

The Eating and Drinking Industry

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Many Alaskans find work at eating and drinking places

“A man hath no better thing under the sun, than to eat, and to drink and to be merry.”
Ecclesiastes 8:15

“The finest landscape in the world is improved by a good inn in the foreground.”
Samuel Johnson

It is not just your imagination that eating places appear to be popping up literally everywhere these days—in gas stations, schools, airports, hotels, stores, along with those ubiquitous coffee shacks, and your actual stand-alone fast food eateries, bars, and sit-down restaurants. The eating and drinking industry is mushrooming across the nation. A third of all adults in the nation have worked in it some time in their lives. According to the National Restaurant Association, the average person eats 4.2 meals away from home every week, a frequency that has some home economists worried that cooking at home is becoming just a hobby, rather than a basic skill.

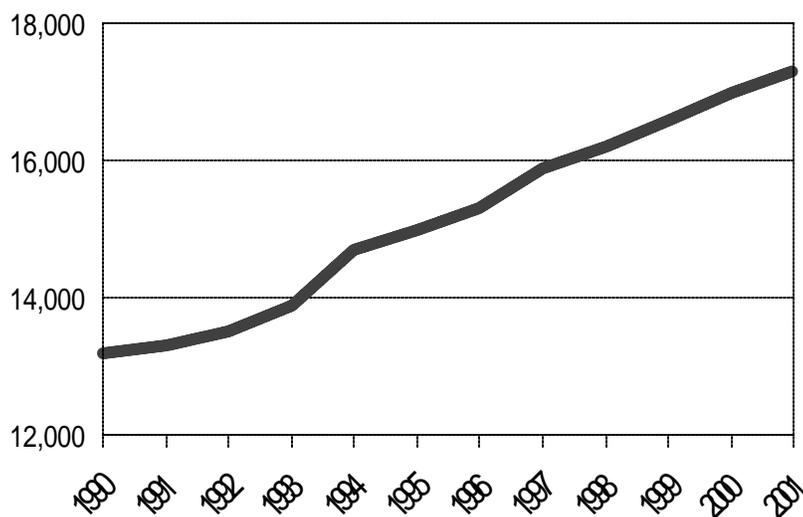
Alaska had 1,811 eating and drinking places in 2000, with sales projected to reach \$982 million in 2001, according to the National Restaurant Association. These numbers grow every year, and competition intensifies. Eating and drinking is one of Alaska's more dynamic and competitive sectors, growing faster than most other industries. The industry's shape and look is constantly in flux, driven by changes in demographics, the economy, technology, fashions, tastes, and the state's visitor industry.

Recognizing eating and drinking places

An eating and drinking place is defined as any business that prepares food and drink away from

home, that is consumed either at a restaurant, bar, cafeteria, at home, at a grocery store, in sports facilities, in jail, on the go, at work, or in a car. In fact, it is estimated that one-fifth of all meals are eaten in a car. Employment data for eating and drinking places include nearly all of the above-mentioned kinds of places. However, this employment count does miss some players. Many hotels have restaurants and bars incorporated in their business and this employment is most likely captured in the hotel industry, not eating and

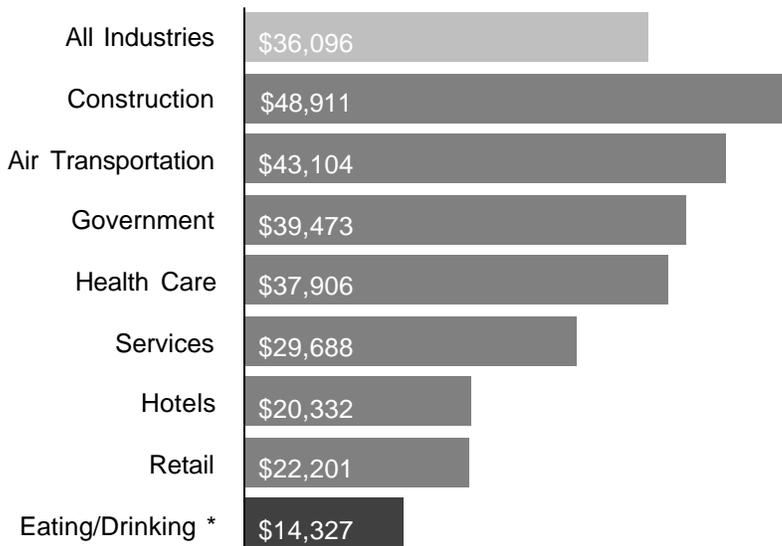
Restaurants Show Strong Growth In employment



