

# **Employment and Wages: The Travel Industry in Montana**

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## **Introduction**

The travel industry is unique in that it is defined not by its product, but by those consuming it. It includes industry segments as diverse as restaurants, guide services and air lines, to name a few. With such a complex nature, those who find themselves part of the industry feel that there is a lack of knowledge and understanding of it.

This paper is intended to shed light on the employment and wage situation within the travel industry in Montana. There is a need for objective, up-to-date information in order to explain some of the concerns regarding these issues and to provide a basis for understanding Montana's travel industry employment.

This report is in response to requests from members of the travel industry, and serves as an update for ITRR's Research Note 22, Jobs & Wages: The Tourism Industry Dilemma from 1995. It is a compilation of secondary data collected mainly by the Montana Department of Labor and Industry (MT DLI) and the Bureau of Economic Analysis (BEA).

## **Methodology**

Due to the travel industry consisting of fractions of other industries, it does not have a Standard Industrial Classification (SIC) code of its own, and thus no data is collected on the industry directly. Further compounding the problem is the fact that any one "tourism" job can very well be, and frequently is, serving both tourists and residents simultaneously, making delineation difficult. Therefore, to understand what is and is not a tourism job, the problem has to be approached from a different angle.

Each year, the Institute for Tourism and Recreation Research (ITRR) estimates the number of nonresident visitors to Montana. Based on these estimates, along with data on nonresident spending patterns, the Institute is able to calculate approximate dollar amounts spent in the state each year by nonresident travelers. With the help of the IMPLAN input/output model, the Institute computes the economic impact of this spending. Part of the output is a detailed account of how many jobs are supported by nonresident spending each year, and in what sectors of the economy.

BEA and the Montana DLI compile data on the labor market in the state, publishing information on employment in each industrial sector, average annual and hourly wages, as well as total personal income earned in the state. This information allows ITRR to estimate average wages for workers within the travel sector, and the distribution of travel industry-supported jobs throughout the traditional sectors.

Since ITRR's estimates are based on nonresident visitation, to the exclusion of the impact of resident travel in the state, this report would not seem to provide a complete picture of the industry in terms of the number of jobs it supports. However, there is no reason to believe that those jobs supported by resident travelers are different from those supported by nonresident travelers. The estimates of average wage rates are assumed to be valid for all travel jobs in the state.

