

TOURISM-RELATED EMPLOYMENT REPORT SEPTEMBER 2021

Prepared for:
U.S. Travel Association



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CURRENT EMPLOYMENT SITUATION

ONE-IN-ELEVEN L&H JOBS REMAIN LOST

Nearly half of the 16.9 million jobs in the leisure & hospitality (L&H) industry, as defined by the North American Industry Classification System (NAICS), were lost in March and April 2020.

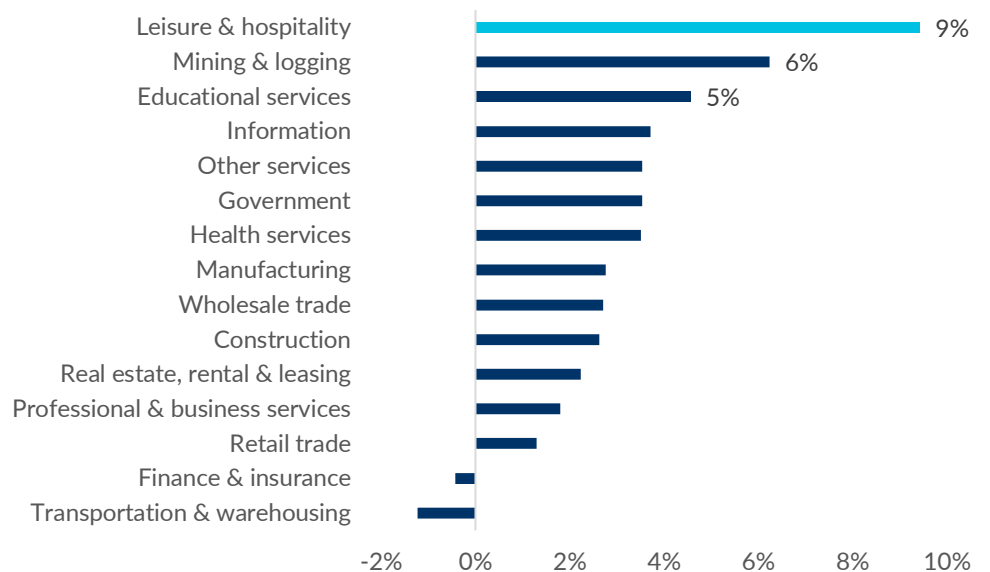
While 4.9 million jobs had been created or restored between April and November 2020, another 500,000 L&H jobs were lost in December 2020 and January 2021.

As of the September 2021 jobs report, leisure and hospitality employment sits 9% below its pre-pandemic level; this is three percentage points worse than the next hardest-hit industry.

After averaging 349,000 new L&H jobs per month between January and July 2021, the pace slowed to an average of just 56,000 new L&H jobs in both August and September 2021- a rate that would delay recovery until early 2023.

Share of jobs lost in major industries

% of industry jobs still lost from Feb. 2020-Sep. 2021



Source: BLS

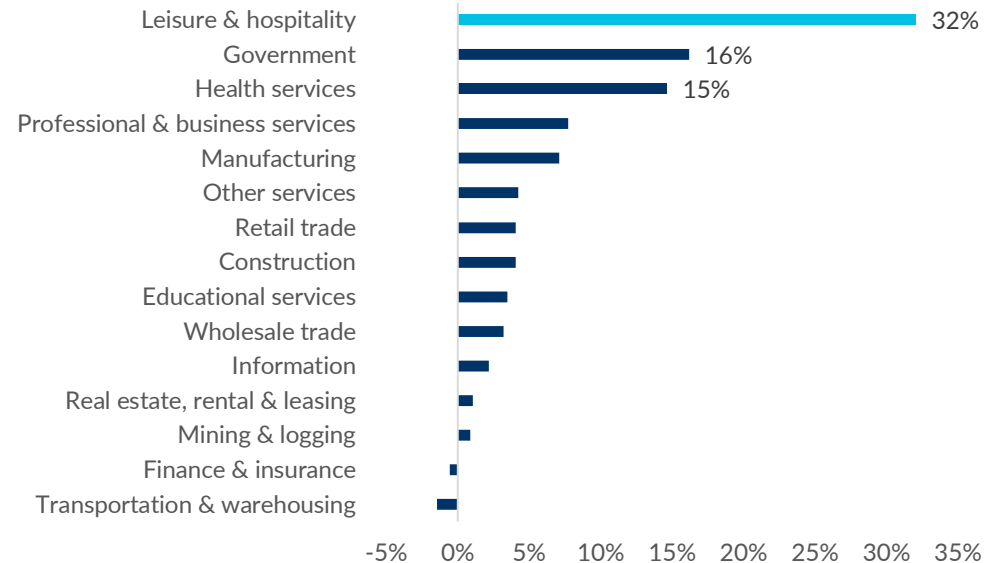
L&H ACCOUNTS FOR TWICE AS MANY JOBS LOST AS ANY OTHER INDUSTRY

