

Restaurants and bars in 2020

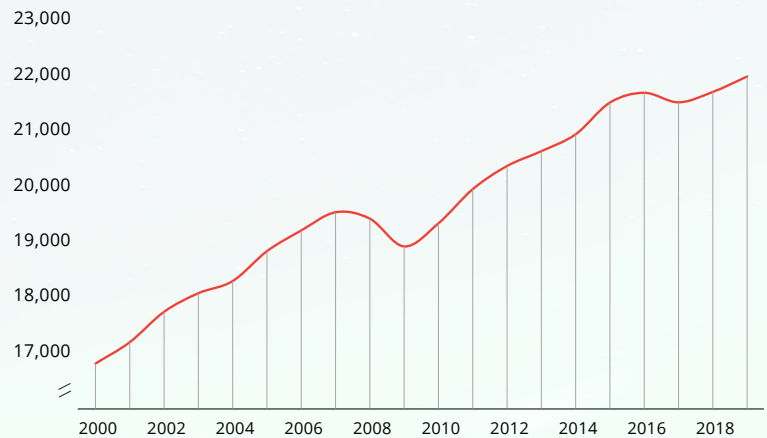
Industry hit hardest by the pandemic continues to struggle

By NEAL FRIED

Until recently, eating and drinking had been one of the state's growing industries, forecasted to benefit this year from a recovering economy and a tourism season set to break records. Now it tops the list of Alaska industries struggling the most during the ongoing pandemic.

Bars and restaurants continue to seesaw between closures and openings while coping with changing demand and ways of doing business. Some are also trying to stay afloat this winter after a summer visitor season that never materialized.

Eating and drinking industry grew for years



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

Job loss extreme in April

The industry grew almost uninterrupted over the past decade. Employment in eating and drinking establishments increased 1.5 percent per year on average, compared to 0.3 percent for all Alaska

employment. The industry added 2,701 jobs from 2010 to 2019, and the number of businesses grew from 1,305 to 1,500. (See the sidebar below for the types of jobs the industry includes.)

In March, Alaska had 19,751 jobs in eating and

The types of businesses this industry includes

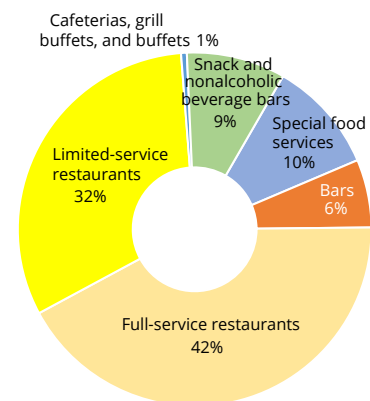
These data include almost any business that prepares and serves food and drink. Three-quarters of the jobs in "eating and drinking" are in full-service, sit-down restaurants — including those with on-site bars — and limited service restaurants such as fast food. Stand-alone bars make up about 6 percent.

About 10 percent of jobs are in "special food services," which in Alaska are largely caterers and contractors at remote sites such as the North Slope.

Nine percent are in snack and

nonalcoholic beverage bars such as coffee shops, ice cream parlors, donut shops, and snack bars. Coffee shops are the biggest part of this group by far. Finally, the industry has a small number of jobs in cafeterias and buffets.

A few major players are missing from these numbers, even if food service is a big share of their work or profits. Restaurants and bars in hotels are categorized as hotel employment. Food service jobs in supermarkets and gas stations are also excluded.



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

drinking, which is mainly restaurants and bars. The industry typically adds another 500 to 1,000 jobs every April. But this year, as the pandemic disrupted life and business across the globe, 8,000 of the industry's jobs vanished almost instantly. April recorded just 11,720 — the fewest since January 1993.

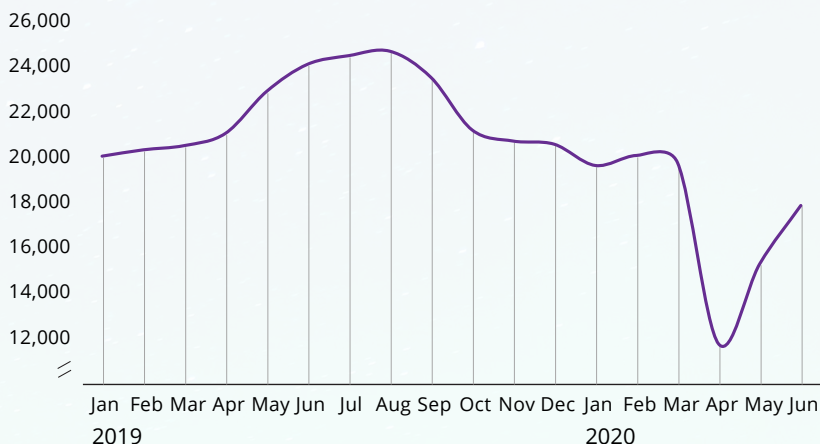
Eating and drinking represented about 20 percent of the 38,244 total jobs Alaska lost this April.

