

A Long and Slow Road to Recovery in New York City's Hospitality Sector in the Wake of Covid-19

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Executive Summary

The Covid-19 pandemic has decimated tourism in New York City, the main driver of the city's hospitality industry. The business closures, travel disruptions, and social distancing mandates arising from the pandemic resulted in thousands of hospitality workers furloughed and facing long-term unemployment. Nineteen months after the initial spring 2020 lockdown, and with the Delta variant causing resurging case rates in the city, the hospitality sector, composed of hotels, restaurants, and other food services, remains on a slow and lagging path toward recovery.

The hospitality industry encompasses hotels, full- and limited-service restaurants, bars, cafes, and food services like catering and delivery work. In 2019, the city's hospitality sector included a diversity of 25,000 businesses – 18,000 restaurants, 2,500 coffee shops, 1,500 bars, and 950 hotels. In February 2020, over 74 percent of hospitality jobs were in full- and limited-service restaurants. In the early days of the pandemic, in April 2020, the hospitality industry suffered a staggering 71 percent decline in jobs compared to February 2020. Fifteen months later, in July 2021, New York City's hospitality industry jobs remained 35 percent below pre-pandemic levels.

Prior to Covid-19, the New York City hospitality industry provided 10 percent of all payroll jobs and 15 percent of entry-level positions in the city. As of 2018, the hospitality industry provided a significant number of jobs for 18-24-year-olds (23 percent of workers in restaurants); Latinx workers (42 percent of workers in restaurants) and Asian workers (25 percent of workers in restaurants); those with limited educational attainment (31 percent of restaurant workers had no more than a high school diploma); and workers who are foreign-born (63 percent of workers in hotels). Parts of the hospitality sector also employed many of the city's working poor, with over 48 percent of restaurant workers living below 200 percent of the Federal poverty level.

This report examines two key trends:

- Covid-19's impact on the New York City hospitality industry was severe relative to other sectors in the city's economy and compared to the hospitality sector at the national level.
- Long-term economic displacement of workers in the hospitality industry will require significant re-training and investment. The restaurant subsector is seeing only a gradual return in jobs, and a full rebound to pre-pandemic levels may be three years away or longer. The hotel subsector has experienced strong employment gains beginning in May and June, but a complete recovery of the industry may take three to five years.

Before the pandemic, the city's hospitality industry was in a period of great expansion. Buoyed by record-breaking levels of tourism, New York City's hospitality sector expanded by over 100,000 jobs between 2011-2019. During this period of historically high city job growth, the number of hospitality jobs rose by 37 percent, nearly one-and-a-half times as fast as the growth in the city's overall private sector jobs. During those years, workers within hospitality enjoyed among the greatest annual average real wage increases of any industry: 2.6 percent for restaurant workers and two percent for hotel workers, compared to 0.5 percent for private sector workers overall. Despite this increase, the average wage in the hospitality sector (excluding the hotel subsector, where average wages in unionized hotels are significantly higher) remains much lower than in comparable sectors such as retail trade, construction, and arts and entertainment.

Covid-19's job displacement in New York City's hospitality industry in April 2020 was 1.5 times greater than the national hospitality sector (71 percent vs. 46.5 percent). The city's hospitality sector recovery has also been more limited than the U.S.'s overall. In July 2021, employment in New York City hospitality remained more than 35 percent below pre-pandemic levels, reflecting just a 50 percent recovery, while the nation's hospitality industry was down just four percent, a recovery of nearly 92 percent of jobs. While New York City's reliance on tourism has long created significant revenue and jobs, this reliance has also made the city vulnerable to halted, then reduced, domestic and international leisure and business travel during the pandemic.

The impact on the hospitality sector within New York City has not been uniformly distributed across the boroughs. Accounting for 64 percent of jobs in hospitality (238,500 jobs), Manhattan saw an equally outsized loss of hospitality employment. Manhattan lost 71 percent of its pre-pandemic hotel jobs and 63 percent of pre-pandemic restaurant jobs, compared to Brooklyn which saw a 28 percent decline in hotel and 43 percent drop in restaurant jobs. Nearly 94 percent of total city hotel jobs and 81 percent of full-service restaurant jobs lost were in Manhattan.

One part of the hospitality industry, however, has not experienced the same employment decline. Food service delivery work skyrocketed during the pandemic, as home-bound New Yorkers opted for online and app-based delivery to support local businesses and enjoy meals in their homes. Delivery workers are disproportionately foreign-born, Latinx, and have limited education attainment. These workers are often employed as independent contractors via app-based delivery platforms like Uber Eats or Door Dash and are not counted in official payroll employment data. Covid-19 exposed the precarity of delivery work in New York City, with workers experiencing bike, wage, and tip theft, and limited workplace protections such as bathroom access, the right to unionize, or recourse from instances of exploitation. While delivery work likely peaked during the pandemic, app-based platforms expect a continued reliance on delivery in the months ahead.

The recovery of the city's hospitality industry is dependent on local and national tourism trends and a robust return of business and leisure visitors to the city. In early summer 2021, hotels began to reopen in anticipation of summer tourists and the return of Broadway and live entertainment in the fall. The Covid case rate resurgence both locally and nationally, however, put a damper on the recovery in the second half of the summer. Hotel occupancy rates remain just over 50 percent, a far cry from pre-pandemic levels which averaged closer to 90 percent. Some forecasts show a rebound of pre-Covid tourism levels is unlikely before 2025.

Despite the return of active life on New York City's streets, many dotted with outdoor dining and people queuing up to enter cultural institutions, and despite an initial return of domestic visitors, the hospitality industry remains on a slow path toward recovery. As the Delta variant continues to threaten the safety of travel, the reopening of businesses, and the return of office work, and with thousands of hospitality workers having been furloughed, it is uncertain when the industry will achieve a full recovery. Increasingly, workers within restaurants have begun to re-examine their role within the industry altogether, opting to pivot to other industries, forcing a labor shortage in the lower-paying segments of the subsector. As pandemic and tourism trends remaining uncertain, robust investment in workforce development initiatives to help retrain and redeploy workers for jobs outside of hospitality will be essential.

1. Introduction

Known for its world-renowned restaurants, attractions, and commercial centers, New York City has long served as a global destination for tourism and business travel. The city's hospitality industry, which includes hotels, full- and limited-service restaurants, coffeeshops and bars, and catering services, is responsible for providing a significant number of jobs in the city. Pre-pandemic, New York City had 370,000 workers employed in the hospitality industry – amounting to 10 percent of all city payroll jobs, and 15 percent of all entry-level employment. The sector remains an essential employer for young workers, employees of color, and those without a college degree.¹

The Covid-19 pandemic decimated tourism and business travel, the main driver of the hospitality industry, forcing the closure of beloved restaurants, the furlough of thousands of workers, and the loss of expected revenue generated by millions of annual visitors. The New York City hospitality industry suffered a staggering 71 percent decline in employment levels in April 2020, compared to pre-pandemic levels. Fifteen months later, in July 2021, New York City's hospitality industry remained 35 percent below February 2020 employment levels. In November 2020, NYC & Company, the city's official marketing and tourism partnership, estimated a complete rebound of tourism in the city would not be realized until 2025, delaying hopes of a fast recovery in the hospitality sector.² While Covid has wrought severe hospitality job loss, restaurant food delivery workers, typically employed via app-based delivery platforms, saw peak employment during Covid-19.

