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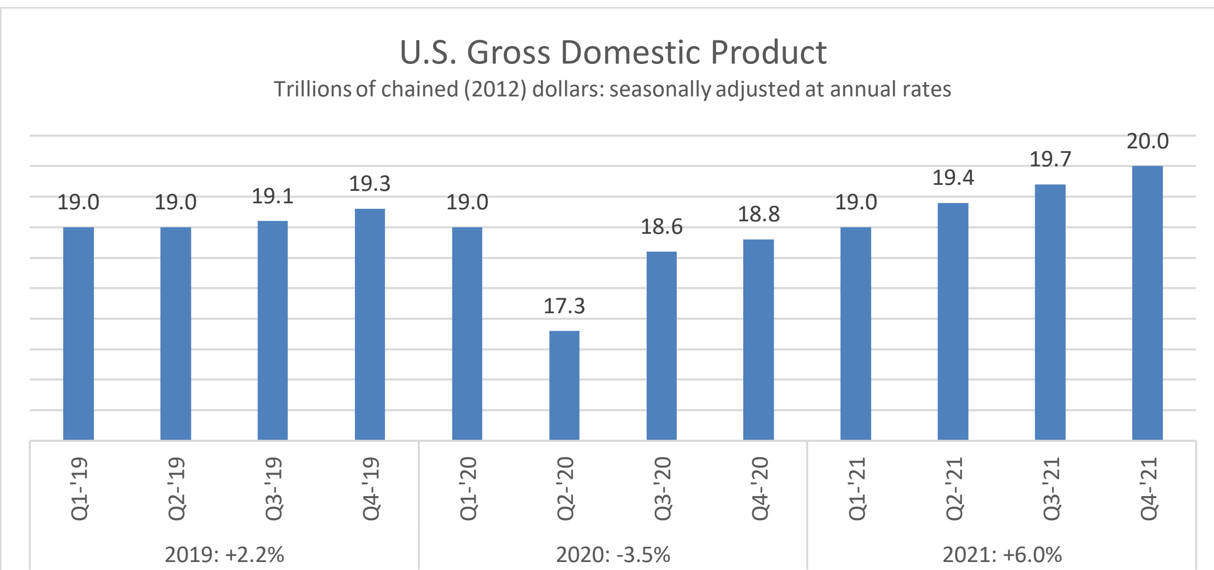
Workforce Shortage
4/16/2021

From the Street

Prior to the Covid-19 crisis that effectively shut down the economy, there existed a workforce problem of finding and retaining qualified employees. This had been a top concern for restaurant operators for some time – going back to the summer of 2015. In fact, most industries were facing a short supply of qualified applicants and had begun to pursue alternative solutions. For the restaurant industry this meant upgrading Technology with new BOH systems, POS with IA capabilities, digital menus, technology that analyzed and helped improve labor efficiencies, reducing labor needs, redesigned kitchens – smart equipment, new App that features order/pay and loyalty program, redesign entire restaurant, etc.

With the onset of the Covid-19 crisis and its subsequent impact on the economy causing restaurant closures (some partially, others completely), the labor situation exacerbated. By many indications, the economy is beginning to restart. Increases in consumers' economic outlook for the next six months (survey taken by the National Restaurant Association (NRA) on March 12-14, 2021) revealed 55% of consumers believe the economy was getting better due to a combination of accelerated vaccine development, subsequent increase in people getting vaccinated, and the additional third Stimulus. The GDP, bolstered by the new stimulus, the economy is projected to expand at a steady pace in 2021. The NRA expects real GDP to grow at an annualized rate of at least 5% during each quarter of 2021 – the first such occurrence since 1983.

