Labor Crisis in the Food Service Industry

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Millions of restaurants had to lay off staff in March 2020 due to closure mandates to protect workers and clients from COVID-19. The food and beverage industry lost over 5.3 million employees in March 2020 (Figure 1) because of the pandemic, and even with a slight uptick in jobs since then, the industry is still short 2 million employees to be staffed-up to the level they were back in February of the same year (U.S. Bureau of Labor Statistics 2021). Almost a year later and most states are attempting to reopen business, including restaurants, to full service. Demand is high – the number of reservations made weekly and gross sales are breaking records in many restaurants. But the food-service staff are not coming back.

This leaves the staff members who did return to their restaurant jobs exhausted, over-worked, and unable to meet these new expectations from the customers. Restaurant managers and owners are frantically trying to staff up, offering bonuses for staff members that can recruit entry-level employees, paring down menus, and reducing operation hours (Raskin 2021). According to Eater.com, the labor shortage in restaurants stems from the wages employers are willing to pay not being worth the risk of an unprotected work environment from COVID-19 (De Valle 2021). The average wage for a restaurant cook is only $14.20 per hour, according to the Bureau of Labor Statistics, which is compounded with limited to no benefits, long hours, and harsh conditions (Bureau of Labor Statistics 2020). The restaurant industry is known to be a fickle one, and therefore it is hard for restaurants to maintain their staff in these difficult times due to the pandemic, let alone hire new staff. However, others attribute the lack in rehiring of workers to the national unemployment benefits acting as a reverse incentive to returning to work. The Biden Administration extended Pandemic Unemployment Assistance through September 6, 2021, meaning the federal government will continue to provide the unemployed an additional $300 in unemployment benefits to their state allowance (U.S.

Department of Labor 2021). These benefits are allowing the restaurant workers that were laid off in March 2020 to live comfortably without risking coming back to a food service job that can be shut down and reopened without warning. However, it is not clear that the unemployment benefits are a direct factor in the lack of demand for food service labor.

I intended to not only explore the challenges of the industry up to this current point in time but to also explain the possible reasons for the shortage what could return the labor supply to what it was before the pandemic. After working in the food service industry for five years doing jobs stemming from full front-of-house service (serving, hosting, support staff, barbacking, etc.), management, and back-of-house (expo, food prep, line cook), this past year with the effects of the pandemic has revealed a lot about the industry to me – about being laid off in March, being hired back in April, and being paid $10/hour as the only non-management employee at a restaurant. In the past four months, I have worked more doubles with little to no break than I have ever worked in the entire five years I have worked in this industry. Seemingly overnight, business has ramped up from seeing no customers on a Saturday night to seeing over 400. With less than 12 servers on a shift, each and every employee *feels* the hiring shortage in each and every shift. This hiring crisis is important to study because of the serious effects it has on the industry, the state of small businesses, and the role the federal government in making labor decisions. Congressional representatives from both the right and left are currently debating how unemployment insurance (UI) benefits are affecting the labor market. The recovery bills that have been passed in March 2020 up until the current administration increase unemployment insurance benefits to allow people in high-risk industries to stay out of work and lower the chance of them contracting the coronavirus. However, it is now widely debated in political and economic spheres whether these benefits are preventing workers are coming back to their jobs.

But with the food-service industry, I believe is far more complicated. This entire year has been an anomaly in the industry and prompted me to look into it a little further.

My research began with why food service workers are not returning to their jobs in restaurants. However, it certainly splintered into whether the hiring shortage a direct reflection of where the industry has been headed or if it has more to do with the effects of the pandemic – safety and unemployment insurance benefits. These are not only questions I ask in preparation to research but ones that I have asked myself over the past six months. Even though the industry is known to be toxic and unsustainable, the people who work in it come from all different walks of life, have different ideas of what the industry can do for them, and have different perceptions of food service. When I began to do research on the industry's hiring crisis, I doubted that unemployment insurance benefits were the only reason, or the primary reason, for the lack of applicants to restaurants in the past year. However, I had little idea how complex the answer or non-answer would be and how deeply rooted this issue was, pre-dating the pandemic and therefore, heightened by it.

In "Moral Hazard versus Liquidity and Optimal Unemployment Insurance" written by Raj Chetty of University of California, Berkley and National Bureau of Economic Research connects why unemployment insurance (UI) benefits impact job search behavior. In studies done by Moffitt (1985) and Meyer (1990), which are referenced in this paper, quantitative evidence reveals that a 10% increase in unemployment insurance benefits can cause an increase in unemployment durations by 4-8% in the U.S. Additionally, these connections are related to more of a reactive behavior of unemployed Americans that UI distorts the relative price of consumption which in turn causes short-term elongated unemployment periods. Chetty questions whether this link between UI and longer durations of unemployment is solely due to moral hazard, which is defined as a situation where someone gets involved in a risky event, typically financially, knowing that another party will take the burden of that cost. Chetty asks if UI benefits prolong unemployment periods only because people recognize them as a fallback for the risky situation of remaining unemployed. Throughout Chetty's research, it became clear that moral hazard was not the only technical reason for the elongated periods of unemployment – the liquidity effect also plays a role in this trend. The difference between the two lying in whether one is "welfare-enhancing" like the liquidity effect or "welfare-reducing" moral hazard effect (Chetty 2008). Chetty found that 60% of the marginal UI benefit effects on unemployment durations can be attributed to the liquidity effect and not to moral hazard, which in a subtle way disproves the theory that unemployed workers are staying out of the labor force because of their reliance on the 'safety net' that is higher UI benefits. This question could help me define one of the reasons why restaurant workers are not returning to their jobs post COVID-19 layoffs. While this paper will only contribute a small portion to answering my research question, it can provide substantial quantitative evidence to why moral hazard could play a role in this phenomenon.

