have been overlooked by many of those who are interested in the subject. This article will highlight some of this information. In addition, the Research and Analysis section has recently examined related issues, including the occupational titles of nonresident unemployment insurance recipients, the nonresident wages going to union and nonunion construction firms, and the nonresident wages going to firms with an out-of-state business address. These findings are also reported.

Resident Hire Study Overview: Purpose and Limitations

Chapter 69, SLA 1985 (House Bill 294) amended Alaska Statute 36.10 to strengthen the State's case for preferential hire of Alaskans on state funded construction. The Alaska Department of Labor was funded to provide economic facts associated with resident and nonresident employment, especially as it concerns state funded construction. The legislature then requested that research efforts continue so as to provide a more detailed analysis of resident hire. A primary tool used to conduct the research was the Alaska Department of Revenue permanent fund dividend data base. The permanent fund dividend program provides a unique measure of residency. No other state has a program that pays each *resident* an annual dividend after providing information that includes a statement that attests to the applicant's residency and tenure in the state.

In early 1985, Research and Analysis matched the wage records of all those who earned income from wage and salary employment covered by Alaska's unemployment insurance program during 1984 with the 1984 permanent fund dividend recipient file. At that time only the 1984 permanent fund dividend recipient file was available. In order to qualify for a 1984 permanent fund dividend the recipient had to have been an Alaska resident during the period October 1, 1983 through March 31, 1984. Those permanent residents who arrived in Alaska after October 1, 1983 and then worked during 1984 were not identified as recipients in the initial cross match with the 1984 labor wage file.

To more accurately measure the number of residents, the social secu-

Summary of Findings from "Nonresident Working in Alaska - a Special Study to Measure the Economic Impact of Nonresidents of Alaska's Economy During Calendar Year 1984"

- In 1984 \$677 million was paid to 71,000 nonresident workers in Alaska. Twelve percent of all wages were paid to nonresidents who accounted for 22 percent of all employees.
- The average annual earnings of nonresidents was only 48 percent of that of residents of Alaska. Nonresidents did not have the same degree of attachment to the Alaska economy. Fifty-four percent of all residents worked during all four calendar quarters of 1984 while only 11 percent of nonresidents worked all four quarters.
- The seafood processing industry had the largest percent of total wages going to nonresidents. The construction industry had the largest total dollar amount going to nonresidents. More than 30 percent of all wages paid to nonresidents went to nonresidents working in the construction industry.
- Bristol Bay Borough, Aleutian Islands and Dillingham census areas had the highest percentage of nonresident earnings.
- In 1984, the number of unemployed never fell below 19,000 individuals in any month. The number of employed nonresidents was always greater than 16,000 individuals in any month.
- Alaska has unique economic conditions compared to other states. In 1984, Alaska had the highest unemployment rate in the manufacturing industry and the fifth highest overall unemployment rate.
- More than \$20 million in unemployment insurance benefits were paid to nonresidents in 1984 and nearly \$17 million of this was paid out of state.
- Nearly 20 percent of all unemployment insurance benefit payments made by Alaska in 1984 went to other states. This is the highest interstate percent in the nation. Fifty-eight percent of these interstate benefits went to nonresidents.
- Approximately 11,800 different individuals worked on state funded construction projects in Alaska in 1984. About 18.3 percent of all wages paid in the construction industry in 1984 are estimated to have been paid to on-site workers on state funded construction projects.
- The percentage of nonresidents working on state funded construction projects is about two-thirds the percentage of nonresidents working in the construction industry as a whole.

rity numbers of people who qualified for receipt of a dividend check for 1984 and/or 1985 were crossmatched with the 1984 labor wage file. Seventy-eight percent of all residents who worked during 1984 appeared on both the 1984 and 1985 permanent fund dividend files, 8.8 percent of all residents appeared only on the 1984 file and 13.1 percent of all residents were on the 1985 file only (new residents). It should be noted that a small number of individuals, while not recipients of either a 1984 or 1985 permanent fund dividend, are still residents.