Before the pandemic, the hospitality industry was in an exceptionally strong position. Between 2011-19, the city experienced an expansion of 100,000 hospitality jobs, a 37 percent increase in just eight years. By 2019, the industry encompassed 25,000 independent businesses – 18,000 restaurants, 2,500 coffee shops, 1,500 bars, and 950 hotels. For hospitality sector workers, the decade saw a greater wage rate increase than in almost any other sector in the economy, although average wages within hospitality remained lower than in most other industries.

Pervasive challenges remain for the hospitality sector. The late-summer rise in Covid-19 cases, largely attributed to the surge of the Delta variant and lingering vaccine hesitancy, has exacerbated obstacles already facing the sector. Many restaurants remain saddled with high-cost, pre-pandemic leases, loan repayments, and rental negotiations with landlords which are often fraught. Many restaurants are also having trouble recruiting workers to return. Hotels are only beginning to reach rates of room occupancy that make reopening economically viable. Union hotels provide some of the best pay and benefits for less-educated workers and have not reported difficulty attracting workers back. And New Yorkers, many of them also dealing with pandemic-induced long-term unemployment, must readjust to safety standards, shifting guidelines, and a rapidly changing economy. While Federal, State and City support has helped stave off some of the potentially direst effects for the hospitality industry, city hospitality employment levels will not quickly rebound to pre-pandemic levels and will instead experience a long and slow road back to recovery.

¹ Annual average employment level for 2019.

² McGeehan, Patrick. *Tourism, Engine for NYC Economy, May Not Fully Recover Until 2025*.
<https://www.nytimes.com/2020/11/16/nyregion/nyc-tourism-covid.html?searchResultPosition=1>

2. New York City’s hospitality industry includes hotels, restaurants, and other food services.

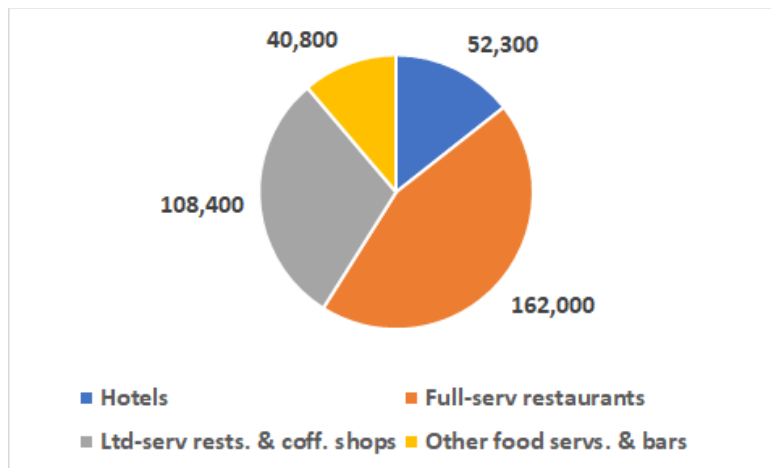
The city’s hospitality sector is made up of four main subsectors, defined by official payroll employment data: hotels; full-service restaurants; limited-service restaurants and coffee shops; and “other” food services and bars. Hotels are characterized as short-term accommodations for visitors. Full-service restaurants, including the sub-category of fine dining, are those at which customers are served by a staff member. Limited service eating places include coffeeshops and restaurants defined as “fast casual” where customers order directly without wait staff. Other food services and bars include contracted food services and catering work.

In addition to these official categories, the hospitality sector also includes delivery work. Some workers providing delivery service are employed through full and limited-service restaurants, but most are employed by app-based delivery platforms and classified as independent contractors. Independent contractors are not included in official payroll employment data.

Figure 1 highlights the pre-pandemic employment levels within the four main subsectors.³ Full-service restaurants accounted for the largest number of jobs (162,000) within hospitality, amounting to 45 percent of all jobs in the sector. Limited-service restaurants comprised the second-greatest employer of hospitality workers with 30 percent of jobs (108,400). The 52,300 hotel workers made up 14 percent of hospitality jobs, and other food services and bars accounted for the smallest share, 40,800 or 11 percent. As the figure shows, the full- and limited-service restaurant subsectors accounted for three-quarters of jobs in the city’s hospitality industry.

Figure 1

The hospitality industry’s four main subsectors (pre-pandemic employment levels as of February 2020).



Source: NYSDOL, current employment statistics.

³ This figure shows not seasonally adjusted employment levels for February 2020, with a hospitality industry total of 363,500, slightly less than the 370,000 2019 annual average due to seasonal factors.

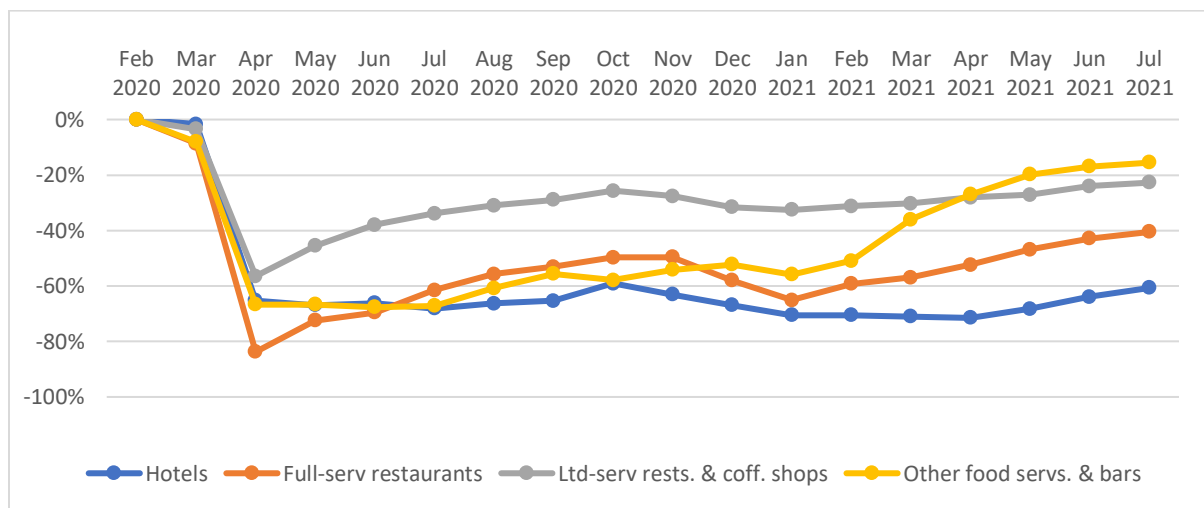
3. Disparate pandemic impact and rebound within hospitality subsectors.

The city’s hospitality industry was devastated by the Covid-19 pandemic. As Figure 2 highlights, the hospitality industry’s four subsectors were hit dramatically in April 2020. Full-service restaurants suffered an 84 percent decline in employment in April 2020 and limited-service restaurants had a 56 percent employment decline. Figure 2 illustrates that while the restaurant subsectors are recovering, only limited levels of employment have been recouped since the fall of 2020. All subsectors of the hospitality industry remain on a slow path back to pre-pandemic (February 2020) employment levels.