The paper "Labor demand in the time of COVID-19: Evidence from vacancy postings and UI claims" by Eliza Forsythe, Lisa B. Kahn, Fabian Lange and David Wiczer uses current unemployment data gathered in the time of COVID-19 and compares them with UI data to show the impact of the pandemic on the labor market. Between mid-March 2020 and late April 2020, over 30 million UI claims were filed, and the rate of exit from employment to non-employment increased from 3.5% in February to 20% in April. However, it is important to note that the majority of these separations were reported as "temporary" (Forsythe et al 2020). They also found variations of these declines in employment and job postings between different industries – leisure and hospitality demonstrated the largest losses with job postings fall below

50% of the initial level in February 2020. “The labor market is currently experiencing unprecedented weakness” (Forsythe et al 2020). The study found that the stay-at-home orders were not the only measure that contributed to the economic collapse and cited the patterns of substantial UI claims – especially of those in the hospitality industry. This suggests that there are other reasons food service workers were leaving their jobs or getting laid off in 2020 than just COVID-19, which also leads me to believe that there are other reasons than UI benefits why they are not returning to those jobs.

> “Consistent with the notion that the virus itself is the culprit of the disruption, rather than state restrictions, we do see modest evidence that early COVID spread predicts the magnitude of the labor market collapse in the state. We therefore conclude that the damage to the economy is unlikely to be undone simply by lifting the stay-at-home orders” (Forsythe et al 2020).

The findings from this paper are current, relevant and thought-provoking in my own research and provides preliminary evidence to why this labor market collapse is more complex than unemployed workers resorting to moral hazard with UI benefits.

The peer-reviewed article “Restaurants’ bailout problem: Unemployment pays more” published in Politico and written by Ian Kullgren claims that the restaurant industry needs a targeted recovery fund due to the handsome UI packages that have been passed since the coronavirus first occurred. Kullgren also asserts that it is because these UI benefits that restaurant workers are not returning to the jobs they were let go from in early March 2020. The article cites the National Restaurant Association which gave Congress new data stating that 60% of restaurant owners believe “existing assistance programs, including PPP, are insufficient to keep employees on payroll” (Kullgren 2020). This is crucial to my research because it shows more of the perspective of restaurants and more qualitative data that can supplement my own. This also shows some of the potential fears and shortcomings of restaurant owners which can inform some of the questions I could ask them in my interview process.

Jed Kolko, the Chief Economist at Indeed, discovered in his recent research for the Hiring Lab, “Job Search Activity Jumped Temporarily in States Ending Federal UI Benefits”, that job search activity increased in states that announced that their federal UI benefits will end. This stands to prove that UI benefits do have a significant effect on unemployment patterns, if it were not for the subsequent evidence to prove that these jumps in job search activity were “modest, brief, and across many occupational sectors” (Kolko 2021). According to the Hiring Lab, nearly two dozen states will cut off the enhanced federal UI benefits which included the state standard level for UI and an additional $300 weekly. Kolko highlights the complexity of the criticism towards UI benefits:

> “The disincentive effect of these benefits is very hard to measure since they coincide with numerous other factors potentially affecting labor supply, like health risks, caregiving challenges, and eagerness to enjoy a vaccinated, reopened summer.”

While politicians have placed sole emphasis on the effects of the UI benefits as the cause of the failing labor market, this new data from Indeed reveals the reason workers are not returning to their jobs, even in other sectors, is far more complex than the presence of enhanced UI benefits. On the day that states announced that they would curtail additional federal benefits, Indeed saw a 5% increase in clicks on job postings, but also saw this jump completely vanish by the eighth day post-announcement, subsequently dropping below the April baseline once again (Kolko 2021). Specifically, the hospitality and tourism sector saw a 6.8% increase in the share of clicks on job postings. Kolko's research clearly demonstrates the effects of these benefits were modest and temporary at best.

My approach to answer these questions was just as complex as the answers I ended up finding. In a mixed methods approach, the answers were able to reveal themselves in the research. Through selections of social artifacts from food service workers on social media, I was able to understand people's initial reactions to COVID's impact on the food service industry. These social artifacts came from Twitter, TikTok, and Instagram. These artifacts were able to capture humor and frustration over the past year about how the pandemic affected the industry, their jobs, and their livelihoods. Using content analysis, data from primary sources as they occur can truly provide another vantage point to the issue. Combined with content analysis, through Qualtrics, I administered a survey of about 16 questions through social media and through work channels of people working in restaurants. Specifically, the survey traveled through Instagram, Facebook, Snapchat, 7Shifts, and through specific text chains. A link was sent and a total of 119 people who self-claimed to have worked in the food service industry voluntarily took the survey which was coded to prompt different questions based on different initial responses. The survey itself was composed of both quantitative and qualitative questions to gauge how restaurant workers reacted to COVID and other aspects of the industry. The survey asked about basic demographics – age and gender – and whether they have worked in the food and beverage industry. There are specific questions about their experience with lay-offs, roles in restaurants, unemployment insurance benefits and other financial hypotheticals. Along with the multiple choice and yes-or-no questions, the survey asks short answer questions that are optional for respondents to answer. They allowed respondents to share in more detail their experience with the industry in general and with the past year working in restaurants. Most did not answer these but the 67 respondents who used the survey as a platform to air their thoughts on the industry revealed a lot more than I had initially expected from the survey. Being able to contrast quantitative questions and qualitative ones on the same survey, it yielded better and more comprehensive results than without the mixed methods approach. Respectively, the final and most weighted part of my research were the in-depth interviews that I conducted with four individuals from different facets of the industry. I talked to a chef, restaurant owner, unemployed restaurant worker and Indeed Senior Fellow analyst. These conversations were held over Zoom calls and lasted from 20 minutes to an hour. In these conversations, I was able to gain invaluable insight on the current crisis in the food service industry otherwise not quite attainable just through anonymous surveys. In using the interpretivism-constructivism epistemology paradigm to conduct research about this topic, I can further understand the details and richness of how the labor shortage is impacting all parties involved. The interviews informed me on the complexities of the labor shortage from multiple points of view.

The survey was the most challenging to analyze because of the coding procedure and sifting through the answers and non-answers to the questions. I first administered the survey June 7, 2021 and received responses until June 25, 2021. After deleting the bot responses in Qualtrics, I exported the results into Excel to recode illegible data. These data were altered from “1”s and “2”s to “0”s and “1”s to ensure that the regressions and analysis could be read easily and thoroughly. This process is crucial to understanding what these data are because unless the program can read the numbers, then the results are meaningless. Then, I opened a new script in RStudios, imported the data set at began to run regressions on these data.

