

# Leisure & Hospitality

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**A billion-dollar industry that employs many Alaskans, entertains the rest, and is the hub of the visitor industry**

**M**ost Alaskans are involved in the Leisure & Hospitality sector of the economy in one of two ways: either they are employed in it, or they patronize its hotels, health clubs, bingo parlors, ski resorts, performing arts, or restaurants.

In 2002, the Leisure & Hospitality sector generated nearly 30,000 jobs in Alaska, which amounted to ten percent of the wage and salary workforce. (See Exhibit 1.) More than a billion dollars is spent every year in Alaska on its varied offerings.

## Steady, faster than average growth

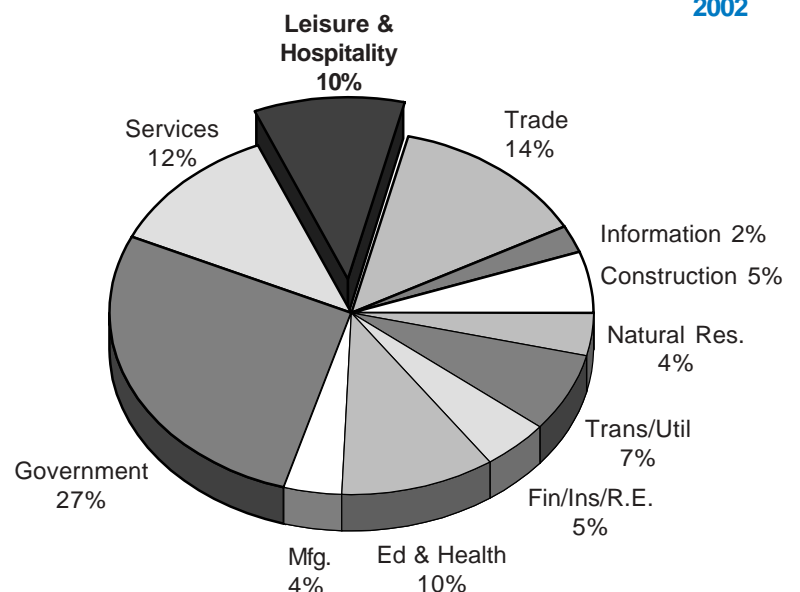
The Leisure & Hospitality sector is made up of three general groups: 1) the food service industry, 2) the accommodation industry, and 3) a loose grouping of employers called arts, entertainment and recreation (museums, zoos, golf courses, ski resorts, etc.).

Since 1990 this sector has grown steadily. (See Exhibit 2.) Over this period it has added employment at an average rate of 2.8 percent a year, versus 1.8 percent for total employment. The Leisure & Hospitality sector supports nearly 10,000 more jobs than it did in 1990 and has expanded its share of the Alaska employment pie. Fourteen of the 100 largest private employers in the state are tied to it. (See Exhibit 3.) In 1997, the industries included in this category recorded \$1.2 billion in sales, according to the Economic Census for Alaska.

## Visitors are a big plus

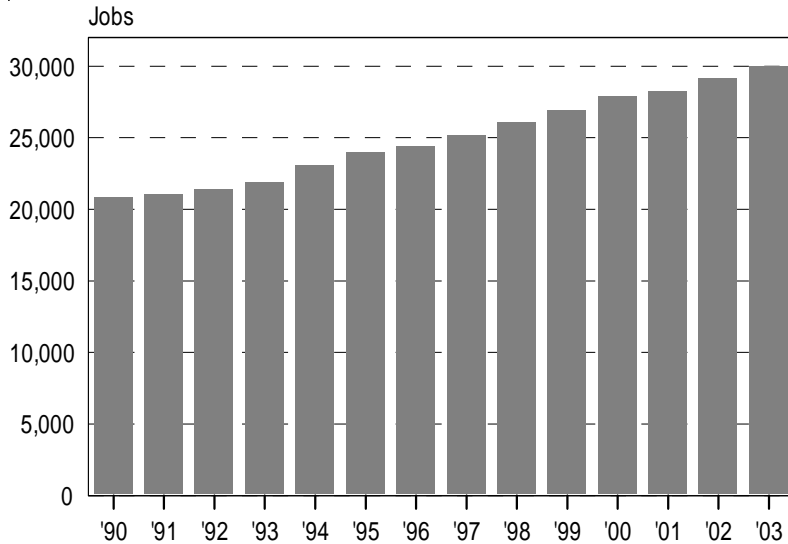
The above average growth largely corresponds to the dramatic expansion in services oriented toward the needs and wants of visitors. (See Exhibits 4 and 5.) Private travel is expected to increase in the U.S. with the rise in the number of retirees. Increased travel, both for pleasure and business, means increased employment in the accommodations industry, as well as the food service industry. A McDowell Group study esti-

## Leisure & Hospitality Has 10% of wage and salary employment 2002



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

## 2 12 Years Steady Job Growth In Leisure & Hospitality



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

## 3 Alaska's Largest Employers In Leisure & Hospitality—2002

	Annual Average Employment
NANA Management Services	939
Doyon/Universal Ogden, JV	667
The Alaska Club	546
McDonalds Restaurants of Alaska	544
Alyeska Resort	496
Pizza Hut	473
Alaska Hotel Properties	437
Aramark Leisure Services	424
Westmark Hotels	395
Denali Foods (Taco Bell)	392
Burger King	381
Hotel Captain Cook	345
Hilton Hotel	319
Sky Chefs	270

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

mated that approximately a quarter of food services employment serves the needs of travelers. A significant share of the arts, entertainment and recreation group is also tied to tourism.

