

# Project Overview

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## Purpose and Scope

In September 2011, the Alaska State Senate Finance Committee contracted with McDowell Group to conduct a study of oil and gas industry employment on the North Slope. The study includes three general areas of investigation:

- *Analysis of recent oil and gas industry employment trends on the North Slope.* Published reports of record high employment coupled with conflicting news of significant job losses in the industry raised questions about the real direction of North Slope employment.
- *Analysis of work activity on the North Slope.* Oil production continues to trend steadily down, yet oil and gas industry employment in Alaska has been at historically high levels. Recognition of the forces that are driving employment on the North Slope is required to better understand recent employment trends.
- *Analysis of nonresident participation in Alaska's oil and gas industry workforce.* Nonresidents have always been a significant component of Alaska's labor force, including in the oil and gas industry. However, preliminary data indicating a potential rise in nonresident new-hires suggested the need for a detailed analysis of nonresident participation in Alaska's oil and gas industry work force.

Key findings are summarized below, followed by a more detailed summary of study results.

## Key Findings

### TOTAL EMPLOYMENT

- On a monthly average basis, North Slope oil industry employment climbed to an all-time high in 2011. Employment averaged just under 9,000 jobs through November, about 500 jobs more than in 2010.
- North Slope oil and gas industry employment more than doubled over the past ten years, adding 5,000 jobs since 2000.
- Reports of declining North Slope employment in 2009 were accurate. Over an 11-month period beginning in December 2008, North Slope employment fell by 1,200 jobs, a 13 percent decline, before returning to a growth trend.

### WORK ACTIVITY

- Rapid growth in North Slope employment has occurred while oil production continues its steady long-term decline. Oil prices rising to record levels incentivized new development activity and projects aimed at enhancing recovery from mature fields. Historically high oil prices, coupled with

necessary major investment in renewal of the aging Prudhoe Bay infrastructure, are primary drivers of the recent rise in North Slope employment.

- Reported North Slope-related spending totaled \$4.9 billion in FY2011, marking at least the fourth consecutive year in spending growth (earlier comparable data is not available). Since FY2007, annual spending has increased by about \$1.3 billion.
- Though North Slope industry-wide data is not available, North Slope oil producers report significant shifts in spending for maintenance at core fields. For example, one key firm (ConocoPhillips – CPAI) reports its annual maintenance spending is \$800 million more per year than it was five years ago while development spending is unchanged.

#### **NONRESIDENTS IN THE NORTH SLOPE LABOR FORCE**

- According to the most recent estimates, 35 percent of North Slope oil and gas industry workers are nonresidents. This percentage has been relatively steady over the past few years, and was at a four-year high of 37 percent in 2006.
- Nonresidents accounted for 56 percent of all North Slope oil and gas industry new-hires during the third quarter of 2010, the highest nonresident new-hire rate in any quarter in the 2004 to 2010 period. New-hire data reflects the number of job openings that occurred during the quarter, either through new job creation or turnover. It is not a measure of overall job growth.
- The 2010 annual nonresident new-hire rate was 44 percent, also the highest annual rate in the past seven years. The second highest rate was 40 percent in 2008.
- This nonresident new-hire data indicates an uptick in nonresident participation, but the overall increase is likely to be within historical norms. Nonresident new-hire rates are typically higher than overall nonresident participation rates because short-term, seasonal jobs are more often filled by nonresidents.
- Resident and nonresident oil and gas industry workers on the North Slope earn about equal wages.