In filtering through social media platforms like TikTok, Twitter, and Instagram, the majority of posts surrounding the food service industry reflected massive amounts of frustration and self-deprecating humor. In an Instagram post made by Chef Jeremy Fox of Rustic Canyon, Tallulas Restaurant, and Birdie G's on March 30, 2021, there is a photo on a chef wearing a facial covering in a lonely kitchen with the words written "when you're hiring cooks, but so is every restaurant." The post is captioned with a universal job listing as the restaurants "expand [their] hours and capacity." The comment section is flooded with similar thoughts about the industry. User @mucho_comida writes "…and they're happy at home with the stimmy [stimulus check]." User @adambomb523 writes "I feel ya chef. Our restaurant is busier than ever AND we have a new concept going up in a month. Good help is hard to find." Posts like these that have humorous undertones but reveal much more about the current problems that the industry faces and the severity of those problems. Chef Fox's post also demonstrates that the lack of applicants to fill in these restaurant positions is industry wide.

Posts from a user on TikTok named @iluvd1lsz (otherwise known as Gabrielle) in a three-part series on what it is like to serve tables right now comments on challenges of each type of employee in a restaurant. She writes and sarcastically acts out "managers scheduling teens to work 8 shifts in a row," "customers verbally abusing the staff," "back of house talking abt k!lling front of house," "cooks getting burnt for the 6292927th time this week," and more in all three videos which have accumulated a combined 1.4 million views since the first video was posted May 29, 2021. The comments on the videos from other users reflect commonalities and a relatability shared by the creator and viewers about their frustrations with the food and beverage industry. One user (@_brianna_.mae_) writes under the first post "I think you forgot the part where the manager comps things off the verbally abusive customers bill" on May 30, 2021. Another (@Timdede) writes "But I wouldn't want it any other way. Server life is for the strong only lmao" to which the creator commented back "Factual" on May 30, 2021. User

(@halledolce) writes under the second video "my managers hop on the grill line bc we don't have enough cooks" on June 7, 2021. The thousands of commenters on these three videos not only revel in the humor and irony of them but also relate to the exhaustion of working in the industry presently. They have also experienced the high demands and expectations of customers returning in high waves to dining at restaurants. They have also experienced the lack of coworkers to cover a shift if they need it or hop on the line. They recognize the tensions deeply established between front-of-house and back-of-house staff. What is important to notice is the demographic that is highlighted in these social artifacts – students, young adults, and teenagers are the ones most affected by the toxicity of the food and beverage culture. As they are balancing multiple jobs, school, and personal lives, they are dealing with all the challenges of their job mentioned before. And amidst all of the complaints, another agreed sentiment is that the industry sucks them in, keeps a grasp on them. There currently is not enough staff to prevent burnout in the remaining employees, and this universal burnout, high-stress, high-intensity industry that is post-COVID 19 lockdowns creates an entirely more toxic work environment for everybody from management down to bussers. This perpetuating toxicity brought on by the effects of the pandemic is worsening the state and perception of the industry to where laid-off employees do not want to come back and prospective employees are not applying to restaurants.

Patrick Whalen, owner of 5th Street Group – a restaurant group based out of southeastern United States with high-end dining establishments in Charlotte, NC, Charleston, SC, and Nashville, TN – is very active on Twitter, expressing his opinions and feelings towards different areas of the industry. He frequently posts in multiple part threaded tweets to present a problem in the industry and his proposed solutions. In one thread posted on June 24, 2021 that began with him expressing frustrations with customers leaving negative reviews on one of his restaurants, he wrote:

> "I HATE complaining. And I don't like that Twitter has become a format for a lot of negativity. But damn man, why don't y'all just STFU up for a while and let restaurants recover a bit? You wouldn't expect a patient just out of surgery to run a marathon would you?"

Whalen has been a proponent of changing the narrative around the food service industry for years on both internally and externally. Especially after the shutdowns, loss of revenue and staff in the past year due to the pandemic, Whalen points out that restaurants are still recovering and have not built back nearly enough staff to keep up with growing demand and higher expectations. Additionally, his role as a public figure and owner of these well-known restaurants provides a shocking point of view that outsiders do not normally see from customer service professionals. No one is ever this brash with their clientele, especially in a public forum. This appears to be a breaking point of all the tension built up over the past year, or possibly just one of the first times a restaurant owner is willing to say the customer is wrong sometimes. Referenced before in the TikTok videos, it is commonly known and accepted that customers at restaurants hold much higher expectations of the servers, chefs, and management than they hold expectations for professionals in other industries. Mistakes made while dining in a restaurant often holds more weight with the clientele than in other industries. Whalen frequently acknowledges this on his social media accounts and in interviews about how this is something that needs to change about the industry so it can heal from the year-long pandemic.

The survey responses have revealed that there is a large portion of food service workers that were not laid off at the beginning of COVID-19 in March 2020. However, the ones that were laid off was a blend of those who could receive unemployment insurance benefits and those who were denied. 64% of the respondents currently work in the industry, and only 34% of the respondents were laid off in the initial shutdowns in March 2020. 53% of those laid off applied for UI benefits, and only 11 were receiving weekly benefits, the majority of those who applied were denied any benefits. In running linear regressions on the data from the survey, I found no strong correlation between UI benefits received and the current status of the food service workers.

To find out if whether the respondents applied for UI benefits during the coronavirus lockdowns had any effect on whether they are currently working in the industry, I developed my first regression model for the data set. For each additional laborer that applied for UI benefits during lockdown, they were 29% more likely to return to the industry at a statistically significant p-value of 0.372 (Figure 2). Additionally, 12% of the variation in whether the laborer returned to the industry can be explained by the UI benefits. These results demonstrate how loosely tied the increased UI benefits are with the more severe labor shortage that the food service industry is facing currently. There was a significant positive correlation between the respondents that applied for UI benefits and the ones who come back to the industry, when many politicians and economists predict that the opposite rings true -- that there is a negative trend between the two with increased UI benefits turning people away from the industry altogether.

