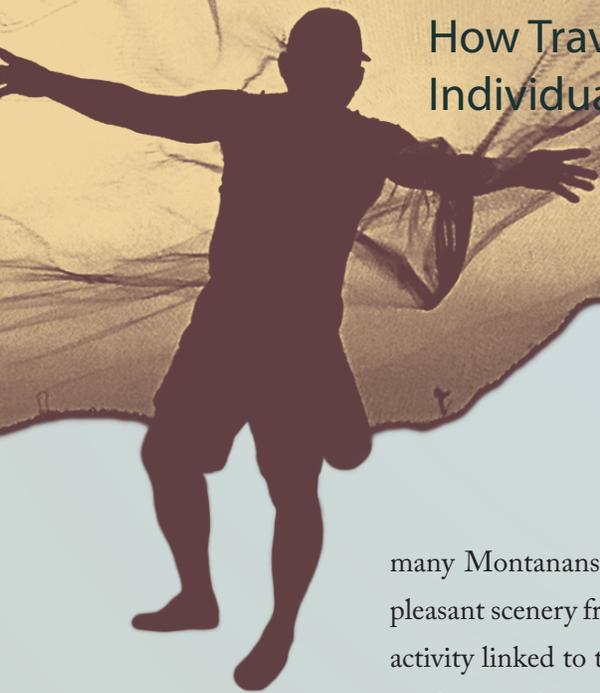


# Casting a Bigger Net

by Willie Connell, Economist

How Travel and Recreation in Montana Benefit Individuals, the Economy, and the Landscape

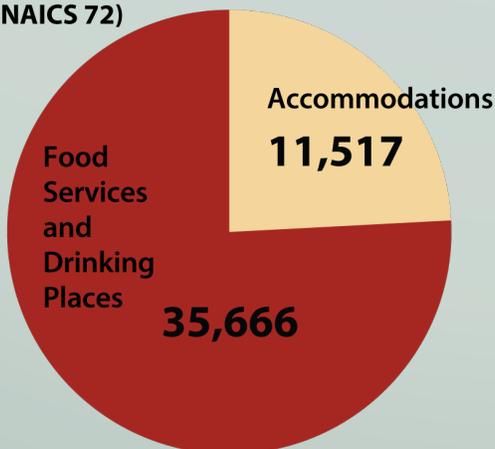


## As summer comes into full swing,

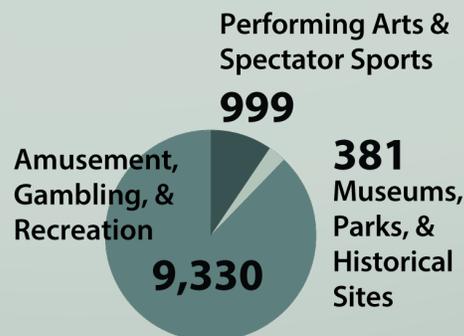
many Montanans will begin to get outside and enjoy the mountains, the rivers, or just the pleasant scenery from their backyards. The warmer months bring with them a shift in economic activity linked to travel and recreation throughout the state. Increased economic activity from residents and nonresidents in Montana has positive effects on overall employment, individual well-being, and the conservation of the natural landscape that defines Montana. This article will explore the economic and demographic characteristics of the jobs supported by travel and recreation, the extent of and potential reasons for recent employment growth, and how these changes can benefit individuals and Montana as a whole.

**Figure 1: Comparison of 2012 Montana Employment in Two Tourism-Related Industries**

**Food Services & Accommodations  
(NAICS 72)**



**Arts, Entertainment, & Recreation  
(NAICS 71)**



Source: Quarterly Census on Employment and Wages, Montana Department of Labor and Industry. Annual Average

Measuring employment changes stimulated by travel and recreation is not as clear as with some other industries because few jobs are completely reliant on just travel and recreation. Instead, expenditures by tourists and outdoor lovers help support a portion of many different types of jobs. Examples exist on both ends of the employment spectrum: hotel employees in resort-based towns are very closely tied to nonresident visits, yet employees at gas stations, grocery stores, and restaurants rely on expenditures from a broader pool of consumers.

Two North American Industry Classification System (NAICS) categories are commonly used for measuring travel and recreation employment. The Arts, Entertainment, and Recreation industry is composed of about 11,500 workers, including over 9,000 jobs in Amusement, Gambling, and Recreation (see Figure 1). These jobs involve producing, promoting, or participating in live performances or exhibits intended for public viewing. The Food Services and Accommodations industry is much larger, providing over 47,000 jobs, including about 35,000 jobs in restaurants and bars and 11,517 in accommodations.

