

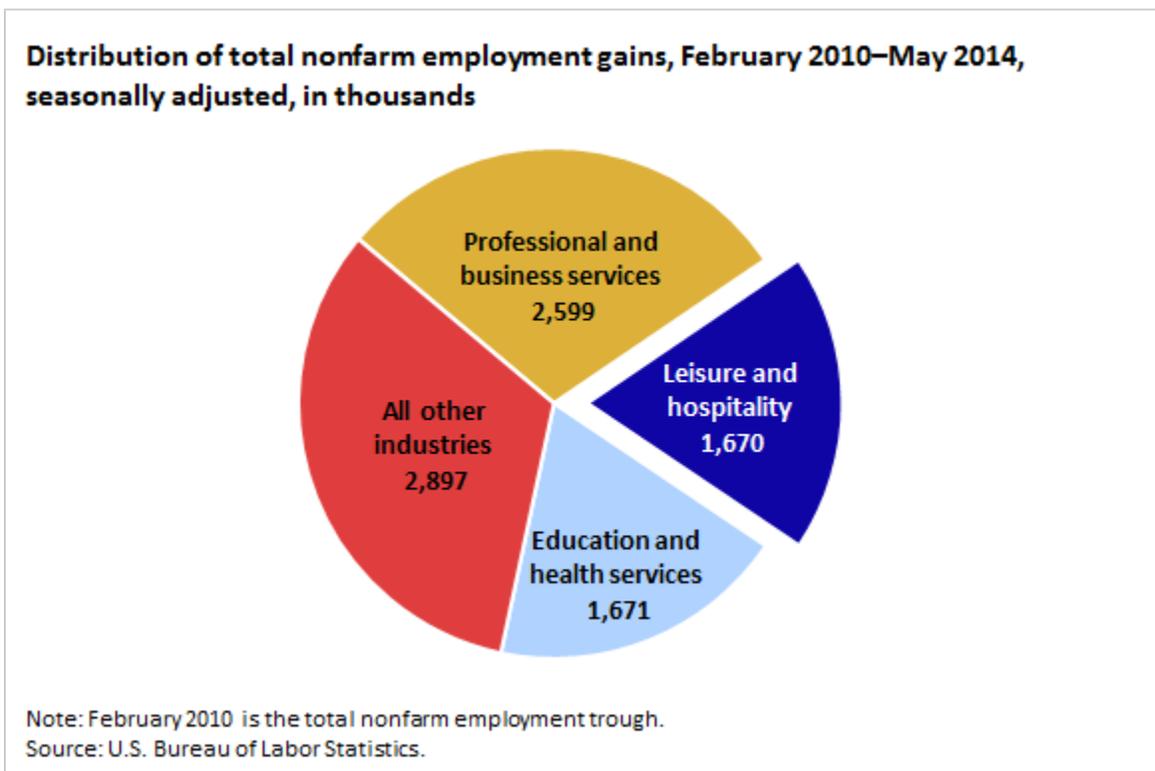
Restaurants help feed job growth: how the leisure and hospitality industry fared after the recent employment downturn

By John Coughlan

The most recent employment downturn was historic in many ways, but most notably, in the substantial number of jobs lost.¹ Data from the Bureau of Labor Statistics Current Employment Statistics (CES)² survey show that total nonfarm³ employment fell by 8.7 million jobs between the employment peak in January 2008 and the employment trough in February 2010. In percentage terms, this was the largest job loss since the 1940s.⁴ Total nonfarm payroll employment did not make a full recovery until May 2014, a full 51 months after its employment low. During this recovery period, the leisure and hospitality industry gained more than 1.6 million jobs, accounting for almost 1 out of every 5 nonfarm jobs added during the recovery. (See chart 1.) Although other industries had similar or larger job gains, the leisure and hospitality industry is interesting because so many of the jobs were created in very few component industries. This **Beyond the Numbers** article examines recent trends in the leisure and hospitality industry and analyzes the concentrated distribution of job gains.