In the end of the survey, the respondents were asked “How much in unemployment benefits would it be worth it to leave or not return to the food service industry?” on a scale from $200 to $2000. This was an interesting to see what food industry workers’ tipping point was in a hypothetical situation where they receive unemployment insurance. The responses varied from \$200 to \$2000 with the average response being \$893.79 with a standard deviation being \$473.23. The average was higher than what the majority of respondents were receiving on UI benefits, suggesting that living off UI benefits is not worth it in the long-run to restaurant workers, even if the situation is hypothetical. Model.2 was designed to discover correlations between how long someone has been in the industry and their dependence on it, basing the metrics on how much it would cost in terms of UI benefits to prevent reentry to the industry to test the popularized theory that enhanced UI benefits do in fact prevent reentry. With each additional year worked in the food service industry, the change in the hypothetical UI benefit worth staying out of the industry was an additional \$2.26, meaning there was a positive correlation between the factors (Figure 3). The longer someone has worked in the industry, the higher the UI benefit would be for them to not return to the industry. While the results were not statistically significant, they still reveal what the short-answers corroborated – the industry, despite all its self-acknowledged toxicity, has a grasp on its workers. This might seem counterintuitive for a reason for the departure of many from the industry, but after years of being tethered to working in restaurants, it is speculated that many long-standing industry workers used their unemployment as an opportunity to detach themselves from food service.

Lastly, the third model regresses the self-reported value of UI benefits the respondents received on whether they currently work in the industry (Figure 4). The results revealed an extremely small negative correlation that was statistically insignificant with a p-value of 0.863. Additionally, less than 1% of the variation in whether the respondents currently work in the food service industry can be explained by the enhanced UI benefits. Once again, UI benefits have little significant effect on the labor shortage, especially in the food service industry according to the data collected by the survey.

In asking multiple optional short-answer questions towards the end of the survey, the respondents were given the opportunity to go into further depth and detail about their experiences in the industry. The 67 respondents who shared more in these short-answer fields had slightly mixed reflections of their time spent in the food service industry. However, the consensus was that the industry is a good place for young individuals – students and otherwise – who are trying to make a little extra cash. The word "money" was found 31 out of the 67 total responses which accounts for 46% of all short answers. One respondent who works back-of-house positions wrote "It's a tireless job best suited for college students where you can make some 'ok' money, but you have to have the energy/stamina. Plus, the work hours can be crazy." Another respondent that works both front and back-of-house wrote "It's the only industry that lets me earn decent money [with] no experience." These responses show that money was a large draw for people to come back from their time on unemployment insurance benefits, even if not all of the respondents were happy with the amount of pay they were receiving upon returning to their jobs. One female employee that worked in restaurants for three years that left food service altogether and found a new job wrote "The industry needs a lot of work to fix the demands put on those who work in the food industry. No one realizes how much they do and how minimal they make for the amount they do." Words like "toxicity," "pressure," "workload" and "not for the faint of heart" were common in these responses. Workers' reflections of the industry were dismal if it were not for the "I needed the money" comments or the shared sentiment that the industry is all some of them have ever known. Despite this apparent negativity, none of the 119 respondents remained on UI benefits even with the maintained extra $300 per month from the federal government. Very few respondents did not come back to their jobs in the food service industry, and the ones that did are severely conflicted about the pay, the way they are treated, and if the industry is worth it. One of the most comprehensive responses was from a 21-year-old female who had worked in the industry for five years, was laid-off in March, applied for UI benefits, but did not receive them. She wrote:

> "Many people left the industry once they finally caught a breath of fresh air. Many were able to get their foot in the door in other industries – contact tracers, remote computer jobs, sales, etc. The service industry is tough, but once you're in it and the money is flowing, you justify it. Once the cash flow stops, you're no longer being pushed around by reticent guests and (sometimes) poor management, you found yourself a new source of income, why go back?"

Her reflections of her time in the industry pre- and post-pandemic illustrate an atmosphere surrounding the industry that many of the people surveyed have experienced as well.

This atmosphere borders between an addictive culture and a trapping one, especially to younger staff. A 20-year-old female that used to host in a restaurant was laid-off originally due to the pandemic in March 2020. She applied and collected UI benefits of the value of over $600 per week until August 2020 when her previous employer reached out to hire her back. She stayed on UI benefits for as long as she could before returning to the food/beverage job and reflected she "couldn't keep taking money from the government when I didn't need to. But it felt awful talking such a large pay cut." She briefly returned to the restaurant but was then made to work three jobs for the same pay as the host position pre-pandemic and subsequently left the industry. She returned because she has "only ever worked in food service, and since I don't have a degree, and I have to pay bills and support myself. I feel trapped. I tried to go to school while working a food service job, and I eventually dropped out." She noticed that before and after the pandemic shutdowns, the culture places heavy value on the idea of the staff being a “family” but in her experience, that masks the restaurants’ attempts to get young staffers to work more doubles and work through their breaks. She laments that the pay is insufficient for the amount of time and effort staff puts in, especially when their availability is not honored, and now that she is removed from the industry, she recognizes her dislike for it and its harsh nature. She said:

> “The food service industry can often make people feel trapped because many people start working there as a first job, and eventually they’re stuck working there in order to pay bills and don’t know where to go from there. Some people may like working in food service, and that’s great. However, for those who don’t, it’s so difficult to leave.”

Senior Fellow at the Indeed Hiring Lab and econ professor at George Washington University noted that the food service and preparation industry is “important to watch.” According to data from the Hiring Lab and Indeed.com, hiring was down 50% at its worst point in April 2020, and since February 2020, similar to the economy average, hiring is up 25% presently now. The job postings in the food service and preparation sector on Indeed have soared in the past few months as pandemic restrictions, surpassing those pre-pandemic, with thousands of restaurants searching for staff that simply are not applying. The sector was the one that took one of the largest hits to operation initially but has caught up to the economy average in job listings since their lowest point. In the scramble to get fully staffed again to meet client demand, the fellow has noticed anecdotal changes in the why job listings for restaurants have changed in the past six months – one time signing bonuses, higher starting wages, hour flexibility, shift flexibility. Workers, despite these additions to the postings, workers are finding completely different sectors to apply. Not only those other sectors seem more appealing from their wage stability and lack of toxic work environments, but the Hiring Lab discovered the trend that many of these unemployed restaurant workers took the time off to retrain and get higher paying jobs in these different sectors. No longer are these workers “not qualified” enough or “too young” for any other job, as mentioned in the self-reported short answers, but they were forced out of the industry to catch a “breath of fresh air” which would have most-likely not occurred without the lay-offs from the pandemic. The food service and preparation sector is one of exceptionally high turnover and low labor retention rates both pre- and post-pandemic, and she said the industry is a “tough one” at the lower end of pay and pay trajectory. There are simple solutions to the crisis, including paying employees more because salary is the number one factor in their eyes, however larger chains are more equipped to weather this crisis than smaller, family-owned restaurants. The industry is in a critical position, according to the Senior Fellow, which does not seem to have a quick solution, rather an industry-wide culture adjustment.

