What are they and what do they tell us?

That do law offices, advertising agencies, telemarketing businesses, bank holding companies, armored car services and landfills have in common? Although it’s tempting to say not much – or to think it’s the first line of a joke – the correct answer is that they’re all lumped together in a group called professional and business services, one of 11 major categories under which payroll jobs are published in Alaska Economic Trends.¹

Because it’s such an eclectic collection of employers and the title gives only a vague idea of what might be included, this article will take a closer look at the group’s makeup and then examine what it tells us about Alaska’s economy, both relative to earlier periods in the state’s history and to the nation as a whole.

**A healthy slice of the state’s employment and wages**

Professional and business services employers provided more than 24,000 jobs in 2006, or 8 percent of Alaska’s payroll jobs. (See Exhibit 1.) Wages for professional and business services workers totaled more than $1.1 billion, which was about 9 percent of the statewide total.

Those are impressive numbers, bigger in fact than more high profile categories such as construction, manufacturing, and natural resources and mining. Unlike those categories, though, the professional and business services category is more a government construct than a self-formed entity. In other words, it contains many employers that didn’t neatly fit into

¹The basic coding structure is used by the United States, Canada and Mexico and is called the North American Industry Classification System. The U.S. Bureau of Labor Statistics, which works with the Alaska Department of Labor and Workforce Development to produce industry employment statistics, then combined the 20 NAICS sectors into the 11 categories mentioned.
one of the other categories, so its size doesn’t necessarily say a lot about its importance.

**The broad view – small firms and above-average wages**

To the extent the category can be considered as a cohesive group, the average professional and business services job pays a little better than average for the state. (See Exhibit 2.) The dominant majority of the employers are small, with more than two-thirds of them providing from one to four jobs. (See Exhibit 3.) Only two of Alaska’s top 100 private sector employers are classified as professional and business services employers, making it one of the most underrepresented categories on the list.

**Three major subcategories, or sectors**

The professional and business services category is divided into three sectors: (1) professional, scientific and technical services; (2) management of companies and enterprises; and (3) administrative and waste services.2 (See Exhibits 4 and 5.)

**Professional, scientific and technical services – the most logical of the three**

Of the three sectors, the most intuitive grouping is professional, scientific and technical services, which combines law firms and accounting practices with architectural and engineering firms and advertising agencies, among others. This cluster of industries tends to include work that requires higher skill levels and often a professional degree or license. The term “white-collar” might come to mind. Not surprisingly, wages are above average. (See Exhibit 6.)

The size of this sector’s share of an economy’s total payroll employment may say something about the economy’s degree of sophistication or proximity to the “cutting edge.” San Francisco, for example, counted 12 percent of its 2006 payroll employment under the category of professional, scientific and technical services. Anchorage had significantly less at about 6.1 percent, although that was comparable to Seattle’s 6.7 percent.

Drilling down one more level, the largest component of the professional, scientific and technical services sector is architectural, engineering and related services. (See Exhibit 4.) This group is a major beneficiary of Alaska’s

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2 The official name is “administrative and support and waste management and remediation services.”
A Breakdown of Employment and Wages