Chart 1

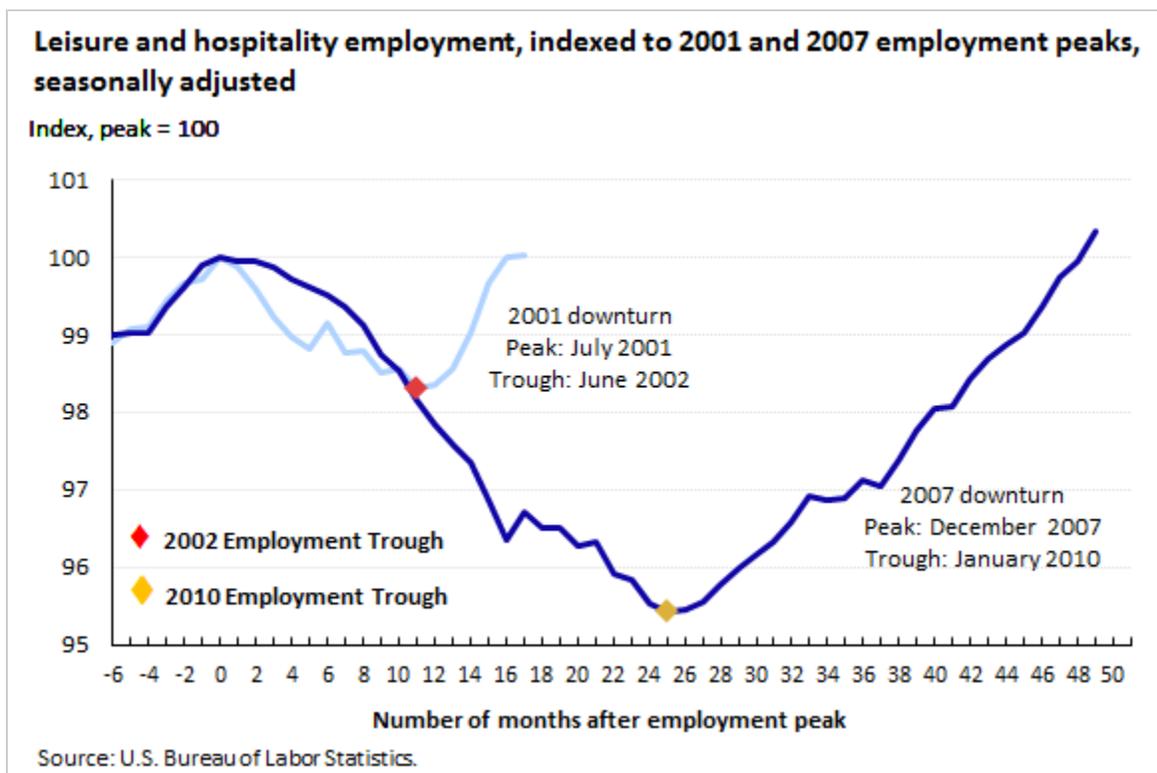


Trends in recent employment recoveries

The leisure and hospitality industry tends to follow the employment cycles of total nonfarm employment closely. During the most recent employment downturn, employment in the leisure and hospitality industry peaked in December 2007, 1 month before total nonfarm employment peaked, and it reached its most recent trough in January 2010, also 1 month before total nonfarm.