Figure 2 also shows the disparate rebound of the subsectors within the hospitality industry. Limited-service restaurants and “other” food services and bars have experienced a clearer rebound trajectory, suffering a significant decline in employment levels in April 2020 but regaining a large portion of that loss by July 2021. (A 56 percent employment decline in April 2020 rebounded to 23 percent for limited-service establishments by July 2021. A 67 percent employment drop improved to 15 percent for other food services during that same period.) The full-service restaurant industry saw a more significant decline in employment levels in April 2020 and has experienced a slower recovery to 41 percent of pre-pandemic employment levels by July 2021. The rebound within the hotel subsector remains far slower. Monthly gains in jobs stalled in autumn 2020, and only began growing again in May 2021. Employment levels in hotels were down by 65 percent in April 2020 compared to February 2020, and the subsector still remained 61 percent below pre-pandemic employment levels in July 2021. The hotel industry’s reliance on tourism, and attractions like Broadway that largely remained closed until early September 2021, will continue to slow the hotels subsector’s full recovery.

Figure 2

Employment in the hotel subsector was still 61 percent lower in July than pre-pandemic levels while full-service restaurant employment was down by 41 percent.



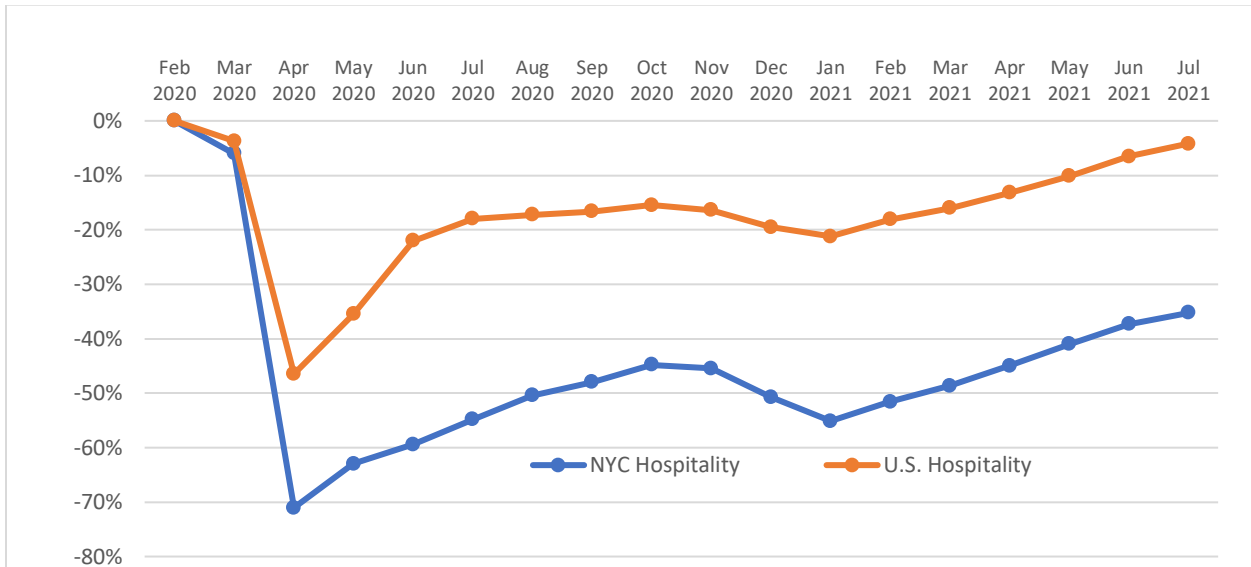
Note: this figure shows seasonally unadjusted employment compared to February 2020
 Source: NYSDOL, current employment statistics.

4. Greater job loss and more limited hospitality rebound for NYC than in the U.S.

New York City’s status as a hub for global tourism and business travel meant that the pandemic had a much greater impact on the local hospitality industry than in the United States overall. Figure 3 highlights the initial pandemic hit to the hospitality industry, a decline in pre-pandemic employment levels of 71 percent in New York City compared to 47 percent in the U.S. hospitality industry. The industry’s recovery in New York City has also been slower than for the nation’s hospitality sector. By July 2021, employment in the U.S. hospitality industry was down only four percent from pre-pandemic levels, reflecting a more than 90 percent recovery in employment from April 2020. In New York City, however, the hospitality industry remained 35 percent below pre-pandemic levels in July 2021, with a jobs recovery of 49 percent. The deficit in employment levels within the hospitality industry in July 2021 was eight times greater in New York City than the U.S overall.

Figure 3

The New York City hospitality sector was hit harder in the early months of the pandemic. As of July 2021, the New York City employment level was 35 percent below the pre-pandemic level, over eight times the four percent net decline for the sector nationally.



Sources: NYSDOL and BLS, current employment statistics, not seasonally adjusted

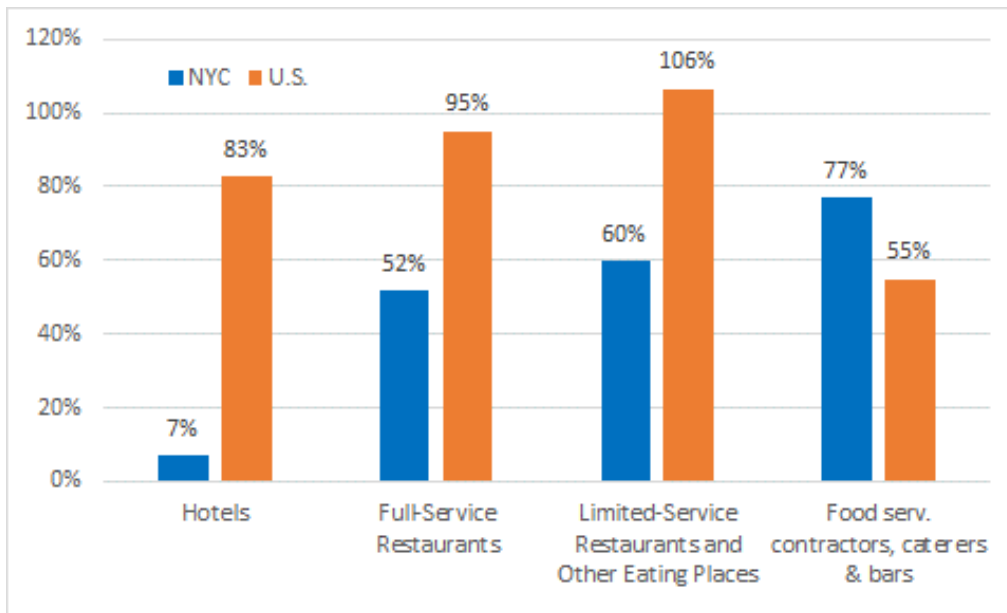
While Figure 3 highlights the overall disparity in the impact and rebound of the hospitality sector between New York City and the U.S., Figure 4 demonstrates this disparity within the various subsectors of the industry. Within the hotel subsector, New York City has shown an extremely minimal employment recovery. By July 2021, the city had regained only seven percent of the hotel jobs lost from Feb.-April 2020. Across the United States, on the other hand, hotels had seen an 83 percent recovery in employment by July 2021, relative to the pandemic job loss. Full-service restaurants in New York City had recovered 52 percent of their initial pandemic-induced

employment level loss, compared to a 95 percent jobs recovery nationally. In limited-service restaurants, national employment had recovered all its pandemic job loss and was slightly higher than in February 2020, while New York City had recovered to just 60 percent of the pandemic job losses.

The only subsector of hospitality that is recovering at a faster pace in New York City than in the U.S. overall is in the “other” category of food service contractors, caterers, and bars. Figure 4 reveals that as of July 2021, New York City saw a rebound of 77 percent in employment levels in the food service contractor category, while the United States had only a 55 percent rebound.