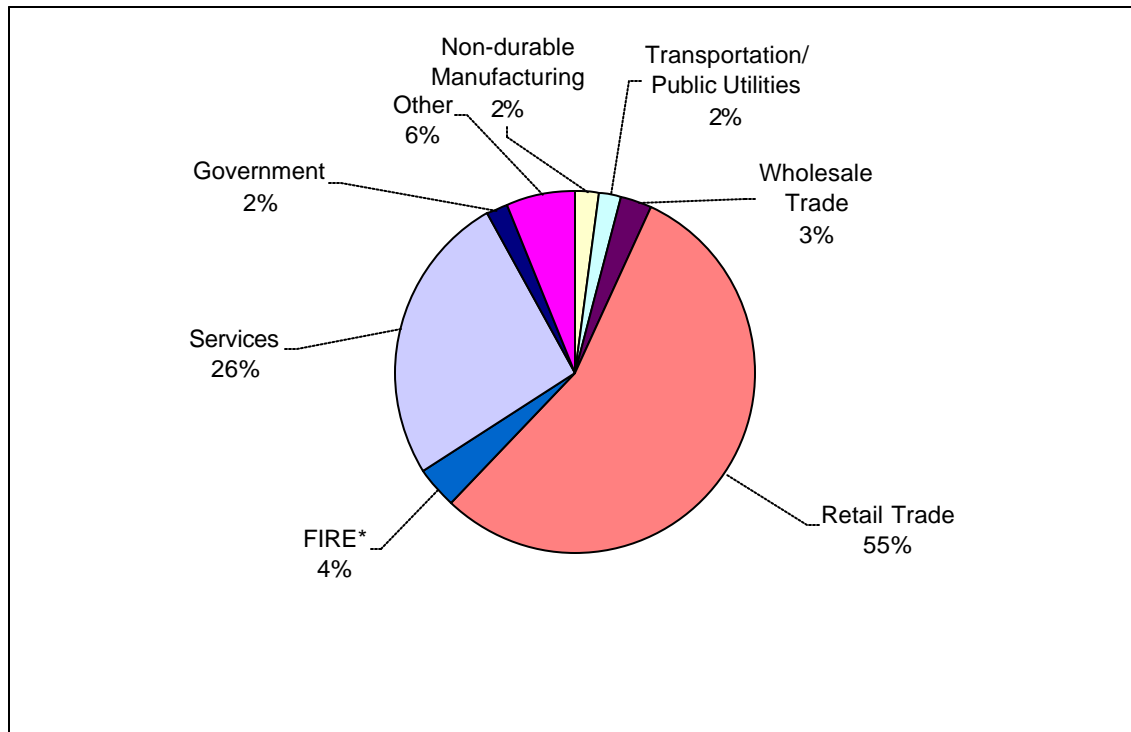
## Findings

### Types of Travel Industry Jobs in Montana

The travel industry supports employment in several different industrial sectors. Some are obvious, such as hotel and restaurant jobs, while others are more unexpected, such as jobs in the health services, finance and real estate, and government. However, the distribution of jobs between the various sectors is different for the travel industry compared to the economy as a whole.

Travel industry jobs are concentrated in two sectors: 26 percent occur in the service sector where hotel/lodging alone supplies 20 percent, while 55 percent are in the retail sector, where the restaurant/bar sector is responsible for 29 percent (Chart 1). In contrast, 7 percent of all non-agricultural jobs in Montana occur within the eating/drinking sector, and 2 percent within the hotel/lodging sector<sup>1</sup>.

**Chart 1. Distribution of Montana Tourism Jobs, 1998—Major Sectors**



Sources: ITRR, BEA

\*Finance, Insurance and Real Estate

<sup>1</sup> Included in this analysis is directly and indirectly generated employment. *Direct effects* are the result of initial purchases of goods and services by travelers. *Indirect effects* are the result of the providers of these goods and services having to buy inputs (materials and labor) from their suppliers. Excluded from this analysis are *induced effects*, the result of employees in the directly and indirectly generated jobs spending their paychecks in the community, because this effect would be created by any Montanan earning similar wages, regardless of sector of employment.

Table 1 illustrates the distribution of travel industry supported jobs throughout the Montana economy. It shows the sectors in which the travel industry supports 100 jobs or more, and gives the corresponding employment figures for the entire non-agricultural sector. The table also shows the proportion of the travel industry jobs and the non-agricultural jobs that fall into each sector. The wage data given are the average annual and hourly wages paid per sector and includes wages for all jobs within that sector (Table 1).