The leisure & hospitality industry accounted for 11% of pre-pandemic employment in the United States yet represents 32% of all job losses as of September 2021.

While a moderate improvement compared to the lows L&H experienced in the winter months (L&H registered 39% of all jobs lost as of January 2021) L&H still accounts for at least twice as many jobs lost as any other industry.

Share of total US employment loss by industry

% of all US jobs still lost from Feb. 2020-Sep. 2021



Source: BLS

JOBS RECOVERY HITS ANOTHER SPEED BUMP

The easing of pandemic-related restrictions and widespread vaccine availability helped the employment recovery gather momentum in the first seven months of 2021. However, health concerns regarding the Delta variant and labor supply challenges have constrained hiring over the past two months.

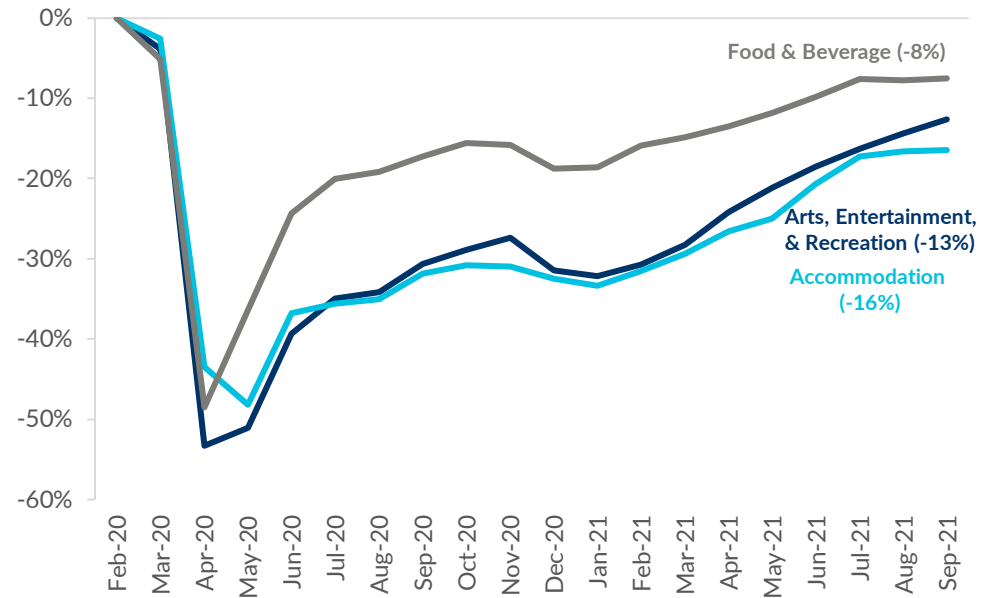
The disappointing 194,000 total jobs gain in September marked the lowest monthly gain since December 2020. The services sector added 265,000 jobs – its weakest gain since January – as hiring slowed at restaurants and hotels.

L&H gained a modest 74,000 jobs in September – the most of any industry in September – which was still nearly double the paltry 38,000 jobs gained in August.

While the Arts, Entertainment, & Recreation sub-sector continues its upward trajectory – gaining 92,000 jobs in August and September – Food & Beverage and Accommodation have slowed to near standstills, gaining a mere 4,000 and 16,000 jobs, respectively, over the past two months.