2006

<table>
<thead>
<tr>
<th>Professional and Business Services</th>
<th>Average Monthly Employment</th>
<th>Total Annual Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, Scientific and Technical Services</td>
<td>24,341</td>
<td>$1,129,027,697</td>
</tr>
<tr>
<td>Legal Services</td>
<td>11,988</td>
<td>$650,584,314</td>
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<tr>
<td>Accounting Services</td>
<td>1,547</td>
<td>$73,917,177</td>
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<tr>
<td>Architectural, Engineering and Related Services</td>
<td>4,772</td>
<td>$307,030,936</td>
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<tr>
<td>Specialized Design</td>
<td>54</td>
<td>$1,768,100</td>
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<tr>
<td>Computer Systems Design and Related Services</td>
<td>928</td>
<td>$60,929,912</td>
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<tr>
<td>Management, Scientific and Technical Consulting</td>
<td>1,276</td>
<td>$75,387,298</td>
</tr>
<tr>
<td>Scientific Research and Development Services</td>
<td>558</td>
<td>$25,017,010</td>
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<tr>
<td>Advertising and Related Services</td>
<td>450</td>
<td>$13,093,703</td>
</tr>
<tr>
<td>Other Professional, Scientific and Technical Services</td>
<td>1,153</td>
<td>$43,076,215</td>
</tr>
<tr>
<td>Management of Companies and Enterprises</td>
<td>1,213</td>
<td>$88,074,757</td>
</tr>
<tr>
<td>Administrative and Support Services</td>
<td>11,140</td>
<td>$390,368,626</td>
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<tr>
<td>Office Administrative Services</td>
<td>10,011</td>
<td>$328,509,316</td>
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<tr>
<td>Facilities Support Services</td>
<td>521</td>
<td>$29,123,169</td>
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<tr>
<td>Employment Services</td>
<td>2,231</td>
<td>$93,830,484</td>
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<tr>
<td>Business Support Services</td>
<td>1,494</td>
<td>$47,955,098</td>
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<td>Travel Arrangement and Reservation Services</td>
<td>468</td>
<td>$10,950,358</td>
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<tr>
<td>Investigation and Security Services</td>
<td>2,376</td>
<td>$49,933,339</td>
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<tr>
<td>Services to Buildings and Dwellings</td>
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<td>$11,206,150</td>
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<tr>
<td>Other Support Services</td>
<td>731</td>
<td>$44,334,739</td>
</tr>
<tr>
<td>Waste Management and Remediation Services</td>
<td>731</td>
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<tr>
<td>Waste Collection</td>
<td>718</td>
<td>$7,090,962</td>
</tr>
<tr>
<td>Waste Treatment and Disposal</td>
<td>1,129</td>
<td>$10,433,609</td>
</tr>
</tbody>
</table>

1 The full title is Administrative and Support and Waste Management and Remediation Services.

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

construction industry. As a result, it has followed the same trend as construction, growing noticeably faster than the broader economy in recent years. From 2002 to 2006, for example, it grew 12.0 percent compared to 6.7 percent for total payroll jobs. Both the mining and the oil and gas industries are also big consumers of engineering services.

The next largest group of employers in this sector is legal services, which provided an average of 1,547 jobs in 2006. It would be a mistake, though, to think this number represents the total count of lawyers practicing in Alaska. It merely represents the number of payroll jobs in private firms whose principal business is providing legal services. That includes legal secretaries, paralegals and other support staff. It doesn’t include the partners in law firms who are paid on a share basis rather than receiving a wage or salary, and it doesn’t include self-employed lawyers.

Accounting services is also a big player, although its numbers declined from 1,353 in 2002 to 1,250 in 2006. Improved technology may have reduced demand for specialized accounting services – allowing companies to do for themselves what they once contracted out – and expanded the opportunities for self-employment. In contrast to the trend in payroll employment for this group, the number of certified public accountants practicing in Alaska has grown significantly in recent years.

The remainder of the sector includes everything from computer design to veterinary services and advertising agencies. The unifying characteristic of the group is that the work requires a high degree of expertise and training. In most cases, the services provided are to businesses rather than households, but there are a number of exceptions.

Management of companies and enterprises – a little less logical

The smallest of the three sectors, management of companies and enterprises, may represent an idea that looked good on the drawing board but turned out to be far less practical in the

3 Alaska had 2,349 active attorneys in 2005, according to the Alaska Bar Association.

4 Data from the Alaska Department of Commerce, Community and Economic Development’s Division of Corporations, Business and Professional Licensing shows the number of CPAs growing from 812 in 1996 to 1,503 in 2006.
real world. The idea was to separate the part of companies “that administer, oversee, and manage establishments”\(^5\) from the part of the companies that actually produced the goods or provided the services. The sector also includes bank and other holding companies, loosely defined as companies that own the controlling interests of other firms.