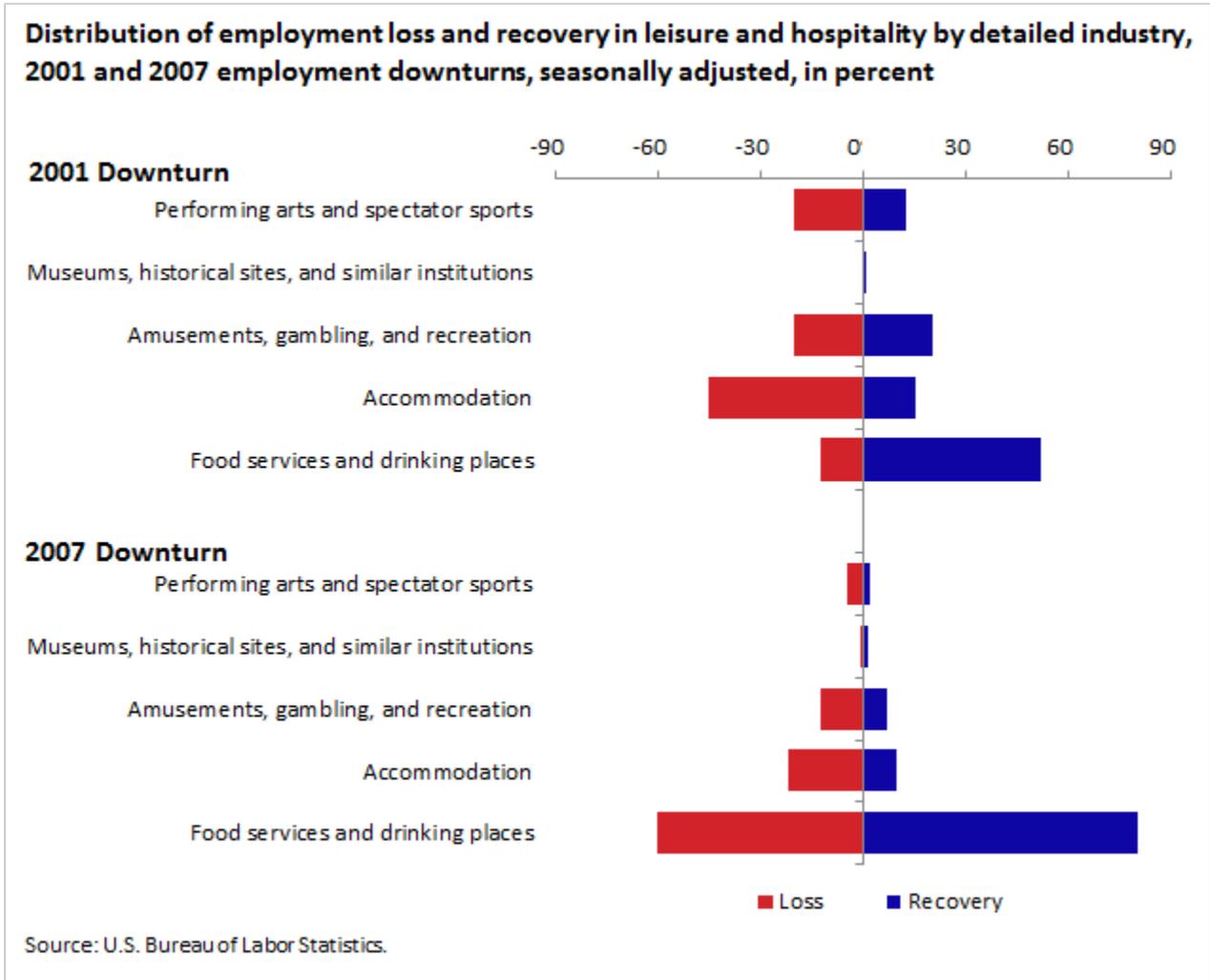
Before the most recent recession, there was an employment downturn between July 2001 and June 2002. The leisure and hospitality industry employment recoveries in 2002 and 2010 differ in several ways. For many industries, the 2001 employment downturn was shorter than the 2007 downturn and the accompanying job losses were less severe. The leisure and hospitality industry was no exception. It took leisure and hospitality 6 months to recover the 205,000 jobs it lost between its July 2001 peak and its June 2002 trough—a recovery rate of about 17 percent per month. Overall, it took half as long to recover the jobs as it did to lose them. In contrast, it took the leisure and hospitality industry 24 months to recover the 619,000 jobs it lost from the December 2007 peak to the January 2010 trough—a recovery rate of about 4 percent per month. This means that it took about the same amount of time to recover the jobs as it did to lose them. (See chart 2.)