**Table 1. Employment and Wages by Major Industrial Sector, 1998\*.**

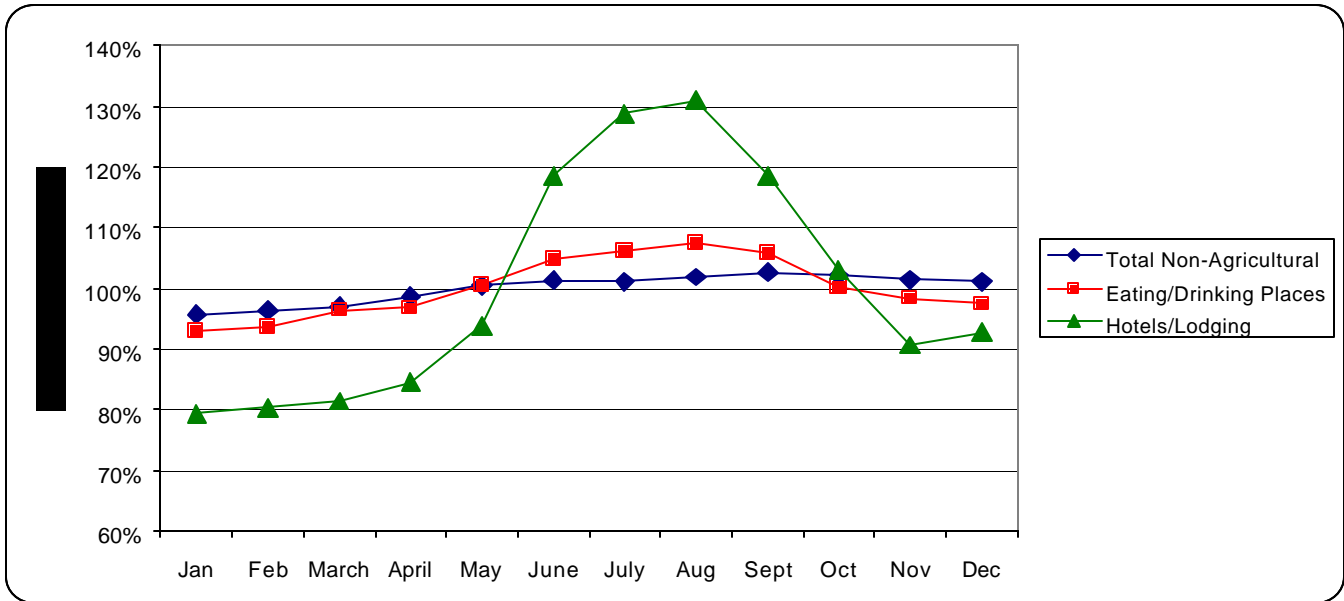
	Total Employ- ment	% of Total Employ- ment	Travel Employ- ment	% of Travel Employ- ment	Average Annual Wages	Average Hourly Wages
MINING						
Oil and Gas Extraction	2,707	1%	171	1%	\$37,482	\$15.30
CONSTRUCTION						
	33,245	7%	348	1%	\$28,528	\$17.47
MANUFACTURING						
Non-durable goods	10,156	2%	600	2%	\$32,774	\$15.99
TRANSPORTATION/PUBLIC UTILITIES						
	26,759	5%	629	2%	\$38,056	\$15.57
WHOLESALE						
	20,693	4%	751	3%	\$31,409	\$13.32
RETAIL						
Building materials	5,225	1%	446	2%	\$24,827	\$9.77
General merchandise	9,185	2%	827	3%	\$15,831	\$8.48
Food stores	12,371	2%	1,061	4%	\$17,877	\$9.19
Automotive (dealers, parts)	13,388	3%	1,139	4%	\$22,281	\$10.19
Clothing and accessories	3,099	1%	266	1%	\$10,782	\$7.72
Furniture, home furnishings	4,258	1%	366	1%	\$19,671	\$10.09
Eating and drinking places	34,565	7%	8,446	29%	\$10,778	\$6.41
Miscellaneous retail	24,111	5%	1,929	7%	\$8,362	\$8.20
FIRE (Finance, Insurance, Real Estate)						
	34,673	7%	1,148	4%	\$21,456	\$11.19
SERVICES						
Hotels and lodging places	11,275	2%	5,775	20%	\$13,276	\$7.52
Personal services	10,663	2%	350	1%	\$10,181	\$8.60
Repair/Maintenance services	3,197	1%	358	1%	\$18,420	\$11.43
Motion pictures	1,855	0%	107	0%	\$14,630	\$7.61
Amusement and recreation services	11,298	2%	1,068	4%	\$10,541	\$7.61
Health services	37,661	7%	128	0%	\$34,347	\$13.19
GOVERNMENT						
State and local	61,856	12%	845	2%	\$28,897	--
Federal (non-military)	12,647	2%	101	0%	\$57,202	--
Total	384,887	75%	26,655	93%		
Total Employment	511,262	100%	28,800	100%		

Sources: MT Dept. of Labor and Industry; ITRR

\*All amounts in 2000\$; includes sectors with 100 or more travel industry-supported jobs.

There is concern that jobs generated by the travel industry in Montana are mostly seasonal. This is a valid concern. Compared to the over-all workforce which remains relatively constant in size over the course of the year, employment within the restaurant/bar sector varies with the season. During the summer months, employment approaches 110 percent of average work force size, whereas during the rest of the year it falls to about 90 percent. The hotel/lodging sector experiences this seasonal shift even more dramatically with its work force rising to a full 130 percent during the summer months, the peak of the tourist season, and falling to below 85 percent in the winter months (Chart 2).