Share of jobs lost in L&H sub-industries

% of industry jobs lost from February 2020



Source: BLS

LABOR FORCE PARTICIPATION RATE EDGES DOWN

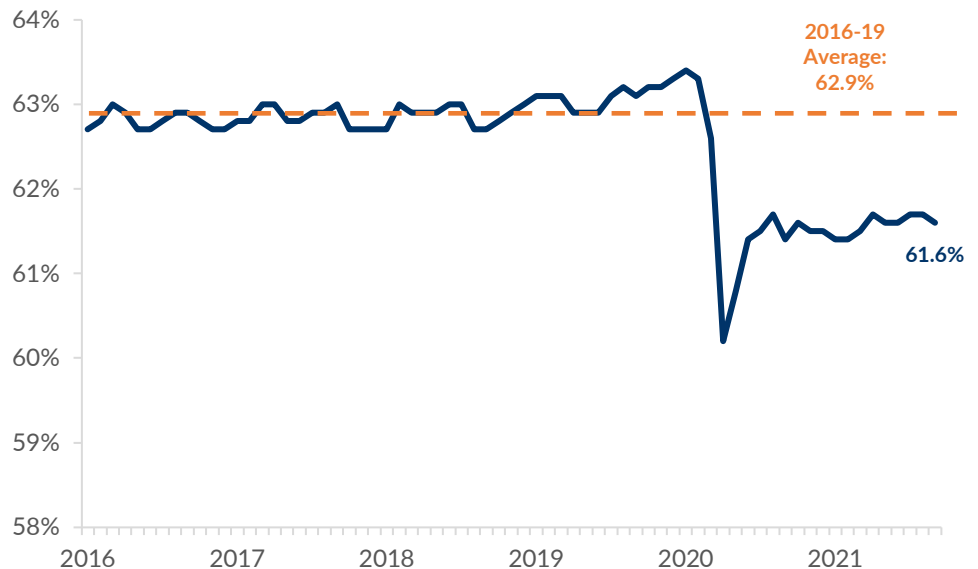
From 2016 through 2019, the labor force participation rate averaged 62.9%, but the onset of the pandemic sidelined workers with health and childcare concerns.

In September, 183,000 people exited the labor force, resulting in the labor force participation rate declining 0.1 percentage points to 61.6%.

Going forward, two developments should facilitate a gradual rebound in the labor force. First, most schools have reopened for in-person learning, relieving some parents of childcare duties. Second, emergency unemployment benefits expired in September, likely creating an incentive for some workers to resume their job search.