The other major focus of the study was an examination of state funded construction. Research and Analysis created a large data base of calendar year 1984 state funded construction payrolls that are currently monitored by the Alaska Department of Labor. Relevant data from these payrolls was coded and transcribed from the raw files. This data base was then crossmatched with other related data bases (Department of Labor wage file, unemployment insurance benefits file and the permanent fund dividend file) to obtain a clearer view of the economic impact of state funded construction, and to determine how effective enforcement had been of Alaska statutes relating to resident hire on state funded construction during 1984.

In order to better understand the tables of information included in this article the following items should be kept in mind:

- 1) Estimates are based on the summation of individual worker earnings records. The individual worker who works for different firms in several industries will have their *total* earnings reported in the industry or area in which earnings were the greatest.
- 2) Individual wage information for federal workers is not reported to the Alaska Department of Labor and is excluded from this report.
- 3) Counts are of employees as opposed to employment. About 70 percent more individuals work in Alaska in a year than the annual average number of jobs. This is due to individuals moving in and out of the labor market and to highly seasonal industries that have high peak employment levels with relatively low annual average employment levels.

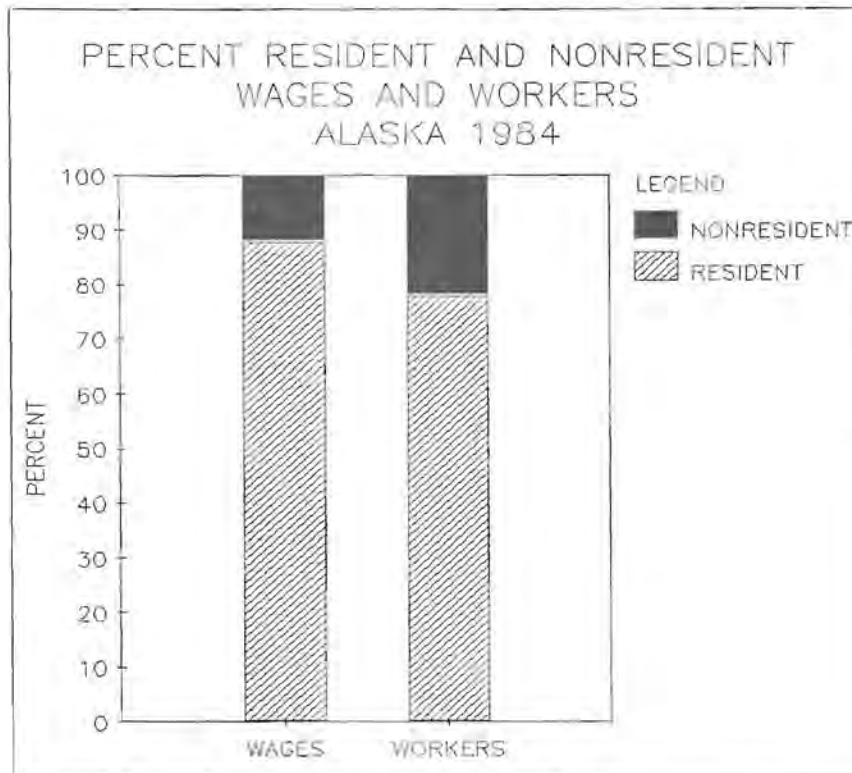
Resident and Nonresident employees and Earnings

During 1984, over \$677 million dollars in wages were paid to slightly more than 71,000 wage and salary employees identified as not being residents of the state of Alaska. These wages were paid in significant amounts during every quarter of the year, with the greatest impact occurring during the third calendar quarter of 1984. A little more than 45 percent of the nonresidents worked during only one calendar

quarter of 1984. Almost 54 percent of resident Alaskans worked during all four quarters of 1984.

Table 1
Total Quarters Worked During 1984 for
Residents and Nonresidents

	Residents Percent	Nonresidents Percent
One Quarter	14.4	45.4
Two Quarters	16.4	29.3
Three Quarters	15.6	14.1
Four Quarters	53.6	11.2
	100.0%	100.0%



Nonresident Wages and Employment by Industry

The heavy construction, oil and gas mining and food processing industries had the largest total dollar amount of wages paid to nonresi-

dents in 1984. In all, about \$677 million was paid to nonresident workers for all private and public sector industries, excluding the federal government and the self-employed.