The practical difficulty with this sector has been that the vast majority of Alaska employers don’t formally separate their management functions from their other functions. Even among those that do, many are unable or unwilling to separate their employment into the two groups when they report their information to the state.

As a result, the employers categorized in this sector represent, at best, holding companies and an incomplete list of establishments that primarily manage companies categorized in other industries.

Putting the classification problems aside, there are some interesting things to note about the employers counted in this sector. They tend to pay well, as one might expect for a group that includes corporate management. (See Exhibit 6.) They also include many Native-owned corporations with roots in Alaska and branches around the country and world.

The two largest employers in this sector are both subsidiaries of Arctic Slope Regional Corporation, one of the 13 Native regional corporations established by the Alaska Native Claims Settlement Act. The third largest, Alutiiq LLC, is a subsidiary of Afognak Native Corporation, one of the village corporations formed under ANCSA.

Alutiiq is the strategic office and corporate management team for seven subsidiaries that specialize in everything from security services to construction and engineering. Total employment for Alutiiq and its subsidiaries is more than 4,000, with most of them working outside Alaska.

Despite the exceptions and the wide variety of services provided, the description of employers that primarily support other organizations in their routine operations is a useful one when thinking about this sector, which provided an average monthly job count of more than 11,100 and a total payroll of $390 million in 2006. (See Exhibit 4.) Wages for this sector are significantly lower than for the other two and more than $6,000 below the statewide average. (See Exhibit 6.)

Most of these employers provide administrative and support services

About 90 percent of administrative and waste services jobs were in the subcategory called administrative and support services.

Nearly half the jobs in this subcategory in 2006 were classified under services to buildings and dwellings or facilities support services. In both cases, the type of services provided included janitorial, pest control, landscaping, maintenance and security. Clients range from businesses and the military and other government entities to private residences and individuals.

The remainder of the subcategory includes everything from investigation and security firms to travel agencies and temporary help agencies. Some of these small industries are benefiting from a trend for companies to outsource specialized tasks. Professional employer organizations, for example, have grown dramatically as companies increasingly contract a wide range of human resource and personnel management duties to outside companies.

Others have suffered from technological advances that simplify tasks once done only by

has a portion of its employment categorized in this sector. The company has over 1,500 employees in Alaska, although less than 100 are counted under management of companies and enterprises.

Safeway, the second-largest private sector employer in Alaska, has a small piece of its total statewide employment of more than 3,000 counted in the sector as well. Its regional offices in Anchorage employed an average of about 75 people in 2006.

Administrative and waste services – and the kitchen sink

This sector, according to the designers of the classification system, includes “establishments performing routine support activities for the day-to-day operations of other organizations.” There are employers included in the category that don’t fit that description very well, however, such as travel agencies that market their services to the general public.

those with specialized training. Fewer travel agents, for example, remained in business after airlines, hotels and other entertainment providers eliminated their commissions and direct booking gained popularity. Employment in travel and booking agencies in Alaska fell more than 17 percent from 1995 to 2006. Nationally, employment fell more than 20 percent over the same period. Some travel agencies have stayed in business by specializing in difficult travel arrangements for individuals and businesses in exchange for a fee, but overall their clientele has shrunk.

The rest keep the state clean

The remaining 10 percent of the administrative and waste services sector employment is involved in waste management and remediation services. All kinds of waste – solid, hazardous and other – is collected, treated, disposed of or stored. Government workers in Alaska do much of this work, so the job count of about 1,100 doesn’t represent the full effort of managing the state’s waste.

What does the category tell us about the economy?

Now that it’s a little clearer what is included in this large and diverse category, what does it tell us about Alaska’s economy?

One thing it probably indicates is the degree to which it has specialized. As the state’s economy has expanded and diversified to include several major economic drivers – oil and gas, fishing, tourism, mineral mining, and the military, among others – job opportunities were created in a variety of other industries to service them and the growing population they supported.