**Chart 2. Average Monthly Workforce per Sector**

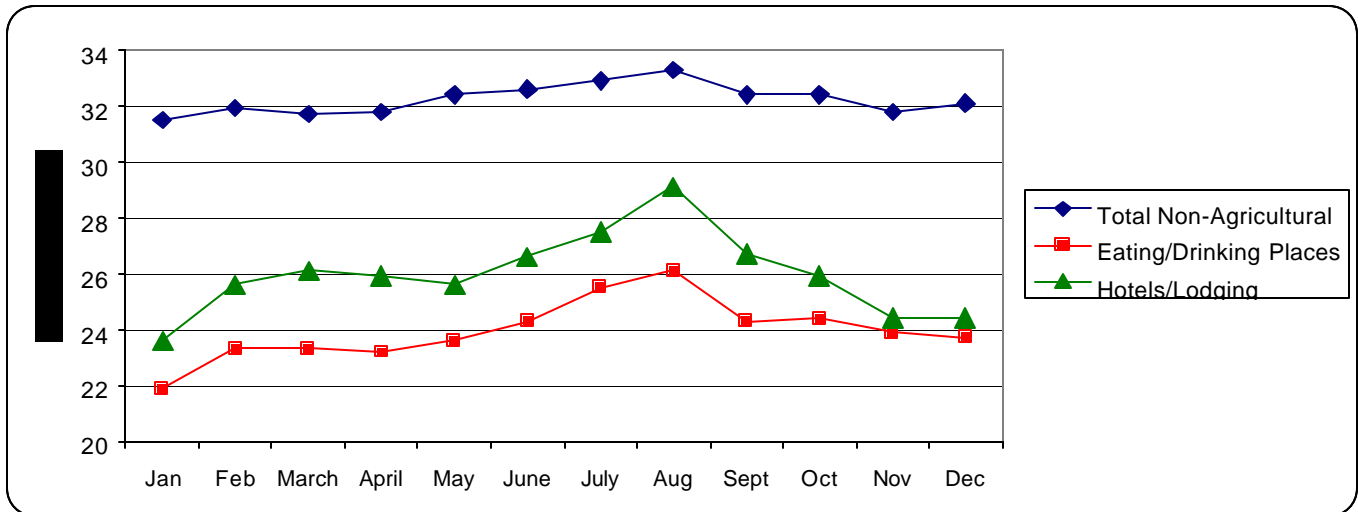


Source: MT DLI

Many employees in these sectors of the economy are seasonal workers. However, seasonal employment provides summer job opportunities to individuals new to the work force, such as high school and college students, as well as additional sources of income for families largely supported by other means.

The travel industry is also accused of generating mostly part-time work. Again, there is some truth in the accusation. An average workweek for non-agricultural workers in Montana is 32.2 hours. Those working in the restaurant/bar industry have 24.0 hour work weeks, and those in the hotel/lodging industry work an average of 26.2 hours per week. Overall, the workweek is fairly stable throughout the year, exhibiting little seasonal fluctuation. However, for restaurant/bar employees, the work week peaks at 26.1 hours in August, with a low of 21.9 hours in January, a 19 percent change. For hotel employees the peak is at 29.1 in August, with the low point of 23.6 hours in December, a 23 percent change. There is also a second peak at 26.1 hours in March, corresponding to the prime ski season (Chart 3). Not only does total employment in these sectors vary by season, average hours worked also varies.

**Chart 3. Average Hours Worked per Week per Sector.**



Source: MT DLI

**Tourism Wages in Montana**

A third criticism facing the travel industry is the prevalence of minimum-wage jobs. It is true that most travel industry jobs fall into the service and retail sectors of the economy and that these sectors pay notoriously low wages, but average hourly wage for the tourism industry is \$8.47, compared to the minimum wage of \$5.15 per hour. Furthermore, wage data does not include tips or other gratuities. Since over one quarter of tourism jobs are in the service industry, average income for these employees is understated (Table 2).

Average annual wages in the travel industry is approximately \$15,842. While this may not seem like much in the way of yearly earnings, it is important to remember that many of those working in the travel industry do so on a part-time and/or seasonal basis, and that the stated annual earnings are not necessarily their only income. Estimating industry wage norms based on part-time income also reduces the average wage.

**Table 2. Wage Relationships**

	All Non-Agriculture	Travel Industry	Travel Wages as % of Non-Ag Wages
Average Annual Wage	\$24,809	\$15,842	63%
Average Hourly Wage	\$11.43	\$8.47	74%

Sources: ITRR; MT DLI; BEA

Tables 3 and 4 show how travel industry jobs are distributed throughout the wage scale in terms of both annual and hourly wages. The majority of tourism jobs fall into the bottom two categories for both scales. Sixty-seven percent make less than \$15,000 per year, and these jobs are responsible for only 48 percent of all wages earned. Seventy-six percent are making less than \$10 per hour<sup>2</sup>, and these jobs provide 65 percent of all wages earned. This discrepancy exists in the entire labor market as well, but to a lesser degree. Twenty-eight percent of all non-agricultural jobs fall in the \$15,000 per year or less category, but are responsible for only 11 percent of wages. Thirty-eight percent of all non-agricultural jobs make less than \$10 per hour, but are responsible for only 25 percent of wages.

**Table 3. Average Annual Wage Ranges per Sector, 1998\***

Ranges	% of travel jobs	% of all jobs	% of travel wages	% of all wages
\$8,362-9,999	7%	7%	4%	2%
\$10,000-14,999	60%	21%	44%	9%
\$15,000-19,999	10%	8%	11%	6%
\$20,000-24,999	10%	5%	14%	5%
\$25,000-29,999	4%	27%	7%	31%
\$30,000-34,999	6%	20%	11%	26%
\$35,000-39,999	3%	8%	7%	13%
\$40,000 and up	0.4%	4%	1%	8%

Source: BEA; ITRR

\*Ranges are based on average wages per sector and are computed for the sectors in Table 1 where information on both employment and average annual wages is available.