Labor force participation rate

Share of labor force as a percent of working age population



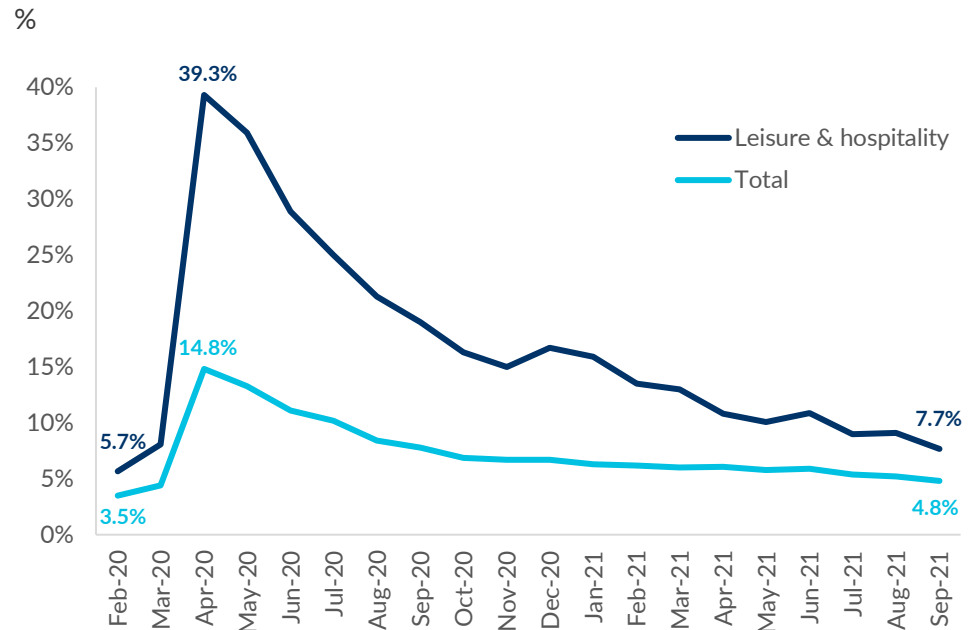
Source: BLS

L&H UNEMPLOYMENT RATE EASES DESPITE LACKLUSTER JOBS REPORT

Despite the lackluster jobs report, the unemployment rate for the overall economy marked a new post-pandemic low, falling 0.4 percentage points to 4.8%. While some of the improvement can be attributed to job growth, the falling rate of unemployment is also influenced by the shrinking rate of labor participation.

The L&H unemployment rate eased downward to 7.7% in September from 9.1% in August, again a function of both jobs growth and a shrinking labor force.

Unemployment rate



Source: BLS

L&H TRANSITIONS TO CHALLENGING WINTER SEASON

While the L&H industry has added 2.2 million jobs through the first nine months of 2021, it continues to be the worst performing major sector since the onset of the pandemic.

Job creation slowed further in September as lingering health concerns and declining labor force participation limit the speed of the recovery.

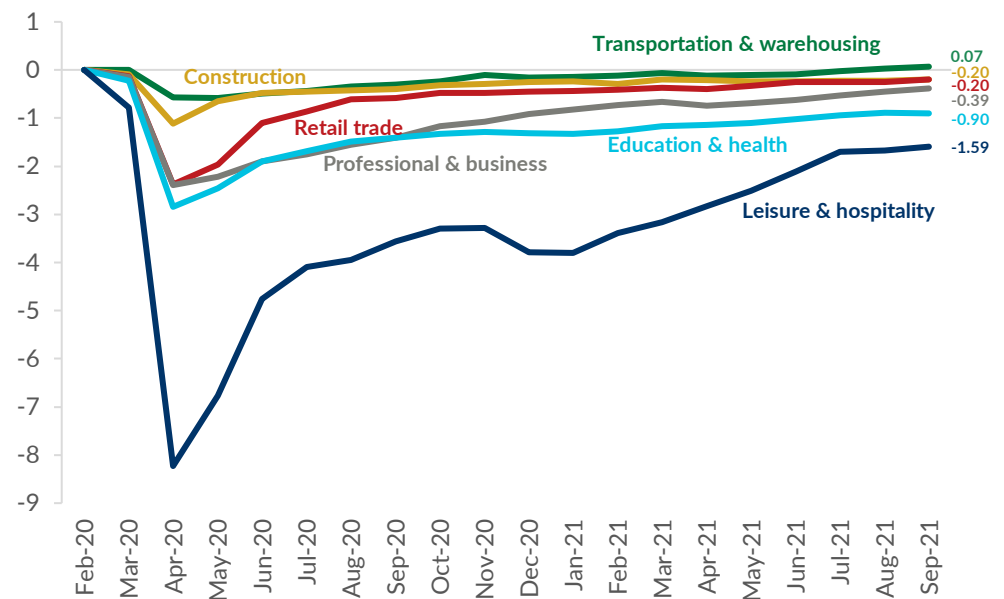
Looking ahead, an improving COVID-19 situation will support strong labor demand while helping ease concerns of those who have exited the labor force.

School reopenings and the forthcoming vaccination of schoolchildren should further bolster labor supply, especially following the expiry of emergency unemployment insurance benefits.

The oncoming winter presents a new challenge as the leisure travel season fades and business travel remains depressed.