Industry's jump in claims was similar

The number of unemployment claims tied to eating and drinking workers further illustrates the speed and depth of the job losses. Starting in mid-March, the industry produced the highest number of new claims among industries — it's typically around seventh — and it remained in that top spot through at least October.

During the week ending March 8, 296 people who had been working in eating and drinking filed a new claim for unemployment insurance benefits. That jumped to 9,149 just a week later. For comparison, the same week in 2019 recorded just 17 initial claims by these workers.

... until the pandemic-induced plunge in April

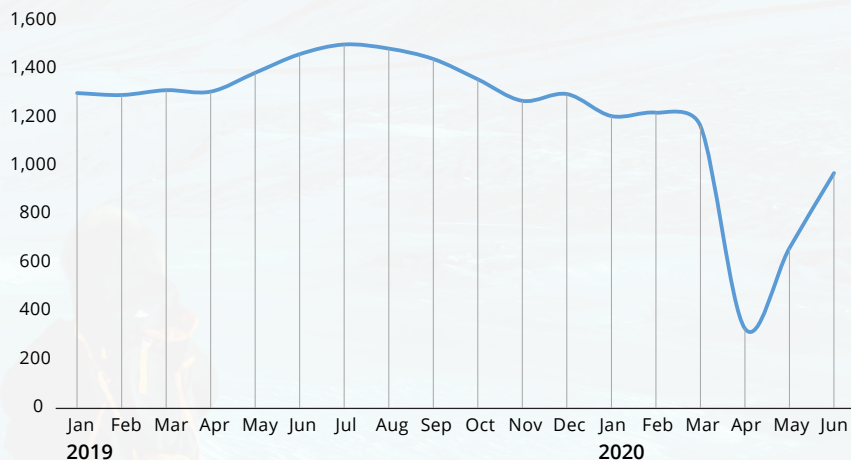


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

New claims fell each week after that, and in August they finally dropped below 100 per week for the first time since the pandemic began. That was still historically high — August 2019 averaged just 12 per week.

By October, the numbers of new filers had dropped down to typical levels, but continuing claims kept the total claims load more than eight times higher than last October.

Bars lost three-fourths of their jobs in April 2020



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

Bars hit hardest, and takeout places recovered modestly

Bars suffered the steepest loss in percent terms, losing over two-thirds of their jobs between March and April as many areas ordered them to close. Bar employment has recovered somewhat since then but remains at historical lows.

Full-service restaurants lost the most jobs numerically, down 4,800 in April, and they too have rebounded some.

Losses in limited-service restaurants, such as fast food,

were moderate in comparison. Many remained open and smoothly transitioned to takeout, and others were already takeout-based. Coffee shops also lost fewer jobs and bounced back faster.

Losses heavier in areas that depend on tourism

Places with more tourism lost larger shares of their eating and drinking employment this year, although nonresidents often hold many of those jobs. Second-quarter industry employment in the Denali Borough, for example, fell 88 percent over the year. Haines' and Skagway's stories were similar.

Anchorage, home to nearly 40 percent of the state's population, lost about 4,000 jobs, which was a third of its eating and drinking employment. That was the state's biggest numerical loss.

Other hard-hit areas included the Kenai Peninsula, Fairbanks, and Ketchikan, places where eating and drinking employment dropped by half due to jobs that were cut or never materialized over the summer.

Industry employment recovering slowly, but it could take years

After April's dramatic decline, eating and drinking began to incrementally recover some of the losses, but there's still a ways to go. The industry in the second quarter of this year was the smallest it had been since the first quarter of 2000, and first quarters are always the slowest.