### Local demand is also increasing

Increased local demand has played a major role in the growth of the eating and drinking industry. Today the average Anchorage consumer spends more than one third of his or her food dollar at food service establishments. There are many reasons for this, including changes in lifestyles and social roles. As more women have entered the labor force, time constraints often discourage the type of meals once prepared by traditional homemakers. Take-out food and home deliveries have become a more common part of daily life. Restaurant dining is another way to adapt to busy or conflicting schedules. After school and after work activities contribute to the demand for greater flexibility. Demographic changes, such as the growing percentage of older Alaskans, many of whom dine out or have meals delivered to their homes, have added to local demand.

### Favorable demographics play a big role

By 2025, the number of persons over the age of 65 in the nation will have doubled from 35 million to over 70 million. Alaska will follow this national trend. In 2002, 223,000 Alaskans, or 35 percent of the state's population, were between the ages of 40 and 64. As this group moves into retirement age over the next 22 years, the demand for leisure services will increase. This will be further enhanced by expected gains in longevity, health, and disposable income.

Other age groups will also push up demand for leisure services. Leisure or playtime in today's society has become a scheduled event in many people's lives. Recreational sport businesses, for example, market their services to a much broader cross section of society than in the past. This expansion of services has involved providing support for activities that take place after working hours, during weekends and vacation. Children,

as well as young and working adults, can customize “off duty” activities according to their preferences.

### Earnings are low

While the Leisure & Hospitality sector accounts for a growing number of jobs and an increasing share of the labor market, its payroll impact remains low. Total payroll for the sector amounted to only \$458 million in 2002. Construction wages by comparison added \$807 million to Alaska’s economy. Lower hourly wages as well as the part time and seasonal nature of many of the jobs in this sector result in monthly incomes that fall below average. (See Exhibits 6 and 7.)

### Food services dominates

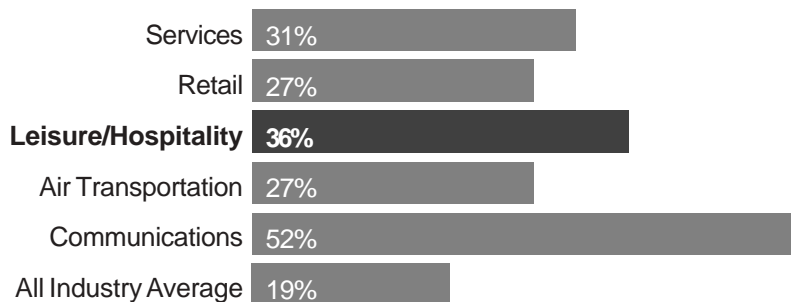
In Alaska, more than half the sector’s employment is tied to food services and nearly another third to accommodation. (See Exhibit 8.) This is quite different from the national picture where more than two thirds of the employment is related to food services and only 15 percent is attributed to accommodation. Alaska’s greater reliance on tourism accounts for its relatively larger accommodation industry. Last year Alaska had more than twice as many visitors as it had residents. All three groups contained within this sector have grown fast, but the smallest of the three, arts, entertainment and recreation, has grown nearly twice as fast as the other two. (See Exhibits 10 and 11.)

### Leisure & Hospitality jobs are spread across the state

Leisure & Hospitality plays an important role in most areas of the state, (see Exhibit 12) but Anchorage accounts for nearly half the sector’s total employment. This is largely due to the fact that the city’s larger population supports a wide selection of eating and drinking establishments.

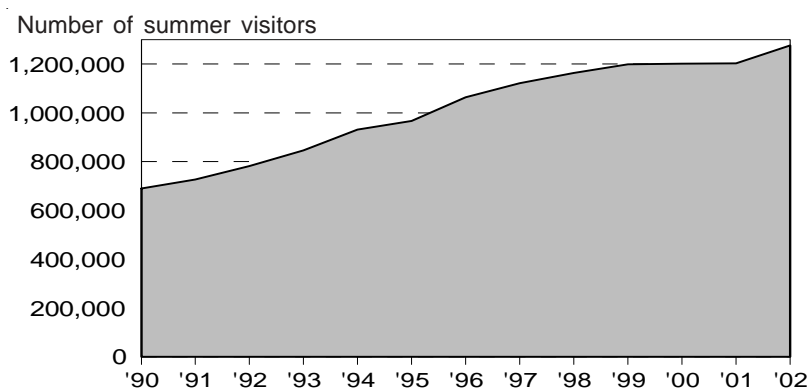
While other areas lack Anchorage’s variety, several are far more dependent upon the sector as a source of employment. In the Denali Borough, 43 percent of total wage and salary employment

