

Employment in leisure and hospitality departs from historical trends during 2007–09 recession

From the start of the second half of the 20th century till early 2008, employment growth in the leisure and hospitality industry had been interrupted only a few times by short and shallow declines. Industry job losses from the 2007–09 recession, however, were both severe and prolonged, continuing 6 months beyond the end of the recession

Eliot Davila

Employment in the leisure and hospitality industry¹ fell by 454,000 during the recession which began December 2007 and ended June 2009.² Like total U.S. employment, industry job losses did not coincide with those start and end dates. In fact, leisure and hospitality employment reached a cyclical peak in January 2008, 1 month after the start of the recession, and fell to a cyclical trough in January 2010, 7 months after the end of the recession.³ The industry employment peak coincided with the peak in total nonfarm employment, while the industry employment trough preceded the trough in total nonfarm employment by 1 month.

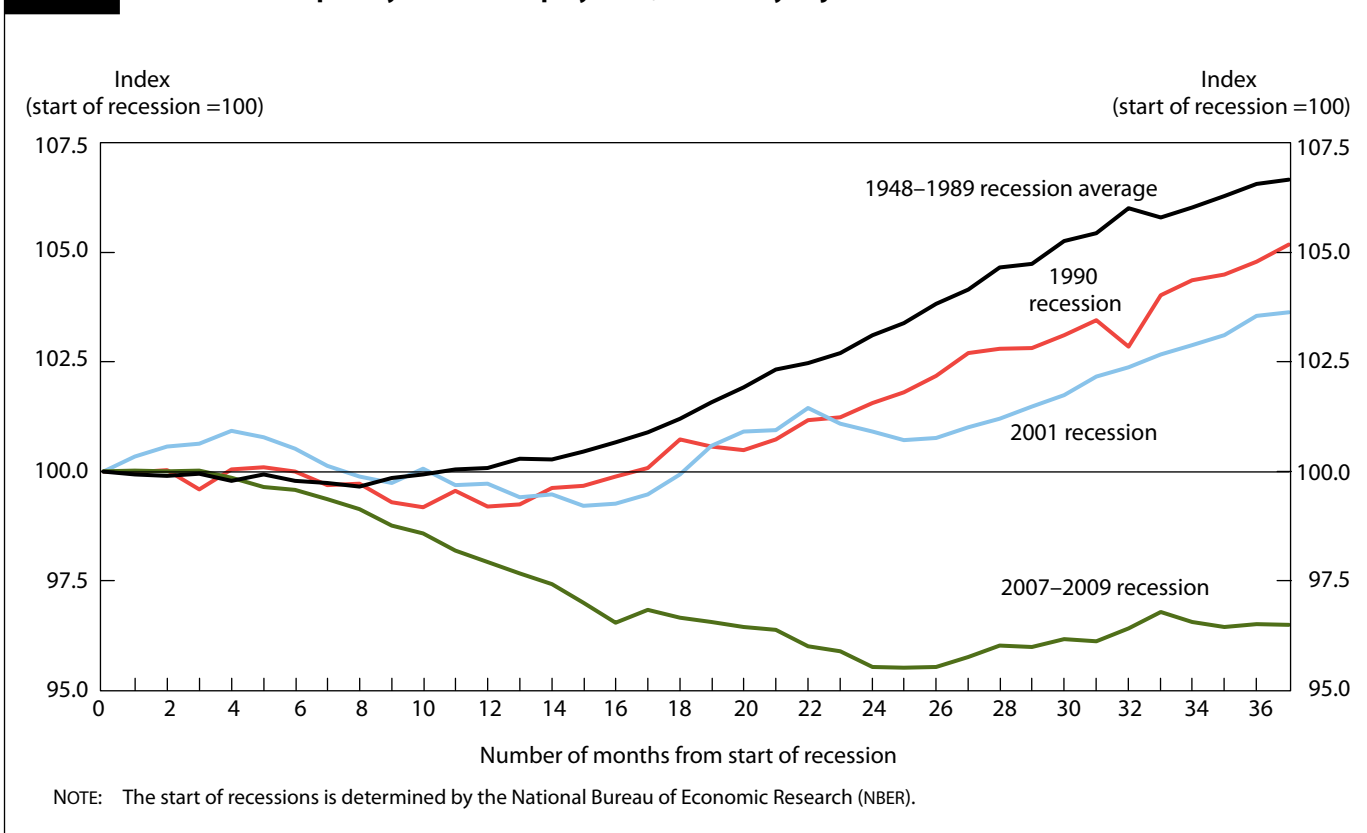
Compared with the previous 2 recessions, the 2007–09 recession had a sizeable impact on employment in the leisure and hospitality industry. The reduction in jobs during the 2007–09 recession, as a percentage of pre-recession employment, was significantly greater than during the 1990–91 and 2001 recessions. Employment in leisure and hospitality fell by more than 2.2 percent on an annualized

basis during the 2007–09 recession. By contrast, the annualized decline in employment during both the 1990–91 and 2001 recessions was roughly 0.4 percent.