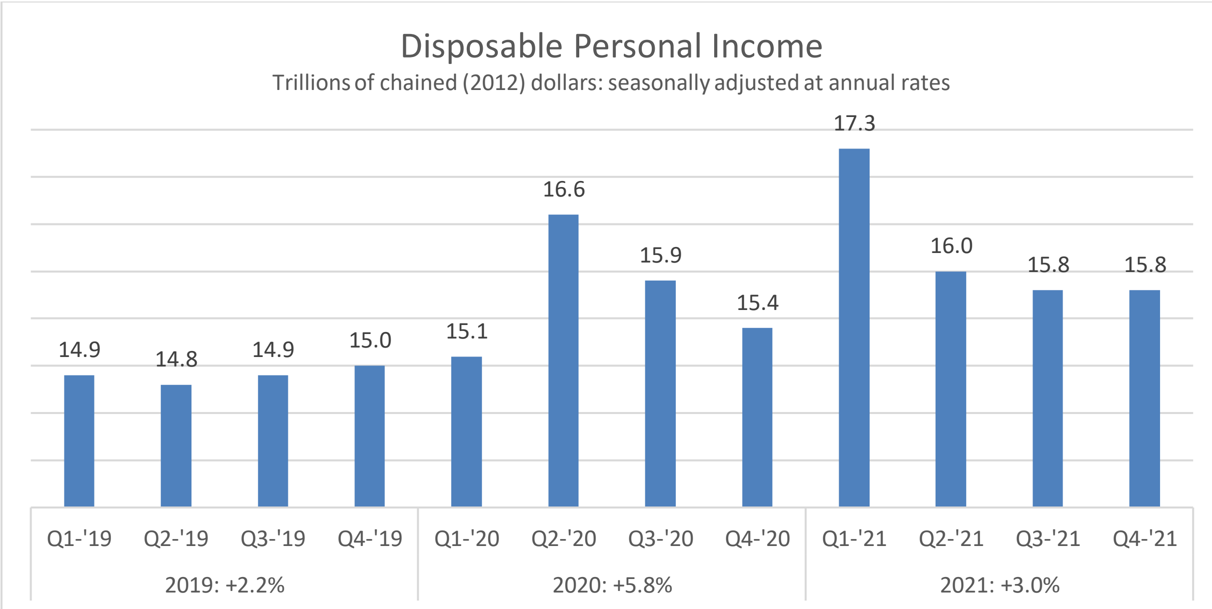


Sources: Bureau of Economic Analysis; National Restaurant Association projections; projected

Further, from the NRA: Real disposable personal income increased at a 48.6% annualized rate between the first and second quarters of 2020, as the CARES Act contained both direct payments to households and enhanced unemployment benefits for the millions of people that were laid off or furloughed in the initial months of the pandemic. As a result, real disposable personal income rose nearly 6% in 2020, even as the economy finished the year nearly 10 million jobs below pre-pandemic levels.

On top of the $600 direct payments that were included in the economic relief package that was passed in December 2020, the American Rescue Plan included additional income-supporting stimulus in the form of $1,400 direct payments and the extension into September of a $300 weekly supplement to unemployment benefits.

As a result of these measures, real disposable personal income is projected to rise 3.0% over 2020's elevated income levels, which will be an additional catalyst for stronger consumer spending in 2021. Driven by robust income gains, inflated savings and the reopening of the service sector, growth in real personal consumption expenditures is expected to top 6% for the first time in a half-century.