May's employment was down a third from May 2019, and June's was down over 25 percent from

How areas' eating and drinking industries fared

Area	Total eat/ drnk jobs in 2019	Employers in 2019	Percent of all jobs in 2019	Eat/drnk jobs, Q2 of 2019	Eat/drnk jobs, Q2 of 2020	Percent change
Statewide	21,991	1,500	6.7%	22,666	14,940	-34%
Aleutians East Borough	22	4	0.9%	-	-	-
Aleutians West Census Area	-	6	-	-	-	-
Anchorage, Municipality	11,714	610	7.8%	11,804	7,810	-34%
Bethel Census Area	23	7	0.3%	17	23	35%
Bristol Bay Borough	-	5	-	-	22	-
Denali Borough	338	12	16.1%	489	57	-88%
Dillingham Census Area	-	6	-	-	-	-
Fairbanks North Star Borough	2,888	188	7.6%	2,960	2,196	-26%
Haines Borough	69	12	6.7%	82	23	-72%
Hoonah-Angoon Census Area	-	-	-	-	-	-
Juneau, City and Borough	999	86	5.6%	1,074	562	-48%
Kenai Peninsula Borough	1,557	187	7.8%	1,723	1,103	-36%
Ketchikan Gateway Borough	455	42	6.1%	456	216	-53%
Kodiak Island Borough	288	26	4.9%	303	203	-33%
Kusilvak Census Area	-	-	-	-	-	-
Lake and Peninsula Borough	-	-	-	-	-	-
Matanuska-Susitna Borough	2,006	153	8.1%	1,988	1,535	-23%
Nome Census Borough	87	14	2.2%	83	45	-46%
North Slope Borough	477	11	3.7%	492	418	-15%
Northwest Arctic Borough	70	3	2.4%	69	64	-7%
Petersburg Borough	61	11	4.8%	64	48	-25%
Prince of Wales-Hyder Census Area	62	10	2.7%	59	-	-
Sitka, City and Borough	343	26	8.0%	355	216	-39%
Skagway, Municipality	-	-	-	-	-	-
Southeast Fairbanks Census Area	130	11	5.2%	146	100	-32%
Valdez-Cordova Census Area	160	42	3.2%	189	-	-
Wrangell, City and Borough	19	4	2.3%	18	16	-11%
Yakutat, City and Borough	-	1	-	-	-	-
Yukon-Koyukuk Census Area	-	7	-	-	-	-

Notes: Second quarter data are the most recent available for 2020 at this geographic level. A dash means the numbers are too small to maintain the confidentiality of specific employers.

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

the year before.

No other industry lost such a large share of its jobs due to the pandemic, and with fall and winter setting in, the short-term outlook remains grim. Without the extra boost in profits bars and restaurants get during the summer, some of those that remain open all year will struggle to stay open this winter.

We don't yet have area job numbers for the third quarter, but consumer spending suggests the industry remained sluggish. Opportunity Insights releases weekly data on how consumer spending has changed since January, and it adjusts for any typical seasonal ups and downs to give a clearer picture. Seasonally adjusted consumer spending on hotels and restaurants in November was down 38 percent, and it hasn't improved consistently since

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A look at the eating and drinking industry in Alaska and how we compare nationally

Alaskans spend a lot of money on food away from home. According to the Bureau of Labor Statistics, “urban” Alaskans spent an average of 43 percent of their food budget on eating out in 2018. On a per capita basis, that’s \$4,097, which is a third more than the \$3,067 spent nationally. Higher food costs explain much of that gap, and differing incomes and demographics are probably factors as well. In total, Alaskans spent \$3 billion on food and drinks away from home in 2018.

It’s a large industry, but it plays a bigger role in most states

Last year, 6.7 percent of Alaska’s jobs — around 22,000 — were tied to the eating and drinking industry. That’s more employment than the oil industry, construction, or the federal government.

The wage impact is smaller, though. Eating and drinking jobs tend to be lower-wage and high-turnover, and many are part-time. This puts the industry’s average wages near the bottom. It’s a similarly small slice of the economy in terms of gross domestic product (just 2 percent), which is the value of all goods and services produced in Alaska. These expenditures generate other business activities in the state, however.

According to the National Restaurant Association, nearly half of adults say their first job was in a restaurant, and restaurants employ one in three working teens.

Although the industry is large and growing, Alaska still has proportionately fewer bars and restaurants than most of the country. Nationally, they represent 8 percent of all jobs.

Among states, Alaska ranks 46th for its share, above only Iowa, Vermont, New Jersey, and North Dakota. Hawaii, the most visitor-dependent state, ranks first. Alaska’s share is low despite having a robust visi-

tor industry. One possibility is that cruise ship visitors, who represent the bulk of Alaska’s summer tourists, do most of their eating and drinking on board. Still, our ranking implies we have room to grow.

Alaska’s eating and drinking employment has also grown much slower than the nation’s, increasing 14 percent between 2010 and 2019 as it grew 29 percent nationwide. Alaska’s economy was sluggish over that period, especially in comparison. As the nation’s streak of economic expansion hit a record, the state weathered a three-year recession in the latter half of the decade.

