

Services — Alaska's Largest Private Sector Industry

by Holly Stinson

The services industry is the largest but least understood of Alaska's

employment categories. The nomenclature for all other industries is self-explanatory (mining, construction, retail trade, etc.). The title of services, however, hides a wide variety of businesses. In this diverse group are found accounting firms, movie houses, shoe repair shops, and private museums, to name but a few.

As a group, services firms grew faster than any other industry in Alaska in the 1980s. Services employment increased 55% from 1980 to 1989, while the Alaskan economy as a whole enjoyed a 33% increase in employment. This sector also outpaced total job growth in the first six months of 1990, increasing 9.1% over the first six months of 1989 while all industries increased 6%.

Jobs in services grew at a faster rate during the boom years, and lost ground at a slower rate during the recession, than total employment. (See Figure 1.) Their recovery has also been faster than the industry-wide rate. During this period, four out of every ten new jobs created in the private sector were with services firms. The driving force behind this growth was population gain. In addition, the nationwide trend is toward higher demand of services by individuals. More two wage-earner families means more demand for personal services. Other factors causing this trend are more discretionary income and individuals' changing tastes and desires. Another factor for services growth in Alaska was the increase in tourism during the same period, which directly benefitted many services firms.

What is the Services Industry?

The federal Bureau of Labor Statistics divides firms in the services industry into 16 categories. Comparisons over time are meaningless for several of these categories, however, because they were revised in 1987. In order to get an accurate picture of employment growth for the affected categories, they have been grouped

together and referred to as business and personal services in Table 1.

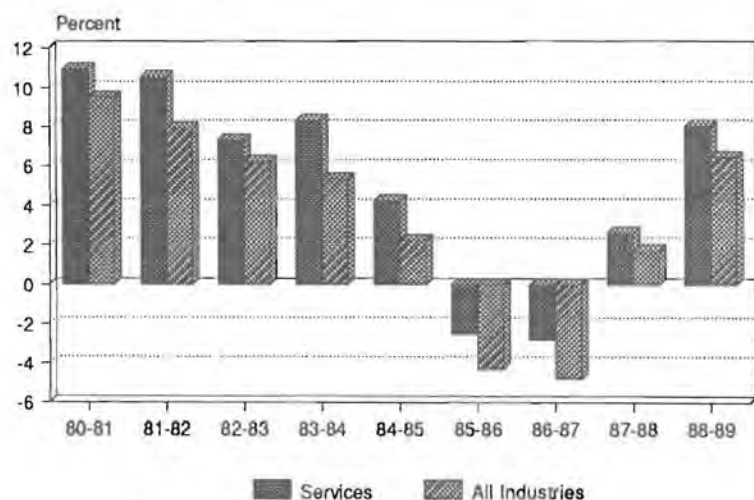
It is important not to confuse the services industry with what is termed the service-producing sector of the economy. The services industry is only one component of the service-producing sector. The service-producing side of the economy includes, in addition to its services component, such industries as transportation and trade.

When articles refer to the growth of the service economy in the U.S., these other service-producing industries are included. The service-producing sector had 76% of all jobs in the U.S. in 1989, up from 70% in 1979. Within this service economy, the services industry alone employs 25% of total U.S. workers. In Alaska, the service-producing

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Figure • 1

Change in Employment Services & All Industries



Source: Alaska Department of Labor, Research and Analysis Section.