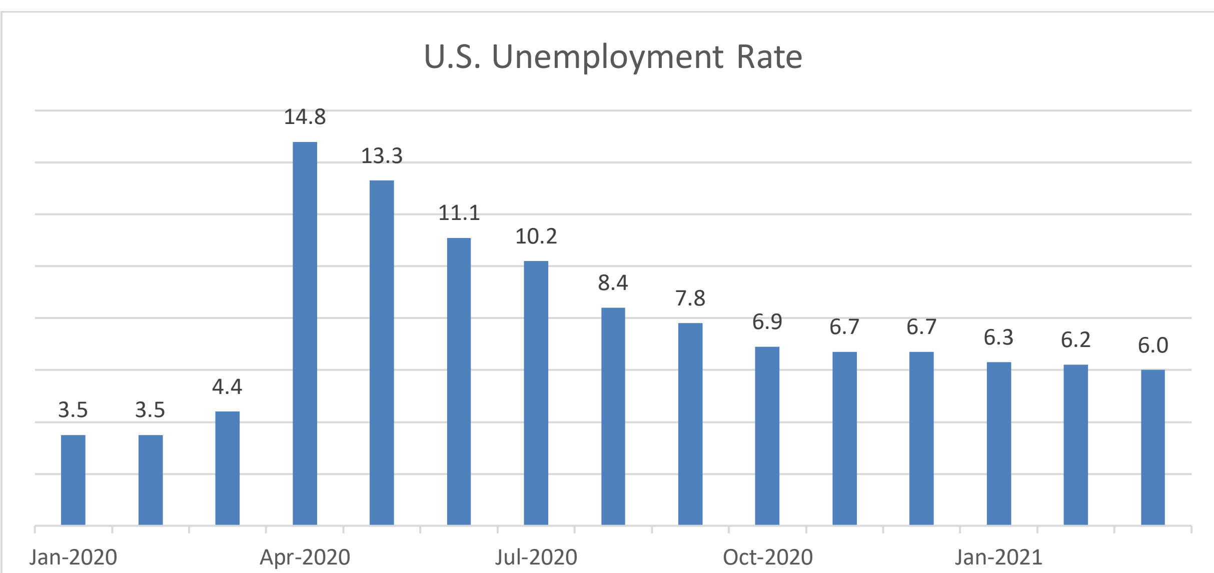


Sources: Bureau of Economic Analysis; National Restaurant Association projections; projected

Even though the unemployment rate is dropping (see Chart #1) over the last several months, and the Labor Participation Rate is slightly improving (see Chart #2). Both metrics are considerably off when compared to pre-Covid employment and participation levels. Most disturbing is the continued rise in job vacancies (see Chart #3) which increased 3% from January 2021 to February 2021. In other words, there are a growing number of job openings but not enough workers to fill them. As of February 2021, the BLS latest report showed there are 7.5 million open jobs. Over the past twelve months, hires during that timeframe totaled 72.3 million, separations totaled 80.9 million wielding a net employment workforce gap of 8.6 million. And herein lies the problem. As of April 4, 2021, there were 9.5 million more unemployed than pre-Covid February 2020 (blm.org report).

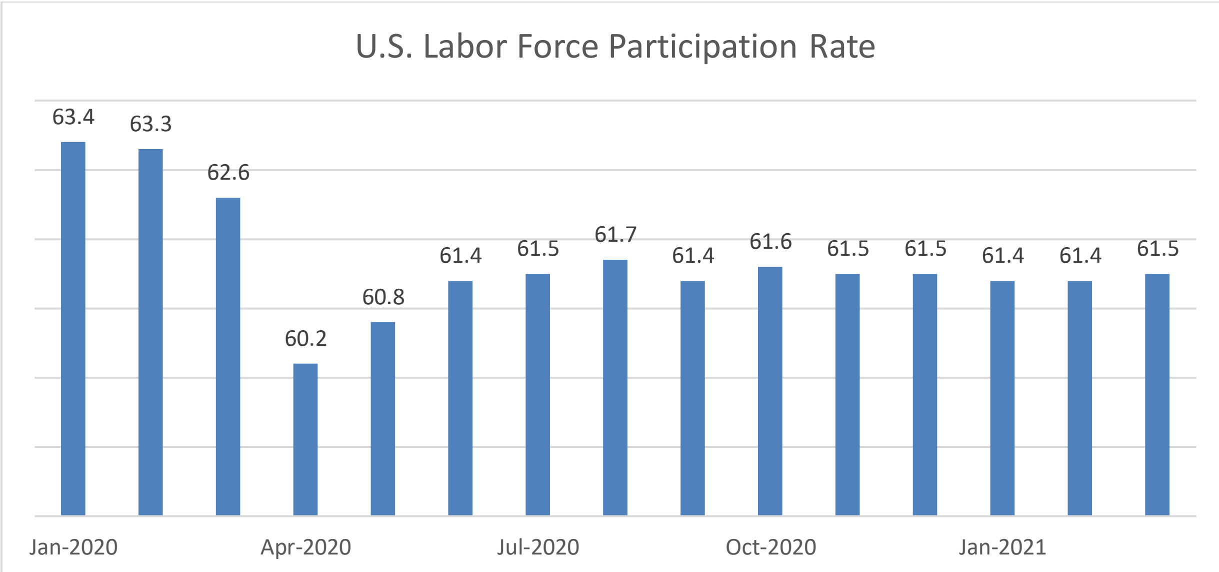
This gap was closing between October 2020 and December 2020; but increased significantly in January and February 2021. As businesses were experiencing sales revival, operators began forecasting for a continuance of this trend. They started plans to build up their workforce, fill in gaps created from the pandemic, and expand their workforce; however, they realized the workers weren't there.