Figure 4

Except for the food service contractor, caterer and bars subsector, New York City’s employment rebound from the early pandemic declines trail the U.S. overall.



Note: this figure shows the percent of the Feb.-Apr. 2020 job loss that had been recovered as of July 2021
Sources: NYSDOL and BLS, current employment statistics, not seasonally adjusted

5. Hospitality workers saw meaningful wage gains between 2011-2019.

Prior to the Covid-19 pandemic, workers in the New York City hospitality industry were coming off a decade of meaningful wage gains across the sector. While the average annual real percent gain in wages across the city’s private sector was 0.5 percent from 2011 to 2019, employees in hotels saw a two percent average annual real percentage increase, and food service workers a 2.6 percent gain. Among private industries in the broader New York City economy, the information sector was the only other industry to show a similar growth in wages between 2011 and 2019, with a 2.8 percent annual gain in average real wages.

Most New York City hotel workers, particularly those in Manhattan, are unionized under a contract that had raised wages for housekeepers during those years—average wages for Manhattan hotel workers were \$73,345 in 2019, with their inflation-adjusted (real) wages rising by 2.2 percent annually from 2011-19. Manhattan hotel workers wages were the highest within the hospitality sector; they were more than double the average salary of food service workers. Food service wages increased during this period mainly because of historic increases in the State minimum wage from 2013-18.⁴ The greatest average increase (3.2 percent) in wages was seen in all “other” food services (including limited-service restaurants, coffee shops and corporate cafeterias), which was the part of the hospitality industry with the lowest 2019 average wage level.

Despite these wage gains across the hospitality industry in the decade prior to the pandemic, average wages within the sector remained lower than in comparable sectors. The average wage for a full-service restaurant staff worker, or for someone employed in a hotel outside of Manhattan, was significantly lower than for employees in sectors like retail trade, construction, hospitals, and in arts, entertainment, and recreation. Wages were comparable with those employed in social assistance.

Figure 5

New York City hospitality workers had larger percentage wage gains 2011-19 than most private sector workers, although average wages were generally lower.

<u>industry</u>	<u>2019 avg wage</u>	<u>avg ann real % change 2011-19</u>	<u>real absolute total change 2011-19</u>
All NYC Private industry	\$93,536	0.5%	\$4,167
Hotels--5 boroughs	\$59,067	2.0%	\$9,940
Hotels--Manhattan	\$73,345	2.2%	\$11,625
Hotels--other 4 boroughs	\$39,277	1.6%	\$4,617
All Food Services	\$33,703	2.6%	\$6,283
Full-service restaurants	\$37,880	2.5%	\$6,786
All other food services	\$29,095	3.2%	\$6,407
<i>Selected other industries</i>			
Construction	\$83,924	0.7%	\$4,328
Retail Trade	\$46,565	1.9%	\$6,453
Hospitals	\$90,993	1.2%	\$8,460
Social Assistance	\$34,051	1.2%	\$3,031
Arts, Entertainment & Rec.	\$78,915	1.2%	\$7,400
Information	\$155,205	2.8%	\$31,117
Finance & Insurance	\$305,095	0.2%	\$5,123
Professional Services	\$141,846	1.4%	\$15,369

Source: BLS, Quarterly Census of Employment and Wages, 2011-2019.

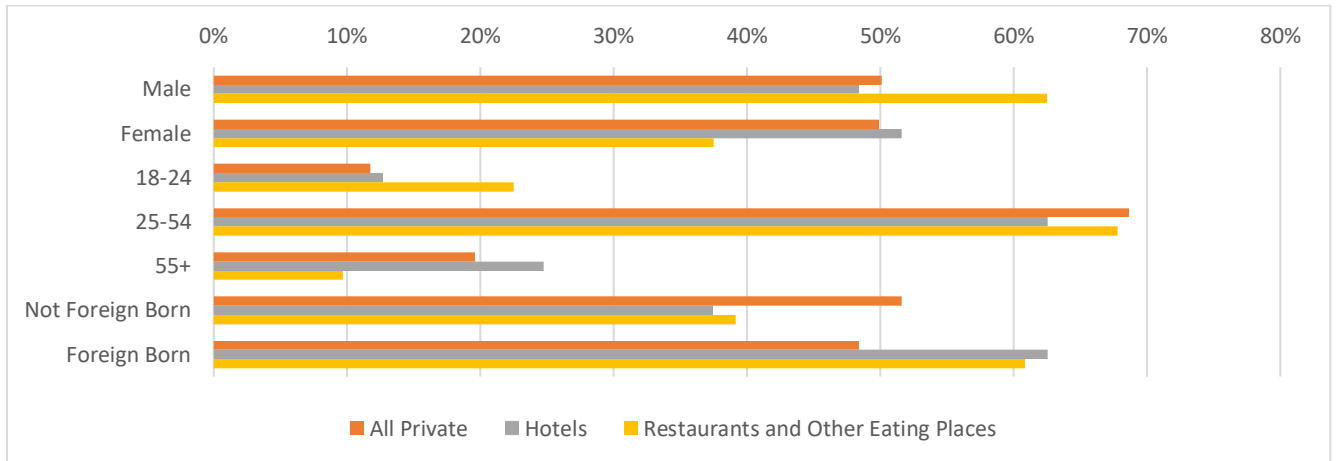
⁴ Lina Moe, James Parrott, Yannet Lathrop, *New York City's \$15 Minimum Wage and Restaurant Employment and Earnings*. The Center for New York City Affairs. August 2019.

6. Hospitality industry employs a greater share of young workers, workers of color, and those without a college degree.

The New York City hospitality industry is an important employer of young and foreign-born workers. Figure 6 shows the gender, age, and foreign-born populations employed in hotels and restaurants relative to the rest of the private sector. The restaurant subsector is predominately male (62 percent) compared to the overall private sector (50 percent). Restaurants also employ a high proportion of young adults aged 18-24 (22.5 percent of their total workforce) relative to the private sector overall (11 percent). Both the hotel and restaurant subsectors employ a higher population of immigrants (63 percent and 61 percent respectively) than the city’s private sector overall (48 percent foreign-born workers).

Figure 6

New York City’s hospitality industry employs a greater percentage of 18–24-year-olds and foreign-born workers than the city’s private sector workforce overall.

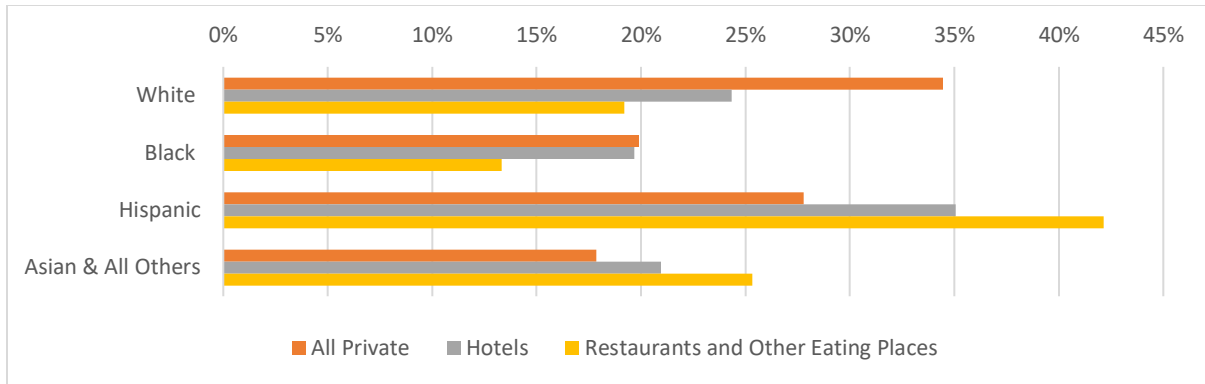


Source: Authors' analysis of American Community Survey 2018 5-year sample. IPUMS USA, University of Minnesota, www.ipums.org.