Table • 1

Services Employment by Industry

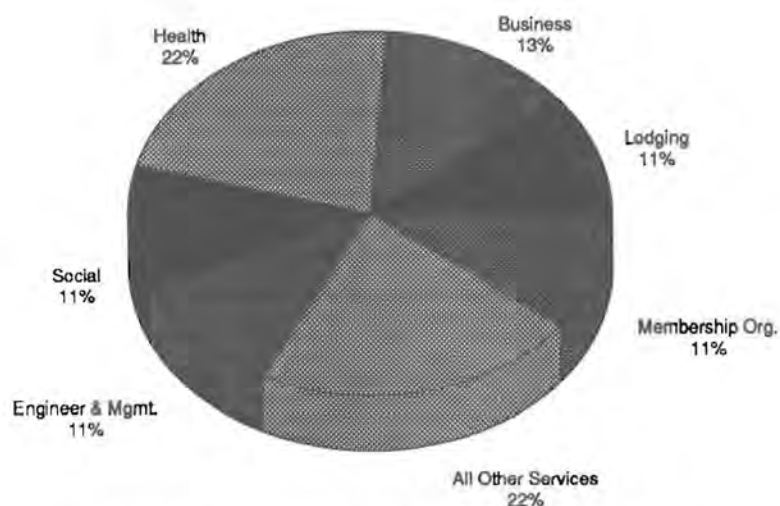
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Total	29,699	32,410	35,412	37,873	40,837	42,998	42,650	40,998	42,834	45,901
Hotels & Lodging	3,275	3,649	4,263	4,294	4,588	4,688	4,641	4,621	4,747	5,019
Business & Personal*	9,619	11,472	13,222	14,054	15,340	16,171	14,684	13,433	13,965	15,413
Auto Services	851	1,005	1,106	1,325	1,493	1,571	1,483	1,378	1,548	1,682
Misc. Repair	490	586	662	683	761	845	847	763	672	754
Health Services	5,795	6,316	6,740	7,399	8,286	8,753	9,043	9,035	9,421	9,998
Legal Services	1,297	1,395	1,523	1,589	1,663	1,800	1,879	1,921	1,988	1,937
Education Services	597	626	569	578	730	722	736	800	811	926
Social Services	4,108	4,190	3,936	4,121	4,071	4,432	4,971	4,640	4,799	5,145
Membership Organizations	3,656	3,160	3,380	3,816	3,875	3,976	4,334	4,357	4,818	4,946
Private Households	11	11	11	14	30	40	32	50	65	81

*Includes business, engineering & management, personal, motion pictures, recreation, museums and miscellaneous services.

Source: Alaska Dept. of Labor, Research & Analysis Section

Figure • 2

Services Employment, 1989



Source: Alaska Department of Labor, Research and Analysis Section.

sector had 84% of the jobs, while the services industry alone had 20%.

Services Dominated By Small Firms

Firms offering services range in size from very large to very small. Of Alaska's 100 largest employers in 1989, 24 were from the services industry. (See article in August 1990 issue of *Alaska Economic Trends*.) Even so, the services industry has a large proportion of small firms — for every firm with ten or more employees there are four firms with fewer than ten employees in Alaska.

Not included in the employment statistics in Table 1 are the self-employed. The services industry probably has a larger percentage of self-employed than any other industry. The nature of the industry, offering various services to the population, lends itself to self-employment. It is much easier to be a self-employed hairdresser, bookkeeper, or child care worker, for example, than to be self-employed in the manufacturing or transportation industries.

One In Five Services Jobs Are Health-Related

Health services has more of the large firms than any other services group. The hospitals and health care providers with 100+ employees provide more than half of all health services jobs, but represent only 2% of the health care employers.

Health services is the largest category in the services industry. (See Figure 2.) Over 20% of services jobs are in this field. Health care employment grew rapidly during the 1980s in the U.S., and Alaska was no exception. A larger population demanding more health care, along with an aging population (which needs proportionately more health care services than younger people), contributed to this growth. Advances in medical science and technology are another reason. Some medical equipment and tests performed in 1989 did not even exist ten years earlier. New diseases, most notably AIDS, also increased the demand for health services nationwide. In Alaska, another reason for growth is the increase in procedures done locally which previously were not available in the state.

During the 1986-87 recession, the services industry as a whole lost 2,000 jobs. However, the health care category was one of the few that didn't lose employment. Many of the reasons for this field's overall growth mentioned above enabled health care employment to remain steady even while the population it served was eroding.

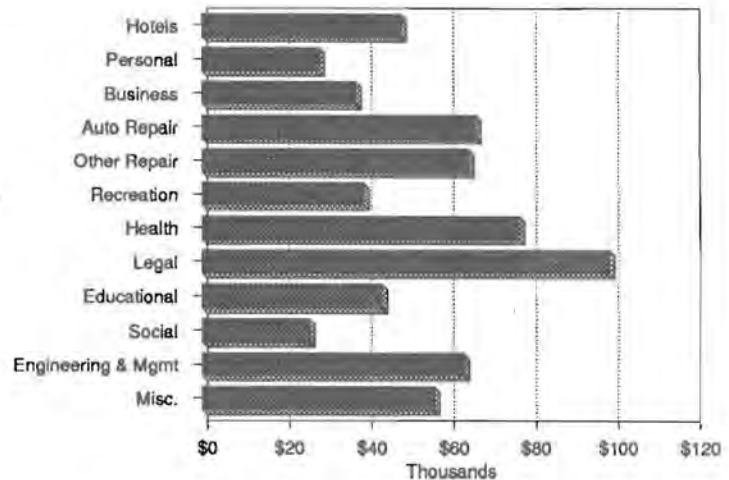
Not included in health care employment are jobs with government-run facilities. In Alaska, this means the 1000+ employees of the Alaska Area Native Health Service are included in federal government rather than health care. Likewise, health services provided by local and state governments are counted in the government sector.