Chart 2



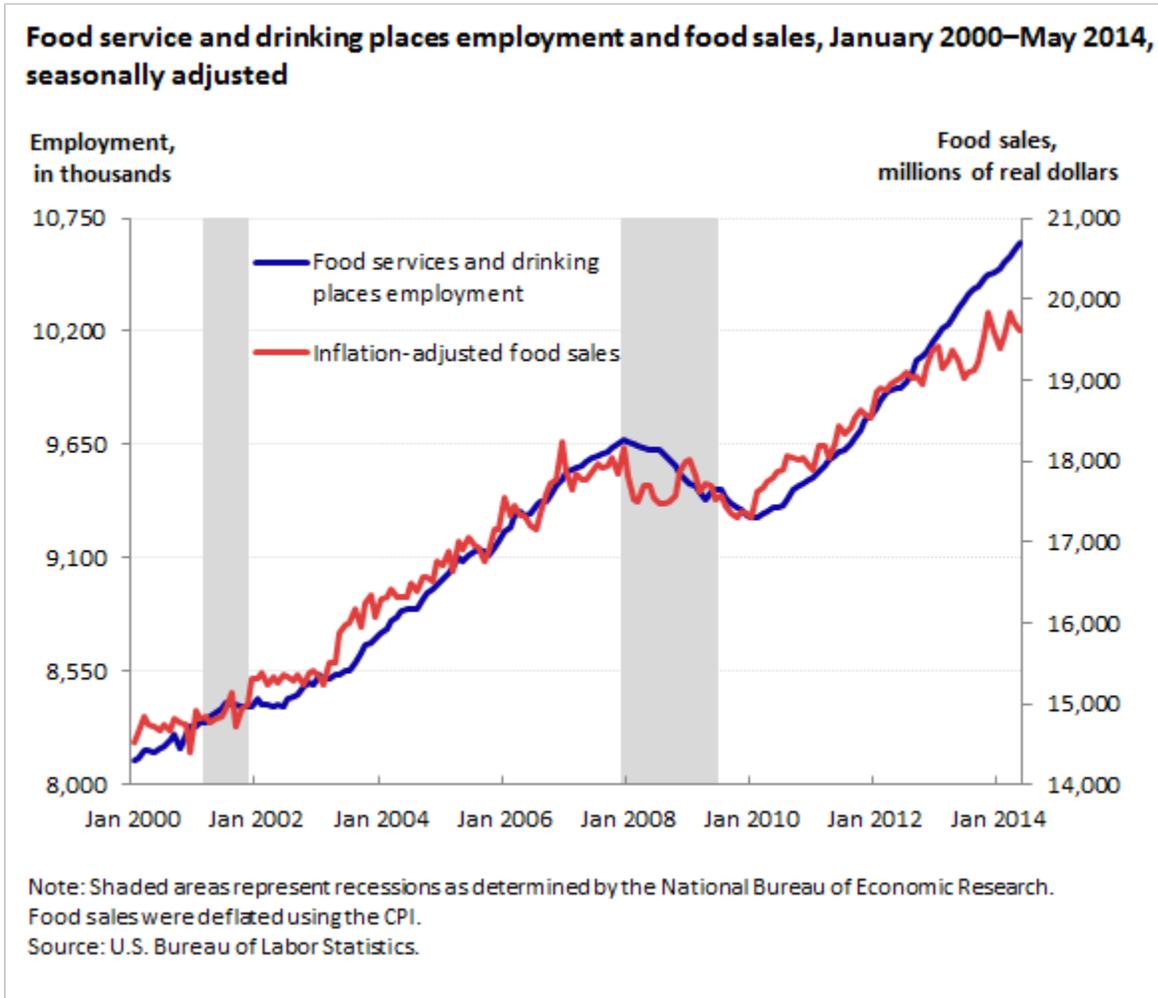
By comparison, the distribution of jobs lost and recovered during and after the 2001 downturn was spread out among different industries. During the 2001 downturn, food services and drinking places accounted for 13 percent of the jobs lost in leisure and hospitality, but 52 percent of the jobs recovered. The remaining components of leisure and hospitality accounted for the majority of jobs lost, but less than half of the jobs recovered. During the 2007 downturn, however, food services and drinking places accounted for the majority of activity on both sides, with 60 percent of the jobs lost and 80 percent of the jobs recovered. (See chart 3.)

Chart 3



Although retail sales data at food services and drinking places collected by the U.S. Census Bureau are volatile, they track closely with changes in employment.⁵ On an inflation-adjusted basis, retail sales at food services and drinking places declined briefly in 2001 but recovered very quickly, similar to the employment trends during the same period.⁶ For the most recent recession, the sales data also show a period of decline from December 2007 through January 2010, followed by a strong period of recovery—again coinciding with trends in employment. (See chart 4.)