New York City’s hospitality industry is also a significant employer of Latinx and Asian workers. Figure 7 highlights how Latinx workers are employed at much higher rates in restaurants (42 percent) and hotels (35 percent) compared to the city’s overall private sector (28 percent). Asian workers are also shown to have higher employment levels in restaurants (25 percent) and hotels (21 percent) than in the city’s private sector overall (18 percent).

Figure 7

New York City’s hospitality industry employs a much greater share of Latinx and Asian workers than the private sector overall.

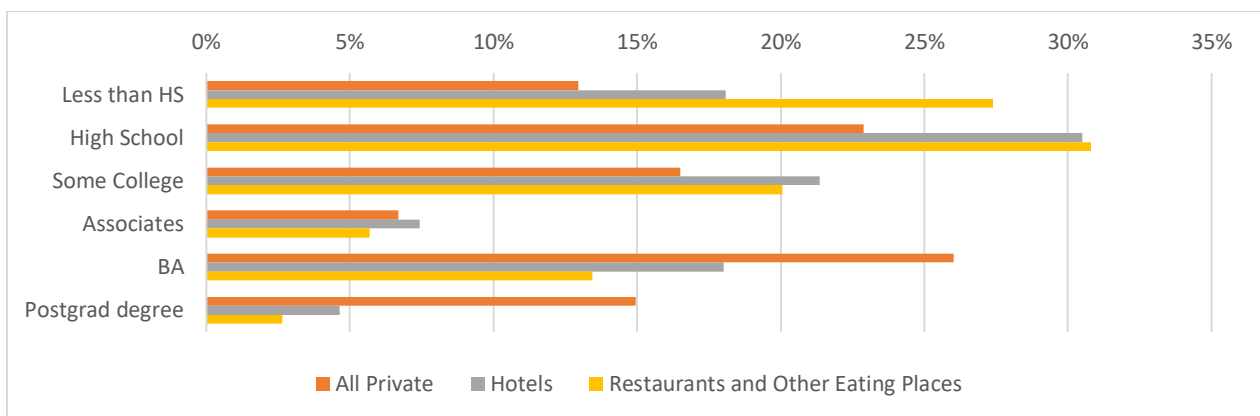


Source: Authors' analysis of American Community Survey 2018 5-year sample.

Compared to the rest of the city’s private sector, the hospitality industry employs a significant share of workers who have not attended college. Figure 8 shows that workers with less than a high school diploma make up a large portion of workers within restaurants (27 percent) and hotels (18 percent) relative to the entire private sector (13 percent). This is also true for workers with a high school diploma as their highest level of educational attainment: that describes 31 percent of restaurant workers and 31 percent of hotel workers, compared to 23 percent of workers in the private sector overall. Limited educational attainment among workers in hospitality reinforces the difficulty in redeploying these workers into other sectors and roles within the labor force.

Figure 8

New York City’s hospitality industry employs a greater share of employees with less than an associate degree than does the private sector overall.



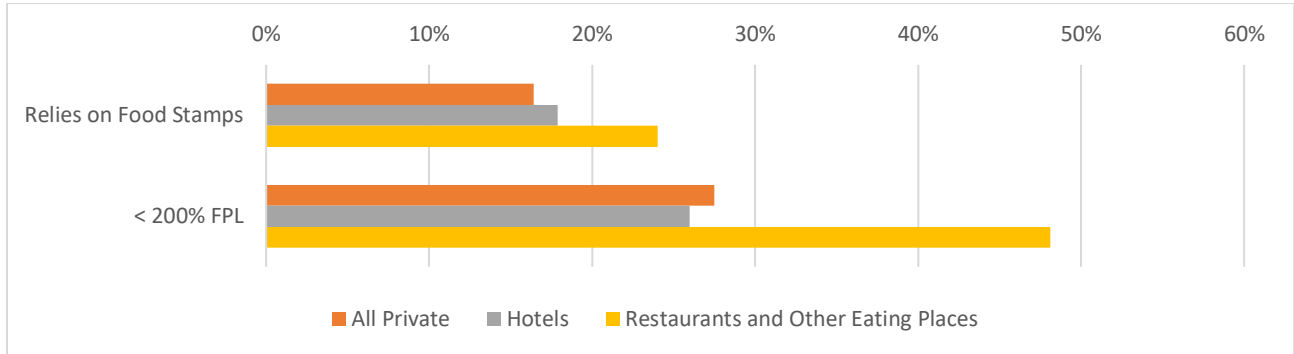
Source: Authors' analysis of American Community Survey 2018 5-year sample. IPUMS USA, University of Minnesota, www.ipums.org.

Hospitality workers in New York City are more likely to be reliant on public assistance and live below 200 percent of the Federal poverty line than the rest of the city’s private sector workers. Figure 9 highlights this disparity. It shows that workers employed in restaurants and hotels are more likely to utilize food stamps (24 percent and 18 percent, respectively) compared to those in

the entire private sector (16 percent). Before the pandemic, nearly half (48 percent) of restaurant workers in New York City lived below 200 percent of the Federal poverty line, compared to 26 percent in the entire private sector.

Figure 9

New York City’s hospitality industry employs a greater share of employees who are reliant on public assistance programs like food stamps and who live 200 percent below the Federal poverty level.



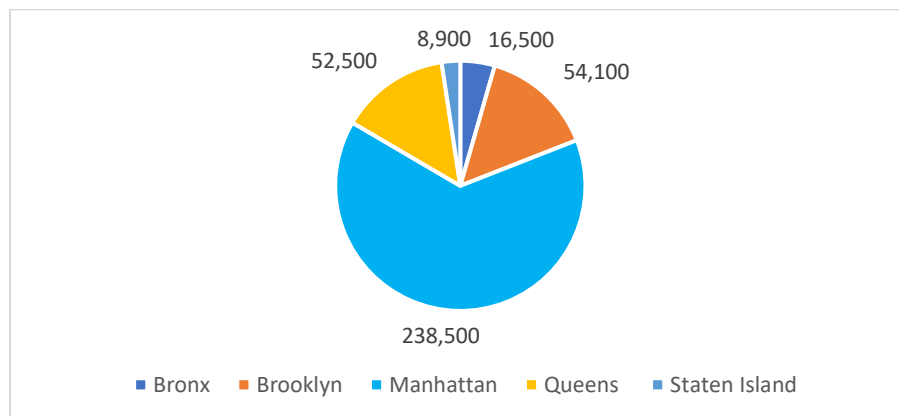
Source: Authors' analysis of American Community Survey 2018 5-year sample.

7. Pre-pandemic hospitality employment levels by borough.

The location of hospitality employment in the city is uneven across the boroughs. Figure 10 shows, perhaps unsurprisingly, that Manhattan accounted for 64 percent (238,500) of the city’s pre-pandemic employment within the hospitality industry. Brooklyn and Queens accounted for 15 and 14 percent, respectively, of all hospitality jobs. (Figure 10 indicates the location of hospitality jobs and is not reflective of workers’ borough of residence.)

Figure 10

Most pre-pandemic hospitality industry jobs were in the borough of Manhattan.