Montana has a higher proportion of employment in the Leisure and Hospitality industry compared to the U.S. average. Leisure and Hospitality jobs make up about 16.6% of private employment in Montana, while

nationally this sector is responsible for just 12.3% of employment. As a further example: Montana employs 4,910 bartenders, giving the state the second-highest rate of bartenders per-capita in the nation.<sup>1</sup>

Jobs in the Leisure and Hospitality sector are often characterized as low-paying, seasonal, and mostly part-time. In Montana, the Leisure and Hospitality sector had the lowest average weekly wage in 2012, as well as the highest rates of part-time workers, with about 40% of all jobs being defined as part-time, meaning 34 hours or less per week (see Figure 2).<sup>2</sup> Indeed, part of the reason

**Figure 2: Montana Average Weekly Wages and Percentage Wage Increases by Industry**



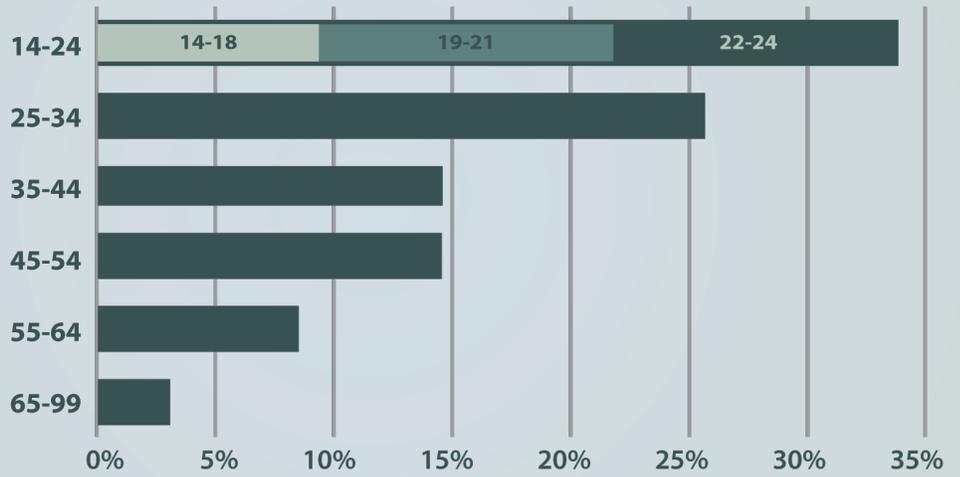
Source: Quarterly Census on Employment and Wages (QCEW), 2011 quarterly averages, Montana

<sup>1</sup> Bureau of Labor Statistics, Location Quotient Calculator. [http://data.bls.gov/location\\_quotient/ControllerServlet](http://data.bls.gov/location_quotient/ControllerServlet)

<sup>2</sup> Current Population Survey 2012, Bureau of Labor Statistics

for the low weekly wages is the simple result of working fewer hours a week. However, this wage data does not take into account tips and gratuity, which Leisure and Hospitality jobs rely on more than other industries. In addition, Leisure and Hospitality jobs tend to carry many non-wage benefits such as free housing or food, free or discounted recreation access, and other fringe benefits that are not captured in average wage data.