Some restaurants are slowly making cultural changes to address the labor shortage crisis. In conversation with the owner of a restaurant group based in the southeast United States, the toxicity of the culture is apparent to his staff and to himself, and he is taking measures to change the way people talk about and experience the industry. In March 2020, all of his stores closed down and they only kept 5-6 staff members on payroll, but after opening back up in the summer and fall of 2020, business ramped up and the restaurants were down 50% staff than back in February 2020. “In March, we are doing numbers that we have never seen before in Charleston,” the owner said. “We had a week in March where we ostensibly doubled our sales from one week to the next, and then it just stayed at that level. And I don’t think that anybody could have anticipated that kind of growth. This was like somebody lit a fuse.” Despite hiring throughout those early 2021 months, the restaurants were “woefully” understaffed until mid-April 2021 when they started operating between 85-90% staff. He described the record volume his stores have been experiencing since lockdowns and pandemic regulations began to relax:

> "I think the staff that we have has done an admiral job at trying to stay on top of the volume that we have. Again, when you double your sales and you are already understaffed to begin with, we were just behind the 8-ball for a while… Even though our staff makes a fortune, frankly, versus other competitive places, money is only so much of an inducement to get people to come work. You have to provide a positive and healthy work environment, especially coming out of COVID."

Part of the problem of the culture and work environment in the restaurant business is the concerning inherent wage gap between back-of-house and front-of-house staff where it is more common than not that line and prep cooks as well as dishwashers are paid at minimum wage or a low hourly, while servers and support staff have handsome tip outs at the end of the night which proves to be a $5-10 discrepancy in hourly. According to the owner of this restaurant group, the wage gap contributes greatly and perpetuates a "hyper-hostile" environment and is "inexcusable from the ownership side" to put these groups of employees "at odds" with each other. To address this discrepancy, this restaurant group employs a Tip the Kitchen initiative which allows customers to add additional gratuity at the end of the meal to tip the culinary team. The ownership then dips into profits to match the kitchen gratuity and it is then spit between kitchen staff. This has brought wages up from less than $20/hour to over $24-25/hour for kitchen staff at all of the participating stores – competitive with what servers and other front-of-house staff is earning. The initiative has also practiced server backstop to pay out servers 22% of the total bill of customers split the 20% tip between kitchen and the server. According to the initiative's

Twitter feed, the owner has contributed $121 thousand since its inception in April 2021, guests to the stores have contributed $120 thousand and therefore the kitchen staff is making $10 more per hour than the market wage (Whalen 2021). The owner of the group has seen the turnover rate in the back-of-house staff improve “dramatically” in the time the Tip the Kitchen initiative was employed, even stating that walk-in applicants communicate that they heard about the initiative and subsequently are applying for those back-of-house positions. The model seems to be effective in improving the labor crisis on the short-term, but the owner hopes to see its long-term effects, especially when the model is scaled to other restaurants. It is a concern that only large restaurant groups and corporations have the funds to accomplish this, leaving family and mom-and-pop restaurants behind, but he said:

> “When we wrote it, we wrote it with the intention of being scaled… I did it because I have real concerns about the restaurant business as a whole -- how its functioning and its liability as an industry. I think it’s part of the reason we are seeing people having second thoughts coming back to work. We need to prove that the restaurant business deserves to be here, and by doing that we need to prove that it is just as viable as other industries, but you can’t do that when you’ve got 300% turnover at your businesses.”

About a half-dozen restaurants in the surrounding area in the Southeast have submitted inquiries to this owner and his executive chef about applying this model in their establishments and has been picking up speed in the following months.

Despite this restaurant owner being adamant that the issues that face the restaurant business span vastly into the engrained culture and environments, he can see why people would be hesitant to return with the safety net of UI benefits that span from an extra $300-$900 in a laid-off employee weekly. Executive chef and partial owner of a soul food restaurant in Washington D.C. has not experienced any of the 50% staff laid-off on the outset of the pandemic in March 2020 say that they will not return because of UI benefits, but he completely understands why. When some dishwashers and line cooks are making the federal minimum wage at $7.25/hour, some of these workers have never seen $600 a week, he said. He also explained that $600 per week is not really a livable wage which puts unemployed restaurant workers at odds with their own situation – in a situation of moral hazard. Now his restaurant is not back at full strength despite continued community support and have hired back at least 75% of the staff they need to operate like they did in February 2020. They are currently trying to hire a couple of people every week to regain a strong staff to face the busy summer season. While both owners can see how UI benefits can impact restaffing on individual bases, both do not see this explanation to substantially carry through as a concerning trend for the industry. The owner of the restaurant group thinks solely placing the blame of this labor crisis on UI benefits is a "stupid partisan dog whistle. It's nonsense."

With a question so simple, the answer or answers are so complex, demonstrating that there is no consolidated solution to the labor shortage and other problems facing the food service industry. Therefore, grouping all of the apparent issues in the industry into the theory that enhanced UI benefits prevent workers from returning is ignorant to the actual advantages and life-saving abilities of the program. If it were not for the benefits, the respondents who were laid off would have no source of income at least for those first two months post-lockdown until May 2020 when restrictions started to lift. According to the survey, not one of the 11 respondents that were receiving weekly benefits are still using them, despite the additional $300 per week in federal allowance. While the case of UI benefits preventing industry reentry is plausible on an individual basis, there is no evidence – qualitative nor quantitative – that it is a phenomenon worth considerable concern. It was the pandemic that set into motion the labor crisis in the restaurant industry, but it was deeply rooted in long-standing cultural issues in food service. COVID merely cast a spotlight on the wage gaps, toxicity and time-consuming nature of the industry that can be proven in this paper to cause people to turn away from the industry if given the opportunity.