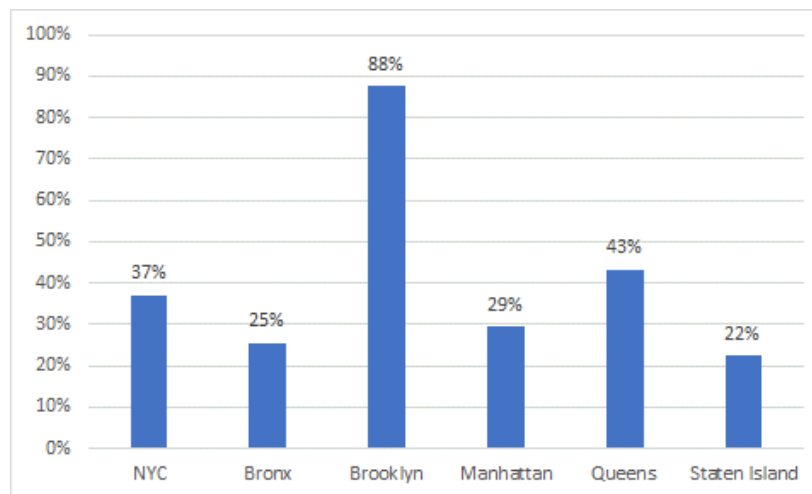
Source: BLS, Quarterly Census of Employment and Wages, 2019

8. Hospitality industry employment grew rapidly from 2011-19.

In addition to the strong real wage gains throughout the sector between 2011 and 2019, the number of hospitality jobs rose rapidly over that period. As noted earlier, during those years, New York City hospitality industry employment grew by 37 percent, or over 100,000 jobs, and hospitality was a major contributor to the historic 25 percent citywide job growth from 2011-2019. Figure 11 shows the job growth rates across boroughs. Hospitality jobs grew most rapidly in Brooklyn and by at least 22 percent in every borough. Brooklyn added over 25,000 hospitality jobs in the eight years before the pandemic but with its much larger base, Manhattan added over 54,000 hospitality jobs. This employment growth is reflective of record numbers of tourists visiting New York City during those years.⁵

Figure 11

Led by Brooklyn, hospitality jobs grew rapidly, 2011-19.



Source: BLS, Quarterly Census of Employment and Wages, 2011 and 2019

9. Manhattan suffered the greatest decline in hospitality jobs during the pandemic.

Across all New York City boroughs, employment levels within the subsectors of hospitality declined during the first months of the pandemic. Figure 12 shows this employment decline within each borough, by hospitality subsector, between February and September 2020. The September 2020 employment level provides a reasonable sense of the economic impact of the pandemic effect since some jobs were able to come back in the first few months following the near-total industry shutdown as of April of 2020. Manhattan had the greatest job decline, losing 71 percent of hotel and 62 percent of full-service restaurant jobs. While Staten Island has relatively few jobs in the hospitality industry; it also experienced a 56 decline in employment for

⁵ New York State Comptroller, *The Tourism Industry in New York City: Reigniting the Return*, April 2021. <https://www.osc.state.ny.us/reports/osdc/tourism-industry-new-york-city>

hotels and “other food service.” In Brooklyn, Queens, and the Bronx, there were 30 percent-plus job declines in full-service restaurants, 40-50 percent declines in the “other food service” area, which includes bars, but only 10-20 percent job declines in limited-service restaurants.

Figure 12

Manhattan saw the greatest percent employment decline across the boroughs by hospitality industry subsector in Feb.-Sept. 2020, though all boroughs faced significant job loss.

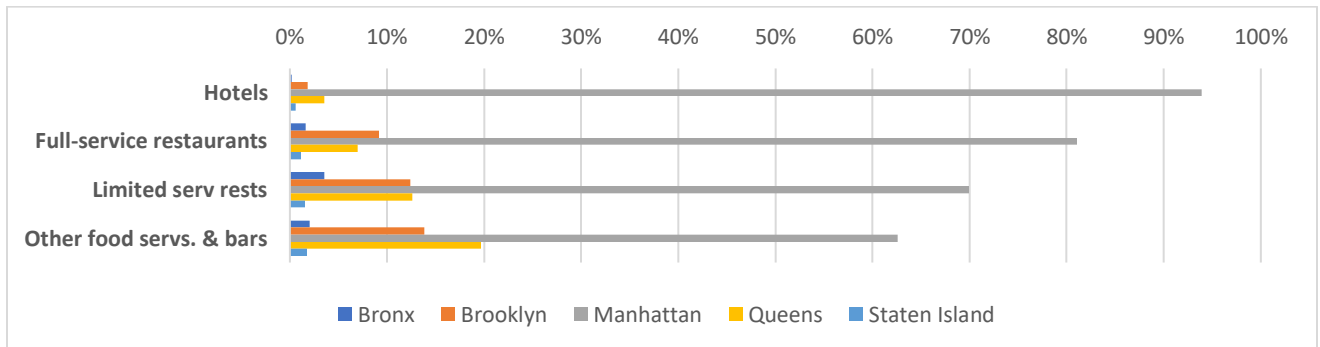


Source: BLS, Quarterly Census of Employment and Wages; February-September 2020

While Figure 12 shows the percent decline in hospitality employment within each borough for February-September 2020, Figure 13 highlights the concentration of employment decline across the boroughs by hospitality subsector. For hotels, 94 percent of total net job loss in this period occurred in Manhattan. Similarly, 81 percent of full-service restaurant, 70 percent of limited-service restaurant, and 63 percent of other food service job declines occurred in Manhattan.

Figure 13

Hospitality industry job losses were overwhelmingly concentrated in Manhattan.



Source: BLS, Quarterly Census of Employment and Wages; February-September 2020

10. Workforce implications for a sluggish hospitality industry recovery.

While Covid-19 has caused serious harm to industries throughout the city and across the nation, it is difficult to overstate the severity of the pandemic's impact on the New York City hospitality industry. The prolonged closures of restaurants and hotels have left thousands of workers furloughed, in many cases for more than a year. The slow return of outdoor dining and travel notwithstanding, the reality is that the livelihoods of tens of thousands of hospitality industry workers and the fate of many small, locally-owned restaurants were largely sacrificed to ensure the safety and recovery of the city from the pandemic's deadly public health consequences.

As this report has detailed, hospitality employment is notable for concentrations of young, Latinx and Asian workers, those with limited educational attainment, and the working poor. Many positions within hospitality have no education or certification requirements; some offer stable scheduling, minimum wage standards, and flexibility for workers. The damage to the hospitality industry, where the full recovery of employment levels remains dependent on checking the spread of the pandemic and rebounding tourism rates, will force many of the industry's workers to seek jobs in other industries. Unfortunately, industries that have worker demographics like those in hospitality, such as retail trade, also face an uncertain path toward economic recovery.

With that in mind, we conclude this report with a brief look at the challenges to recovery faced by the hospitality industry and its workforce.

11. Segment-specific hospitality industry and workforce challenges.

Hotel Industry

Key jobs within the hotel segment, typically staffed by entry-level workers, such as room attendants, housekeepers, mini-bar or stocking attendants, front desk, reservation agents, and "front of house" workers, were almost entirely furloughed during the pandemic.