Table 2
Top Ten Industries Wages Paid to Nonresidents
Alaska 1984

Standard Industrial Classification	Nonresident Wages	Rank
Heavy Construction	\$105,154,362	1
Oil and Gas Mining	71,585,450	2
Food Processing	58,079,179	3
Special Trades Construction	51,095,513	4
Building Construction	45,438,783	5
Business Services	29,730,691	6
Local Government	28,135,129	7
Miscellaneous Services	26,941,833	8
Eating and Drinking Places	24,477,267	9
Air Transportation	22,156,700	10

Source: Alaska Department of Labor, Research and Analysis

In terms of the percent of total wages paid to nonresident workers by industry, the food (primarily seafood) processing industry tops the list with approximately 53 percent of all wages going to nonresidents.

Table 3
Top Ten Industries
Percent of Total Wages Paid to Nonresidents
Alaska 1984

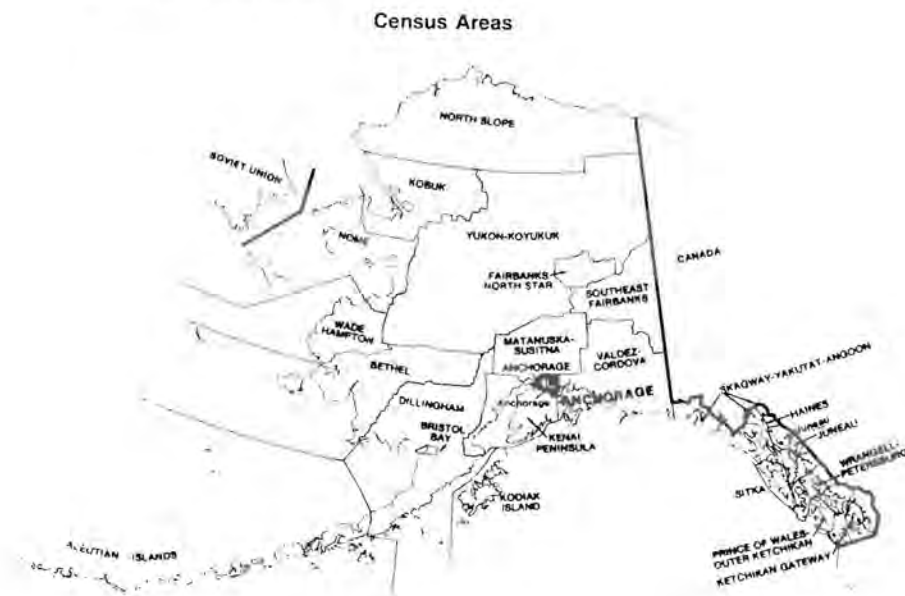
Standard Industrial Classification	Nonresident Wages	Resident Wages	% of Total Wages to Nonresidents	Rank
Food Processing	\$ 58,079,179	\$ 50,903,801	53	1
Nonclassifiable	3,088,327	6,728,582	31	2
Heavy Construction	105,154,362	254,275,994	29	3
Miscellaneous Repair	6,482,789	15,684,114	29	4
Metal Mining	4,894,685	13,210,321	27	5
Fishing, Hunting, Trapping	1,172,299	3,373,836	26	6
Nonmetallic Mining	x	x	26	7
Logging	7,928,467	23,441,354	24	8
Private Household Domestic	51,668	168,578	23	9
Agricultural Services	1,302,569	4,687,771	22	10

Source: Alaska Department of Labor, Research and Analysis
Note: "x" indicates information cannot be disclosed.

**Table 4
Top Ten Industries
Non Resident Employees
Alaska 1984**

Standard Industrial Classification	Nonresident Employees	Rank
Food Processing	12,068	1
Eating and Drinking Places	7,473	2
Special Trades Construction	4,572	3
Heavy Construction	4,094	4
Business Services	3,990	5
Building Construction	3,976	6
Local Government	2,877	7
Oil and Gas Mining	2,783	8
Hotels	2,226	9
Food Stores	1,806	10

Source: Alaska Department of Labor,
Research and Analysis



Nonresident wages and Employees by Geographic Area

The Bristol Bay Borough, Aleutian Islands, and Dillingham census areas are the three geographic areas in the state that have the highest percentage of nonresident wages paid (see map). Most of the wages paid to nonresidents in these census areas were paid to workers in the manufacturing (seafood processing) industry. The North Slope Borough had the fourth largest percentage of nonresident wages paid, with the majority of those wages going to workers in the construction and mining industries. In terms of total dollars paid to nonresidents, Anchorage, North Slope and Fairbanks, census areas led the list with a combined total of more than 70 percent of all nonresident wages paid.