## One of State’s Job Growth Stars Over the 1992–2002 decade 4



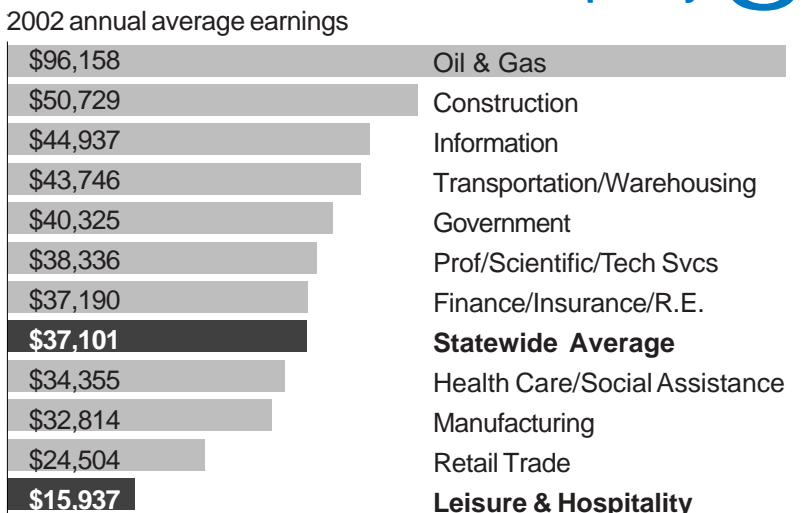
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## Summer Visitors to Alaska Have doubled since 1990 5



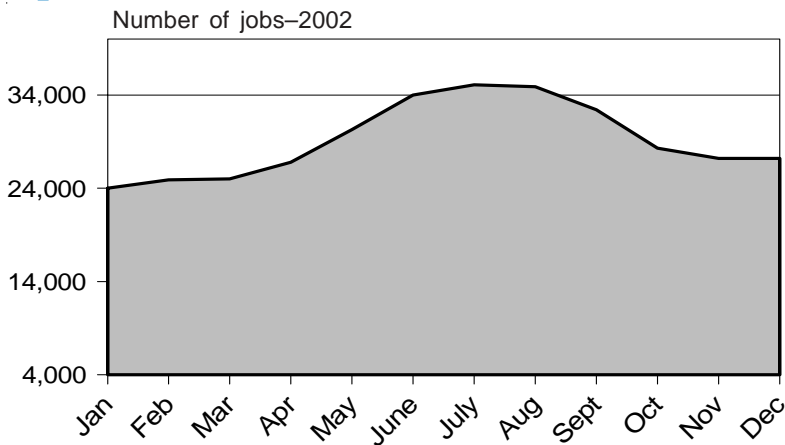
Source: Alaska Department of Community and Economic Development, Division of Business and Community Development

## Earnings are Low In Leisure & Hospitality 6



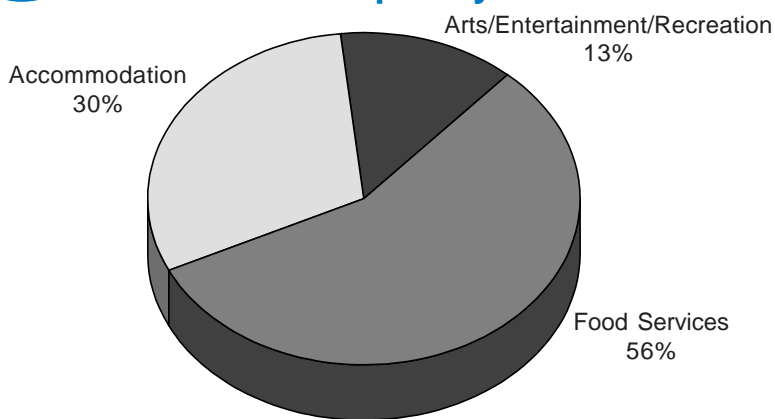
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## 7 Leisure & Hospitality Employment Peaks in the summer



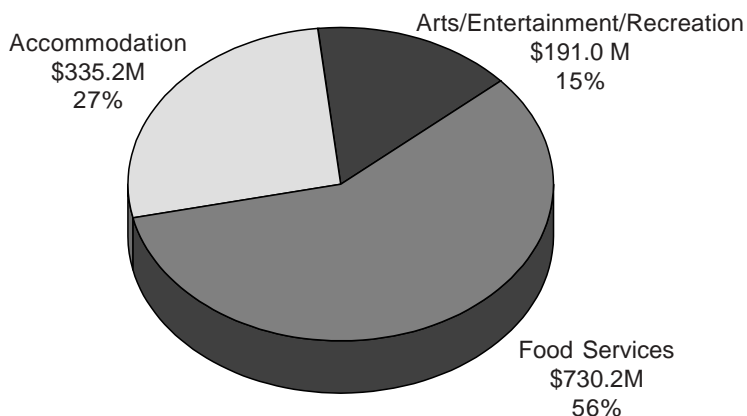
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## 8 Food Services is the Big Employer In Leisure & Hospitality



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

## 9 Leisure & Hospitality Sales Exceed a billion dollars in Alaska



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

is in the Leisure & Hospitality sector. This underscores the tremendous impact that visitors to Denali National Park and the surrounding area have on the borough's economy. According to the 1997 Economic Census, spending on this sector in the Denali Borough was \$5,367 per resident versus the statewide average of \$2,061. (See Exhibit 13.) Clearly, most of this spending must be attributed to the more than 300,000 annual visitors to the park. The Denali Borough has 2,815 hotel rooms but only 1,886 residents. Some of the other places with an above average concentration of Leisure & Hospitality workers or per capita expenditures include the Kenai Peninsula, Haines, Juneau, Ketchikan, the Skagway-Hoonah-Angoon area, and Valdez-Cordova.