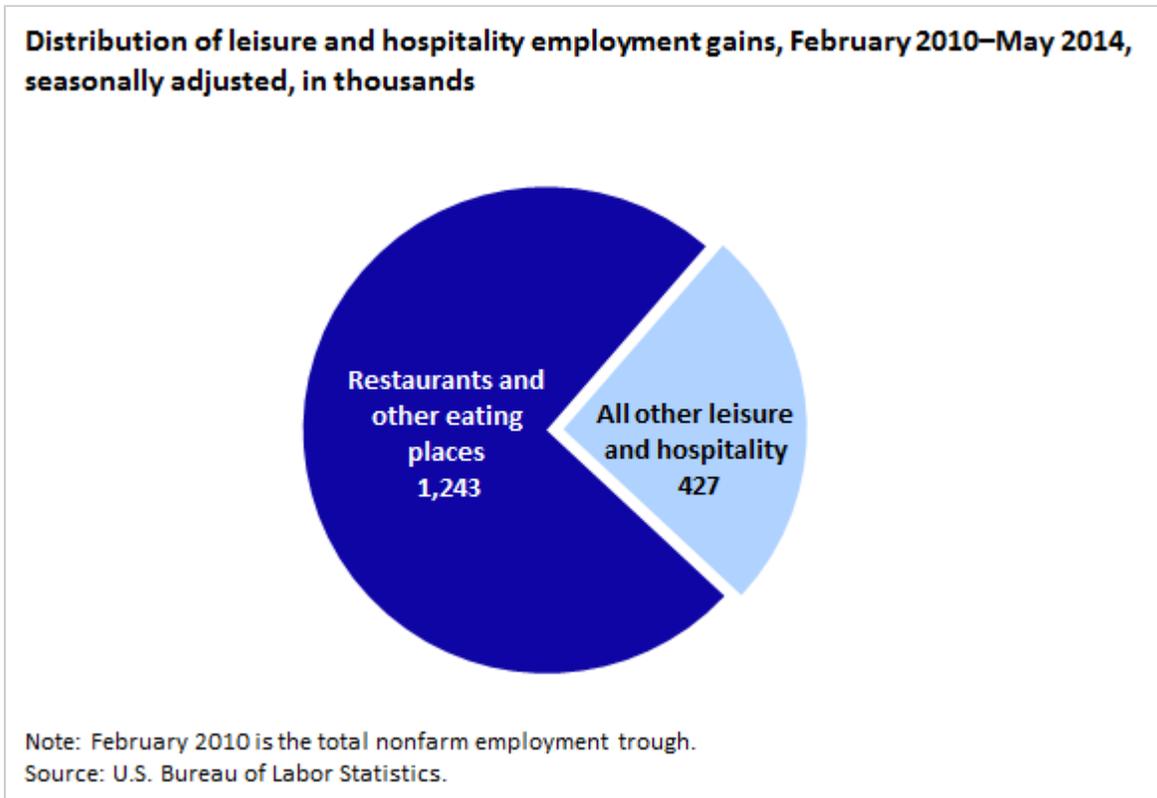
Chart 4



Restaurant recovery after recent downturn

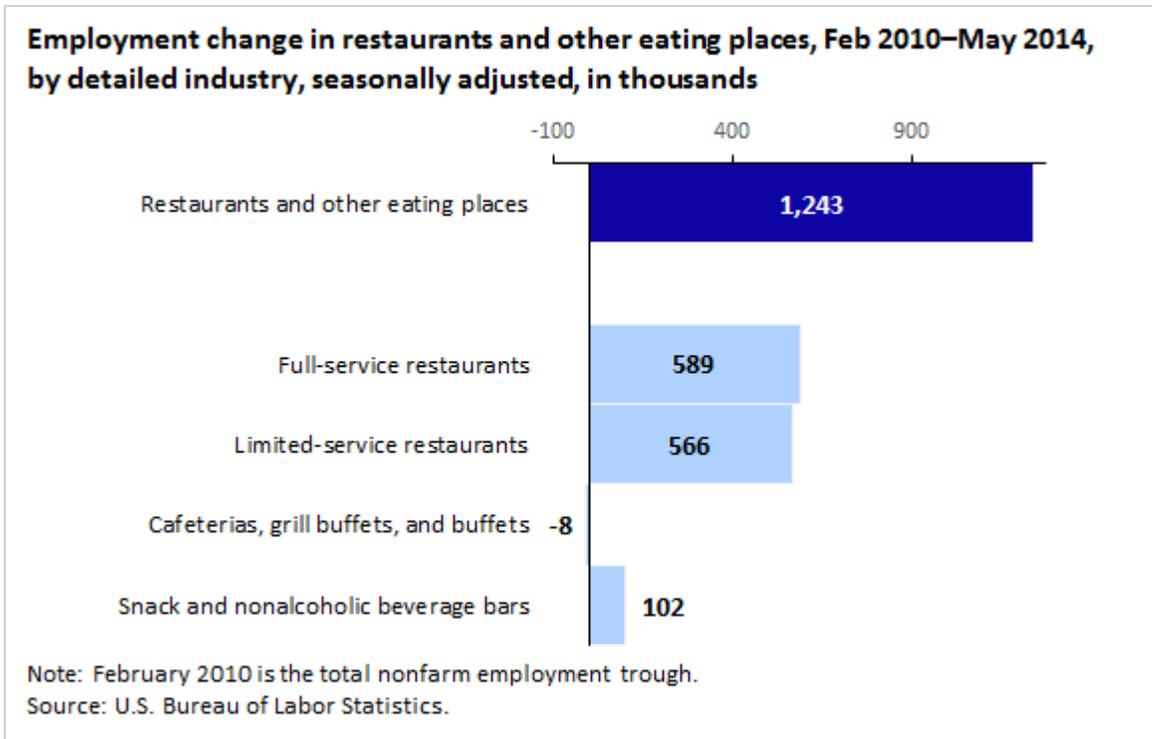
Between February 2010 and May 2014, the largest industry in leisure and hospitality, food services and drinking places, added 1.3 million jobs, accounting for 80 percent of leisure and hospitality jobs added over this time. Food services and drinking places contains three major components: special food services, drinking places (alcoholic beverages), and restaurants and other eating places. Virtually all of the job gains in food services and drinking places occurred in restaurants and other eating places, the largest component of the industry. The employment gains in restaurants and other eating places were so strong they accounted for 74 percent of all the jobs gained in leisure and hospitality and 14 percent of all the jobs gained in total nonfarm employment as of May 2014. (See chart 5.) Job losses in restaurants and other eating places accounted for 53 percent of all the job losses within leisure and hospitality and 4 percent of the jobs lost in total nonfarm during the most recent downturn.