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

2 Wages in Eating and Drinking Compared to other industries

2001 average annual wage



* Not including tips

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

drinking. Nationally, estimates project that about 4.4% of all food consumed away from home is eaten in hotel restaurants. That figure may be higher in Alaska because of the size of the visitor industry. Another example of missed eating and drinking places employment is today's supermarket, which often devotes a large slice of the business to ready-to-eat or ready-to-heat meals. Employment numbers are counted in the grocery store category. So, impressive as these eating and drinking employment numbers are, they tend to underestimate employment in the food-away-from-home businesses.

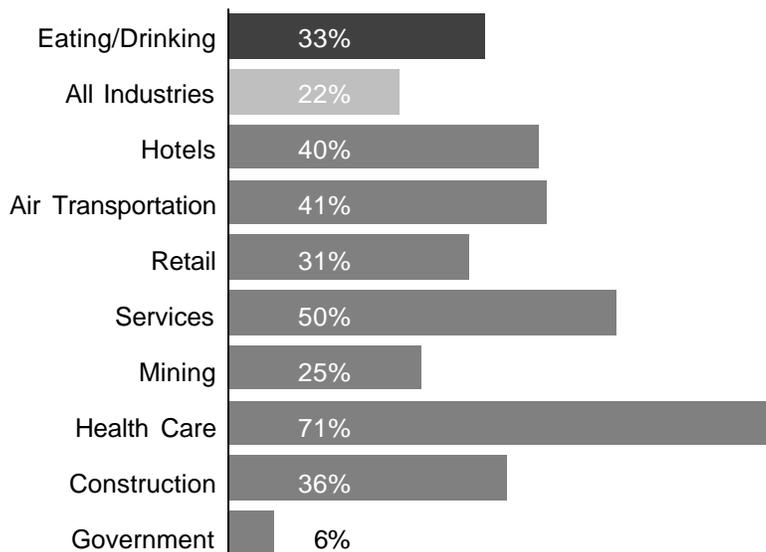
The industry employs more than 17,300

During the past decade, employment in Alaska's eating and drinking establishments has grown 2.8% per year versus 1.8% for total employment. This industry has grown steadily and without interruption for over a decade. (See Exhibit 1.) It supports 4,200 more jobs today than a decade ago. In 2001, 17,300 jobs in Alaska were directly tied to the eating and drinking industry—more jobs than oil, or construction, the federal government, or a number of other industries. Measured by payroll, the figures tell a different story. Total payroll for eating and drinking places was \$248 million compared to \$736 million for construction in 2001. Lower wages and the pervasiveness of part-time or seasonal employment put the average eating and drinking wage at the bottom of all industries. (See Exhibit 2.)

Employment for eating and drinking establishments grew quickly, faster than overall employment in Alaska, (see Exhibit 3) and in the nation as a whole over the past decade. The industry's share of the Alaska employment pie has expanded over the past two decades. In 1980, eating and drinking establishments generated four percent of all wage and salary employment in Alaska. By 2001, that share had more than doubled to 8.5 percent of all employment, compared to 6 percent nationwide. Nevertheless, the average Alaska consumer spends a smaller portion on food away from home than other Americans.

3 Employment Growth Eating and Drinking vs. other industries

Percent employment growth 1990-2001



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

Eating and drinking employment is concentrated on the road system

More than 82 percent of all eating and drinking employment occurs in Anchorage, Fairbanks, the Kenai Peninsula, and the Mat-Su Borough. More than half of all workers are in Anchorage alone. Most of Alaska's population lives in these four urban areas, which are road accessible and on the most traveled visitor routes. Among the rural areas, the heaviest concentration of eating and drinking workforce is at the entrance to Denali National Park. There, the population to industry worker ratio is extreme, with only four residents per eating and drinking employee. (See Exhibit 4.) This underscores the tremendous impact the summer workforce, catering to visitors, has on the Denali Borough. Tourist areas in Southeast employ over nine percent of the state's eating and drinking workforce, but their ratio of population to industry worker is much larger. Most tourists in Southeast are cruise ship passengers, who typically take their meals on board. It is interesting to note that in the two places that can be reached by road, Skagway and Haines, the concentration of eating and drinking worker to population intensifies. Rural areas off the beaten path typically have much smaller eating and drinking industries. The exception is the North Slope Borough, where a relatively large food service workforce supports the oil industry.

