



Leisure and Hospitality in Alaska

Eat, play, and stay

Leisure and hospitality includes services aimed at residents as well as visitors, encompassing employment in mostly local establishments such as gyms, snack bars in malls, and food service contractors for other far-flung industries across the state.

Off-season employment can mostly be attributed to these resident services and industry support, and this helps us quantify tourism employment when examining the seasonal swings in Alaska's leisure and hospitality industry. Exhibit 1 shows this seasonality and how it compares to employment in construction and seafood processing, two other highly seasonal industries.

Leisure and hospitality employment is often used to measure the health of tourism, because it includes

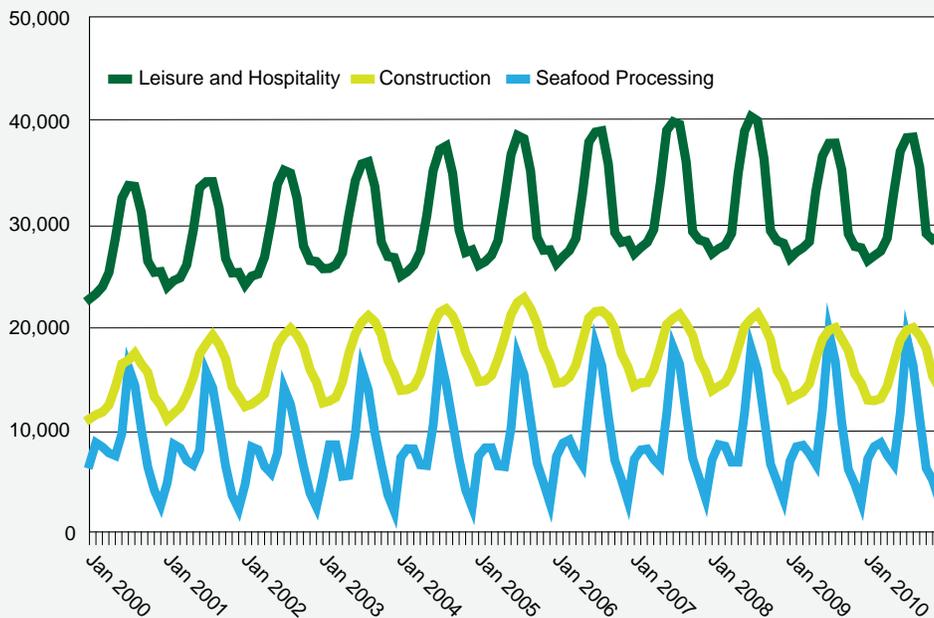
jobs in recreation, food and drink, and accommodations. However, while the two are related, there are key differences between leisure and hospitality and what most people think of as tourism, besides the services aimed at residents. Major parts of tourism — such as transportation and retail trade — are not included in the leisure and hospitality industry.

Recreation tends to serve locals

The arts, entertainment, and recreation sectors are the smallest and least seasonal parts of leisure and hospitality, at 13.9 percent of the industry's average annual employment. (See Exhibit 2.) Businesses such as gyms, bingo halls, and intramural sports clubs fit under this umbrella, and a significant portion of its firms cater to locals.

1 Dramatic Seasonal Swings

Alaska wage and salary employment, 2000 to 2010



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

Fitness, sports, and recreation centers make up the largest piece of employment in this category, at 30 percent in 2010. Pull tab parlors and bingo halls — home to Alaska's unofficial indoor winter sports — make up the second-largest slice at 16 percent.

Employment at these establishments continued to rise even as the nationwide recession took hold. But by 2009, the sector could no longer hold on to growth. Employment declined 0.5 percent in 2009 and 3.1 percent in 2010. However, the sector has still expanded overall since 2001, adding slightly more than 700 jobs. (See Exhibit 3.)

Eat, drink, and be merry

Food service and drinking places range from upscale res-

restaurants to simple cafeterias, and from coffee shops to bars and strip clubs. These establishments represent the largest sector in leisure and hospitality, with average annual employment of 19,300 in 2010 and significant growth in the summer. From the winter low to the summer peak in 2010, employment grew by nearly 5,000 jobs.