## Accommodation—a major growth industry

The accommodation industry represents the second largest piece of the Leisure & Hospitality sector. In 2002 the industry generated 7,200 jobs, peaking at 10,400 in July. The dominant players are traditional hotels and motels, but the category also includes fishing and hunting lodges, rooming houses, RV parks, campgrounds, youth hostels, and bed and breakfasts. Some food services employment spills over into accommodation because many hotels have restaurants. In most cases such employment would be counted under accommodation. Employment in accommodation has been growing considerably faster than overall employment during the past decade—2.8 percent per year compared to 1.8 percent for the overall wage and salary workforce, matching Leisure & Hospitality's 12-year growth rate. In July of 1992, this industry had 7,600 jobs compared to 10,600 in July of this year. But the employment figures only tell a small part of this story—more impressive is the number of new hotels built in recent years.

## Hotel construction boom ignited in 1997

Since 1997, at least 30 new hotels have been built in the state. (See Exhibit 14.) Added up, this put more than 4,200 new rooms on the market. The largest was the Marriott in Anchorage with 392

rooms, while one of the smaller facilities was the Narrows in Ketchikan with 47 rooms. Alaska's largest city, Anchorage, was home to the largest number of new hotels and rooms.

## Room inventory is way up

Half of the hotels built since 1997 are located in Anchorage. In 1996, prior to this boom, the City of Anchorage had 6,650 rooms for rent that were taxable. Room capacity since 1997 has increased by nearly 30 percent, not including the more than 100 rooms that were added due to expansions of existing hotels, or the expansions currently underway. Four new hotels broke ground in late 2003 that will add another 447 rooms to the Anchorage hotel market during 2004. There are also plans for at least two other properties.

This construction boom has literally changed the Anchorage landscape. Many of these new rooms were added in the midtown area, which prior to 1997 was home to a few relatively small hotels. Another hot spot for new hotel construction has been the airport area. Downtown experienced both new construction and extensive renovation activity.

The growth in hotels in Anchorage is reflected in the increase in the bed taxes collected. In 1997 Anchorage collected \$8.5 million in bed taxes and by 2002 this figure had grown to \$11.1 million—a 31 percent increase in collected revenues.

## Hotels change communities

Anchorage was not the only beneficiary of the "hotel boom". Talkeetna also experienced an economic transformation based on new hotel construction. Prior to 1997, Talkeetna's visitor industry catered mostly to mountain climbers and independent visitors. But this all changed in 1997 when the Mt. McKinley Princess Wilderness Lodge (which now has 334 rooms) was built just inside Denali State Park, 40 miles from Talkeetna. In 1999 the Talkeetna Alaska Lodge opened its doors and added 201 rooms to the area's total. Now thousands of organized/cruise tour visitors stay in the area. The opening of these two hotels

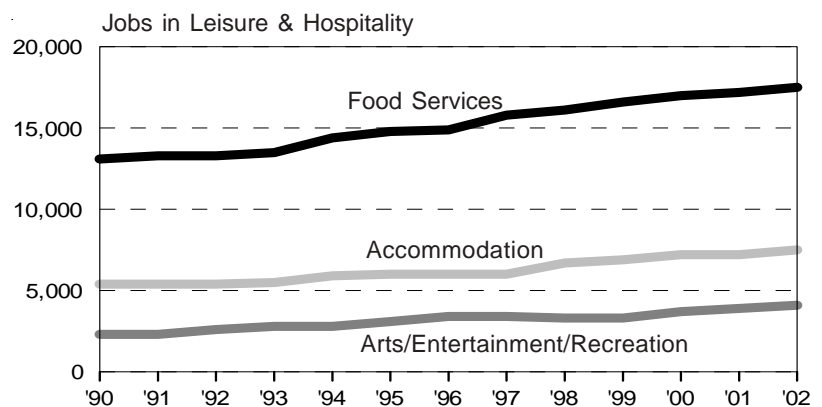
led to a significant increase in other businesses catering to visitors in the Talkeetna area. Both hotels are now among the Mat-Su Borough's largest employers. An example of their impact lies in the bed tax receipts collected by the borough. In 1997, bed tax receipts in the Mat-Su Valley added up to \$157,000. By 2003 they had reached \$660,000. Similar economic development occurred in the Copper Center area. When it opened in 2002, the Copper River Princess Wilderness Lodge became one of the largest employers in the region. Its location also