Chart #1



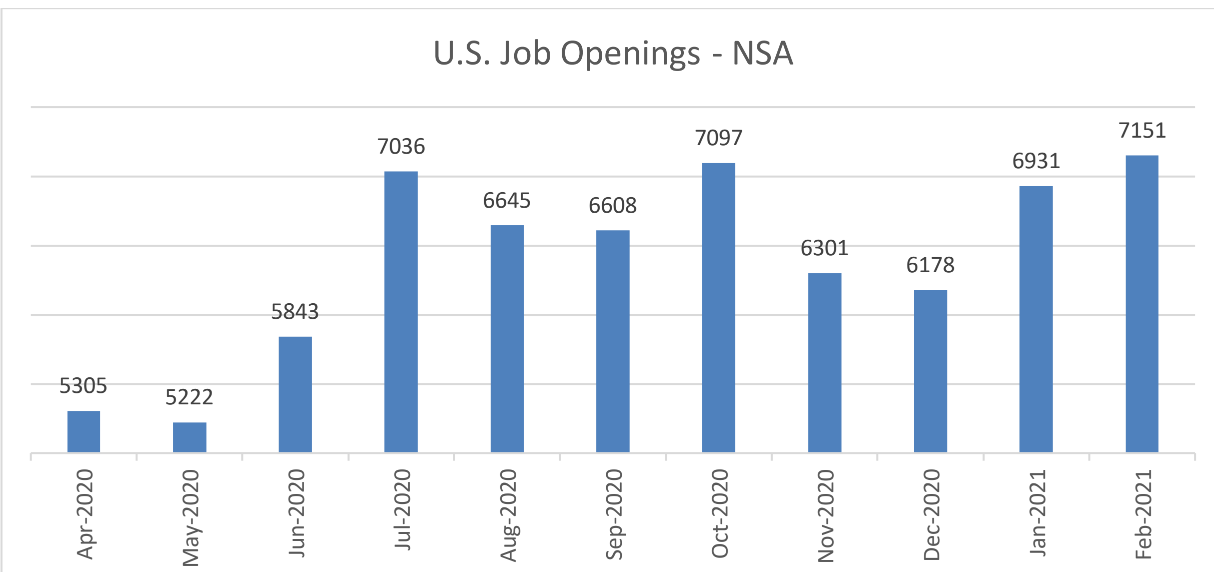
Source: Tradingeconomics.com / U.S. Bureau of Labor Statistics

Chart #2



Source: Tradingeconomics.com / U.S. Bureau of Labor Statistics

Chart #3



Source: Tradingeconomics.com / U.S. Bureau of Labor Statistics

To be continued . . . some of the causes / some of the solutions in next report.