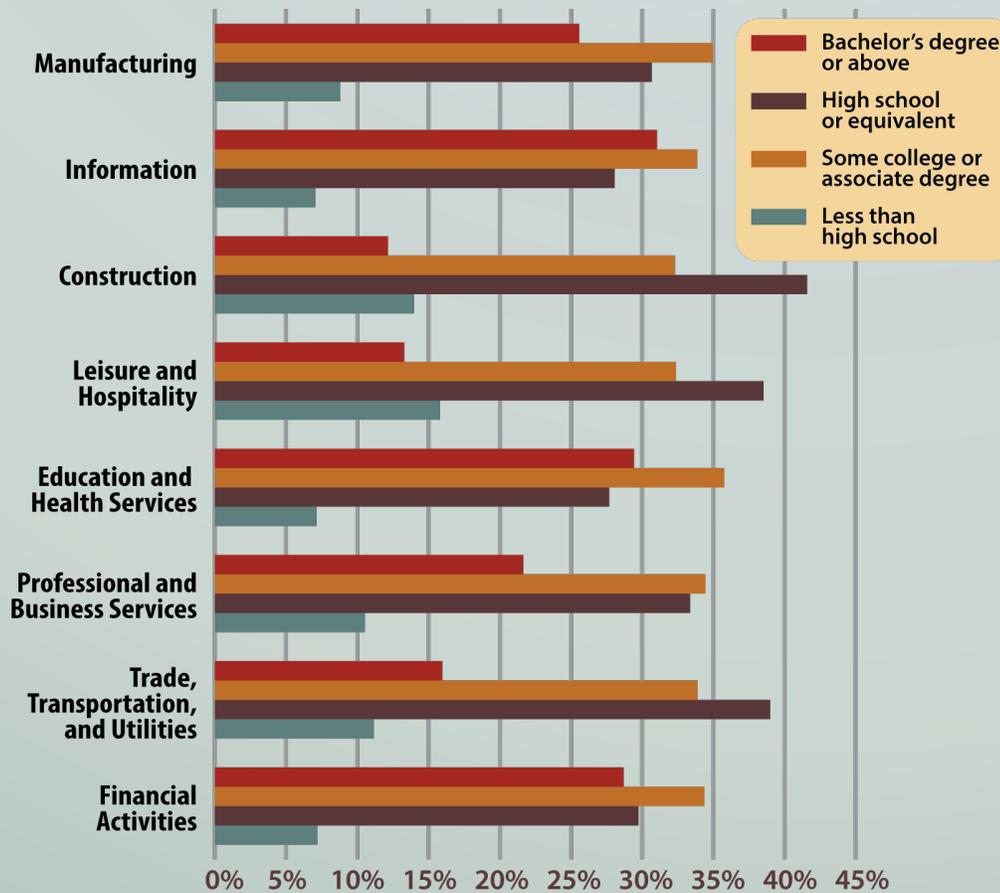
**Figure 3: Percentage of Leisure and Hospitality Jobs by Age Group**



Source: Quarterly Workforce Indicators, 2011 averages

The demographic makeup of the Leisure and Hospitality industry also provides helpful information about who are filling these positions. Almost half of the jobs in Leisure and Hospitality are filled by people 24 years of age or younger, many of whom are entering the labor market for the first time (see Figure 3). This sector is also one area of employment with a higher proportion of women, which comprise 60% of workers.

**Figure 4: Educational Attainment by Major Employing Industry, MT 2011**



Source: Quarterly Workforce Indicators, 2011 quarterly averages

Educational attainment is also a useful demographic characteristic to consider when analyzing this labor market. Most data on educational attainment only includes people who are 25 years of age or older because people under the age of 25 have not had enough time to fully complete their education. Overall, folks working in Leisure and Hospitality are less educated than in other industries, although the data indicate many workers may be currently working on degrees (see Figure 4). While the Leisure and

Hospitality industry has the highest proportion of workers with less than a high school diploma, this sector also has a fairly high proportion of workers with “some college or associates degree.” With college graduates trending towards later graduation and taking time off during their coursework, the relatively high proportion of workers with “some college” education, coupled with the age distribution in the industry, may also indicate that workers are still completing their degrees.

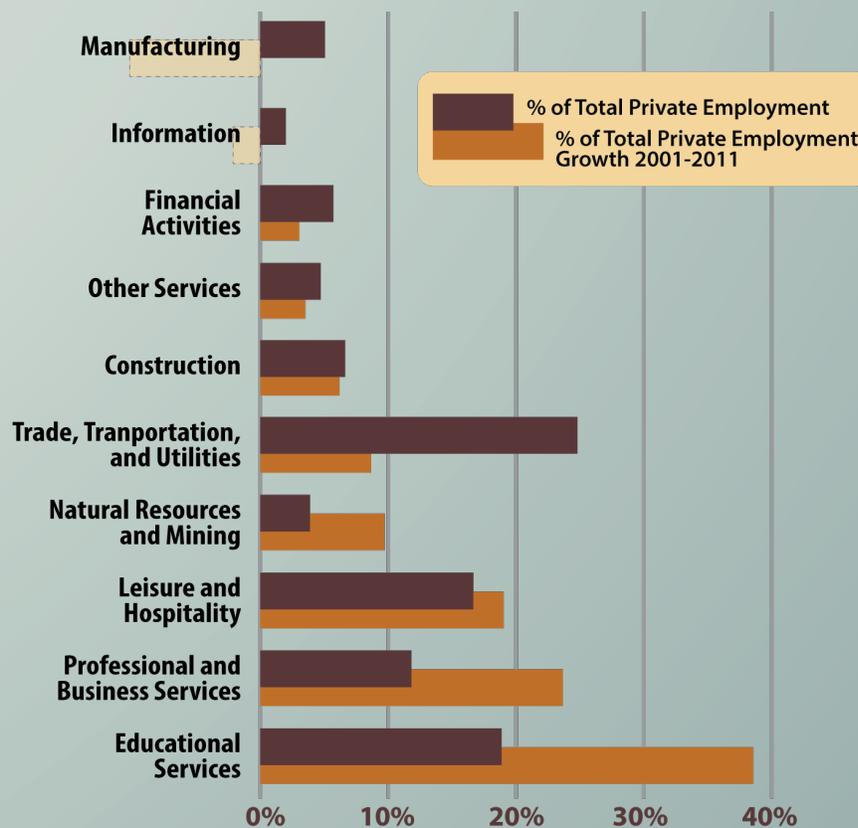
As explained previously, jobs in the Leisure and Hospitality sector tend to be part-time and have lower wages. Yet there are demographic and economic characteristics of these job holders that make wages appear to be lower. Furthermore, many of the seasonal jobs closely related to the National Parks and outfitter services provide a perfect fit for high school and college students just entering the labor force. This work allows younger folks to gain experience