## Employment Nearly Doubled In arts, entertainment & recreation 10



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

## All Parts of the Industry 11 Have grown



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

# 12 Leisure & Hospitality Employment

## By area—2002

	Annual Average Employment					Leisure and Hospitality Employment as a Percent of Total Employment
	Accommodation	Food Services and Drinking	Arts, Entertainment, and Recreation	Leisure and Hospitality	Total Employment	
<b>Alaska Statewide</b>	<b>7,199</b>	<b>17,472</b>	<b>3,952</b>	<b>28,623</b>	<b>290,003</b>	<b>9.9%</b>
<b>Anchorage/Mat-Su Region</b>	<b>3,091</b>	<b>10,672</b>	<b>1,960</b>	<b>15,723</b>	<b>151,716</b>	<b>10.4%</b>
Municipality of Anchorage	2,863	9,536	1,745	14,144	137,811	10.3%
Mat-Su Borough	228	1,136	215	1,579	13,905	11.4%
<b>Gulf Coast Region</b>	<b>1,072</b>	<b>1,743</b>	<b>349</b>	<b>3,164</b>	<b>27,904</b>	<b>11.3%</b>
Kenai Peninsula Borough	603	1,292	297	2,192	17,614	12.4%
Kodiak Island Borough	195	288	21	504	5,617	9.0%
Valdez-Cordova	274	163	31	468	4,673	10.0%
<b>Interior Region</b>	<b>1,515</b>	<b>2,898</b>	<b>548</b>	<b>4,961</b>	<b>40,753</b>	<b>12.2%</b>
Denali Borough	394	472	44	910	2,101	43.3%
Fairbanks North Star Borough	1,030	2,308	485	3,823	34,882	11.0%
Southeast Fairbanks	50	105	3	158	1,610	9.8%
Yukon-Koyukuk	41	13	16	70	2,160	3.2%
<b>Northern Region</b>	<b>75</b>	<b>421</b>	<b>165</b>	<b>661</b>	<b>15,947</b>	<b>4.1%</b>
Nome	29	112	67	208	3,702	5.6%
North Slope Borough	27	262	69	358	9,252	3.9%
Northwest Arctic Borough	19	47	29	95	2,993	3.2%
<b>Southeast Region</b>	<b>1,223</b>	<b>1,629</b>	<b>818</b>	<b>3,670</b>	<b>35,568</b>	<b>10.3%</b>
Haines Borough	39	67	83	189	893	21.2%
Juneau Borough	516	705	546	1,767	17,331	10.2%
Ketchikan Gateway Borough	258	349	105	712	6,730	10.6%
Prince of Wales-Outer Ketchikan	51	74	9	134	1,818	7.4%
Sitka Borough	148	201	47	396	4,298	9.2%
Skagway-Hoonah-Angoon	130	107	16	253	1,552	16.3%
Wrangell-Petersburg	36	106	10	152	2,610	5.8%
Yakutat Borough	45	20	2	67	336	19.9%
<b>Southwest Region</b>	<b>223</b>	<b>109</b>	<b>112</b>	<b>444</b>	<b>18,115</b>	<b>2.5%</b>
Aleutians East Borough	8	1	0	9	1,710	0.5%
Aleutians West	8	40	18	66	3,349	2.0%
Bethel	33	31	49	113	6,846	1.7%
Bristol Bay Borough	37	14	1	52	998	5.2%
Dillingham	60	23	0	83	2,349	3.5%
Lake & Peninsula Borough	77	0	44	121	626	19.3%
Wade Hampton	0	0		0	2,237	0.0%

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

became a gateway to a new tourism area—the Wrangell-St. Elias National Park and Preserve, a largely untouched landscape of incomparable beauty.

Fairbanks was also no slacker when it came to new hotel construction. Since 1997, four new hotels with 511 new rooms were added to the scene. To this total, at least 160 more rooms were added to existing or renovated properties. In early 2004, the Fairbanks Westmark will have an additional 264 rooms ready for occupancy. Although Denali Park gained only two major new hotels during this five-year period, a number of existing hotels expanded, adding a significant number of rooms. Princess Tours is currently spending \$26 million adding 80 rooms at their Denali Wilderness Lodge and 96 rooms to their Mt. McKinley Wilderness Lodge. Both lodges are in Denali National Park and they will be ready some time in the summer of 2004.

In Southeast Alaska, new hotel growth was moderate given the dramatic increase in the number of visitors. Of the three new hotels, two were built in Juneau and one was in Ketchikan. The moderate growth is related to the fact that most of the area’s visitor industry is based on cruise ship activity, which generates little demand for hotel rooms.

### Hotel taxes help fill public coffers

In 2002, 35 different Alaska communities collected a combined total of more than \$19 million in tax receipts. (See Exhibit 15.) Just ten years ago that figure was \$9.8 million. (See Exhibit 16.) Some of this increase can be explained by the fact that more communities are levying bed taxes. The number grew from 18 communities in 1992 to at least 35 in 2002.

To raise more revenue, some communities have increased their tax rates. The rates vary from a high of 10 percent in communities such as Dillingham and Pelican to a low of \$4 dollars per night in Wrangell. Three places collect more than a million dollars per year. The Denali Borough with only 1,886 residents is one of those, while

the other two are the much larger communities of Fairbanks and Anchorage. For the Denali Borough, hotel taxes provide the major source of locally generated revenues. In 2003, 74 percent of the borough’s revenues came from its seven percent bed tax. In addition to the bed tax, the McDowell Group estimated that communities around the state collected another \$22.2 million in real property taxes in 2002.

## Leisure & Hospitality Sales 13 1997

	Total Expenditures	Per Capita Spending
Statewide	\$1,256,517,000	\$2,061
Aleutians West Census Area	na	
Aleutians East Borough	na	
Anchorage, Municipality of	665,917,000	2,614
Bethel Census Area	5,866,000	376
Bristol Bay Borough	na	
Denali Borough	10,170,000	5,367
Dillingham Census Area	na	
Fairbanks North Star Borough	133,750,000	1,630
Haines Borough	na	
Juneau City/Borough	72,130,000	2,428
Kenai Peninsula Borough	75,899,000	1,591
Ketchikan-Gateway Bor.	34,616,000	2,387
Kodiak Island Borough	18,828,000	1,380
Lake and Peninsula Borough	na	
Matanuska-Susitna Borough	47,495,000	911
Northwest Arctic Borough	na	
Nome Census Borough	na	
North Slope Borough	na	
Prince of Wales Census Area	9,063,000	1,319
Sitka City/Borough	16,772,000	1,926
Skagway-Hoonah-Angoon	9,931,000	2,707
Southeast Fairbanks Census Area	na	
Valdez-Cordova Area	23,193,000	3,709
Wade Hampton Census Area	na	
Wrangell-Petersburg Census Area	6,857,000	960
Yakutat Borough	na	
Yukon Koyukuk Census Area	na	