More than a third of food dollars spent away from home

The average Anchorage consumer spent \$2,498 per year on food away from home—which was 17 percent more than the average U.S. consumer, who spent \$2,126. Some of this higher expense for Anchorage can be explained by higher costs, higher income and other factors. Expenditures in eating and drinking establishments generate business activity in other industries. According to the National Restaurant Association, each dollar spent in Alaska's eating and drinking industry generates another \$.62 in sales elsewhere. But

Restaurant Employment And population by area—2001 **4**

	Restaurant Employment 2001	Population	Ratio of Population to Restaurant Employment
Statewide	17,301	626,932	36
Aleutians East Borough	2	2,697	1,349
Aleutians West Census Area	51	5,465	107
Anchorage, Municipality	9,820	260,283	27
Bethel Census Area	26	16,006	616
Bristol Bay Borough	15	1,258	84
Denali Borough	479	1,893	4
Dillingham Census Area	26	4,922	189
Fairbanks North Star Borough	2,212	82,840	37
Haines Borough	62	2,392	39
Juneau Borough	708	30,711	43
Kenai Peninsula Borough	1,216	49,691	41
Ketchikan-Gateway Borough	337	14,070	42
Lake and Peninsula Borough	n/a	1,823	n/a
Northwest Arctic Borough	36	7,208	200
Kodiak Island Borough	322	13,913	43
Matanuska-Susitna Borough	1,009	59,322	59
Nome Census Borough	110	9,196	84
North Slope Borough	271	7,385	27
Prince of Wales Census Area	91	6,146	68
Sitka Borough	192	8,835	46
Skagway-Hoonah-Angoon	92	3,436	37
Southeast Fairbanks Area	90	6,174	69
Valdez-Cordova Area	175	10,195	58
Wade Hampton Census Area	n/a	7,208	n/a
Wrangell-Petersburg CA	95	6,684	70
Yakutat Borough	19	808	43
Yukon Koyukuk Census Area	14	6,551	468

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

5 Restaurant Sales by State

Projected 2001

	Sales	Per Capita Sales
Alabama	\$3,785,512,000	\$848
Alaska	981,836,000	1,546
Arizona	5,803,522,000	1,093
Arkansas	2,108,463,000	783
California	38,791,181,000	1,124
Colorado	5,532,611,000	1,252
Connecticut	3,556,800,000	1,038
Delaware	1,028,488,000	1,292
Florida	19,977,170,000	1,218
Georgia	9,372,042,000	1,118
Hawaii	2,729,595,000	2,229
Idaho	1,183,084,000	896
Illinois	13,442,251,000	1,077
Indiana	6,507,865,000	1,064
Iowa	2,743,588,000	939
Kansas	2,589,664,000	961
Kentucky	3,876,847,000	954
Louisiana	3,976,505,000	891
Maine	1,278,021,000	993
Maryland	5,949,301,000	1,107
Massachusetts	7,887,413,000	1,236
Michigan	10,386,132,000	1,040
Minnesota	5,207,177,000	1,047
Mississippi	1,866,886,000	653
Missouri	5,909,281,000	1,050
Montana	1,053,856,000	1,165
Nebraska	1,768,602,000	1,032
Nevada	2,635,773,000	1,252
New Hampshire	1,374,268,000	1,091
New Jersey	8,435,056,000	994
New Mexico	1,953,459,000	1,068
New York	18,624,395,000	980
North Carolina	8,565,389,000	1,046
North Dakota	618,254,000	974
Ohio	12,108,456,000	1,065
Oklahoma	3,276,514,000	947
Oregon	3,961,123,000	1,141
Pennsylvania	11,757,078,000	957
Rhode Island	1,112,729,000	1,051
South Carolina	4,350,145,000	1,071
South Dakota	737,355,000	975
Tennessee	6,033,354,000	1,051
Texas	22,516,648,000	1,056
Utah	2,035,897,000	897
Vermont	672,066,000	1,096
Virginia	7,163,242,000	997
Washington	7,223,415,000	1,206
West Virginia	1,357,741,000	753
Wisconsin	5,504,860,000	1,019
Wyoming	577,941,000	1,169
U.S.	303,326,361,000	1,065

among all U.S. states, Alaska's multiplier not surprisingly ranked weakest. Very little of the food and drink consumed by patrons is produced in the state. Other economic leakages also exist.