Chart 1 shows the pace of job losses during post-World War II recessions. The eight recessions before 1989 had little discernable impact on employment in the leisure and hospitality industry. While the broader economy shed jobs during those economic downturns, employment in leisure and hospitality tended to hold steady. After 1989, however, employment in leisure and hospitality began to track cyclical changes in overall economic activity more closely. In both the 1990–91 and 2001 recessions, employment in leisure and hospitality fell and did not fully recover to pre-recession levels until about a year and a half after the start of the recessions. (Both recessions lasted 8 months and total nonfarm employment continued to decline after the end of both recessions.) By the end of the 2007–09 recession, leisure and hospitality employment was 3.5 percent below its pre-recession level. As of January 2011, a full 37 months after the start of the recession, employment in the industry was still 3.5 percent below its pre-recession level.

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Chart 1. Leisure and hospitality index of employment, seasonally adjusted



During the 2007–09 recession, a little more than half of the decline in leisure and hospitality employment was in the food services and drinking places subsector, where 230,000 jobs were lost. (See chart 2). Accommodation employment lost 129,000 jobs, or more than 28 percent of all jobs lost in leisure and hospitality, while arts, entertainment, and recreation shed 95,000 jobs, or nearly 21 percent of the industry total. The remainder of this article analyzes the employment changes that occurred during the 2007–09 recession in each of these industries.

Food services and drinking places

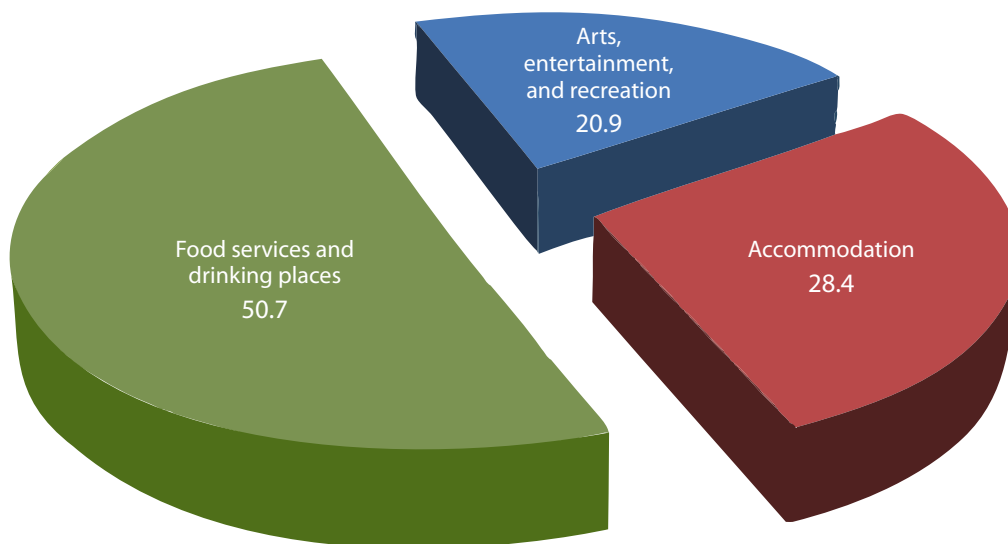
From January 1990 to December 2007, food services and drinking places generated nearly three out of every four jobs gained in leisure and hospitality. Employment in the food services and drinking places subsector fell for 3 or more consecutive months only once between 1990 and 2007. In contrast, during the 2007–09 recession, the subsector experienced 10 consecutive months

of job losses. From the onset of the recession in December 2007 until August 2008, food services and drinking places lost an average of 8,000 jobs per month. When the financial crisis deepened in September 2008, monthly job losses in the subsector accelerated.⁴ From September 2008 to December 2009, food services and drinking places lost an average of 18,000 jobs per month. Altogether, food services reduced its workforce 3.8 percent during the December 2007 to December 2009 period. Since January 2010, food services and drinking places had recovered 97,000 jobs⁵ but remained 2.7 percent below its peak employment level, which was posted in December 2007.

Employment declines in food services roughly coincided with declines in seasonally adjusted real personal consumption expenditures on food services, as measured by the Bureau of Economic Analysis. (See table 1.) Changes in subsector employment also roughly tracked with changes in retail sales at food services and drinking places, as measured by the U.S. Census Bureau and deflated by the BLS Consumer Price Index.⁶ The sales and employment data series reflect the close correlation between consumer spending on leisure and hospitality services and employment in the industry.

Chart 2. Distribution of leisure and hospitality employment decline during the 2007–09 recession

Percent



Accommodation

Accommodation lost 6.8 percent of its workforce during the 2007–09 recession, which was the largest percentage decline in employment of any subsector within the leisure and hospitality industry. Although employment in accommodation accounts for only about 14 percent of total industry employment, it contributed close to one third of the job losses during the 2007–09 recession.