Leisure & hospitality playing catch up

Change in total jobs from Feb. 2020, millions of jobs



Source: BLS

LABOR MARKET CONSTRAINTS

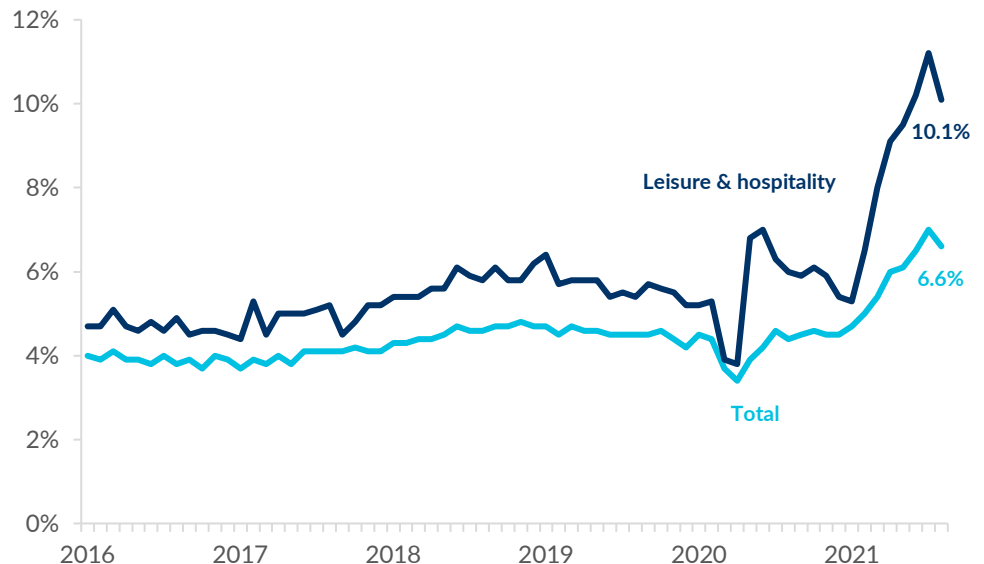
DELTA VARIANT SLOWS HIRINGS

Businesses have been attempting to hire to meet the increased demand for services over the spring and summer of 2021. The large scale of re-staffing that businesses are attempting, combined with a slow return to the labor force for some workers, due in part to factors such as childcare responsibilities or healthcare concerns, has resulted in hiring strains and severe worker shortages for labor-intensive businesses. In August 2021, one-in-ten positions in leisure & hospitality remain unfilled, corresponding to a job openings rate of 10.1%; economy-wide, the job openings rate was 6.6%.

The job openings rate in both leisure & hospitality and economy-wide in August were somewhat lower than the all-time highs reached in July. This may reflect some progress toward more normal conditions, though the hiring environment remains quite challenging for many employers.

Job openings rate

Share of job openings as a percent of total available jobs



Source: BLS

WAGE GROWTH STAYS HOT

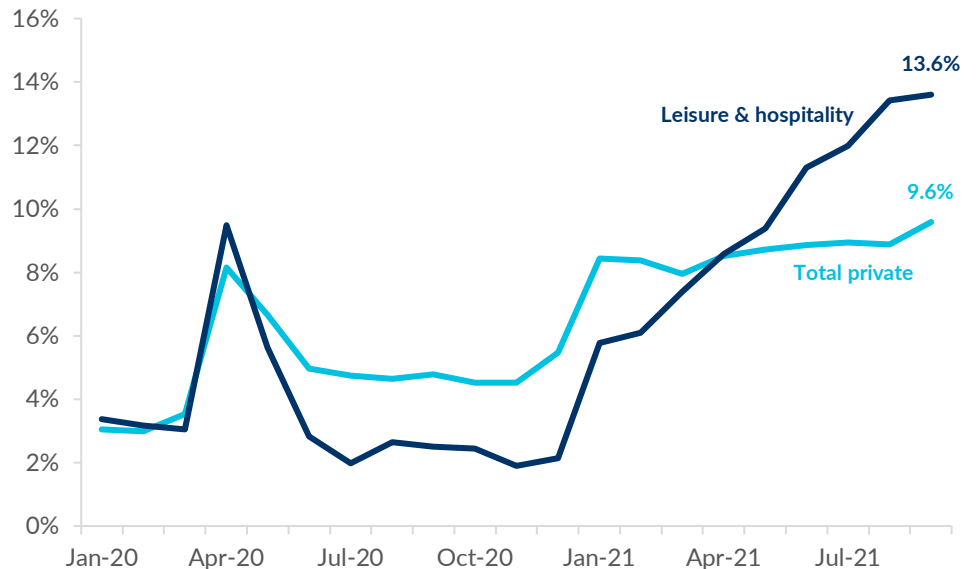
Severe labor imbalances in September continued to put upward pressure on wage growth.