The 2000 expenditure survey conducted by the U.S. Department of Labor established that Anchorage residents spent more than a third (36 percent) of their food budget on food consumed away from home, while the average American consumer spent 42 percent of their food dollar away from home—a significantly higher figure. The difference is puzzling, given Anchorage's demographics that favor dining out. Per capita expenditures on dining out paint an altogether different picture. Per capita spending in eating and drinking places was \$1,546 in Alaska versus \$1,065 nationally—a full 45 percent above the national average, according to the National Restaurant Association's 2001 figures. In proportion of food dollars spent on meals eaten out, Alaska is below the national norm, suggesting room for more growth. The per capita expenditures, on the other hand, mean Alaska's eating and drinking industry benefits from the patronage of non-Alaskans.

Visitors are big patrons of eating and drinking

Visitors are important patrons of the eating-away-from-home industry, and the visitor industry in Alaska has grown much faster than most other industries. According to a 1999 visitor expenditure study, visitors spent \$63 million for eating and drinking and generated 4,120 eating and drinking jobs in Alaska in 1998. This represents nearly a third of all of the jobs in the industry. Only hotels and lodging generated more jobs. The Denali Borough, where the visitor industry reigns king, provides a special example of the influence visitors have on the eating and drinking sector. In 2001, there were 36 Alaskans for each eating and drinking job in the state, and only four residents for each such job in the Denali Borough. (See Exhibit 4.) Visitors, of course, are not counted in resident population figures, and during the summer months they far outnumber the resident population. Visitors spend most of their food dollar in local eating establishments, boosting the jobs-to-residents ratio way above the statewide average. Visitor impact on

Source: National Restaurant Association

this industry also probably explains why Alaska ranks number two among the states in per capita eating and drinking sales, bested only by Hawaii. (See Exhibit 5.)

The visitor share of the eating and drinking industry also explains most of its seasonal nature. In 2001, the low point in this industry's employment was January at 15,200 compared to its peak in August at 19,800. (See Exhibit 6.)

Restaurant food sales vary across state

Alaska's eating and drinking industry grossed over \$730 million in 1997. (See Exhibit 7.) On a statewide basis, full service restaurants took in the largest share of revenues, followed by fast food and food service companies. Bar sales were 11 percent of the statewide eating and drinking revenues in 1997. (See Exhibit 8.) Anchorage claimed well over half of all restaurant and bar sales in the state, a disproportionately large share. Fairbanks, the Kenai Peninsula, Juneau, and the Mat-Su Borough fell in line in descending order. In 1997, 41.7% of Alaska's population lived in Anchorage but it booked 56 percent of Alaska's restaurant/bar industry sales. As Alaska's commercial center, Anchorage entertains business and in-state travelers, tourists, commuters, and its own growing population. Anchorage's relative high income compared to the rest of the state also helps to support the large number and variety of dining places.

Anchorage's restaurants tend to be large

Anchorage, the culinary hot spot of the state, had nearly 600 eating and drinking places in 2001. According to municipal records, about a third of Anchorage restaurants are small with seating up to 25; nearly 17 percent of the restaurants can seat between 26 and 50 patrons; but over half can seat more than 50 guests. (See Exhibit 9.) Many of the small places sell take-out fast food such as pizzas, hamburgers, sandwiches, Asian, and Mexican food specialties. Cafés, delis, and snack bars in hotels, meeting places, and grocery and convenience stores are sub-groups of the small eating establishments. The medium and large

sized establishments sell similar food items but many are more specialized and offer more variety on their menus.

Asian food leads Anchorage's specialty menu

Among the specialty eating establishments, Asian restaurants, pizza, and hamburger places claim the top spots. (See Exhibit 10.) Many other specialty places present choices. Steakhouse and seafood restaurants are classified in the all variety section, which forms the largest portion of Anchorage's restaurant mix. Among Asian restaurants the Chinese kitchen dominates, and Mexican restaurants are in the runner-up position in the foreign food specialty group. (This assumes that pizza is an all-American food.) In continental specialties, restaurants featuring Italian cuisine (excluding pizzerias) are in the lead spot.