The decline in accommodation employment coincided with a decrease in demand for the subsector's services during the recession. Real personal consumption expenditures on accommodations fell 6.5 percent from December 2007 to March 2009, reflecting wide-scale cutbacks in domestic business and leisure travel during the recession. In addition, international visitation to the United States declined sharply from the fourth quarter of 2008 to the third quarter of 2009.⁷

Arts, entertainment, and recreation

The arts, entertainment, and recreation sector⁸ lost 4.8 percent of its jobs during the 2007–09 recession. Em-

ployment in the sector reached a peak in March 2008, 3 months after the official start of the recession, and then declined until reaching a trough in January 2010. Over the course of the year, sector employment showed little net change. The sector's largest subsector—amusements, gambling and recreation—accounted for 80 percent of the decline. This subsector made up 72.5% of arts, entertainment, and recreation employment at the start of the recession and lost proportionately more jobs than the other two industry subsectors, performing arts and spectator sports, and museums, historical sites, zoos, and parks.

THE DEPTH AND DURATION OF JOB LOSSES in the leisure and hospitality industry during the 2007–09 recession was without precedent in the post-WWII era. Declines in food services and drinking places employment, a subsector which had contributed the majority of the job gains posted by leisure and hospitality between 1990 and 2007, accounted for half of the leisure and hospitality jobs lost during the recession. □

Table 1. Leisure and hospitality employment and real personal consumption expenditures, over-the-quarter changes, seasonally adjusted, fourth quarter 2007–second quarter 2009

Industry subsector	2007	2008				2009	
	Quarter IV	Quarter I	Quarter II	Quarter III	Quarter IV	Quarter I	Quarter II
Change in employment (in thousands) ¹							
Arts, entertainment, and recreation	21	6	-14	-36	4	-15	-40
Accommodation	19	7	-15	-23	-31	-48	-18
Food services and drinking places	45	-12	-31	-49	-86	-62	10
Change in real personal consumption expenditures (in millions of dollars) ²							
Recreation services	39	-298	-1,108	-4,027	-3,128	434	-2,500
Accommodations	2,027	588	1,249	-891	-2,507	-2,639	-234
Food services	3,254	-8,086	716	-3,973	-7,282	-3,516	-4,743

¹ Employment data are from the Current Employment Statistics (CES) program, a BLS monthly survey of approximately 140,000 nonfarm businesses and government agencies representing approximately 440,000 individual worksites.

² Personal consumption expenditures data are from the Bureau of Economic Analysis. See National Income and Product Accounts Underlying

Detail Table 2.4.6U, “Real Personal Consumption Expenditures by Type of Product, Chained Dollars [Millions of chained (2005) dollars; quarters and months are seasonally adjusted at annual rates],” http://www.bea.gov/national/nipaweb/nipa_underlying/SelectTable.asp.

SOURCE: Bureau of Labor Statistics and Bureau of Economic Analysis.

Notes

¹ Consists of North American Industry Classification System (NAICS) sector 71 (arts, entertainment and recreation) and NAICS sector 72 (accommodation and food services); the leisure and hospitality supersector will be referred to as an “industry” throughout this article.

² The employment data used in this article are from the BLS Current Employment Statistics (CES) program, a monthly survey of about 140,000 nonfarm businesses and government agencies representing approximately 440,000 individual worksites. For more information on the program’s concepts and methodology, see “Technical Notes to Establishment Survey Data Published in Employment and Earnings,” www.bls.gov/web/cestn2.htm (visited Feb. 17, 2011). CES data are available at www.bls.gov/ces (visited Feb. 17, 2011). The CES data used in this article are seasonally adjusted.

³ Recessions are identified by the National Bureau of Economic Research (NBER). According to the NBER, the most recent recession began in December 2007 and ended in July 2009. The previous two recessions were from March 2001 to November 2001 and from July 1990 to March 1991. For a complete list of business cycle dates, consult the NBER webpage at www.nber.org/cycles/cyclesmain.html (visited Nov. 2, 2010).

⁴ For a more complete overview of financial activities employment trends during the 2007–09 recession, see George Prassas, “Employment in financial activities: double billed by housing and financial crises,” *Monthly Labor Review*, this issue, pp. 40–44, www.bls.gov/opub/mlr/2011/04/art7full.pdf.

⁵ For an overview of overall employment trends during the 2007–09 recession, see John Eddlemon, “Payroll employment turns the corner in 2010,” *Monthly Labor Review*, March 2011, pp. 23–32, www.bls.gov/opub/mlr/2011/03/art2full.pdf.

⁶ By deflating the Census data with CPI data, the effects of menu price increases on the changes in retail sales in food services and drinking places are removed. The seasonally adjusted “food away from home” component of the CPI-U for all U.S. cities was used to measure real personal consumption expenditures.

⁷ Reference is to data released by the Department of Commerce’s Office of Travel and Tourism Industries. See “2008 Monthly Tourism Statistics,” Table C and “2009 Monthly Tourism Statistics,” Table C.

⁸ The arts, entertainment, and recreation sector includes a wide range of establishments that operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons. As defined by NAICS, this sector comprises (1) establishments that are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) establishments that preserve and exhibit objects and sites of historical, cultural, or educational interest; and (3) establishments that operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.