Chart 5



Restaurants and other eating places have gained 1.2 million jobs since the nonfarm employment trough in February 2010. Employment changed little in cafeterias, grill buffets and buffets, and snack and nonalcoholic beverage bars over the period. (See chart 6.) The employment gains were about evenly split between the two largest components of restaurants and other eating places: full-service restaurants (+589,000) and limited-service restaurants (+566,000). Full-service restaurants are defined as establishments that provide food service to patrons who order and are served while seated and pay after eating.⁷ Limited-service restaurants are defined as establishments that provide food service to patrons who generally order or select items and pay before eating.⁸

Chart 6



Full- and limited-service restaurants regularly account for a large share of the monthly employment changes in leisure and hospitality. Monthly changes in full- and limited-service restaurants were larger in absolute terms than the remaining components of leisure and hospitality in 35 out of the last 51 months (69 percent of the time). (See chart 7.)

Chart 7

An economy hungry for jobs

Total nonfarm employment has fully recovered from the most recent employment downturn. Despite making up only 8 percent of total nonfarm employment, the food services and drinking places industry has accounted for almost 1 out of every 6 nonfarm jobs added during the recovery. With restaurants leading the job gains within food services and drinking places, this industry is feeding more than its share of job growth during a recovery hungry for jobs.

*This **Beyond the Numbers** summary was prepared by John Coughlan, former economist in the Office of Employment and Unemployment Statistics, U.S. Bureau of Labor Statistics. Email: cesinfo@bls.gov. Telephone: (202) 691-6555.*

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NOTES

¹ An employment downturn is defined as the period after an employment series has peaked until the series eventually reaches an employment trough. Employment peaks and troughs do not perfectly coincide with business cycle expansions and contractions determined by the National Bureau of Economic Research (NBER).

² The Current Employment Statistics (CES) program is a monthly survey of about 145,000 businesses and government agencies, representing approximately 557,000 individual worksites. For more information on the program's concepts and methodology, see "Technical notes to establishment survey data," <http://www.bls.gov/ces/#technical>. To access CES data,

see “Current Employment Statistics-CES (national),” <http://www.bls.gov/ces>. The CES data used in this article are seasonally adjusted unless otherwise noted.

³ Total nonfarm employment estimates from the Current Employment Statistics division cover payroll employment in all nonagricultural industries, including government.

⁴ Approximately 4.3 million total nonfarm jobs were lost between the November 1943 peak and September 1945 trough (10.1 percent).

⁵ Census retail sales data are available here: <http://www.census.gov/retail/marts/www/timeseries.html>.

⁶ Retail sales data were deflated with the Consumer Price Index (CPI) for All Urban Consumers. More information on the CPI is available at <http://www.bls.gov/cpi/>.

⁷ The comprehensive North American Industry Classification System (NAICS) definition of full-service restaurants (722511) is available here:

<http://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=722511&search=2012%20NAICS%20Search>.

⁸ The comprehensive North American Industry Classification System (NAICS) definition of limited-service restaurants (722513) is available here:

<http://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=722513&search=2012%20NAICS%20Search>.

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More BLS articles and information on the leisure and hospitality industry are available online at the following links:

[Employment in leisure and hospitality departs from historical trends during 2007–09 recession](#), Monthly Labor Review

[Food for Thought](#), Spotlight on Statistics

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