Very Few Education Jobs Are Counted In Services

Educational services is another category where the jobs included in services do not tell the whole story. In this case, the majority of education jobs are found in the government sector. Employment with private schools are the only educational jobs included in services; in 1989 they numbered fewer than 1,000. In contrast, state and local governments had more than 20,000 employees working in education.

Figure • 3

Income Per Employee for Service Firms*



Source: Alaska Department of Labor, Research and Analysis Section.

Slow Growth For Social Services Employment

Employers offering family and child care services, residential care, job training, and other social services added jobs at a slower rate during the 1980s than any other services group. Social services employment now makes up 11% of services jobs, vs. 14% in 1980.

Social services firms have taken in the lowest receipts per employee in the services industry. (See Figure 3.) Because many social services are utilized by low-income Alaskans, this is not surprising. People holding social services jobs also have a lower than average monthly wage. In 1989 the average monthly social services wage was \$1,343. This compares to \$1,802 per month in the entire services industry, and \$2,452 per month for all industries. The legal field manages to bring in the most money per employee of all the services categories — close to \$100,000 a year for each worker. (See Figure 3.) This explains why such a small category earns such a large share of income. With fewer than 2,000 employees (4.2% of services employment) legal establishments earned 13% of services income in 1987.

Services Employment by Category

	1Q89	2Q89	3Q89	4Q89	1Q90	2Q90	3Q90	4Q90	1989 1st 6 Months	1990 1st 6 Months	Percent Change
Total	42,658	46,265	48,690	45,987	46,789	50,183	0	0	44,462	48,486	9.1%
Hotels & Lodging	4,027	5,199	6,313	4,537	4,397	5,688			4,613	5,043	9.3
Business Services	5,223	6,063	6,348	6,024	6,223	6,857			5,643	6,540	15.9
Eng. & Mgmt. Services	4,415	4,964	5,482	5,038	5,475	5,822			4,690	5,649	20.4
Personal Services	1,770	1,698	1,709	1,730	1,820	1,822			1,734	1,821	5.0
Motion Pictures	799	835	883	796	865	901			817	883	8.1
Recreation Services	1,732	1,898	1,901	1,694	1,740	1,901			1,815	1,821	0.3
Museums	48	66	84	53	57	69			57	63	10.5
Misc. Services	92	88	111	107	111	106			90	109	20.6
Auto Services	1,518	1,716	1,768	1,726	1,771	2,050			1,617	1,911	18.2
Misc. Repair	702	788	767	760	799	918			745	859	15.2
Health Services	9,749	9,971	10,112	10,160	10,178	10,430			9,860	10,304	4.5
Legal Services	1,907	1,930	1,932	1,979	1,982	2,009			1,919	1,996	4.0
Education Services	913	940	855	994	972	955			927	964	4.0
Social Services	5,075	5,155	5,049	5,299	5,336	5,397			5,115	5,367	4.9
Membership Orgs.	4,616	4,875	5,292	5,001	4,971	5,170			4,746	5,071	6.8
Private households	72	79	84	89	92	88			76	90	19.2

Source: Alaska Dept. of Labor, Research & Analysis Section

Two other categories which have a high earnings:employment ratio are auto and other repair businesses. The automobile category is not limited to repairs, but includes rentals (of cars and recreational vehicles), parking facilities and carwashes.

There's not much to say about one of the smallest group in services, referred to as private households. These are the cooks, gardeners and maids employed in private homes. A look at Table 2 will confirm that not many Alaskans employ butlers or other workers in their homes.

Personal Services Linked To Population, Income

The personal services category includes such services as laundries and dry cleaners, photo studios, funeral homes, beauty and barber shops. Some firms in this category were reclassified and now appear in business, recreation, and miscellaneous services.

Closely related groups are motion pictures (which includes the rapidly expanding video tape rental business) and recreation services. The smallest category in services covers museums, art galleries and zoos. In 1989 ten percent of all services jobs fell into one of these four categories that offer services to individuals. In 1980, only 6.5% of services employment were with these firms.