The sectors hardest-hit by the pandemic are also particularly labor-intensive and have been leading the rise in wages, with L&H reaching 13.6% above 2019 levels. By comparison, total private average hourly earnings have only grown 9.6% relative to 2019.

Over similar two-year time periods between 2010-19, L&H average hourly earnings rose 4.8%, on average.

Average hourly earnings

% change relative to same month 2019



Source: BLS

SMALL BUSINESSES FACE CLIMBING OBSTACLES

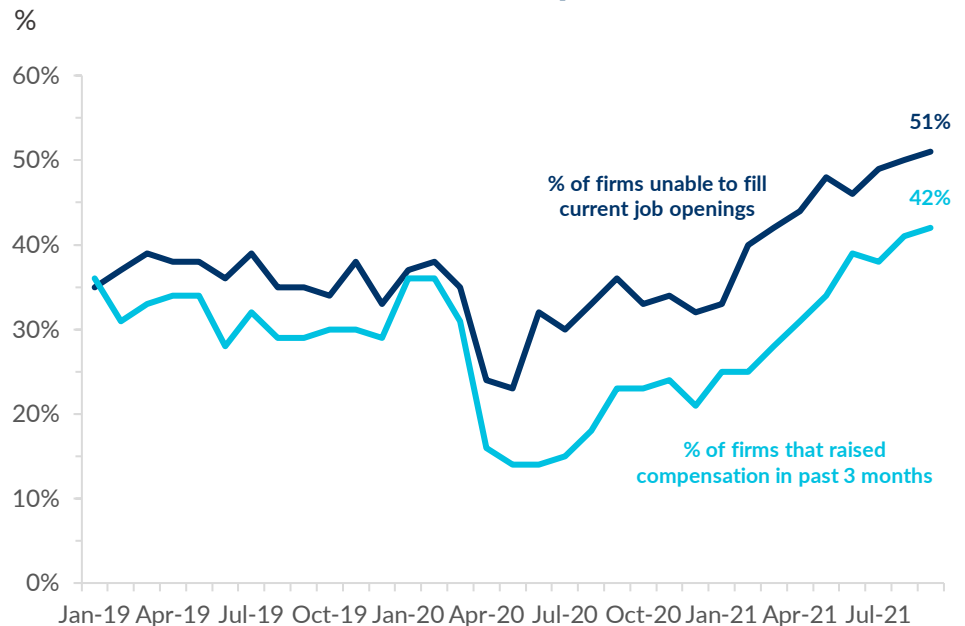
Some of the most extreme hiring strains are being experienced by small businesses, which constitute the majority of the L&H industry.

In the September NFIB Small Business Jobs Report, 51% of small businesses reported being unable to fill current job openings, up from 32% in December 2020.

Small businesses face severe operational challenges in navigating pandemic-related uncertainty. In the September report, the share of small businesses unable to fill job openings (51%) and of firms raising employee compensation (41%) reached fresh all-time highs.

Some labor market loosening is expected as we progress into 2022; the COVID-19 situation is easing from its summer wave, schools have largely reopened, and emergency unemployment benefits have ended.