Average annual employment has also grown consistently, from 17,200 jobs in 2001 to 19,500 in 2007. Employment started to drop in 2008, declining by more than 100 jobs, and continued to fall in 2009 by another 500 jobs. Growth rebounded in 2010, recovering nearly 400 jobs.

The rapid recovery of food service and drinking places is likely due in part to increasing local demand in a growing statewide economy. Another reason could be that Alaska is playing catch-up. Jobs at food service and drinking places make up 6 percent of statewide employment versus 7 percent nationwide.

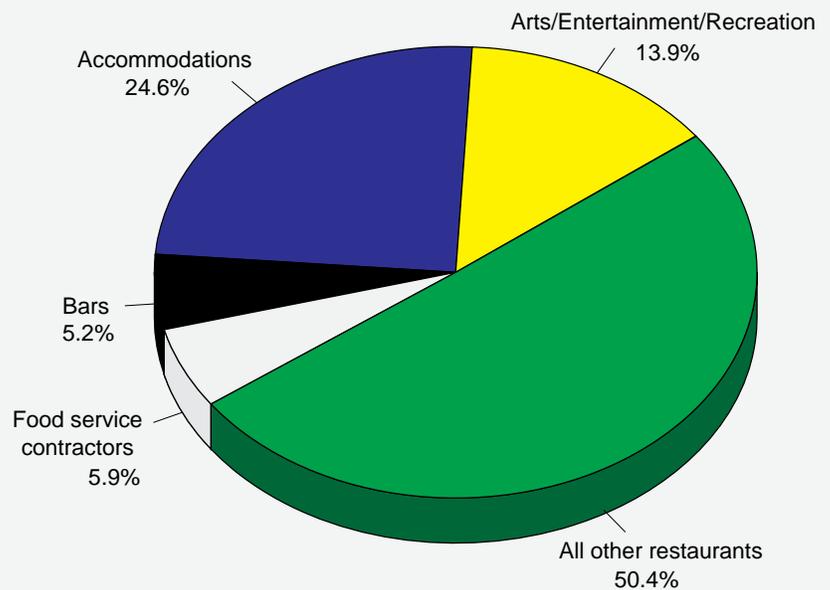
Places to stay

Job growth in accommodations firms — for example, hotels, motels, and recreational camps — has followed the same long-term upward trend as food, drink, and recreation places. However, growth from 2001 to 2007 was not as consistent. Like other sectors in leisure and hospitality, accommodations employment dropped in the late 2000s, falling by 6.8 percent in 2009 and 0.1 percent in 2010.

Accommodations employment data have a key shortcoming, however. Jobs in bed and breakfasts and remote hunting and fishing lodges are important but often unaccounted for. These establishments are often small, family-run operations that generally do not have employment reportable under the unemployment insurance program, leaving scant wage and salary employment data for these places.

Most Jobs are in Food and Drink **2**

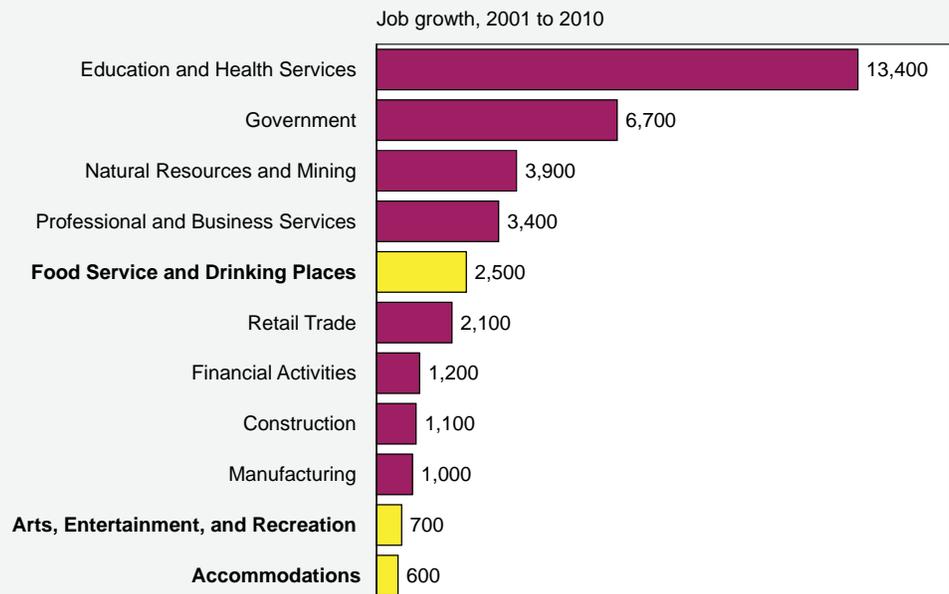
Leisure and hospitality in Alaska, 2010



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

Growth in Leisure and Hospitality Subsectors **3**

Alaska industries, 2001 to 2010



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

On the rise, until ...