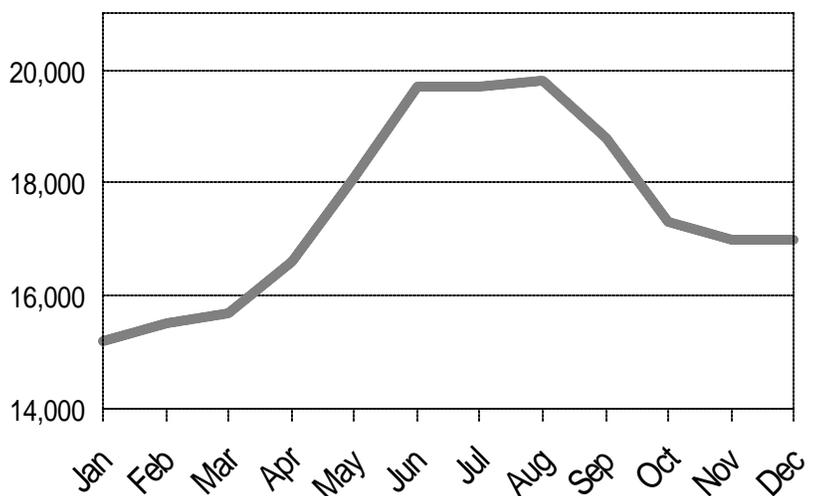
In restaurants, services personnel dominate the employment mix

Eating places have distinct occupational patterns by type. In catering establishments or camp kitchens, for example, food preparation workers

Employment Swings Seasonally In the eating and drinking business

6

Employment 2001



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

form the largest portion of the staff. In Alaska, they are the largest occupation in the eating and drinking industry because of full food service support to industries with remote work site locations such as the North Slope and the Northwest Arctic Borough. Cafeterias, fast food, take-out places, and even delis tend to have more kitchen staff, but restaurants employ mainly services personnel.

Data compiled from a sample of 28 full service restaurants in the state show waiters and waitresses claiming the largest occupational slice. (See Exhibit 11.) In combination with other service personnel, nearly 52 percent of all staff had direct contact with the customer. Basic kitchen functions were carried out by 34 percent of the employees, and support functions, including management, make up the remaining 14 percent of all restaurant staff.

Alaska's eating and drinking workforce is large and dynamic

In 2001, the eating and drinking industry employed more than 49,600 individual workers, which compares with an average annual job count of 17,300. This indicates considerable turnover in the industry. Seasonality, lower wages, and part-time employment help drive turnover. In 2000, over 30,650 new hires were recorded for the industry. A new hire is a worker who did not work for the same employer in the previous four quarters. According to national statistics, 38 percent of all eating and drinking industry workers are part-time employees, double the overall average, and they work typically 25.5 hours per week. The industry is attractive to workers seeking a flexible schedule, income during slack times such as for students, or to supplement existing employment in other industries. Many employees in Alaska work only the summer season, which implies that students from other places and transient workers form a large group within the seasonal workforce. In 2000, nearly 6,400 or 23 percent of Alaska's eating and drinking workforce were non-resident workers, considerably above the all-industry average of 18 percent.

Workforce is young and female

According to a 1999 workforce age analysis, the typical eating and drinking industry worker is only 29.2 years old, making it the youngest major industry workforce in the state. The average age of an Alaska worker was 37.3 years. Women workers predominate in the industry, which has 130 women workers for every 100 men. Four out of every five wait-staff are females. But some