Unemployment Insurance Benefit Recipients

During 1984 Alaska paid unemployment insurance benefits (including extended and federal benefits) to 61,738 different individuals. Nearly 10,000 of these individuals were identified as nonresidents based upon a match with the permanent fund dividend data base. Over \$20 million, 17.6 percent of all unemployment insurance benefits, went to nonresidents. Most of the dollars paid to nonresidents went to addresses in other states. While only 3.9 percent of all in-state unemployment insurance payments were found to have been paid to nonresidents, 58.6 percent of all interstate payments went to nonresidents.

In 1984 regular interstate benefits comprised a larger share of total benefits paid to all individuals for Alaska than for any other state. Only Wyoming approached Alaska in terms of percent of benefits paid to interstate claimants in 1984 and slightly exceeded Alaska in 1983. In-state payments to *nonresidents* during 1984 were sent primarily to western states, with 33 percent going to the state of Washington. Some other states receiving U.I. payments include: California (12.3%), Oregon (10.6%), Idaho (4.1%), Montana (3.3%), Arizona (2.9%), Texas (2.5%), Minnesota (2.3%), and Florida (2.0%). Interstate payments of all benefit types comprised 25.1 percent of total benefits paid in 1984. Approximately 34 percent of all regular unemployment insurance payments made in Alaska go to individuals that worked for firms in the construction industry. Of those payments made to construction workers, 21.2 percent are paid to individuals that receive their benefits outside of the state. Other industries with high percentages of interstate regular U.I. payments as a percent of total regular U.I. payments include food products manufacturing (54.8%); lumber and wood manufacturing (36.6%); finance, insurance and real estate (27.5%); and mining (27.0%).

Table 5 shows data from a recently completed analysis of the unemployment insurance payments and recipients by occupation. All unemployment insurance recipients are identified with a Dictionary of Occupational Title (DOT) which reflects their major area of experience. These broad occupational categories provide a general picture of the dollar value of payments and number of recipients by resident status. Miscellaneous construction, excavating and paving, food and beverage preparation/service, food processing and electrical installing and repair occupations are the five occupational categories in which nonresidents received the most unemployment insurance payments in 1984.