Average annual employment in the leisure and hospitality sector grew for years at a rate of about 2 percent annually, reaching an annual average of 32,200 jobs at its peak. (See Exhibit 4.) In 2008, the global recession dented the number of visitors and the confidence of Alaska's tourism-dependent

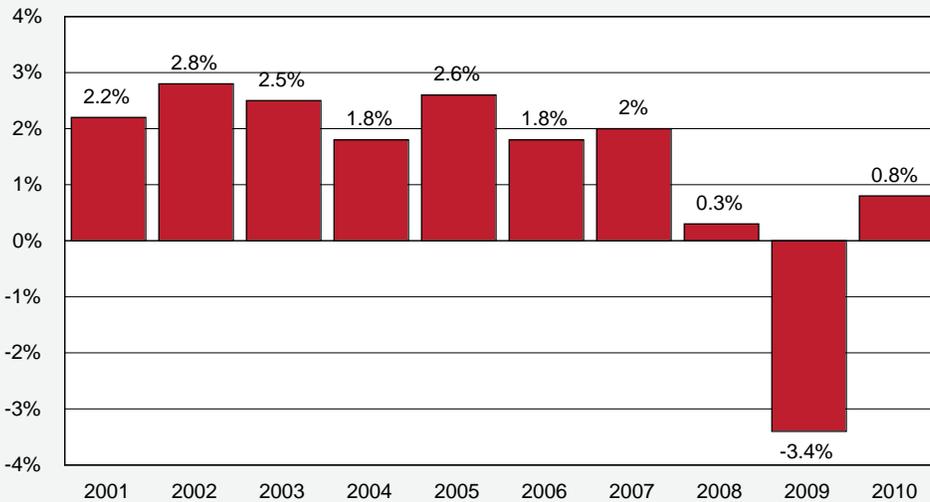
seasonal employers. The number of jobs in leisure and hospitality still grew in 2008 but just barely, at 0.3 percent. This kept the rounded annual employment numbers stable.

Employment didn't decline significantly until 2009, when it dropped by 3.4 percent to 31,200. Growth resumed in 2010 by just enough to renew hopes of continued growth in 2011.

Out-of-state visitor numbers also fell near the end of the last decade, bringing the number of tourists down from a peak of 1,714,100 in 2007 to 1,505,600 in 2010. (See Exhibit 5.)

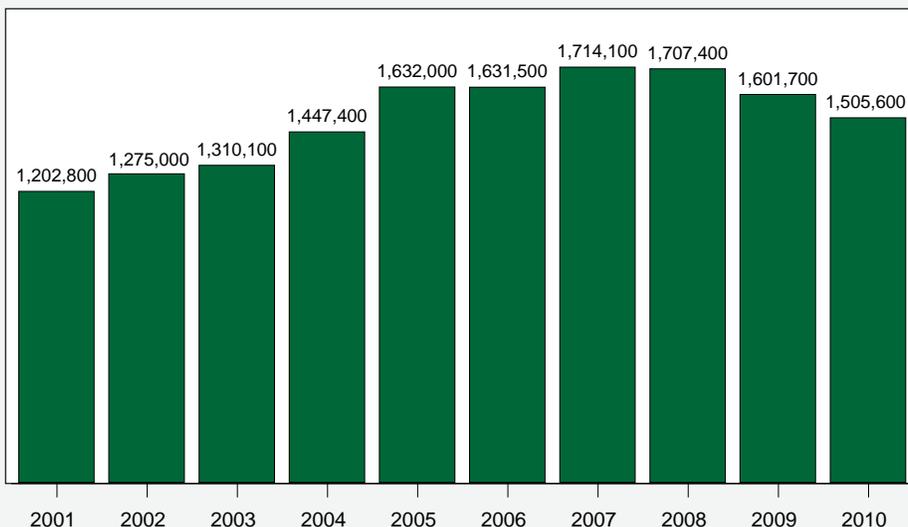
Among total summer visitors, 58 percent were cruise ship passengers in 2010, down from 65 percent in 2009. The biggest drop in cruise ship visitors came in 2010, when several cruise lines pulled ships from Alaska's waters. The reduction in vessels pulled the total number of cruise ship passengers below 1,000,000 for the first time since 2007.