7 Eating and Drinking Sales By area—1997

	Restaurant Sales
Statewide	\$730,221,000
Aleutians West Census Area	n/a
Aleutians East Borough	n/a
Anchorage, Municipality	408,202,000
Bethel Census Area	1,115,000
Bristol Bay Borough	1,545,000
Denali Borough	2,659,000
Dillingham Census Area	n/a
Fairbanks North Star Borough	79,155,000
Haines Borough	2,935,000
Juneau Borough	40,315,000
Kenai Peninsula Borough	43,544,000
Ketchikan-Gateway Borough	15,485,000
Lake and Peninsula Borough	n/a
Northwest Arctic Borough	8,551,000
Kodiak Island Borough	10,773,000
Matanuska-Susitna Borough	37,854,000
Nome Census Borough	4,535,000
North Slope Borough	26,610,000
Prince of Wales-Outer Ketchikan CA	4,611,000
Sitka Borough	10,273,000
Skagway-Hoonah-Angoon CA	3,163,000
Southeast Fairbanks Census Area	3,623,000
Valdez-Cordova Census Area	9,897,000
Wade Hampton Census Area	n/a
Wrangell-Petersburg Census Area	n/a
Yakutat Borough	n/a
Yukon-Koyukuk Census Area	2,931,000

Source: U.S. Census Bureau, 1997 Economic Census

occupations are male dominated; the male/female ratio for cooks, for example, is 140 to 100.

Wages tend to be low

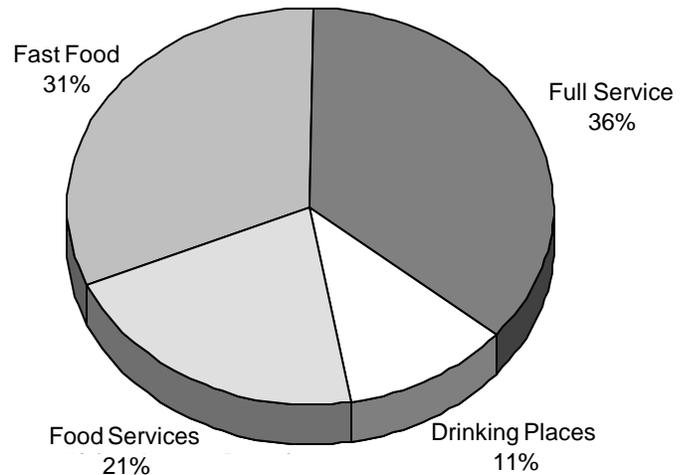
In general, eating and drinking jobs do not require previous training, which in part explains the relatively low hourly earnings. (See Exhibit 12.) The higher paying jobs in the industry usually require work experience and/or specialty training. Chefs/head cooks, food service managers, other food preparation supervisors, and bookkeepers belong to this group. In all, Alaska's hourly wages in 2000 compare favorably to the national averages. In some cases the differential is quite significant. The hourly pay rate for cooks in institutions or cafeterias in Alaska, for example, exceeded the national average by 62 percent. Fast food cooks and food preparation workers also earn substantially more per hour than their colleagues in the rest of the nation. Their differentials were 50 percent and 46 percent higher than the national average. Only a few exceptions countered the higher Alaska pay rule. Hourly pay rates for food service managers and drivers were a bit lower in the state than in the nation.

Tip earning personnel, such as waiters, waitresses and bartenders, gross more per hour than their posted wage rates. Many restaurant and bar patrons add about fifteen percent for tips to their food/bar bill for good service. Theoretically, tips are included in pay rates, but often only those noted on credit card sales are included. Cash tips may not be considered in wage rate surveys, simply because they bypass the employer's business records.

Geographic earning differentials exist within the state

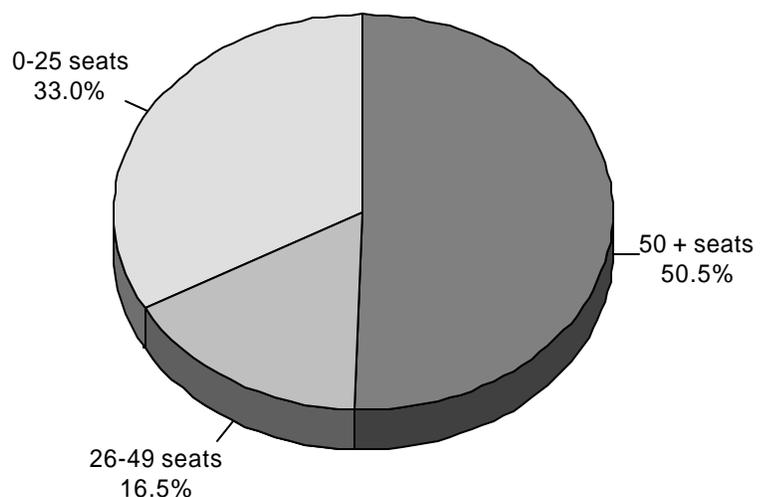
In some ways, the concentration of food service companies explains the vast disparities in earnings in different Alaska locations. In 2001, the highest average quarterly earnings per industry worker occurred on the North Slope, where the food service employees support the oil industry workforce on a year round basis. Overtime plays