The research has illuminated so much about the industry that I have been working in for the past five years. I was one of the millions of people in the industry sector that was laid off initially in March 2020. I was the only employee brought back in April 2020 at the mom-and-pop Italian restaurant that I worked for at the time and have experience what the industry has been like before, during and after the curve of the pandemic. I have experienced the effects on fine-dining and restaurant group establishments in the past year as well, so the results and responses I have received in the past two weeks have been tantalizing to study and observe what restaurants look like through the eyes of my peers and superiors.

Constructing the survey and interpreting both the quantitative responses and short-answer ones was the simplest part of this process and just as rewarding. The short-answer responses revealed so much of the deeply felt sentiments of my working peers, and the fact that they were able to answer completely anonymously allowed more frank and valuable answers. However, the most challenging and demanding part of the research was deciding the individuals to interview at length – which people had enough experience or relevance, and which ones were comfortable enough to discuss unemployment and a period of general anxiety and uncertainty. I regretfully only interviewed four individuals because of people's discomfort with talking to me over Zoom (face to face) about their time on UI benefits, despite the assurance of anonymity in the final paper. Despite this setback, the responses I received from the conversations I had were really able to inform my research and discussion of the research question. In the future, I would like to discover how some of the policy changes made by the restaurant group owner and other cultural changes made by industry professionals impact labor retention on a more long-term basis. I would like to achieve this through observational studies of the individual businesses to attempt to find a more equitable balance between the quantitative data and qualitative data.

The established cultural wounds of the industry have created immense labor retention issues that have catapulted due to the pandemic shutdowns in 2020. If large-scale improvements to restaurant policy and business models are not made to combat the losses in staff, the industry might face worsening issues and could be scarred from this pandemic for years to come.