NFIB Small Business Jobs Report



Source: National Federation of Independent Business

TRAVEL VERSUS L&H EMPLOYMENT

HISTORICALLY STRONG JOB GROWTH IN LEISURE & HOSPITALITY AND TRAVEL

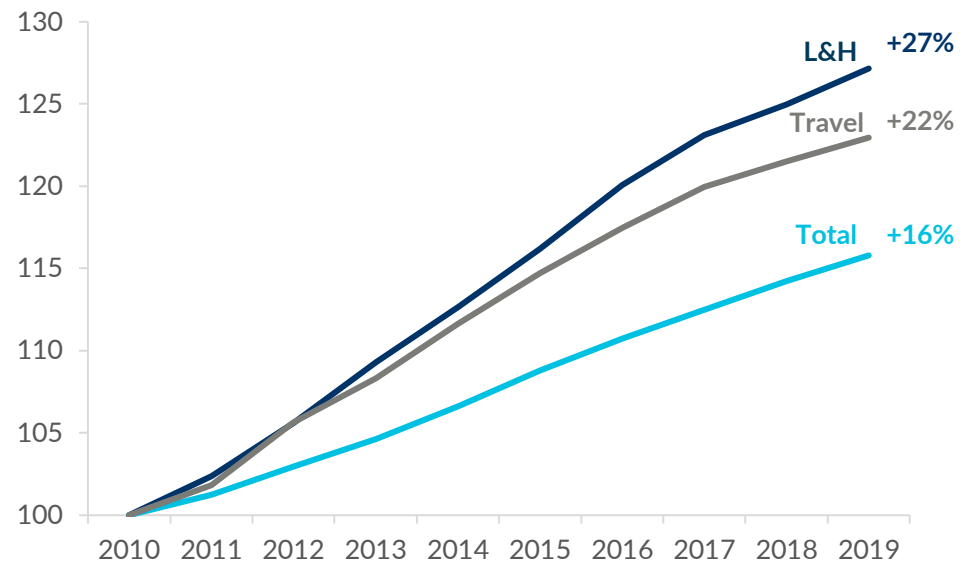
Travel-related industries generally outpaced the overall US economy over the past decade. Employment in the leisure and hospitality (L&H) sector expanded 27% from 2010-2019 while total US economy employment grew just 16%.

L&H employment includes the accommodation, food & beverage, and arts, entertainment, & recreation sectors. While L&H encompasses both visitor and local resident activity, the overlap with the travel sector is significant.

Travel-supported employment also includes transportation industries, which reside outside of the leisure & hospitality sector. Direct travel-supported employment also outpaced overall US employment, growing 22% from 2010-2019.

Travel employment in the United States

Index (2010=100)



Source: BLS, Tourism Economics

TRAVEL EMPLOYMENT HAS UNDERPERFORMED L&H SINCE THE ONSET OF THE PANDEMIC

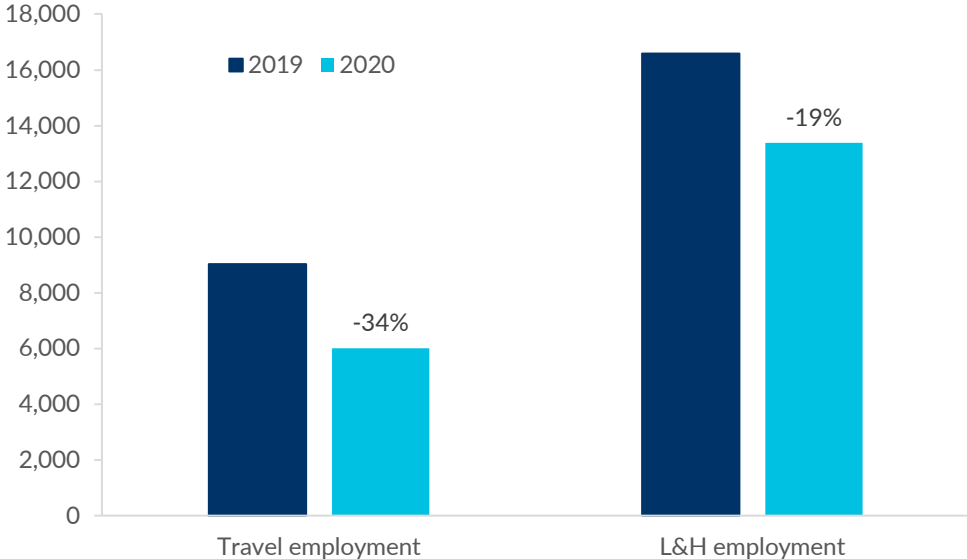
While L&H employment growth approximates travel employment growth in a normal year, 2020 proved to be an exception. The prolonged collapse in travel demand and the subsequently quick rebound in local demand led the L&H employment situation to appear less dire than the reality of the travel industry.

In 2020, direct travel jobs fell 34%, 15 percentage points more than L&H's 19% decline over the same time period. The broader classification of L&H and its sub-industries, such that local demand is included, results in relatively subdued employment declines compared to the travel industry.

In addition to local demand preventing L&H from suffering as drastic of an employment decline as travel in the initial phase of the pandemic, it has not faced as lengthy and obstructive of restrictions as travel; therefore, the travel industry's recovery is expected to be more prolonged than L&H.