**Table 4. Average Hourly Wage Ranges per Sector, 1998\***

Ranges	% of travel jobs	% of all jobs	% of travel wages	% of all wages
\$6.47-7.99	60%	20%	49%	12%
\$8.00-9.99	16%	18%	16%	13%
\$10.00-11.99	13%	20%	17%	18%
\$12.00-13.99	3%	19%	5%	22%
\$14.00-15.99	3%	4%	6%	6%
\$16.00-17.99	4%	19%	7%	29%

Source: MT DLI; ITRR

\*Ranges are based on average wages per sector and are computed for the sectors in Table 1 where information on both employment and average hourly wages is available.

<sup>2</sup> Assuming a 32-hour work week and a 50-week work year, an hourly wage of \$9.99 yields annual wages of approximately \$15,000.

## Travel Industry Job Opportunities

While it is true that most jobs provided by the travel industry pay relatively low wages, such jobs should not be compared to career positions in other sectors of the economy. Lower-paying, part-time, and seasonal jobs all make valuable contributions to the economy. The opportunities provided by the widespread availability of entry-level jobs are not available elsewhere. For many, a job in a restaurant/bar or a hotel, both part of the travel industry, is a valuable first-job experience, especially for teenagers and young adults. In 1980, 21 percent of travel industry workers were teenagers, compared to 15 percent in overall retail trade and 8 percent in all industries (Barrett, 1987). These jobs provide opportunities to gain both work experience and management experience, which enable workers to move into other better-paying jobs. They also provide opportunities for those wanting a summer job to supplement their income.

## Discussion

A diversified economy is healthier than one relying on income from only a few sources. It is more resistant to adverse economic conditions and shifting consumer preferences. Relying on any one industry to generate the bulk of employment and wages in an area involves great risk in the face of an unexpected down-turn in the business cycle. One example of the profound effect such dependency can have is the temporary shut-down of the Amalgamated Copper Company in 1903. By shutting down operations for 45 days, the company affected nearly 80 percent of Montana wage earners (Toole 1972).

Through the 1990s, the travel industry has been gaining a solid foothold in Montana. It is now an industry on equal level with construction, agriculture, and transportation. In terms of employment, it is ranked 6<sup>th</sup> in the state, supporting 29,900 jobs in 1999 (Dillon 2000). As such, tourism is not the largest industry in the state, but it is a component of a diverse and healthy economy, making the state increasingly resistant to economic down-turns.

The employment and wage data presented in this report is only available for businesses with employees, and as such does not cover all proprietary income. According to a wage study conducted by the Bureau of Business and Economic Research in 1992, proprietary income derived from tourism-based entrepreneurship exceeds average tourism wages by a wide margin. In 2000 currency, average annual wages for all entrepreneurial owners was approximately \$34,000<sup>3</sup> in 1992, over double the current wage level for travel-supported jobs (Sylvester 1993). There seems to be a relative abundance of opportunity for small business development based on travel spending.

The two main concerns regarding the travel industry in Montana are the low average wages and the part-time/seasonal nature of the jobs. As previously mentioned, these are valid concerns, but it is important to note that these two characteristics do not make travel employment opportunities inherently bad. They should be addressed as both positive and negative aspects of the industry as development continues.. Many of these jobs are entry-level positions that do not require advanced training or special skills. Such jobs provide teenagers with an excellent first job experience, helping them develop skills and work ethics that will be useful later, when moving into more lucrative positions.

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<sup>3</sup> \$27,900 in 1992 dollars inflated to \$34,000 in 2000 dollars based on a CPI value of 1.22, from the Bureau of Labor Statistics. Accessed 7/21/00, at <http://stats.bls.gov/cpihome>



Furthermore, these jobs help meet the need for an increased labor force during the summer vacation months. Not only do travel industry facilities need more help during the peak travel season, there are also more workers available to fill positions during these months. Teenagers and college students are only some of those looking for a supplemental paycheck during the summer months. Although the wages may not be the highest, travel industry jobs do offer opportunities not otherwise available.

The addition of any job to Montana's economy is an economic benefit. While the concern regarding the quality of travel industry jobs seems to be factually based, it is important to look at the whole picture in terms of contribution to the state economy. Further research is needed to enable an assessment of the influence of both nonresident and resident travel in the state. Efforts should also be directed at assessing the make-up of a realistic and healthy Montana economy, and what role the travel industry should have in attaining that goal on a sustainable basis.

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