

TOURISM-RELATED EMPLOYMENT REPORT AUGUST 2021

Prepared for:
U.S. Travel Association



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CURRENT EMPLOYMENT SITUATION

ONE-IN-TEN 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 August 2021 jobs report, leisure and hospitality employment sits 10% below its pre-pandemic level; this is three percentage points lower than the next most hard-hit industry.

After averaging 350,000 new jobs per month between January and July, the leisure & hospitality sector saw no job gains in August.

Share of jobs lost in major industries

% of industry jobs lost from Feb. 2020-Aug. 2021



Source: BLS

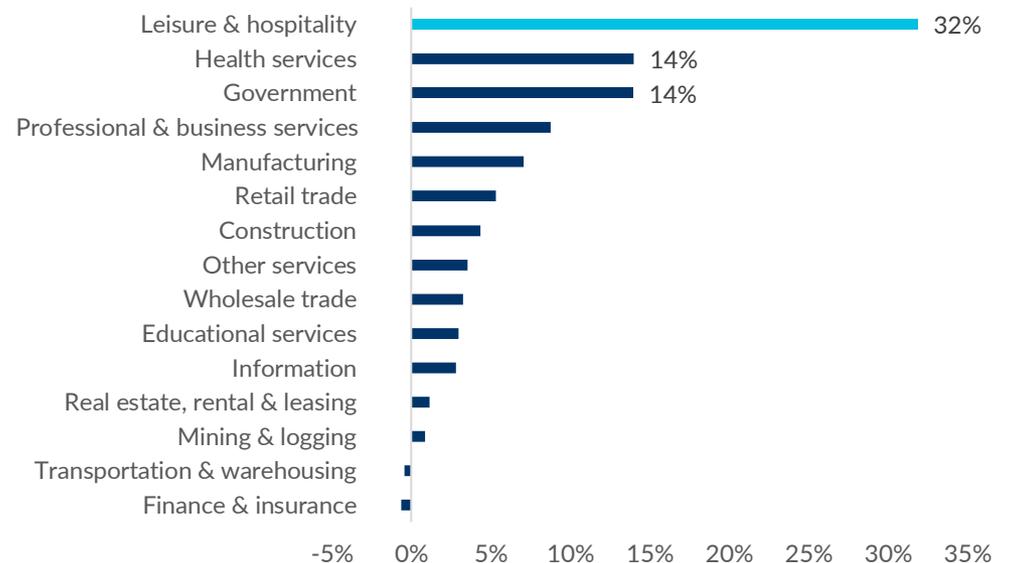
L&H SUFFERING DISPROPORTIONATE EMPLOYMENT LOSSES

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

While still more than double that of the industry with the next highest share of jobs losses, this is a moderate improvement compared to the lows L&H experienced in the winter months, which peaked in January 2021 with L&H registering 39% of all jobs lost to that point.