na = not available

Source: Bureau of the Census, 1997 Economic Census

# 14 New Hotels in Alaska That opened since 1997\*

	Opened	Location	Rooms/ Suites
Denali Bluffs	1997	Denali Park	112
Courtyard/Marriott	1997	Anchorage	154
Hampton Inn	1997	Anchorage	101
Microtel	1997	Anchorage	79
Mt. McKinley Princess Wilderness Lodge	1997	Parks Highway	238
The Narrows	1997	Ketchikan	47
Clarion	1998	Anchorage	111
Frontier Suites	1998	Juneau	104
Ramada Inn	1998	Anchorage	50
Springhill Suites/Marriott	1998	Anchorage	102
Hawthorne Suites	1999	Anchorage	110
Holiday Inn Express	1999	Anchorage	128
Marriott/Columbia Sussex	1999	Anchorage	392
Residence Inn/Marriott	1999	Anchorage	148
River's Edge	1999	Fairbanks	94
Seward Windsong Lodge	1999	Seward	108
Talkeetna Alaska Lodge	1999	Talkeetna	200
The Edgewater	1999	Seward	76
Aspen Hotel	2000	Juneau	94
Pike's Landing	2000	Fairbanks	180
Aspen Hotel	2001	Fairbanks	97
Grande Denali Lodge	2001	Denali Park	160
Springhill Suite by Marriott	2001	Fairbanks	140
Aspen Hotel	2002	Soldotna	63
Copper Center Princess Wilderness Lodge	2002	Copper Center	85
Dimond Center	2002	Anchorage	109
Hilton Garden Inn	2002	Anchorage	125
Aspen Hotel	2003	Anchorage	89
Ramada Inn (formerly Howard Johnson)	2003	Anchorage	90
Eagle River Microtel Inn and Suites	2003	Eagle River	60
Aspen Suites Hotel*	2004	Anchorage	138
Homewood Suites-Hilton*	2004	Anchorage	120
Fairfield Inn*	2004	Anchorage	106
Motel 6*	2004	Anchorage	83

\*Started construction in 2003 and will open for business during the 2004 season.

Source: Alaska Department of Labor, Research and Analysis Section, Survey 2003; and Anchorage Convention and Visitor Bureau.

## Food Services and Drinking Places

As previously mentioned, the largest employment group within the Leisure & Hospitality sector is food services, which includes drinking places. An article in the July 2002 issue of *Alaska Economic Trends* explored trends in the food services and drinking industry up until 2001. This discussion will follow its continued performance.

### Food services has four branches

As noted above, food and drink businesses claimed 56 percent of Leisure & Hospitality employment in 2002. The group is divided into four distinct branches: full service restaurants, limited-service eating places, food service contractors including caterers, and drinking places. In 2002 full service restaurants claimed 39 percent of the industry's employment; limited service establishments had a 38 percent share; drinking places employed 12 percent; and the remaining 11 percent belonged to food service contracting businesses.

The four categories describe different styles of service. In full-service restaurants patrons usually pay after the meal. In limited-service eating places customers usually pay before they eat. Drinking places include taverns, bars, and nightclubs; they serve mainly alcoholic beverages and have a limited eating menu. Food contracting services include cafeterias, industrial and private caterers, food concession contractors in public meeting places and mobile food services.

### Employment growth continues

In 2002, employment in food and drink businesses provided more than 17,700 wage and salary jobs. The addition of 550 new jobs in 2002 translated into an industry growth rate of 3.2 percent and came in above its 10-year average growth rate of 2.9 percent. Employment grew in all three food service divisions but it declined in the drinking category. Geographically the gain of jobs during 2002 in the eating and drinking industry was concentrated in Anchorage, which claimed over two thirds of the new jobs. The



remaining gain was widely disbursed. The industry continued to grow during the first half of 2003. Employment was up by 3.5 percent over the same period in 2002. Several new restaurants have opened since 2001, mostly casual eating places such as family and foreign food restaurants and cafés.

## Industry performance is up everywhere

The food and drink industry is also performing above average in the nation. Between 1992 and 2002 national industry employment growth averaged 2.4 percent, outpacing total national employment growth of 1.8 percent. The industry also showed resilience during the most recent recession that started in 2001. Average annual employment in the industry was up 52,600 jobs in 2002, when the U.S. economy shed 1.45 million jobs. Moreover, jobs in the industry continued to grow in 2003 while most other industries were struggling to regain ground.

In the economy of yesteryear, when the industry was linked to income and the well-being of the economy, such performance amidst a recession would be hard to explain. But times have changed and so have eating habits. Competition among food service businesses and efficiencies have led to lower prices. Fast food, for example, may not be much costlier than food made at home. Moreover, busy schedules of dual-income couples allow little time for grocery shopping, food preparation, and kitchen cleanup. For many people regular dining-out experiences have become the norm. Eating out has become associated more with nourishment than with entertainment away from home.