PERCENT DISTRIBUTION OF
UNEMPLOYMENT INSURANCE PAYMENTS
BY OCCUPATIONAL CATEGORY
ALASKA 1984

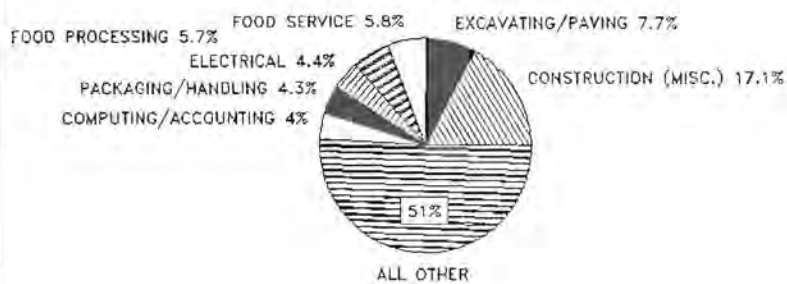


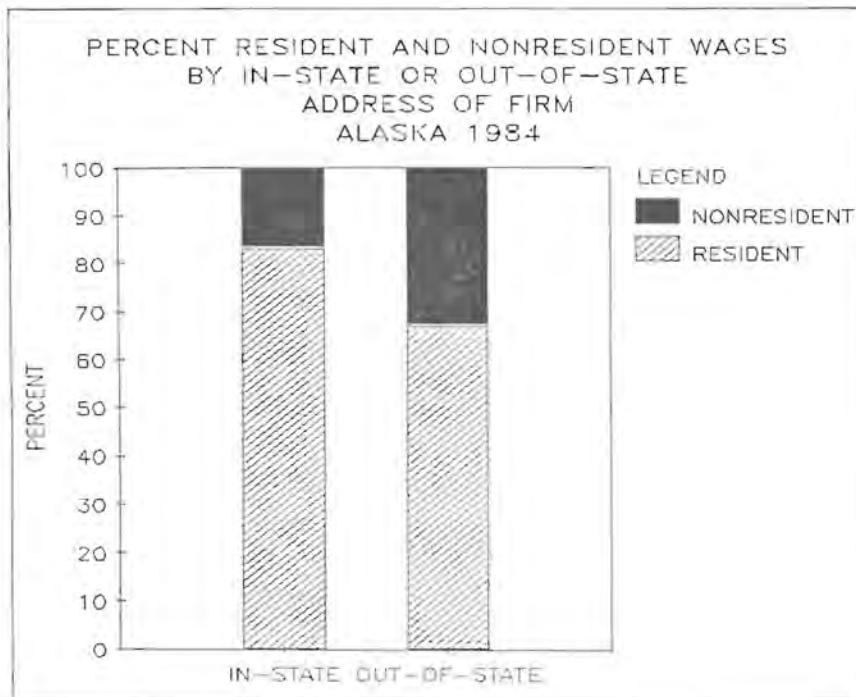
Table 5
Unemployment Insurance Payments and Recipients 1984
Sorted By Dictionary of Occupational Title Code

Occupational Category	Occupational Code	Total Payments (in dollars)	Percent Nonresident Payments	Total Recipients	Percent Nonresident Recipients
Invalid Occupation Code		1,076,556	51.79	533	44.46
Arch., Engineering, Surveying	1	1,448,090	20.43	713	16.09
Mathematics & Physical Sci.	2	508,793	11.22	287	10.45
Life Sciences	4	1,001,512	10.82	564	9.04
Social Sciences	5	100,099	19.95	55	21.82
Medicine & Health	7	862,340	18.80	481	15.99
Education	9	1,235,159	12.35	762	9.97
Museum, Library, Archival	10	99,690	13.51	56	14.29
Law	11	161,175	14.24	85	10.59
Writing	13	157,417	20.25	99	16.85
Art	14	194,822	12.27	116	11.21
Entertainment & Recreation	15	154,578	13.39	102	12.75
Admin. Specializations	16	2,981,212	14.10	1,300	12.73
Managers & Officials, N.E.C.	18	3,456,140	17.25	1,695	14.63
Misc. Prof., Tech., Managerial	19	1,965,870	23.02	1,092	19.41
Stenography, Typing, Filing	20	3,335,967	14.07	3,262	11.74
Computing & Account Recording	21	5,513,994	14.16	3,391	11.62
Production and Stock Clerks	22	1,152,817	17.66	613	16.48
Information and Message Distr.	23	1,667,145	13.80	1,000	9.70
Misc. Clerical	24	860,534	13.89	528	10.50
Sales Occupations, Services	25	195,874	12.35	136	11.76
Sales Occupations, Consumables	26	172,008	14.61	118	11.76
Sales Occupations, N.E.C.	27	1,152,038	14.43	728	11.95
Misc. Sales Occupations	28	1,320,191	15.57	896	13.39
Domestic Service	30	236,946	18.04	155	13.94
Food & Beverage Prep. & Svc.	31	5,977,040	19.24	4,066	16.26
Lodging and Related Service	32	913,216	9.74	570	9.82
Barbering, Cosmetology	33	100,750	21.51	76	13.16
Amusement & Recreation	34	18,319	48.22	17	35.29
Misc. Personal Service	35	701,789	17.63	535	12.71
Apparel & Furnishings Service	36	198,241	25.82	106	18.87
Protective Service	37	944,159	16.45	538	14.31
Building and Related Service	38	1,264,001	14.57	896	12.50
Plant Farming	40	349,443	20.23	176	18.24
Animal Farming	41	46,545	24.75	30	23.33
Misc. Agriculture	42	18,085	80.03	13	61.54
Fishery and Related	44	581,201	21.59	376	23.67
Forestry and Related	45	1,722,425	25.13	860	26.05
Logging, Trapping	46	10,094	48.46	4	25.00
Metal Processing	50	43,803	34.27	20	30.00
Ore Refining and Foundry	51	4,790	58.93	5	40.00
Food Processing	52	3,592,974	21.42	2,584	29.68
Paper Processing	53	21,136	45.91	12	33.33
Petroleum, Coal Processing	54	99,674	16.17	39	12.82
Chemical Processing	55	37,794	53.24	21	47.62
Wood Processing	56	8,012	48.78	7	42.86
Stone, Clay, Glass Processing	57	74,305	32.14	35	31.43
Leather, Textile Processing	58	6,482	83.31	4	50.00
Processing Occupations N.E.C.	59	14,198	22.33	8	50.00
Metal Machining	60	422,419	50.80	211	41.71
Metalworking	61	69,443	21.40	44	31.82
Mechanics	62	3,726,101	18.07	1,920	15.31
Mechanics	63	1,046,847	18.83	465	19.35
Paperworking	64	9,992	11.00	6	0.00
Printing	65	99,233	15.89	51	9.80
Wood Machining	66	285,076	19.48	151	17.88
Stone, Clay, Glass Machining	67	20,493	47.24	7	42.86
Textile	68	24,405	72.20	13	61.54
Machine Trade Occ., N.E.C.	69	360,880	11.42	123	11.38
Fabr., Assembly of Metal Prod.	70	95,676	29.81	46	26.09
Fabr. of Scientific Products	71	64,462	12.38	34	16.67
Assembly of Electrical Equip.	72	121,615	16.86	76	21.79
Fabr. Repair Misc. Products	73	58,324	47.41	30	43.33
Painting, Decorating	74	701,160	21.08	50	16.00