Share of total US employment loss by industry

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



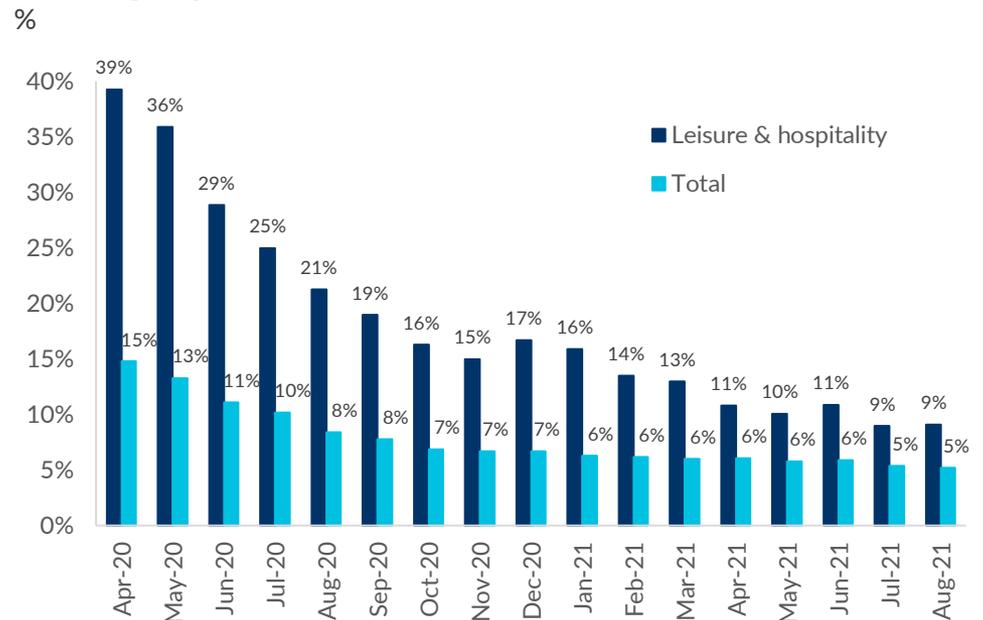
Source: BLS

L&H UNEMPLOYMENT RATE STAGNATES WITH SLOWDOWN

August employment gains of only 235,000 new jobs – primarily in professional & business services, transportation & warehousing, and educational services – marked a rapid deceleration after 962,000 and 1.1 million total new jobs were added in June and July, respectively. Despite the lackluster August report, the national unemployment rate eased gently lower to 5.2% in August from 5.4% in July.

The L&H employment recovery stalled in August with no job gains, resulting in the industry's unemployment rate diverging from the national unemployment rate and ticking upwards to 9.1% from 9.0%.

Unemployment rate



Source: BLS

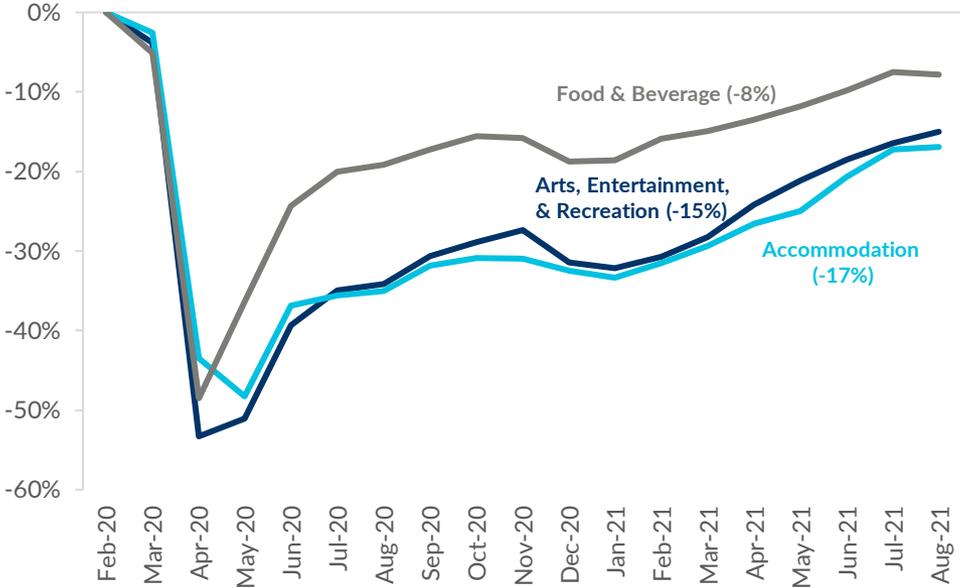
RECOVERY CEASES IN AUGUST

While the easing of pandemic-related restrictions and widespread vaccine availability accelerated the employment recovery through the first seven months of 2021, growing concern over the Delta variant's rapid spread stalled the recovery in August.

The Accommodation and Arts, Entertainment, & Recreation sub-sectors experienced small gains in August; however, those modest gains were offset by the 41,500 jobs lost in Food & Beverage.