4 Growth Continues After Brief Drop Leisure and hospitality in Alaska, 2001 to 2010



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

5 Visitor Numbers Fall Below 2005 Levels Summers in Alaska, 2001 to 2010



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

Major seasonal swings

Alaska's economy is highly seasonal, and leisure and hospitality is the second most seasonal industry, following seafood processing. Along with seafood processing and construction, the leisure and hospitality industry is a major driver of Alaska's seasonality. (See Exhibit 1.)

From 2008's summer peak to its winter low, employment dropped by 13,300 jobs, or 41 percent, making it the largest-ever seasonal swing observed in the leisure and hospitality industry. However, in 2009, the decrease in overall jobs affected peak employment enough that the summer-to-winter decline was less dramatic. Preliminary employment numbers show that jobs rebounded slightly in 2010,

particularly in the summer, which renewed the large seasonal disparity.

Lowest private earnings

As in seafood processing and retail trade, the seasonality of employment in the leisure and hospitality industry contributes greatly to its low average annual earnings: the lowest of any private industry. (See Exhibit 6.)

This doesn't mean that all leisure and hospitality jobs are low-paid. For example, lodging managers earned \$24.74 per hour on average in 2009, the most recent year for which data are available.

Of the three main sectors in leisure and hospitality, accommodations jobs have the highest average annual earnings, at \$24,340. Other sectors earn considerably less; food service and drinking place workers make \$17,752 a year on average, while jobs in arts, entertainment, and recreation average \$16,830.

Several large employers

Thirteen leisure and hospitality firms made it into the *Trends 100* list in 2009, meaning they were among the 100 largest in the state. Five of these companies were in accommodations, and all of those were large hotels.

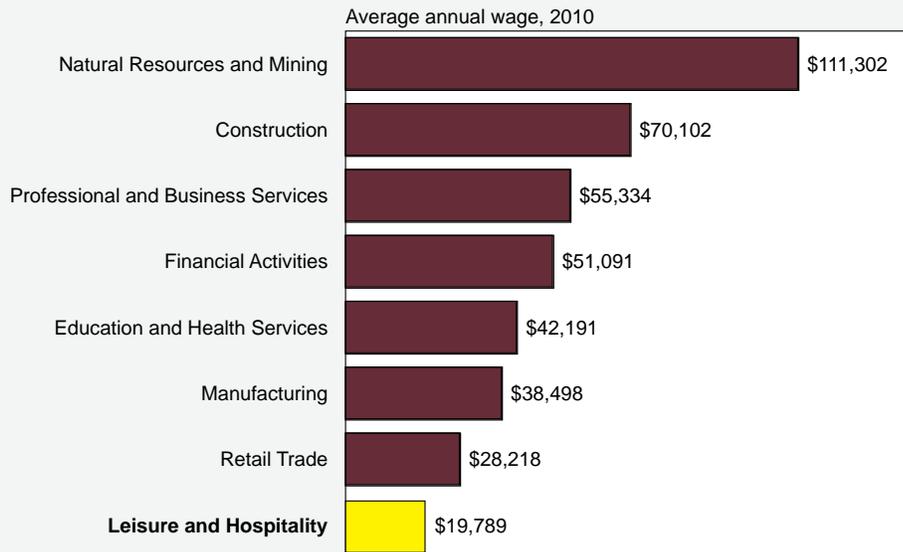
Seven of these 13 firms are in the food service and drinking business, and all seven cater mainly to residents and workers. In recreation, only the fitness center The Alaska Club made it into the *Trends 100* list.

Eleven of the 13 firms will be back on the *Trends 100* list for 2010 (see Exhibit 7), which will be published in the July edition of *Trends*.