Appendix

Figure 1

All employees, thousands, food services and drinking places, seasonally adjusted

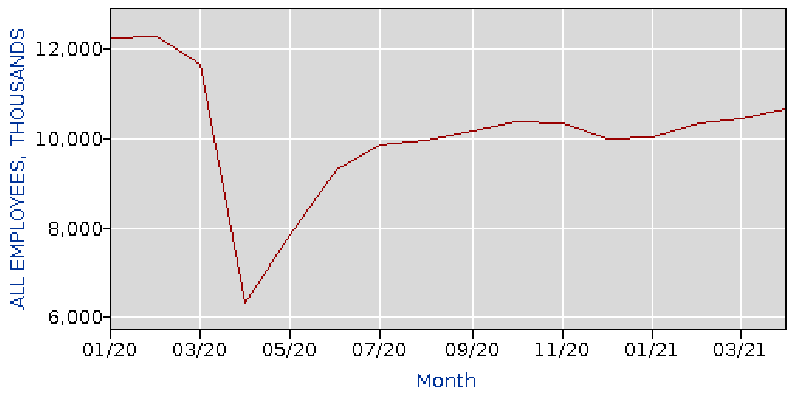


Figure 2

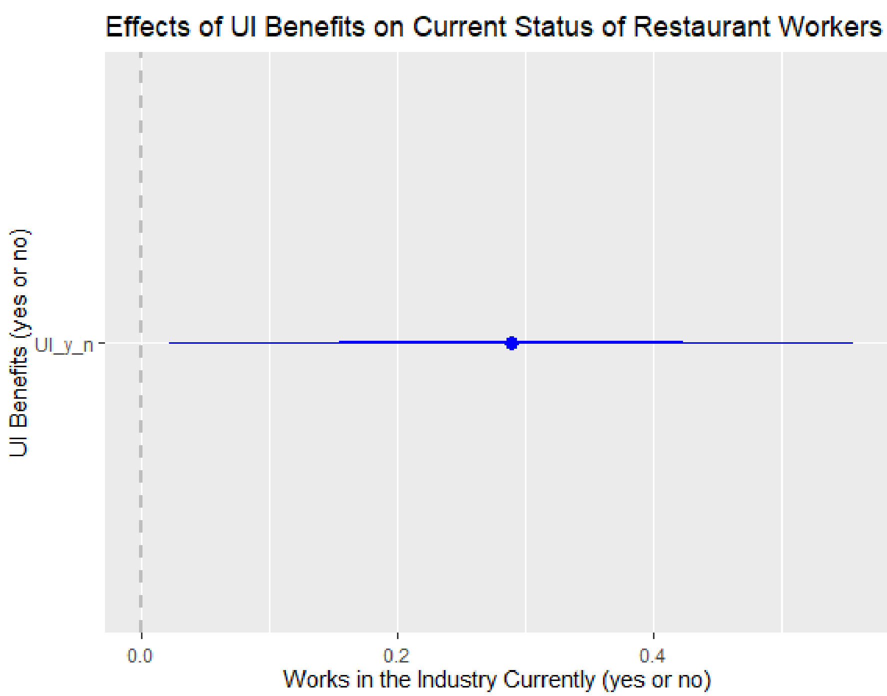


Figure 3

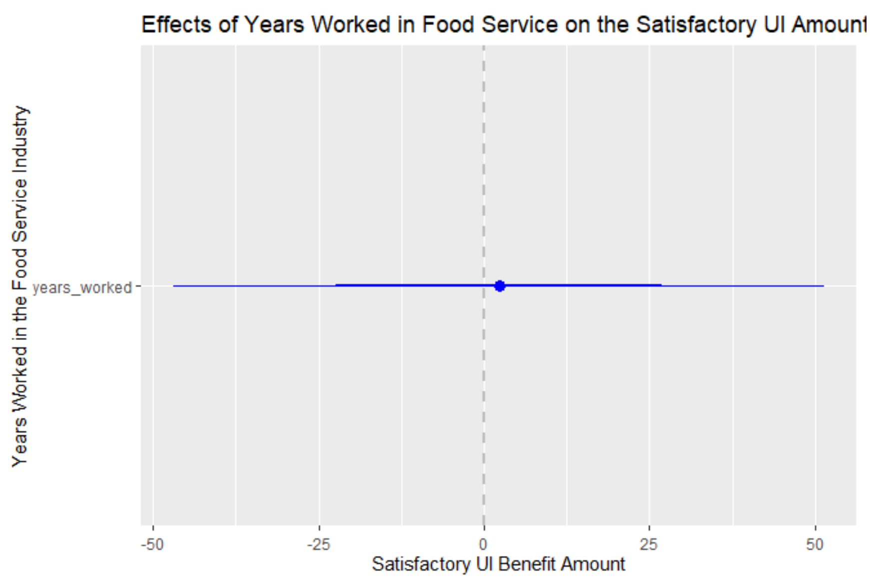
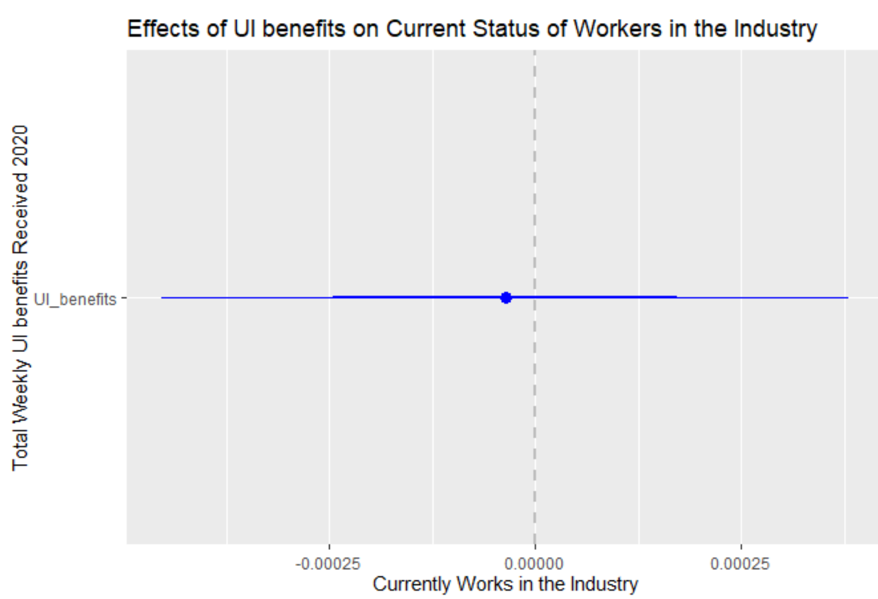


Figure 4



Coding Sheets

**attached to the document is the script in RStudio and the data set*

Call (model.1):

```
lm(formula = work_currently ~ UI_y_n, data =
Copy_of_Food_service_research_June_25_2021_08_26)

Residuals:

    Min      1Q  Median      3Q     Max

-0.9000  0.1000  0.1000  0.3889  0.3889

Coefficients:

            Estimate Std. Error t value Pr(>|t|)

(Intercept)  0.61111    0.09685   6.310 2.68e-07 ***

UI_y_n       0.28889    0.13349   2.164   0.0372 *

---

Signif. codes:  0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

Residual standard error: 0.4109 on 36 degrees of freedom

  (82 observations deleted due to missingness)

Multiple R-squared:  0.1151,  Adjusted R-squared:  0.09053

F-statistic: 4.683 on 1 and 36 DF,  p-value: 0.03717


Call (model.2):

lm(formula = UI_hypothetical ~ years_worked, data =
Copy_of_Food_service_research_June_25_2021_08_26)
```

```
Residuals:

    Min      1Q  Median      3Q     Max

-694.96 -375.42  -40.45  281.35 1123.09

Coefficients:

             Estimate Std. Error t value Pr(>|t|)

(Intercept)   872.394    112.365   7.764 1.37e-10 ***

years_worked    2.257     24.556   0.092    0.927

---

Signif. codes:  0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

Residual standard error: 480.8 on 59 degrees of freedom

  (59 observations deleted due to missingness)

Multiple R-squared:  0.0001431,	Adjusted R-squared:  -0.0168

F-statistic: 0.008446 on 1 and 59 DF,  p-value: 0.9271
```

```
Call (model.3):

lm(formula = work_currently ~ UI_benefits, data =
Copy_of_Food_service_research_June_25_2021_08_26)

Residuals:

     Min       1Q   Median       3Q      Max
```

```
-0.90953  0.09047  0.11233  0.11397  0.12327

Coefficients:

            Estimate Std. Error t value Pr(>|t|)

(Intercept)  9.095e-01  1.127e-01   8.073 3.22e-07 ***

UI_benefits -3.644e-05  2.085e-04  -0.175    0.863

---

Signif. codes:  0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

Residual standard error: 0.3242 on 17 degrees of freedom

  (101 observations deleted due to missingness)

Multiple R-squared:  0.001794,	Adjusted R-squared:  -0.05692

F-statistic: 0.03056 on 1 and 17 DF,  p-value: 0.8633
```

Food Service Research Survey Questionnaire

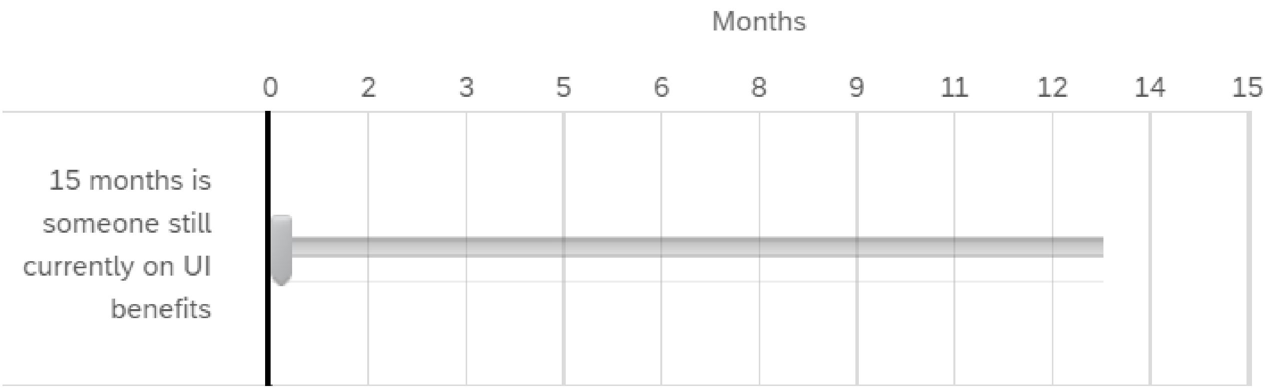
This questionnaire was made and administered through Qualtrics and disseminated through social media (Facebook, Instagram, etc.).