Share of jobs lost in L&H sub-industries

% of industry jobs lost from February 2020



Source: BLS

RECOVERY TAKES A LATE SUMMER HIATUS

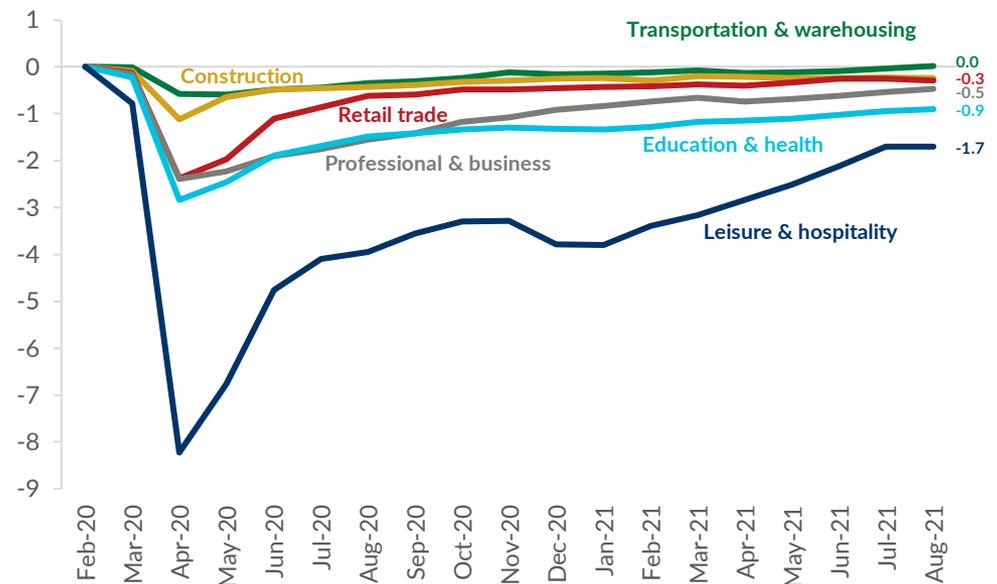
While the L&H industry added 2.1 million jobs between January and July 2021, it continues to be the worst performing major sector since the onset of the pandemic.

The labor market recovery cooled in August as businesses and jobseekers grew more cautious in the face of the fast-spreading Delta variant. This softening in economic activity is more likely to represent a pause rather than a derailment, as momentum should pick up as the health situation improves later this year.

Looking ahead, September will be a pivotal month as we transition out of the summer travel season. School re-openings, the scheduled ending of expanded unemployment benefits, and the potential for additional fiscal spending present both upside and downside risks for the economic and travel recovery.

Leisure & hospitality playing catch up

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



Source: BLS

LABOR MARKET CONSTRAINTS

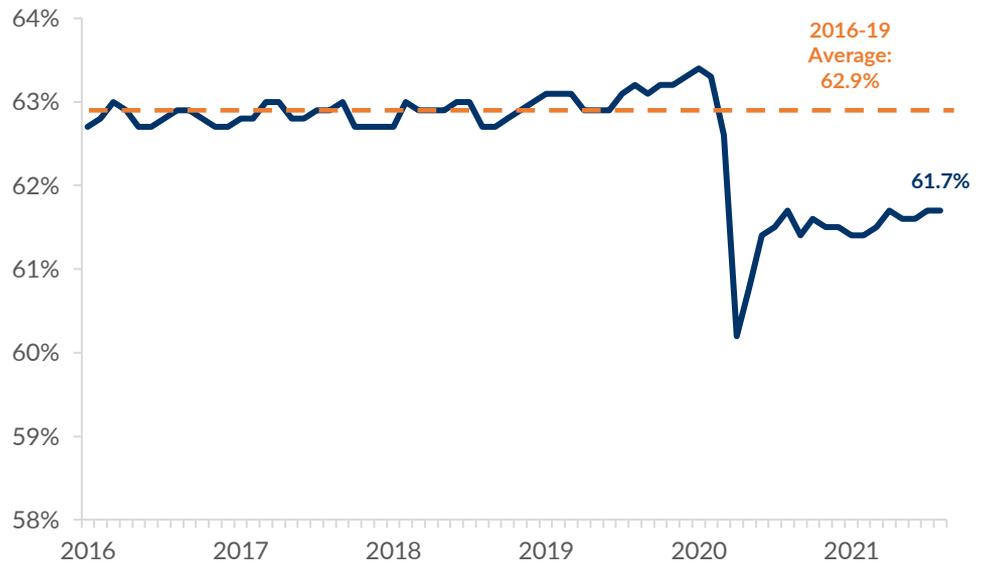
LABOR MARKET CONSTRAINED BY PANDEMIC

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.

As of August 2021, the labor force sits at 61.7%, resulting in 3.1 million fewer workers than if the participation rate maintained its 2016-19 average.