Firms that were not on the *Trends 100* list but were among the top 20 employers in the industry included mostly restaurants and other food ser-

The Lowest-Wage Private Industry **6**

Alaska, 2010



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

Trends 100 Employers **7**

Leisure and hospitality heavyweights, 2010

Accommodations	Average monthly employment
Alaska Hotel Properties (Princess Hotels)	500-749
Alyeska Resort (Includes O'Malley's on the Green)	500-749
Hickel Investment Company (Hotel Captain Cook)	250-499
Westmark Hotels	250-499
Columbia Sussex Management (Anchorage Marriott, Hilton Anchorage)	250-499
Food Service and Drinking Places	
McDonald's Restaurants	750-999
Doyon Universal Services	750-999
Denali Foods (Taco Bell)	250-499
Aramark Sports	250-499
Pizza Hut of Alaska	250-499
Subway of Alaska	250-499
Arts, Entertainment, and Recreation	
The Alaska Club	750-999

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



Top 20 Employers in Leisure and Hospitality Alaska, 2010

Rank	Firm Name	Average monthly employment
1	McDonald's Restaurants	750-999
2	Doyon Universal Services	750-999
3	The Alaska Club	750-999
4	Alaska Hotel Properties (Princess Hotels)	500-749
5	Alyeska Resort (Includes O'Malley's on the Green)	500-749
6	Denali Foods (Taco Bell)	250-499
7	Aramark Sports	250-499
8	Hickel Investment Company (Hotel Captain Cook)	250-499
9	Westmark Hotels	250-499
10	Columbia Sussex Management (Anchorage Marriott, Hilton Anchorage)	250-499
11	Pizza Hut of Alaska	250-499
12	Subway of Alaska	250-499
13	The Brews Brothers (Glacier Brewhouse and Orso)	100-249
14	Duke Investments (Chili's Grill and Bar)	100-249
15	Statewide Services	100-249
16	Fountainhead Development	100-249
17	Film-on Productions (Bear Tooth)	100-249
18	Ambrose (McDonald's Johanson)	100-249
19	Moose's Tooth Pub and Pizza	100-249
20	J&D Restaurants	100-249

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

vice businesses. (See Exhibit 8.) The Alaska Club remains the only recreation establishment on the list.

The majority of these top 20 employers are based in Anchorage. Of the five exceptions, Fountainhead Developments, LLC, and McDonald's are based in the Fairbanks North Star Borough; Aramark Sports, LLC, and Alaska Hotel Properties, LLC, are in the Denali Borough; and the second-largest leisure and hospitality employer, Doyon Universal Services, operates out of the North Slope Borough.

Services not just for tourists

Total employment in leisure and hospitality is highest in Alaska's largest city, Anchorage. However, it makes up the largest slice of total employment in the Denali Borough, at nearly 50 percent of all jobs. (See Exhibit 9.) Haines Borough is next, at 21.8 percent of total employment. Two

Southeast areas with heavy cruise ship traffic, Skagway and the Hoonah-Angoon census area, also have high rates of leisure and hospitality employment at 19.7 and 17.8 percent, respectively.