## Payrolls became larger and the average paycheck rose

The combined payroll in food services and drinking places was up seven percent in 2002, whereas average employment increased by 3.2 percent. The industry's monthly earnings in 2002 averaged \$1,228 compared with \$1,185 in 2001, an increase of 3.6 percent. Monthly earnings, however, remained at the low end of Alaska's

Region and Community	Bed Tax Rate	Bed Tax Revenue
<b>Anchorage/Mat-Su Region</b>		
Anchorage	8%	\$11,101,361
Matanuska-Susitna Borough	5%	627,201
<b>Interior Region</b>		
City of Fairbanks	8%	1,903,059
Fairbanks North Star Borough	8%	1,061,135
Denali Borough	7%	1,243,207
<b>Northern Region</b>		
Kotzebue	6%	40,390
Nome	4%	84,275
<b>Gulf Coast Region</b>		
Cordova	6%	53,455
City of Kodiak	5%	113,433
Kodiak Island Borough	5%	50,672
Port Lions	5%	3,798
Seward	4%	209,458
Valdez	6%	296,162
<b>Southwest Region</b>		
Aleknagik	5%	6,574
Bethel	3%	54,292
Bristol Bay Borough	6%	38,601
Cold Bay	8%	12,581
Dillingham	10%	47,772
Lake and Peninsula Borough	6%	124,006
Sand Point	7%	4,757
Unalaska	5%	114,504
<b>Southeast Region</b>		
Juneau, City and Borough	7%	961,700
Angoon	3%	9,244
Haines Borough	4%	79,762
City of Ketchikan	6%	310,135
Ketchikan Gateway Borough	4%	28,244
Klawock	6%	3,612
Pelican	10%	3,594
Petersburg	4%	38,529
Port Alexander	6%	1,611
Sitka, City and Borough	6%	264,659
Skagway	8%	105,174
Tenakee Springs	6%	1,122
Wrangell	\$4/night	17,664
Yakutat, City and Borough	4%	61,024
<b>Total Bed Taxes Collected</b>		<b>\$19,076,767</b>

Source: Alaska Department of Community and Economic Development

industry earnings scale. In the food and drink industry paychecks usually register low because of the preponderance of part-time employment and lower than average wages for food service workers, who form the largest occupational group in the industry.

### And now, arts, entertainment and recreation

The third employment group in the Leisure & Hospitality sector is made up of arts, entertainment, and recreation. While hotels, restaurants and bars fit more easily under the hospitality heading, the arts, entertainment and recreation group is more associated with leisure. Webster's New World Dictionary defines "leisure" as free, unoccupied time during which a person may indulge in rest, recreation, etc.

As it has in the rest of the nation, the arts, entertainment, and recreation group has shown dynamic growth in Alaska. Over the last decade, national jobs in this sector grew more than twice as fast as overall wage and salary employment, and in Alaska they grew nearly

three times as fast. Robust growth on the national and local front is expected to continue as the U.S. population ages and acquires more leisure hours, especially through retirements.

### Performance is linked to the state of the economy

Employment trends in arts, entertainment and recreation are closely linked to the overall performance of the economy. Hence the drop in employment during the most recent national recession. In 2002, U.S. employment in arts, entertainment and recreation fell 2.5 percent below its 2001 level. Alaska saw no such decline, and in fact added 5.1 percent more arts, entertainment and recreation jobs in 2002.

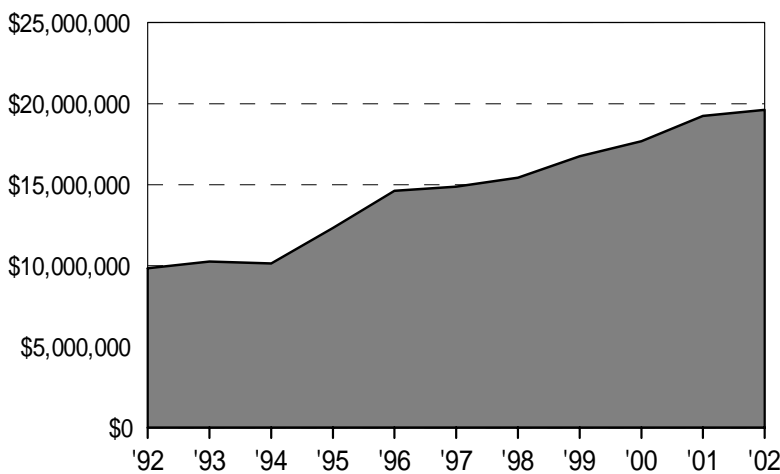
### Recreational industries employ the most

Despite its growth, employment is still relatively small in the arts, entertainment and recreation group. In Alaska and in the rest of the nation it accounts for just 1.4 percent of total employment. In 2002, the annual average employment count came in at 3,952 in Alaska. The largest sub-category was recreation and amusement, which employed 79 percent of all employees in this group, followed by arts at 13 percent and museums, historical sites and similar institutions at eight percent. (See Exhibit 17.)

### Among recreation employers, fitness clubs are number one

Fitness and recreational sports centers were the largest employer, averaging nearly 1,200 jobs in 2002. Gambling businesses were second in terms of employment, with an annual base of nearly 750, although Alaska is not usually thought of as a gambling state. Bingo parlors and pull tab retail stores and distributors make up the lion's share of Alaska's gambling industry. The "other recreation" category posted just over 600 jobs in 2002, although it had the largest number of individual firms or organizations.