Because the classification system that helped create the professional and business services category is still quite new,7 comparisons over time are difficult. With that cautionary note, there are broad trends visible in certain sectors. For example, employment in professional, scientific and technical services – the high-skilled white-collar sector that includes architects, engineers, accountants and lawyers – has grown from around 7,800 in 1990 to nearly 12,000 in 2006. That’s a 53 percent increase, which is substantially more than the 32 percent growth for total payroll employment over that period.

During the booms of pipeline construction in the 1970s and the oil-rich early 1980s, much of that type of work would likely have gone to Seattle and other Lower 48 firms simply because there were limited numbers of providers in Alaska. As the state’s economy matured – and the boom and bust cycle of the 1970s and 1980s turned into the slow, steady growth that has persisted since the early 1990s – more of these business support service employers entered the scene.

Comparing Alaska with the U.S.

Over time, the makeup of Alaska’s work force has slowly converged with national norms. Having said that, there remain plenty of exceptions – and professional and business services is certainly one of those. (See Exhibit 7.) In 2006, 12.9 percent of

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7 The Alaska Department of Labor publishes data only back to 2001 under the new categories, which include professional and business services. NAICS replaced the Standard Industry Classification system in the early 2000s. Although data for major categories have been reconstructed back to 1990 and are available on the U.S. Bureau of Labor Statistics’ Web site for both Alaska and the nation, the data are less reliable because of the change.
The management of companies and enterprises sector provides a significantly larger share of jobs nationally than in Alaska. Some of this difference may be due to the larger than normal amount of re-sorting involved with a new classification system, but other than oil and gas companies and Native-owned corporations, Alaska doesn’t have a large corporate framework.

The administrative and waste services sector is also underrepresented in Alaska, relative to its national share. This may be a factor of size – given Alaska’s smaller labor market and economy, these specialized services are in less demand.

The jobs are concentrated in urban Alaska

Not surprisingly, most of these jobs are in urban Alaska and Anchorage in particular since it’s the headquarters for so many Alaska-based companies. In fact, two-thirds of the state’s professional and business services jobs are in Anchorage. (See Exhibit 8.) Other urban areas such as the Fairbanks North Star, Matanuska-Susitna and Juneau boroughs also have a substantial presence of these employers.

The more populated areas also tend to have a larger percentage of their jobs concentrated in the category. (See Exhibit 9.) Three notable exceptions are the Southeast Fairbanks Census Area, and the North Slope and Denali boroughs.

In the cases of the Southeast Fairbanks Census Area and the Denali Borough, significant professional and business services employment is tied to large private military contractors – the Missile Defense System at Fort Greely for Southeast Fairbanks and Clear Air Station for Denali. At Fort Greely, the Chugach and Alutiiq joint venture employed 211 workers on average in 2006 while ARCTEC Alaska had 139 workers at Clear Air Station. Both firms ranked among the state’s 20 largest professional and business services employers. (See Exhibit 10.)
The category may be an early signal of trouble and recovery

Because the majority of professional and business services employers have other businesses as their primary clientele, it would be reasonable to assume the category would provide an early warning of recessions as businesses cut back on spending directed to outside firms before laying off their own employees. Alaska hasn’t had a recession for nearly two decades – much longer than the reliable time series for this category – so the assumption can’t be explored with state data.

National numbers give some credence to the notion, though. For both the recession of the early 1990s and the recession that began in 2001, employment in professional and business services began declining before total payroll employment turned downward. There were similar early signals of recovery in both cases as well.

Especially dependent on the broader economy

The strongest shared characteristic for these employers is their role as providers of services to other industries. Other categories such as natural resources and mining or manufacturing can do well even as the broader economy struggles, but this one can’t. This disparate group of employers will almost certainly thrive or struggle in tune with the overall economy and job market.