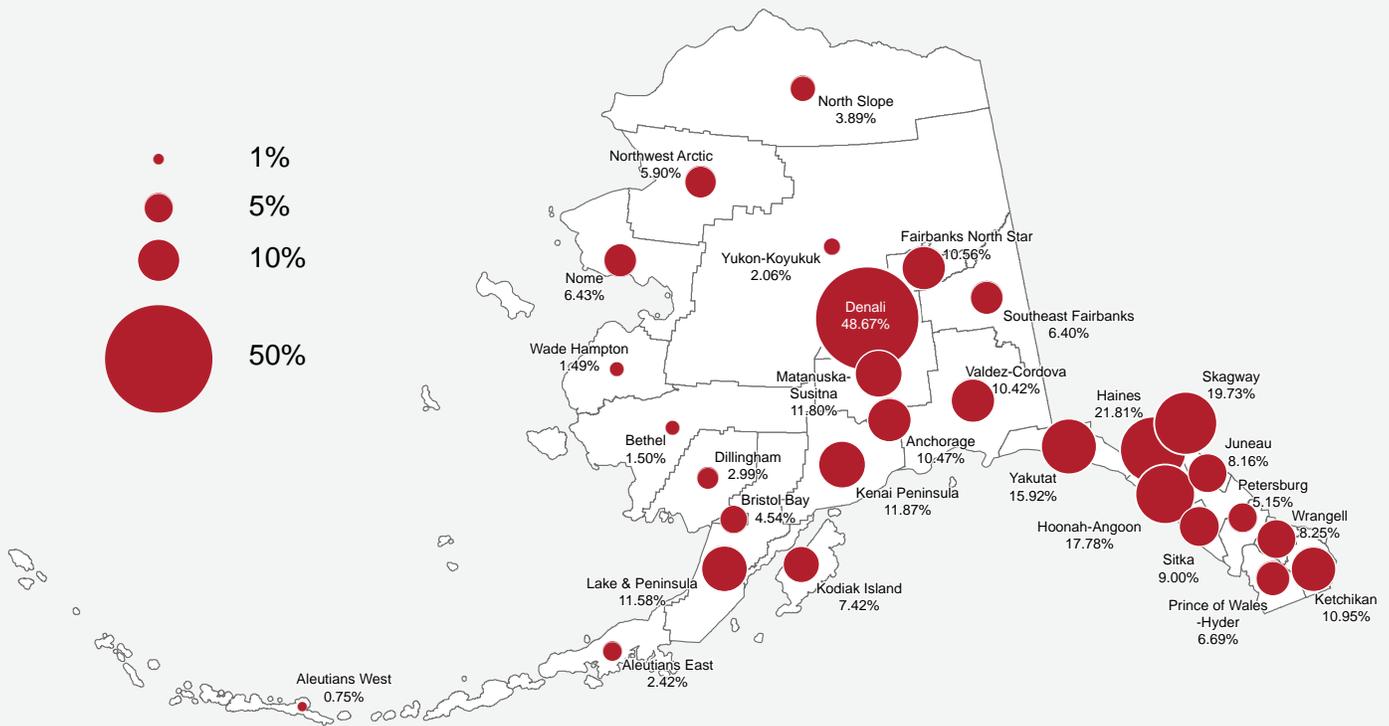
In these high-tourism areas, the large percentage of jobs in leisure and hospitality directly relates to the areas' dependence on tourism, but this is not always the case.

Doyon Universal Services is an example of a large leisure and hospitality company that has nothing to do with tourism. Doyon Universal Services provides food and accommodations around Alaska for the oil and gas, engineering, construction, mining, and government (including military) sectors.

A company like Doyon Universal Services is a good reminder that although leisure and hospitality data are often used as a barometer for tourism, other information is necessary to get the full picture. Data on sales, car and RV rentals, and bed

Some Economies Depend on Leisure and Hospitality Industry as a percentage of total employment, Alaska, 2010

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

taxes help round out the visitor data as reliable indicators of the tourism industry's overall health.

Some of these other indicators improved from 2009 to 2010. Bed taxes in 2010 were up 12 percent in Denali Borough, 10 percent in Sitka, 9 percent in Anchorage, and 8 percent in the City of Fairbanks. Also, in the Kenai Peninsula Borough, taxable sales increased by 2.7 percent from 2009 to 2010. Rental car and RV taxes were also up over the year in Anchorage.

Public sector role not so clear

Alaska's vast and numerous parks and preserves are managed by thousands of public employees from the local to national levels. State and local government jobs related to leisure and hospitality are often considered administrative, making it difficult to pin down a state and local employment picture in the industry.

Nearly 1,500 federal jobs support the national monuments, parks, and preserves in Alaska that

draw thousands of in-state and out-of-state visitors every year. As the federal budget shrinks, though, these jobs may dwindle.

2011 looks promising

The 2011 visitor season looks a bit stronger than 2010. The two new airlines servicing Anchorage (Jet Blue and Edelweiss), additional flights to Fairbanks from Korea and Denver, and more cruise ships will likely boost visitor traffic this summer.

These factors will likely combine to raise the summer peak for leisure and hospitality employment in 2011. The local patronage of leisure and hospitality services is also likely to improve statewide this year as the rest of the economy continues its trend of moderate growth.