## 16 Community Bed Tax Revenues Doubled over past decade



Source: Alaska Department of Community and Economic Development

## The other important recreational category

There were 200 businesses listed in the “other amusement and recreation industries” group that had at least one employee in any month of the year. Only 19 percent had at least one employee in every month. Organizations with year-round employment included swim and soccer clubs and similar entities. Most other companies showed highly seasonal employment. In 2002, employment in this category showed 257 jobs in January that swelled to 1,260 in July.

In Alaska, this “other” category includes many sightseeing tour companies, rafting, canoe and kayaking enterprises, outfitters, fish and game guides and other specialized businesses that cater mainly to a visitor clientele and underscore the importance of niche markets within Alaska’s tourism industry. Alaska is widely known as an angler’s paradise and a realm of exotic and challenging hunts. It is also gaining fame as a water sports mecca for canoeists, kayakers and rafting enthusiasts.

## Additional recreational employers

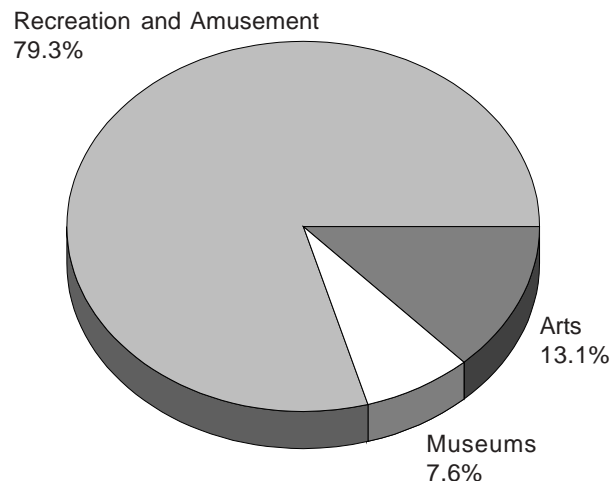
Amusement parks, golf courses, bowling centers, ski facilities, and marinas are additional sites for recreational activities. Most of these businesses serve the local population. Combined employment in this miscellaneous group came in at just over 400 in 2002. With the exception of five amusement centers that employed a combined total of 74 employees, all other establishments were sports related. The only indoor recreational specialty is bowling; its employment fluctuated the least among the sports disciplines. All other sport organizations had distinct seasons, and more fluctuation in employment over the course of the year.

## In the art division, classical art and saloon art become companions

Employment in performing arts, spectator sports and related industries averaged 521 in 2002. This is a fairly limited, but diversified group of employers. The variety of performing arts groups, for example, contains classical theater groups as well as nightclub dancers and performance groups who entertain primarily visitors. Among spectator sports the dominant employer was Anchorage’s Aces hockey team, Alaska’s only professional sports team. Several baseball clubs and dog sled race associations or kennels also belonged to the spectator sports industry. Among arts promoters, the Alaska State Fair, Inc. was the largest employer.

Independent artists are an additional division of the arts group. This category, however, excludes the self-employed independent artist because only companies with employees are included in employment statistics. The independent artist group is dominated by taxidermists.

## Recreation and Amusement 17 Has most of the Leisure jobs Wage and salary employment 2002



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

## The public sector often manages museums and historical sites

Private sector employment in museums and historical sites averaged only 302 jobs in 2002. This understates the number of employees actually working for such cultural establishments. Alaska's larger museums, for example, are public sector organizations and their employees are counted in government employment. The museum at the University of Fairbanks and the Anchorage Museum are examples of such public sector entities. Among private sector employers, the Sealife Center in Seward and the Alaska Native Heritage Center in Anchorage were the largest.

## Conclusion

In recent years the state's Leisure & Hospitality sector has been one of Alaska's most dynamic, and this trend is likely to continue. What almost insures the continuation of this trend is the growth in both the visitor industry and the local pursuit of leisure. With the shock of 9/11 falling further behind us and the emergent recovery of the national economy, Alaska's visitor industry should enjoy renewed growth. Many are obviously banking on this future, given the amount of investment that has been made in new hotels and other visitor related businesses. As is true with the rest of the country, demographics and other factors also favor sustained growth in the Leisure & Hospitality sector.

### About the Leisure & Hospitality Sector Category

The sector categorized as Leisure & Hospitality came into being in 2003 when the 70-year-old Standard Industrial Classification codes (SIC) were replaced by the new North American Industry Classification System (NAICS). This new category contains two broad groups, hospitality and leisure. Accommodation and food services are divisions within the hospitality group. Arts, entertainment and recreation are divisions within leisure services. The former is largely made up of hotels and other types of lodging and eating and drinking places. Arts, entertainment and recreation include 25 separate industries, including businesses as diverse as golf courses,

bowling alleys, historical sites, canoe rentals, and concerts. Because of its coverage, this sector is of considerable interest to the Alaska visitor industry. Some might even want to use it as a proxy for the industry. Caution must be exercised here for two reasons. Major parts of the visitor industry, such as transportation and retail trade, are not captured in the Leisure & Hospitality sector, and a healthy slice of the activity is generated by local residents. In spite of these shortcomings, the ebb and flow of the state's Leisure & Hospitality sector could become an important economic indicator for the visitor industry.