Where the \$730M is Spent In the state's eating/drinking places **8**



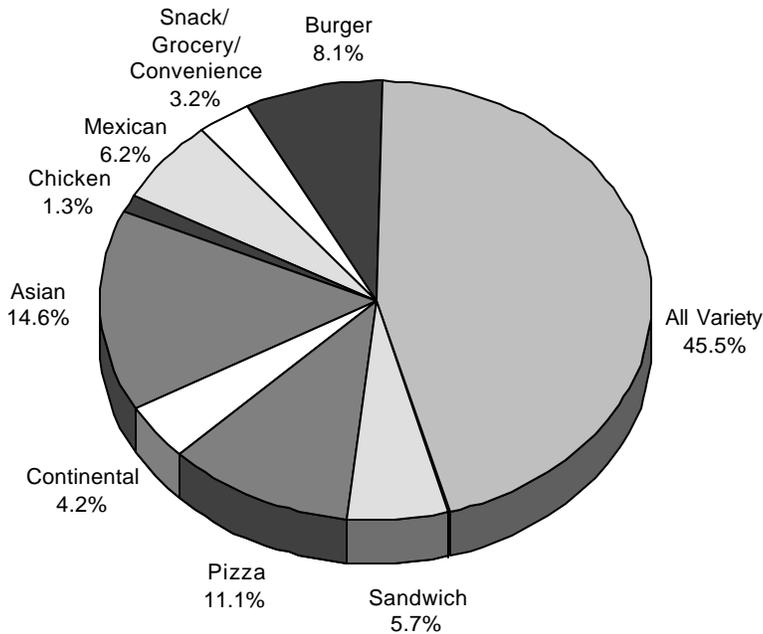
Source: U.S. Census Bureau, 1997 Economic Census

Large Restaurants Dominate In Anchorage **9**



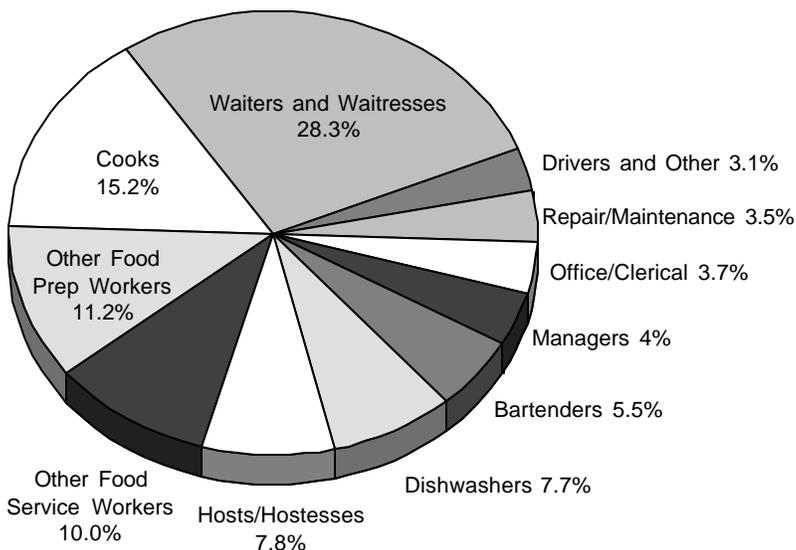
Source: Municipality of Anchorage, Food Safety and Sanitation Program

10 Anchorage Specialty Menus Offer variety



Source: Municipality of Anchorage, Food Safety and Sanitation Program

11 Employee Occupation Mix At 28 Alaska full service restaurants



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

a big role in these wages. Food service workers typically are on shift rotation just like the oil industry workforce. The Northwest Arctic Borough's eating and drinking wages were the second highest because of the Red Dog Mine. Its remote work site location and year-round operation explain these higher wages. The Denali Borough's third place is harder to explain. Here, most money is earned during the second and third quarters of the year. Above average hourly pay and considerable overtime most likely play a role.