developing soft skills and help workers make informed decisions about what career path they may follow in the future. Similarly, it is worth noting that even though pay is relatively low, for retirees, parents, students and those who hold a high value on leisure, flexible part-time work may be exactly the type of work they are looking for.

### Influences of a growing labor market

Although the quality of jobs in the Leisure and Hospitality sector may be lower than other industries, the sector provides a large number of jobs and has been a leader in economic growth over the last decade. Dating back to 2001, the Accommodations and Food Services sector experienced the third highest growth in total employment, accounting for more than 18% of job gains from 2001 to 2011. The Arts, Entertainment, and Recreation sector ranks 6th in most additional jobs from 2001 to

**Figure 5: Montana Employment by Industry as a Percent of Total Private Employment and Employment Growth, 2001-2011**



Source: Quarterly Census of Employment and Wages, 2011 quarterly averages, Montana Department of Labor and Industry

2011. The Accommodations and Food Services industry contributed more than 11% of all employment gains over the time period. Perhaps more surprising is that the Arts and Recreation sector contributed to more than 7% of total employment growth over the time period, yet is one of the smallest industries in the state (*see Figure 5*).

There are many factors that may influence the growth in employment related to the Leisure and Hospitality sector. Varying annual weather patterns can influence resident and nonresident expenditures on Leisure and Hospitality. Also, because travel is dependent on driving within our vast state, gas prices can play an inhibiting role in spending on travel and recreation. Finally, exchange rates with other countries also impact the growth of the tourism industry, as a dropping exchange rate makes travel less expensive for our nonresident visitors.<sup>3</sup> Because Montana shares a border with Canada, dropping exchange rates have surely influenced some increased spending and visitation over the last five years.

One way that policy makers can influence increased travel and recreation spending is tourism marketing out-of-state. The revamping of a Montana marketing campaign in 2007 by the Montana Office of Tourism helped launch the Montana Branding Initiative. This campaign spent over \$75 million collected from the “Bed Tax” between 2007 and 2012 to spread a fairly broad message to big city markets, driving home the message that Montana is a wild and naturally unique place to vacation.<sup>4</sup> This campaign and others have surely influenced spending by nonresident travelers. However, because so many factors

influence this part of the economy, precisely disaggregating what policies are responsible for spending and visitation fluctuation is difficult.

Regardless of the exact influences, an increase in spending by nonresident travelers has taken place. The Montana Institute for Tourism and Recreation Research at the University of Montana collects and makes available data related to the tourism, travel, and recreation industry. Data is collected on nonresident visits and spending in Montana with quarterly surveys. From the mid-1990s leading up to the recession lasting from 2007-2009, annual nonresident expenditures and visitation grew fairly consistently at about 5% and 2%, respectively.<sup>5</sup> Since the recession began, large fluctuations, both positive and negative, have characterized the expenditure data (*See Figure 6*).

Nonresident visits fell in 2008 and remained at low levels through 2009. Nonresident expenditures fluctuated even more, falling in 2008 and 2009, both because of fewer visits and because visitors were spending less money. As the economy stabilized in 2010, the number of visits recovered to pre-recession levels, and visitors started spending more each visit. In 2012, nonresident expenditures grew by 15% from 2011, adding \$3.3 billion to the state’s economy.