1. Age
2. Gender
    a. Male
    b. Female
    c. Non-binary/third gender
    d. Prefer not to say

3. Do you currently work in the food service industry?
    a. Yes
    b. No
4. How many years have you or did you work in the food service industry?
5. What best describes your role in a restaurant?
    a. Front of house/service staff, hosts, bartenders, etc
    b. Back of house/line cooks, dishwashers, etc
    c. Management/chef, manager, etc
    d. Ownership
6. In March of 2020, when the COVID-19 shutdowns began, were you laid off from your food service job?
    a. Yes
    b. No

➔ If they answered yes to Question 6, they are directed to a second series of questions.

7. If you were laid off, did you apply for unemployment benefits?
    a. Yes
    b. No
8. How much were you receiving weekly from unemployment benefits?
9. How long were you on unemployment benefits?



➔ If they provide an answer less than or equal to 12 months, they are prompted this question.

10. Did you come back to the food service industry?
    a. Yes
    b. No

➔ If they say yes to Question 10, they are prompted this question.

11. Why did you come back to the food service industry?

➔ If they say no to Question 10, they are prompted this question.

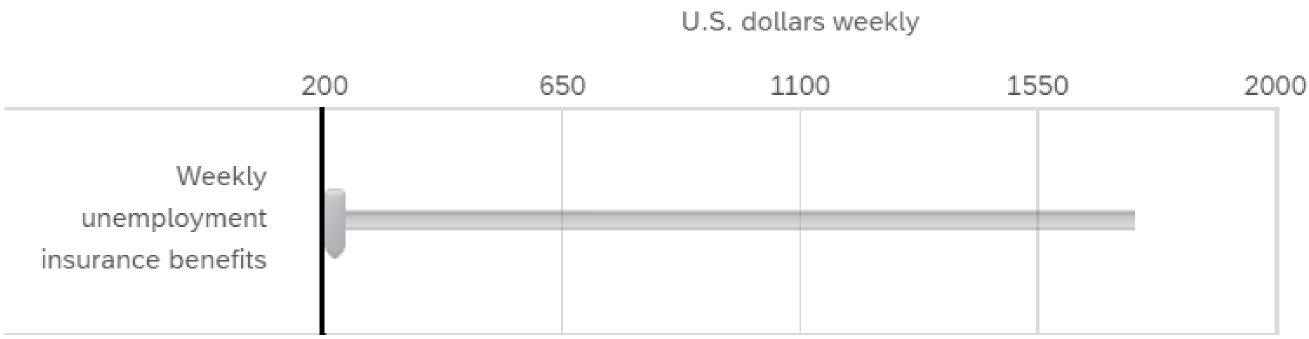
12. Why did you not return to the food service industry?

➔ If they provide an answer more than or equal to 13 months, they are prompted this question.

13. Why are you not returning to the food service industry?

➔ If they answered no to Question 6, then they are prompted this question.

14. Why did you stay in the food service industry?
15. How much in unemployment benefits would it be worth it to leave or not return to the food service industry?



16. Do you have any other thoughts on the food service industry and labor retention?

Questionnaire for Chef and Ownership

What kind of establishment are you?

How long have you been open?

How has the operation been different since March 2020?

How has employment changed since March 2020?

How many layoffs did you have in that month?

How quickly did these employees come back, if they did at all?

Describe the rate of business in the past three months.

Has employment matched business increases?

What is your turnover rate like?

How has it changed compared to before covid?

For the record, describe the tip the kitchen campaign?

How has it improved the turnover rate ?

How can smaller restaurants without the support of a restaurant group replicate and apply this design?

What has been the feedback of the staff from these new change with tip the kitchen and server backstop?

Questionnaire for Ex-restaurant employee on U.I. benefits

What was the nature of your job in March 2020?

Were you laid off originally?

Did the original job ever ask you to rejoin the team?

If yes, then how long did it take before the asked you to come back on?

What was your response?

Did you apply for unemployment?

How much were you receiving and for how long?

Did the unemployment benefits prevent you from going back to a food service job?

Why did you end up returning to the food service industry?

What is your impression of the industry? (talking points - low wages, odd hours, treatment of employees, etc.)

Were there other reasons you were hesitant to return to the food service industry?

Any other thoughts?

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```
#SMPA 2151 LABOR CRISIS IN FOOD SERVICE

library(readr)
library(ggplot2)
library(coefplot)
library(dplyr)
library(haven)

View(Copy_of_Food_service_research_June_25_2021_08_26)

model.1 <- lm(work_currently ~ UI_y_n, data =
Copy_of_Food_service_research_June_25_2021_08_26)
summary(model.1)

coefplot(model.1, title="Effects of UI Benefits on Current Status of
Restaurant Workers",
         intercept=FALSE,
         ylab="UI Benefits (yes or no)",
         xlab="Works in the Industry Currently (yes or no)",
         sort="magnitude")

model.2 <- lm(UI_hypothetical ~ years_worked, data =
Copy_of_Food_service_research_June_25_2021_08_26)
summary(model.2)

coefplot(model.2, title="Effects of Years Worked in Food Service on the
Satisfactory UI Amount",
         intercept=FALSE,
         ylab="Years Worked in the Food Service Industry",
         xlab="Satisfactory UI Benefit Amount",
         sort="magnitude")

model.3 <- lm(work_currently ~ UI_benefits, data =
Copy_of_Food_service_research_June_25_2021_08_26)
summary(model.3)

coefplot(model.3, title="Effects of UI benefits on Current Status of Workers
in the Industry",
         intercept=FALSE,
         ylab="Total Weekly UI benefits Received 2020",
         xlab="Currently Works in the Industry",
         sort="magnitude")
```