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Occupational Category	Occupational Code	Total Payments (in dollars)	Percent Nonresident Payments	Total Recipients	Percent Nonresident Recipients
Fabr. of Plastics, Rubber	75	29,499	15.10	32	16.67
Fabr. of Wood Products	76	176,157	7.01	93	9.68
Fabr. Sand, Stone, Clay, Glass	77	9,816	27.51	5	20.00
Fabr. Textiles, Leather	78	73,478	37.23	48	27.08
Bench Work, N.E.C.	79	0	0.00	0	0.00
Metal Fabricating, N.E.C.	80	1,849,452	21.86	781	20.81
Welders, Cutters and Related	81	2,096,018	21.32	918	20.92
Elec. Assembling, Installing, Repair	82	3,782,252	23.30	1,987	19.38
Painting, Plastering, Cementing	84	1,495,605	12.87	737	11.67
Excavating, Grading, Paving	85	8,377,810	19.33	3,504	17.84
Construction, N.E.C.	86	23,796,344	14.31	11,704	13.12
Structural Work	88	1,113,927	13.39	582	12.71
Motor Freight	90	5,817,960	12.60	2,536	12.62
Transportation, N.E.C.	91	1,971,323	15.77	1,200	13.56
Packaging and Materials Handling	92	4,614,702	18.52	2,444	18.54
Minerals Extraction	93	1,598,019	18.52	745	17.72
Prod. & Distr. of Utilities	96	755,069	15.81	382	12.30
Amusement, Recreation, TV, Radio	98	42,093	27.87	26	19.23
Graphic Art Work	97	148,663	18.19	84	13.10
Total		\$113,818,471	17.49	61,007	15.76

Notes: Total payment amounts differ slightly from those published in "Nonresidents Working in Alaska" due to a different timeframe for the data extraction.



Displacement of Resident Workers

Nonresidents comprised 22 percent of Alaska's employees in 1984, and earned 12 percent of all wage and salary income. Some evidence was compiled which suggests that, on a statewide basis for many occupations, there were Alaskans available who would have been qualified for many of the positions taken by nonresident workers in Alaska in 1984. However, definitive determination of the number of Alaskans available and qualified for a particular job would require a detailed analysis of the supply of labor and the skill requirements of the particular job. This was beyond the scope of the study.

