

THE WALL STREET JOURNAL.

CUSTOMERS ARE BACK AT RESTAURANTS AND BARS, BUT WORKERS HAVE MOVED ON

Pandemic layoffs pushed many employees in hospitality to find jobs in new growth areas – with better pay, perks, career prospects

By Heather Haddon, Te-Ping Chen and Lauren Weber
July 13, 2021

Like many servers and bartenders around the country, Ashley Roshitsh, 32 years old, used to love her job – until the pandemic.

She had worked in hospitality since she was 14, eventually bartending at a craft cocktail bar in Birmingham, Ala. But after being furloughed in March 2020, she took stock of the toll that the long hours and late nights had taken on her. “Why do I have arthritis? Years and years of bartending will do that to you,” she says.

In August, she took a customer-service job with Birmingham-based grocery-delivery service Shipt Inc. and says she doesn’t plan on returning to the bar business. “It feels like someone has shaken you awake,” she says of the career switch.

After Covid-19 forced restaurants, hotels and bars to shut last year, thousands of workers didn’t just get pushed to the employment sidelines. Many, like Ms. Roshitsh, moved onto new careers in digital sales, shipping, mortgage-financing and other businesses that thrived in the pandemic, in what some economists say could mark a lasting shift in the labor market for hospitality staff.

That exodus, they say, could spell labor challenges for the sector that persist well beyond September, when the enhanced federal unemployment benefits that have helped keep some low-wage workers from returning to jobs are set to expire.

To try to lure workers back, many restaurant operators and other hospitality businesses are raising wages, offering signing perks and rethinking scheduling practices to make the work more flexible and, in some cases, less grueling.

While the new job-market dynamics have left such employers scrambling to find enough workers, they are helping many longtime cooks, servers, hotel staff and other hospitality workers break into new lines of work, often with more predictable schedules and better pay and benefits than their previous jobs.

At this point in the pandemic, says Brad Hershbein, senior economist at the W.E. Upjohn Institute for Employment Research, many such workers have “found employment somewhere else, possibly at a higher wage.”

The share of U.S. restaurant and hotel workers leaving their jobs hit a two-decade high in May at 5.7 percent, according to the Labor Department. Though the latest jobs report shows restaurants and bars added 194,000 jobs in June, employment at such establishments remains down by 1.3 million jobs since the pandemic began. By contrast, employment has bounced back beyond pre-pandemic levels in many other sectors. Compared with February

2020, there are now 100,000 more warehousing and storage jobs, along with 39,000 more jobs in management and technical consulting, and 25,000 more jobs in insurance and finance.

Data from hiring sites also indicate relatively high numbers of workers pivoting away from the sector: On Jobcase, a digital job board and social network for hourly workers, searches for restaurant and food-service jobs in April were 35 percent lower than the same period in 2019.

A LinkedIn analysis of people who updated their profiles with a new job shortly after the pandemic's onset last year also found a higher level of career switching among people in hospitality jobs. Among those working in travel and recreation, which include jobs such as catering managers, banquet servers and pastry chefs, 79 percent indicated they had moved to a new industry, well above a more typical rate of 58 percent for people in that sector. The share of job changers who left the recreation and travel sector stayed elevated through early spring, the LinkedIn data show.

Layoffs pushed many hospitality workers to find new kinds of jobs. Higher compensation and other perks have kept many like Connor Cassidy from going back. The 23-year-old says he had been making \$5 an hour, plus tips, as a bartender at an Olive Garden restaurant in Raleigh, N.C., when he was furloughed in June 2020. He wound up getting a job as a bank teller – making \$15 an hour – with prospects to move up the career ladder.

Because his bartending job required sales and customer-service skills, “the transition wasn’t as hard as I thought it would be,” he says.

Timothy Carr, 56, who was laid off from his sales-manager job at The Edgewater Hotel in downtown Seattle in May 2020, says that he has seen numerous colleagues transition to other industries such as real estate and insurance. Among colleagues that have stayed in hospitality, he says, many complain about being asked to do more to help keep short-staffed operations afloat.

None of that makes going back seem particularly appealing, says Mr. Carr, who, after 30 years in the hotel industry, got his insurance-sales license in September and is now a manager for Shane Roehl, an independent agency that is affiliated with Allstate Corp.’s insurance network.

“I get headhunters calling, saying, ‘Do I want to go back?’ I say, ‘Nope, this is where I am now,’” Mr. Carr says.

With many businesses operating short-handed or with less experienced staff, online complaints about restaurant service and negative reviews rose sharply in the second quarter of this year, according to restaurant-analytics firm Black Box Intelligence. Its data show that sit-down restaurant-manager tenures, meanwhile, have fallen by roughly a year to a six-year average since just before the pandemic.

The leisure and hospitality sector has long had the lowest wages for nonsupervisory roles among major industries, according to the Labor Department. But as employers have sought to lure workers back, many are raising pay to better compete for labor. Chipotle Mexican Grill Inc., McDonald’s Corp. and Olive Garden-owner Darden Restaurants Inc. have all announced wage increases this year. Overall hourly wages for nonsupervisory employees in the sector rose more than 11 percent in June from the previous year, the most of any job category, federal data show.

But attracting greater numbers of hospitality workers will require a broader rethink, says Peter Saleh, an analyst at Wall Street firm BTIG. In a June BTIG survey of 300 unemployed workers, respondents said better pay was the strongest inducement that would coax them back to hourly work, while good benefits and more flexibility ranked as a close second and third.

Hourly workers want “more work-life balance and control with respect to when and how they work,” says Mr. Saleh, who argues that restaurants will likely have to offer shorter shifts and more flexibility to recruit and retain workers.

Large employers in the industry are starting to take heed. McDonald’s franchisees said they have surveyed thousands of their workers this year to better understand what they want in pay and benefits, and are now exploring perks like emergency child care and transportation vouchers that can provide employees more flexibility. Papa John’s International Inc. said this month that it will spend about \$2.5 million on bonuses, including for existing employees, for the remainder of this year.

Many Denny’s Corp. owners are offering hiring bonuses and free pancakes for applicants, and CEO John Miller said the company needs to do more to demonstrate that their jobs can provide flexibility for those less familiar with restaurant work.

“It’s a great challenge for us,” said Mr. Miller, whose company this month had recruiters travel across the country in a 53-foot food truck to sell Denny’s as a place to work as it seeks to hire 20,000 workers.

In addition to boosting pay, Chipotle recently increased its mental-health programs and started accepting worker resumes through TikTok as it aims to hire thousands. “We are doing things differently now,” said Marissa Andrada, Chipotle’s head of people.

For workers like 29-year-old Zack Leiberick, though, such efforts come too late.

Until the pandemic hit, Mr. Leiberick had worked his entire adult life in restaurant kitchens, most recently as a line cook at a Denver food hall. But after losing his job last year, he got a job trimming pot plants at a local cannabis distributor, working 7 a.m. until 3 p.m. The new schedule, he says, is a positive change from his previous lifestyle, when he would cook until midnight and socialize with coworkers until late in the morning.

The new job offers similar pay but extra benefits, such as paid time off, says Mr. Leiberick, adding that he hopes to make a career in his new field. “It brought a needed Zen into my life,” he says. “The kitchen can be very frantic and very taxing. It was a good change of pace.”