Many of the services offered by these employers are discretionary as opposed to necessary. Therefore, their fortunes are linked not only to total population but also to the income of that population. Alaska's per capita income was \$21,656 in 1989. This is the highest ever, even adjusting for inflation, and helps explain the growth of the personal services economy.

New and Expanding Services Are Found In Business Categories

On the other side of the coin are those services firms catering to businesses rather than individuals. Over 600 enterprises provide advertising, collection, computer and data processing services to Alaskan businesses. Also included in the business services group are agencies supplying temporary help and security personnel.

Another 600+ companies providing services to business are in the engineering and management classification. Before 1988, these firms reported employment under miscellaneous services. Engineers, architects, accountants and public relations workers are in this group, along with firms offering management, research and testing services.

Together these two classifications offering services to the business community employed more than 10,000 people in 1989. This represents nearly one-fourth of all services employment.

These employers are a dynamic group. Many of the services offered in 1989 were in their infancy ten years earlier, and did not even exist twenty years ago. For example, there was one standard industrial classification code for computer services in 1967; the 1987 classification manual lists ten separate ones for varying services associated with computers.

Another sector expanding in the business arena is the firms providing temporary and contract help. This is true both in Alaska and nationwide. More companies are making use of temporary and contract help to provide services formerly done in-house as a way to deal with shrinking profit margins.

A Wide Variety Is Found in Membership Organizations Category

The membership organizations category spans both the personal and business spheres. It consists of an assortment of business, social, political and religious groups along with labor unions. Included under this heading are the Anchorage Convention & Visitors Bureau, the Girl Scouts, most of the Native nonprofit organizations such as Tanana Chiefs Conference, local chambers of commerce, and the Salvation Army. Employment with membership organizations has grown steadily through the 1980s, even during the years of a population drain. This group rarely grabs headlines, but they account for over 10% of services jobs.

Hotels An Indicator of Tourist Industry

The services group which often does make the news is the hotel and lodging category. These businesses are one of the vital signs used to gauge the health of the tourist industry. A look at lodging employment in the 1980s will tell you how healthy the tourist industry was during this time. There was virtually no decline in employment during the recession; by 1989 this sector had grown to become half again as large as it was in 1980.

There are several reasons for the growth in hotel and lodging employment. A larger resident population is one. Another is the aforementioned increase in tourism. Expanding the tourist season to include spring and fall months, and attracting more conventions to locations throughout the state, has helped boost visitor statistics. People travelling on business or as an occupation are also important to the hotel business. For example, the number of hotel rooms in Anchorage reserved each night for flight crew stopovers is estimated at 400.

The hotel industry's growth is evident in the number of new or expanded lodging facilities across the state. Ketchikan has a new Westmark, Anchorage has two new hotels and plans for renovation and expansion of several others, the Kenai Peninsula Borough is seeing additions on many hotels, lodging near Denali Park has mushroomed in recent years, and workers will soon break ground for a 200-room Princess hotel in Fairbanks.

Summary: Services Are A Diverse, Dynamic Industry

A wide variety of firms are found under the heading of services. They range from advertising and accounting agencies to barber shops, museums, hospitals and day care centers. As a group, their employment grew faster than that of any other industry in Alaska in the 1980s. Although closely linked to population, other factors kept them growing faster during the boom years and shrinking less during the recession years than the economy as a whole.

Health services is the largest category, garnering more than 20% of all services jobs. It was one of the few which didn't lose employment during the population drain of 1986-88.

Another group which showed virtually no decline in employment during the recession was hotels and lodging facilities. A healthy tourist industry and an increase in business travellers has kept this sector growing. Many new facilities are opening or in the planning stages to accommodate even more visitors in the 1990s.

Jobs with social services firms grew more slowly than did other services employment. The average wage is lower, too — \$1,343 a month in social services versus \$1,802 for the entire services industry.

Personal services became a larger share of the employment pie in the 1980s. This trend is expected to continue in the next decade as discretionary income increases.

The two categories catering to business services employed over 10,000 people in 1989. They are a dynamic group, offering services which did not even exist twenty years ago. The scope of services offered to the business community should continue to expand in the future.

New business services, along with increased demand for health and legal services, and a trend toward higher individual use of personal services, should keep the entire services industry growing faster than what a population increase alone would necessitate.