As part of the detailed study prepared by the Alaska Department of Labor, an analysis of the displacement of workers in the construction industry was prepared. The following graph shows the estimated number of nonresidents by selected construction occupation found to be working during the third calendar quarter of 1984, compared with the number of Alaska residents collecting unemployment insurance during that same quarter. Although the figures tend to overstate the number of nonresidents working *and* the number of residents receiving unemployment insurance available for work at any given time, the figures also understate the *total* number of Alaska residents available for work since many unemployed residents do not qualify for unemployment insurance. (Detailed data by quarter for the construction industry is available in the comprehensive report).

During the third calendar quarter of 1984 there were several thousand Alaskans receiving Unemployment Insurance compensation who may have been qualified to fill the several thousand positions occupied by nonresidents. Many of the occupations filled by nonresidents are not highly skilled or technical occupations.

Nonresidents in the Alaska Construction Industry State Funded Construction Employees and Earnings

Based upon the sample of payroll records reported to the Alaska Department of Labor by firms working on state funded projects, about 11,800 different individuals worked on state funded construction projects and earned \$162.6 million in wages during 1984. During 1984, 43,438 workers in the *entire* construction industry earned a total of \$910,459,964. Wages in state funded construction, at the job site, represented about 18.3 percent of total wages earned in Alaska's construction industry, somewhat smaller than has been previously estimated.

State funded construction projects exhibited a significantly smaller percentage of nonresident workers and nonresident earnings than the construction industry as a whole. This is attributed to the enforcement of the employment preference provisions contained in AS 36.10. In 1984, for the entire construction industry, 29 percent of the individuals who worked were nonresidents, and 17.8 percent of total earnings were received by nonresidents. The sample of state funded construction workers indicates that 17.9 percent of the workers were nonresidents, and 15.0 percent of the total wages were earned by nonresidents.

The Alaska Department of Labor recently selected the 300 largest construction firms in Alaska in 1984 and identified which firms hired union construc-

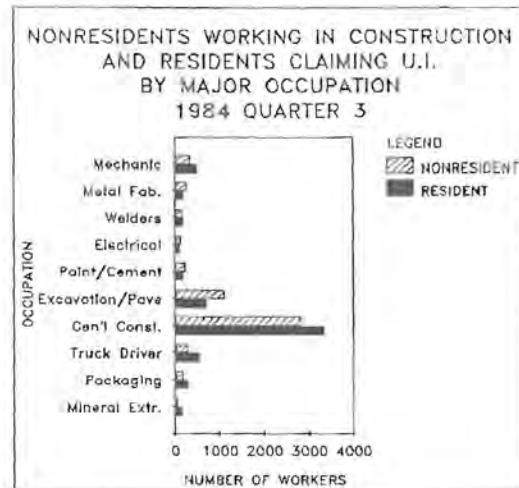
tion workers and which firms did not. These 300 firms accounted for slightly more than 73 percent of total wages paid in the construction industry in 1984. Based upon a union versus nonunion stratification, 24.6 percent of all wages paid by 'nonunion' firms went to nonresidents while 22.9 percent of all wages paid by 'union' firms went to nonresidents.

A recent examination of the employer payroll files classified individual firms as "in-state" or "out-of-state" based on the zip code of the payroll office of the reporting construction firm. Approximately 32.7 percent of all wages paid by "out-of-state" firms were paid to nonresidents while only 16.6 percent of all wages paid by "in-state" firms were paid to nonresidents of Alaska.

Summary

The recent Alaska Supreme Court decision upholding the Superior Court ruling which struck down Alaska's "resident hire law" (Title 36 of the Alaska Statutes) has provided a new sense of urgency to legislation designed to provide Alaska residents with preference in employment on state funded projects and on state lands. Several bills are currently being debated in the Alaska Legislature, including House Bills 466 and Senate Bill 271, which would address this issue. The bills attempt to address the Court's concerns and criticisms with different approaches and with a stronger use of objective data that can measure the real loss to the Alaska economy associated with non-resident employment and the available supply of qualified Alaskan workers.

For more information on the history of the resident hire issue see the August, 1985 issue of Alaska Economic Trends. For a detailed analysis of the impact of nonresidents in 1984 see "Nonresidents Working in Alaska—A Special Study to Measure the Economic Impact of Nonresidents on Alaska's Economy During Calendar Year 1984," Alaska Department of Labor, Research and Analysis, January 17, 1986.



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