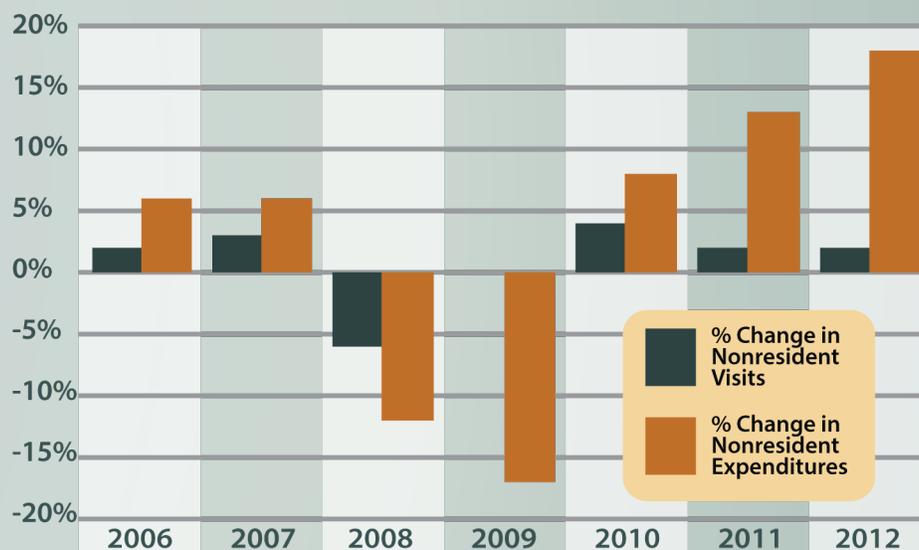
## The Big Picture

The nonresident visitor money coming into the state is unique not only because it comes from out of state (and thus represents an export), but because it implies that people want to be here. As an export, tourism is important to our economy because it brings new money into Montana from out of state. These dollars are then

<sup>3</sup> Montana Institute for Tourism and Recreation Research, 2012 Annual Report. \*It is also worth noting that beginning June 1st 2012, Canadians duty-free allowance doubled. This allowed Canadians to bring back \$800 (instead of \$400) worth of purchases duty-free after a 48 hour stay. <http://www.dutyfreecanada.com/customs-allowances>

<sup>4</sup> [http://www.travelmontana.mt.gov/faq/TourismFunding\\_Jan13.pdf](http://www.travelmontana.mt.gov/faq/TourismFunding_Jan13.pdf)

<sup>5</sup> Because of a change in the way the Institute for Tourism and Recreation Research collected data in 2005, comparing data before and after 2005 is not recommended.

**Figure 6: Annual %Change of Non-Resident Visits and Expenditures**

Source: Montana Institute for Travel and Recreation Research

recirculated throughout our economy, creating economic activity in other industries. Additionally, resident tourism helps the Montana economy by retaining dollars in-state that may have otherwise been lost to other economies. Whether it is the sixteen diverse ski areas in the winter, Glacier and Yellowstone National Parks in the summer, or anything in between, Montanans are able to travel and recreate in wild places relatively cheaply. In 2011, Montana residents spent an estimated \$877 million on travel. Much of this money could be spent out of the state if Montana did not offer ample recreation and vacation opportunities. While economists and policy makers often recognize the benefits of nonresident spending in the form of tax revenue, increased employment, and wage increases; the source of this monetary benefit is the environmentally-based services provided by the Montana landscape.

Because of Montana's active tourism sector, Montana is able to recruit and retain a steady incoming population of workers and businesses who are attracted to Montana's natural amenities. Montanans have easy access to world class rivers, ski mountains, and national parks that many Americans may never get to experience. Economic theory

suggests people vote with their feet, meaning they will live where they like, to the extent mobility is financially possible. By extension, we may assume that most people live here partially because of the natural surroundings and access to recreational opportunities.

The last way that Montana residents benefit from a solid travel and recreation industry cushioned by nonresident spending are the investments, protections, and accessibility this increased demand ultimately provide. Increased travel and recreation has provided more funding for public land access and maintenance. Things such as better protection of public lands and one of the strongest stream-access laws in the country give the average Montanan more opportunities to enjoy the environment. Increased demand for air travel by nonresidents has increased the number of direct routes out of Missoula, Helena, Bozeman, and Billings, making it easier and cheaper for Montana residents to visit friends and family out-of-state. With continued monitoring and support of the travel and recreation industry, the unique landscape of Montana and the people whom it attracts is expected to provide diverse benefits for Montanans for many years.