Pre-pandemic, hotels in New York City offered some of the highest pay levels of any service industry in the city, particularly for workers without high levels of education. Hotel work was also known for offering advancement opportunities with a corresponding pay ladder for workers. Workers employed in unionized hotels, located primarily in Manhattan, earned, on average, nearly 50 percent more per hour than those in non-unionized hotels. Their benefits, including healthcare insurance coverage, paid time off, and an indefinite "right to recall" to their jobs have been highly valuable to them during the pandemic. Unions also were essential in establishing workplace safety protocols around social distancing, physical barriers, and air quality standards.

At this writing, thousands of hotel workers remain furloughed. The continued pandemic and halting tourism recovery will continue to delay the full recovery of the hotel subsector. In the interim, some legislators have proposed enabling the New York Housing Trust Fund Corporation to purchase vacant hotel rooms to serve as housing for unhoused and low-income

New Yorkers, a practice attempted in New York City during the pandemic.⁶ At the same time, a longstanding proposal to require developing new (and, likely, mostly non-union) hotels to be approved through the City's Uniform Land Use Review Procedure remains an issue.

As concerns over social distancing and in-person interactions persist, positions like bellhops, front desk attendants, door greeters, and phone operators are not likely to readily return to pre-pandemic employment levels. Some of these positions may ultimately be replaced by technology like self-check-in service, QR-coded room keys, and a reliance on guests to self-order app-based transportation and use platforms to find restaurants and attractions, instead of using hotel concierge services. Because hotels are placing increased attention on safety and health standards, this will, on the other hand, underscore the importance of jobs like housekeepers, room attendants, and other maintenance staff.

Working with the Consortium for Worker Education, the Hotel Trades Council union is providing six-week training classes in basic computer literacy and English-as-a-Second-Language to union members to bolster their skills when they return to work. The initial phase of this program will serve 150-200 hotel workers and entail 36 hours of classroom instruction.

Restaurant Industry

As this report has shown, restaurants suffered a precipitous employment decline during the Covid-19 pandemic. Eater NYC, a publication by Vox Media focused on food-related news, suggested that at least 1,000 restaurants had permanently closed as of March 2021.⁷ In more recent months, restaurants have begun to reopen, spurred by the City's outdoor dining and Open Street plans and increased levels of vaccination.

The pandemic also forced other adaptations among surviving restaurants. Meal delivery became more important, which shifted the roles of existing workers. Restaurants invested more heavily in take-out supplies and began relying more heavily on app-based delivery services.

The Federal Paycheck Protection Program established in the spring of 2020 offered some initial relief to restaurants; its loans, however, were not sufficiently tailored to restaurants, where keeping employees on the payroll was not always possible. The Restaurant Revitalization Fund (RFF), passed under the American Rescue Plan Act in March 2021, sought to remedy this by offering more flexible funding available for rent payment, payroll, vendor expenses, and pandemic-related debts accrued by restaurants. The RFF has played an essential role in rent relief, helping to ease lease negotiations with landlords and dissuade landlords from delaying agreements contingent on future Federal funding. The New York State Eviction Moratorium also has helped stave off evictions by suspending personal liabilities for commercial leases.

For workers, Covid-19 has caused significant safety and earnings challenges. Workers have had to weigh their health risk and exposure against keeping their jobs. Workers reliant on tips saw

⁶ Parker, Will. *Closed Hotels to Get Second Life As Housing Under Newly Passed Bill in New York State*. Wall Street Journal. June 20th, 2021. <https://www.wsj.com/articles/closed-hotels-to-get-second-life-as-housing-under-newly-passed-bill-in-new-york-state-11624194000>

⁷ Fortney, Luke. *A Running List of Restaurants That Closed in NYC*. March 19th, 2021. NY Eater. <https://ny.eater.com/2021/3/5/22309128/nyc-restaurant-closings-march-2021>

their incomes plummet due to reduced dine-in customers. In New York, the State Labor Department allows food service employers to apply a \$5 hourly “tip credit” toward the State’s \$15 minimum wage standard, leading to a cash wage paid by employers of just \$10 an hour.⁸ In response, tipped workers in food services in New York and several other states have mounted a One Fair Wage campaign to require employers to directly pay the “full minimum wage” without regard to a tip credit.⁹

The hardships of the pandemic, however, have also resulted in a surprising outcome across the restaurant industry – a labor shortage. Increasingly, workers are engaging in what has been deemed “the great resignation,” quitting at exceptionally high rates.¹⁰ While this trend is not unique to the restaurant subsector, given the steep decline in restaurant jobs that resulted from the pandemic it has surprised some economists. According to the Bureau of Labor Statistics’ monthly data on job openings and turnover, the restaurant industry nationally has seen record numbers of restaurant workers quit their jobs despite record levels of job openings.¹¹ Some economists insist the situation is more likely one of a “wage shortage” rather than a “worker shortage.”¹² While many New York City restaurant owners have spoken out about the difficulty in recruiting workers to return, there have been no press reports of a similar problem encountered by hotel employers. As noted earlier, wage and benefit levels in union New York City hotels are considerably higher than in restaurants.

Concerns over wages and benefits, safety standards, and the ongoing trauma of the pandemic may all help account for this phenomenon.¹³ Restaurant workers faced grave decisions this past year – long-term unemployment or oftentimes precarious and potentially dangerous face-to-face work. Uncertainty and reluctance to re-enter the job market seems shouldn’t be surprising for these workers on the frontline.¹⁴

Bars, Catering, and Other Food Services

The “other” subsector housed within the hospitality industry includes bars, catering providers and other contracted food services such as corporate cafeterias. The challenges faced by this subsector are like those faced in full- and limited-service restaurants. The rebound of bars remains dependent on the return of in-person office work and improvements in reducing the risk of virus transmission. The demand for catering services is linked to the return of social activities like weddings, business-related events and holiday parties, and the resumption of fundraising

⁸ New York State Department of Labor, *Minimum Wage for Tipped Workers*. <https://dol.ny.gov/minimum-wage-tipped-workers>

⁹ Campaign Website, *One Fair Wage: About*. <https://onefairwage.site/about>

¹⁰ Hsu, Andrea. *Millions Of Workers Say, ‘I Quit’ As Restaurants and Hotels Reopen*. NPR. June 26th, 2021. <https://www.npr.org/2021/06/26/1010521131/millions-of-workers-say-i-quit-as-restaurants-and-hotels-reopen>

¹¹ U.S. Bureau of Labor Statistics, “Job Openings and Labor Turnover, July 2021,” September 8, 2021. <https://www.bls.gov/news.release/pdf/jolts.pdf>

¹² UC Berkeley Food Labor Research Center, *It’s a Wage Shortage, Not a Worker Shortage*. One Fair Wage. May 2021. https://onefairwage.site/wp-content/uploads/2021/05/OFW_WageShortage_F.pdf

¹³ Cohen, Patricia. *Where Jobless Benefits Were Cut, Jobs Are Still Hard to Find*. New York Times. June 27th, 2021. <https://www.nytimes.com/2021/06/27/business/economy/jobs-workers-unemployment-benefits.html?smid=tw-share>

¹⁴ Parrott, James. *Job Market Behavior in a Pandemic – No Easy Answers*. The Center for New York City Affairs. May 20th, 2021. <http://www.centernyc.org/reports-briefs/2021/5/20/job-market-behavior-in-a-pandemic-no-easy-answers>

galas. The City has worked to limit some of the hardships facing bars across the five boroughs by enacting a temporary liquor license process to aid the opening of new and previously shut-down institutions. Ultimately, the “other” subsector is reliant on the more complete return of tourism and office work to achieve a full recovery.