Travel and L&H employment

Thousands of jobs



Source: BLS, Tourism Economics

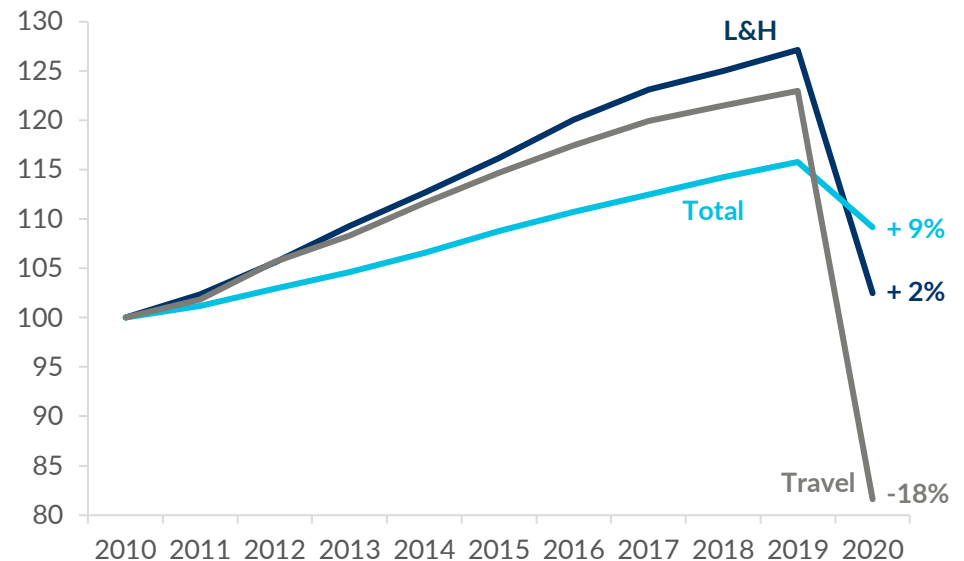
DECADE OF GROWTH LOST IN 2020

The drastic decline in travel in 2020 more than erased all employment gains the industry had achieved in the prior decade. Travel employment settled at 18% below its 2010 level following its 34% year-over-year contraction 2020.

Despite the troubled situation presenting the industry in 2020, the past decade reveals the potential for a similarly sharp rise.

Travel employment in the United States

Index (2010=100)



Source: BLS, Tourism Economics

APPENDIX

Employment situation

Jobs (thousands)

Industry	Jobs lost (Feb. 2020- Sep. 2021)	% of industry jobs lost (Feb. 2020- Sep. 2021)	% of all jobs lost (Feb. 2020-Sep. 2021)
Mining & logging	-43	-6%	1%
Construction	-201	-3%	4%
Manufacturing	-353	-3%	7%
Wholesale trade	-159	-3%	3%
Retail trade	-202	-1%	4%
Transportation & warehousing	72	1%	-1%
Information	-108	-4%	2%
Finance & insurance	28	0%	-1%
Real estate, rental & leasing	-53	-2%	1%
Professional & business services	-385	-2%	8%
Educational services	-172	-5%	3%
Health services	-728	-4%	15%
Leisure & hospitality	-1,594	-9%	32%
Arts, entertainment, and recreation	-316	-13%	6%
Accommodation	-347	-16%	7%
Food services and drinking places	-931	-8%	19%
Other services	-210	-4%	4%
Government	-805	-4%	16%
Total economy	-4,970	-3%	100%

Source: BLS

ABOUT TOURISM ECONOMICS

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of the travel sector with proven economic tools to answer the most important questions facing our clients. More than 500 companies, associations, and destination work with Tourism Economics every year as a research partner. We bring decades of experience to every engagement to help our clients make better marketing, investment, and policy decisions. Our team of highly-specialized economists deliver:

- Global travel data-sets with the broadest set of country, city, and state coverage available
- Travel forecasts that are directly linked to the economic and demographic outlook for origins and destinations
- Economic impact analysis that highlights the value of visitors, events, developments, and industry segments
- Policy analysis that informs critical funding, taxation, and travel facilitation decisions
- Market assessments that define market allocation and investment decisions

Tourism Economics operates out of regional headquarters in Philadelphia and Oxford, with offices in Belfast, Buenos Aires, Dubai, Frankfurt, and Ontario.

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