Coffee shops and huts have grown the most in Alaska

We’ve caught up to the nation somewhat in recent years. Alaska’s eating and drinking industry modestly increased its share of total jobs by about a percentage point between 2000 and 2019, and its longer-term growth was stronger. In the February 2019 issue of *Alaska Economic Trends*, we ranked restaurants and bars third on our list of the 25 biggest “winners” for job growth between 1990 and 2017.

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Industry’s share of jobs, by state

	State	Percent
	U.S.	8.0%
1	Hawaii	10.7%
2	South Carolina	9.4%
3	Montana	9.3%
4	Nevada	9.3%
5	Florida	9.2%
6	Rhode Island	8.9%
7	Louisiana	8.8%
8	New Mexico*	8.8%
9	Texas	8.7%
10	North Carolina	8.6%
11	Georgia	8.6%
12	Tennessee	8.5%
13	Colorado	8.5%
14	California	8.4%
15	Mississippi	8.4%
16	Oklahoma	8.4%
17	Kentucky	8.4%
18	Oregon	8.2%
19	Alabama	8.2%
20	Delaware	8.1%
21	Arizona	8.1%
22	Ohio	8.0%
23	Missouri	8.0%
24	West Virginia*	7.9%
25	Idaho	7.8%
26	Indiana	7.8%
27	Illinois	7.7%
28	Arkansas	7.6%
29	Michigan	7.6%
30	Virginia	7.5%
31	Maryland	7.5%
32	Massachusetts	7.4%
33	Maine	7.4%
34	New Hampshire	7.4%
35	Washington	7.4%
36	South Dakota*	7.4%
37	Kansas	7.2%
38	Wyoming	7.2%
39	Wisconsin	7.0%
40	Connecticut	6.9%
41	New York	6.9%
42	Pennsylvania	6.9%
43	Nebraska	6.8%
44	Utah	6.8%
45	Minnesota	6.7%
46	Alaska	6.7%
47	Iowa*	6.6%
48	Vermont	6.5%
49	New Jersey	6.5%
50	North Dakota	6.5%

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

THE PANDEMIC AND RESTAURANTS, BARS

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June. That's still better than spring, though. Spending at restaurants and hotels was as much as 68 percent lower during parts of April and May.

Opinions vary on how long it will take the industry to recover, especially because the pandemic isn't over. In a June survey of 460 Southeast Alaska businesses by Rain Coast Data, 33 percent of bar and restaurant owners estimated they had a moderate or significant risk of closing permanently because

of COVID-19.

Our 10-year industry projections, in the October issue of *Trends*, forecasted restaurants will eventually recover and add jobs twice as fast as the economy as a whole. It will likely take years to regain previous levels, however.

The popularity of takeout will probably continue to grow, automation will accelerate, and independent operators may struggle more, but the industry's recovery will mainly hinge on consumer demand for eating away from home and on the overall health of the economy.

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INDUSTRY SIDEBAR

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One of the industry's smaller categories, snack and nonalcoholic beverage bars, has grown fastest. About three-quarters of these jobs are in coffee shops and huts, which are big in Alaska.

The largest part of the industry, full-service restaurants, also performed better than average, reflecting their growing popularity. For absolute job growth, they ranked first on our list of the 25 winners.

Bar employment tanked during the past decade, however, a trend that started long before. Bars ranked in the bottom 25 on our long-term list. Consumer preferences have changed, and bars continue to struggle as more restaurants add full bar facilities, and breweries and brewpubs eat further into the market share.

Eating and drinking jobs concentrated in roaded areas

More than half of the bar and restaurant jobs in Alaska are in Anchorage, and over 83 percent are in Anchorage, Fairbanks, the Kenai Peninsula, and the Matanuska-Susitna Borough. Those four areas are home to 76 percent of the state's population, and they all have a larger percentage of their jobs in eating and drinking than the statewide average.

While most rural, off-road places have smaller concentrations of food and beverage service jobs, the North Slope Borough is a major exception because of the oil fields and their large, remote workforce.

Restaurants and bars often rely heavily on tourism

Some smaller, tourism-dependent areas also have higher-than-average shares of jobs in eating and drinking, and the Denali Borough is the highest in the state at 16 percent.

Denali National Park receives thousands of visitors every summer, and its industry employment jumps from around 20 jobs during the off-season to more than 800 in July. Sitka and Skagway are similar but less extreme examples.

Tourism is a big part of this industry statewide. According to McDowell Group, tourism generates more jobs in eating and drinking than it does in any other part of the economy. The same study found visitors' food and drink spending ranks second only to what they spend on lodging.

Tourism's influence is also evident in the eating and drinking industry's seasonality. In 2019, its employment ranged from a low of 20,023 jobs across the state in January to a peak of 24,666 in August.

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