Delivery Work

While workers in the hotel and restaurant subsectors were furloughed or laid off in droves, employment in delivery work skyrocketed during the pandemic. The explosion of delivery work, as a matter of convenience for homebound New Yorkers and survival for restaurants teetering on the brink, also became a lifeline for workers in jobs buffeted by the pandemic. Delivery work, primarily through app-based platforms like Uber Eats and Door Dash, was an opportunity to continue working and earning money quickly, without stringent employment requirements.

Though delivery work likely peaked during the pandemic, many app-based delivery jobs are likely to continue as part of the “gig economy” that has grown in the past decade. Convenience in food ordering and delivery with labor services arranged through a digital platform, or app, has become a new and highly problematic terrain for labor. The lack of payroll data on delivery workers who are classified as independent contracts makes it difficult to determine the exact employment growth; estimates of fulltime delivery workers ranges from 60,000 up to 80,000 during the height of Covid-19.¹⁵ While current app-based delivery platforms focus on food delivery services, expansion into the delivery of other goods, such as medication, pet supplies, home goods, and other items, may spur future growth in delivery work demand.

While many of the app delivery services that are publicly-traded companies have not reported high profits, some do handsomely compensate their top executives. For example, *The Wall Street Journal* reports that DoorDash’s founder and CEO received stock worth more than \$400 million in 2020, noting that this was among the biggest executive compensation packages “ever awarded” in any industry, particularly striking since the company is not even included in the S&P 500 index.¹⁶ Needless to say, this incredibly lucrative executive compensation has not trickled down to delivery workers.

A recent study by Cornell University researchers that draws on a survey of 500 app-based delivery workers provides the first detailed look at the highly troubling labor practices prevailing in New York City’s restaurant delivery business.¹⁷ Key findings of the Cornell report include:

- The average net pay of delivery workers, net of expenses and tips, was \$7.87 an hour, about half of the New York State minimum wage for New York City;

¹⁵ Maria Figueroa, Ligia Gualpa, Andrew Wolf, Glendy Tsitouras, and Hildalyn Colon Herenandez, *Essential but Unprotected: New York City’s App-based Food Delivery Workers*, Cornell University ILR School Worker Institute, September 2021.

¹⁶ Theo Francis, “Palantir and DoorDash CEOs Top List of Biggest Pay packages in 2020,” *The Wall Street Journal*, June 3, 2021. https://s23.q4cdn.com/407969754/files/doc_financials/2021/q1/Q1-2021-Supplemental-Slides.pdf

¹⁷ Maria Figueroa, Ligia Gualpa, Andrew Wolf, Glendy Tsitouras, and Hildalyn Colon Herenandez, *Essential but Unprotected: New York City’s App-based Food Delivery Workers*, Cornell University ILR School Worker Institute, September 2021.

- Two-thirds of delivery workers report that they regularly work at least six days per week, and 85 percent said delivery work was their main and only job;
- Almost all delivery workers are persons of color and immigrants with many lacking documentation needed to receive unemployment insurance or other forms of government assistance;
- While three of every five delivery workers are under 30 years of age, two of every five also support a child or family member with their delivery earnings;
- Survey respondents indicated that the pandemic was the most cited reason for doing delivery work since many had been displaced from jobs in restaurants, retail stores or construction, and delivery was the only work they could find;
- The survey results revealed that the already precarious work conditions of food delivery workers only worsened during the pandemic, with more frequent problems due to under-payment of base pay and tips; and
- The survey documents the danger and risks incurred by New York City restaurant delivery workers: half of survey respondents reported having been in an accident while doing a delivery, 54 percent experienced bike theft, and about 30 percent of these said that they were physically assaulted during the robbery.

The Cornell report notes that since app-based delivery workers are classified as independent contractors they lack all basic labor and employment protections, and states that “the protections that are currently offered to independent contractors in New York (State and City) do not address the most pressing issues that app-based workers are facing.”¹⁸ New York City recently acted to make permanent a 15 percent cap on the charges the delivery platforms impose on restaurants, an action that mainly benefits locally-owned restaurants since large fast-food chains often negotiate lower fees. However, DoorDash, GrubHub, and Uber Eats have filed suit in federal court challenging the legality of the permanent cap.¹⁹

Legislation currently under consideration by the New York City Council would require a study to determine an appropriate minimum pay standard for app-based food service delivery workers. This follows the successful implementation by New York City’s Taxi and Limousine Commission of a minimum pay standard for app-dispatched for-hire vehicle drivers.²⁰

¹⁸ Figueroa, et.al., *Essential but Unprotected*, p. 5.

¹⁹ Heather Handddon and Preetika Rana, “GrubHub, DoorDash and Uber Eats Sue New York City Over Fee Caps, The Wall Street Journal, September 10, 2021.

²⁰ The study on the impact of a driver minimum pay standard for the Taxi and Limousine Commission was prepared by the Center’s James Parrott together with Michael Reich of the University of California at Berkeley, Parrott and Reich, *An Earnings Standard for New York City’s App-based Drivers*. Center for New York City Affairs and UC Berkeley Center on Wage and Employment Dynamics. July 2018.

<https://static1.squarespace.com/static/53ee4f0be4b015b9c3690d84/t/5b3a3aaa0e2e72ca74079142/1530542764109/Parrott-Reich+NYC+App+Drivers+TLC+Jul+2018jul1.pdf>

Parrott and Reich were joined by Dmitri Koustas of the University of Chicago in a December 2020 report assessing the impact of the first year of the New York City driver pay standard, Dmitri Koustas, James Parrott and Michael Reich, *New York City’s Gig Driver Pay Standard: Effects on Drivers, Passengers, and the Companies*, Center for New York City Affairs, December 2020.

https://static1.squarespace.com/static/53ee4f0be4b015b9c3690d84/t/5fcfc3dda8cbdc2f053a82fc/1607451614588/DriverReport_Dec8th.pdf

Los Deliveristas Unidos, (LDU) a collective within the Workers Justice Project, has organized and advocated for protections for delivery workers. In a recent statement, Los Deliveristas Unidos outlined their key agenda items: essential protection from e-bike robberies, wage theft, the right to a living wage, the right to access restrooms from restaurants, the right to organize, and the right to a public space to eat, rest and be protected from weather. The union has developed alliances with entities such as 32BJ, Transit Workers Union, and other hospitality groups interested in worker protections. LDU has done extensive work to engage workers, organize rallies, and elevate key issues to protect delivery workers on the frontline.²¹

12. The road from here - rebuilding toward resilience

As this report has detailed, the slow recovery of the hospitality industry will continue to impact thousands of workers dislocated by the Covid-19 pandemic, many of whom have experienced long-term unemployment. The hospitality industry may not be able to offer similar employment levels for workers to return to for years to come, if at all. This report has shown that workers within hospitality have limited levels of educational attainment, are disproportionately foreign-born, Latinx and Asian, with many among the working poor. These demographics underscore the hospitality industry as an essential employer of entry-level workers. Entry-level positions available in other industries, such as retail trade, also face a similarly uncertain path toward recovery.

In this context, workers previously employed in the hospitality industry will require robust training offerings and support to redeploy to other industries within the city's economy, such as manufacturing, healthcare, and technology. The City can play an important role in investing in these workers and in supporting locally-owned hospitality businesses through wage subsidies to ensure a more complete recovery from the adverse economic effects of Covid-19.

²¹Los Deliveristas Unidos, *About Us*. <https://losdeliveristasunidos.org/about-us>