In some ways Alaska's eating and drinking industry is unique

Among the largest employers in Alaska's eating and drinking industry are food service companies and caterers. (See Exhibit 13.) Remote camp support, institutional kitchens, and resorts are their marketing niche. Companies such as Nana/Marriott, Doyon/Universal Ogden, Aramark Leisure Services, and Skychefs contract with oil, metal mining, resort, and airline industries. Currently, both Aramark and Nana/Marriott also have cafeteria contracts with the University of Alaska in Anchorage and Fairbanks. Several chain restaurants, managed by specific franchise holders in the state, also made the state's list of the largest eating and drinking employers. However, most eating and drinking industry employees work for small employers. (See Exhibit 14.)

The future of eating and drinking

Continued growth in the eating and drinking industry appears certain—particularly in Alaska's urban communities. A recent ten-year industry forecast predicted that the eating and drinking places industry will grow faster than the overall economy. Many factors will influence the rate and shape of this growth. The state of the economy, growth in consumer income and spending power, population growth, demographics, trends in the visitor industry, and consumer preferences will all be important determinants. The long-term outlook for Alaska's visitor industry remains a big positive—not just in urban Alaska but also in the more rural parts of the state. In ten years, the eating and drinking landscape in Alaska will offer residents even more entrée choices. *Bon appétit.*

Wage Rates for Eating and Drinking Occupations **2000** **12**

	Alaska Average Hourly Wage *	National Average Hourly Wage *
Food Preparation		
Combined Food Preparation and Serving Workers, Including Fast Food	\$7.42	\$6.84
Cooks, Restaurant	11.12	9.68
Food Preparation Workers	11.65	7.78
Food Preparation and Serving Related Workers, All Other	13.28	n/a
Cooks, Fast Food	9.87	6.78
Cooks, Short Order	9.83	7.92
First-Line Supervisors/Managers of Food Preparation and Serving Workers	14.00	11.83
Cooks, Institution and Cafeteria	14.10	8.68
Chefs and Head Cooks	14.68	13.73
Bakers	10.54	10.12
Food Service		
Waiters and Waitresses	7.39	7.09
Dishwashers	8.50	7.00
Bartenders	9.38	7.77
Dining Room and Cafeteria Attendants and Bartender Helpers	7.41	6.95
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	8.81	7.23
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	7.79	7.32
Food Servers, Nonrestaurant	8.47	7.77
Laborers		
Driver/Sales Workers	10.64	11.08
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	11.40	9.17
Office/Clerical		
Food Service Managers	16.10	16.51
Bookkeeping, Accounting, and Auditing Clerks	14.75	12.96

* Based on Occupational Employment Statistics Survey data - 2000

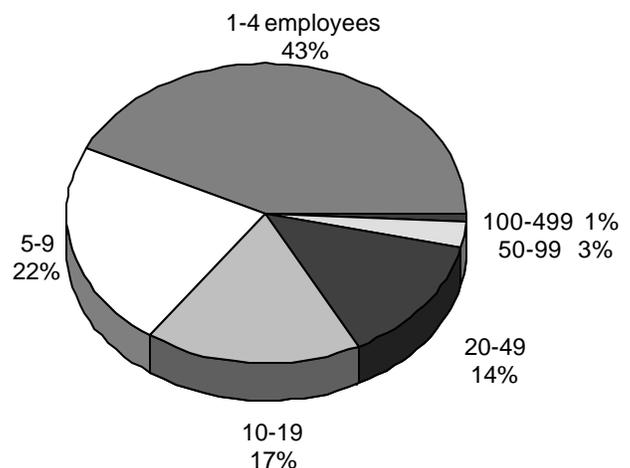
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

13 Eight of the Top 100 Private sector employers Are in eating and drinking

	Employment 2000	Primary function
NANA/Marriott, Joint Venture	1,093	catering
Aramark Leisure Services	520	catering
Doyon/Universal Ogden, JV	519	catering
Pizza Hut	467	restaurants
Burger King	465	restaurants
Denali Food/Taco Bell	381	restaurants
Skychefs	277	catering
McDonalds	258	restaurants

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

Most Employees Work for small employers **14** Eating and drinking industry employees—1999



Source: U.S. Department of Commerce, County Business Patterns 1999