Labor force participation rate

Share of labor force as a percent of working age population



Source: BLS

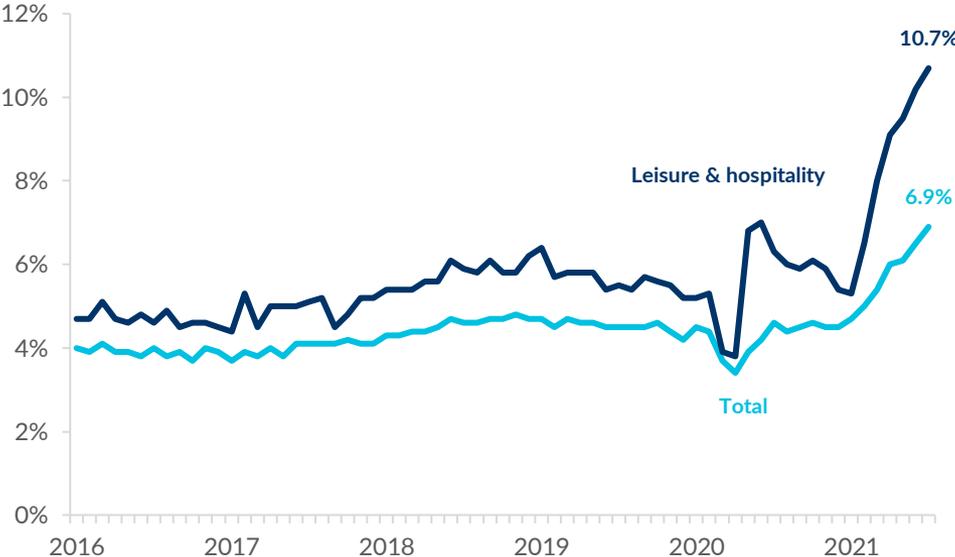
JOB OPPORTUNITIES ABOUND

Spurred by the accelerating return of demand to the labor-intensive service sector, businesses are ramping up hiring. However, coupled with the still limited labor supply, this has intensified competition for available workers and produced hiring strains on businesses.

The total job openings rate achieved another record high in July, registering 6.9%. Sectors most tied to reopening – led by L&H (10.7%) – continue to experience the sharpest increases. This implies that a job opening exists for approximately every 9 existing jobs in leisure & hospitality.

Job openings rate

Share of job openings as a percent of total available jobs



Source: BLS

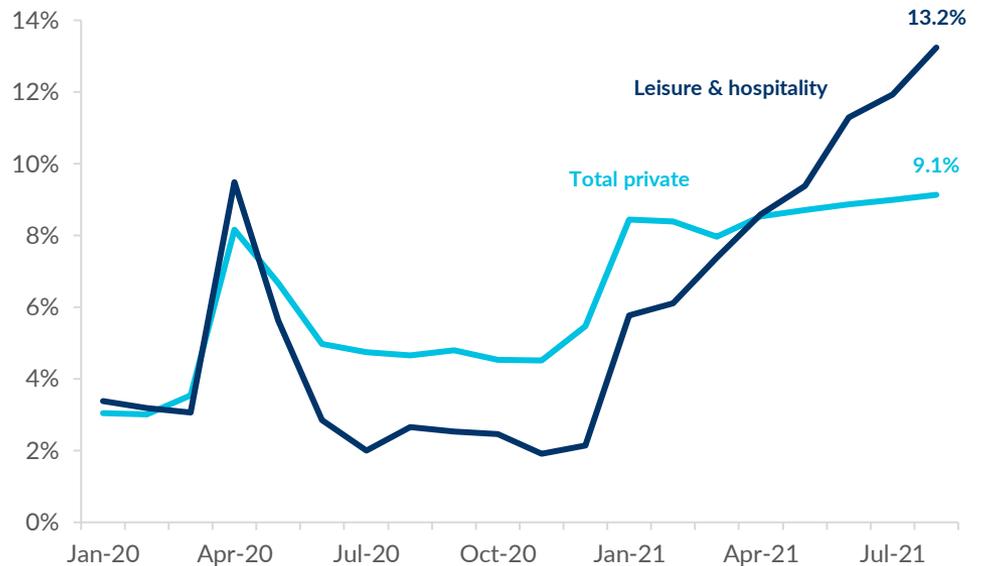
UPWARD WAGE PRESSURES GROWING

The increased bargaining power of workers due to the labor shortage has led to upward pressures in wage inflation.

The L&H industry is particularly labor-intensive and, therefore, heavily impacted by the labor shortage. The average hourly earnings for L&H workers has risen sharply in unison with the rise in demand and job openings, reaching 13.2% above 2019 levels in August – over four percentage points more than the increase in total private average hourly earnings (9.1%) and more than double the average 2-year increase in L&H average hourly earnings of 4.8% from 2010-19.

Average hourly earnings

% change relative to same month 2019



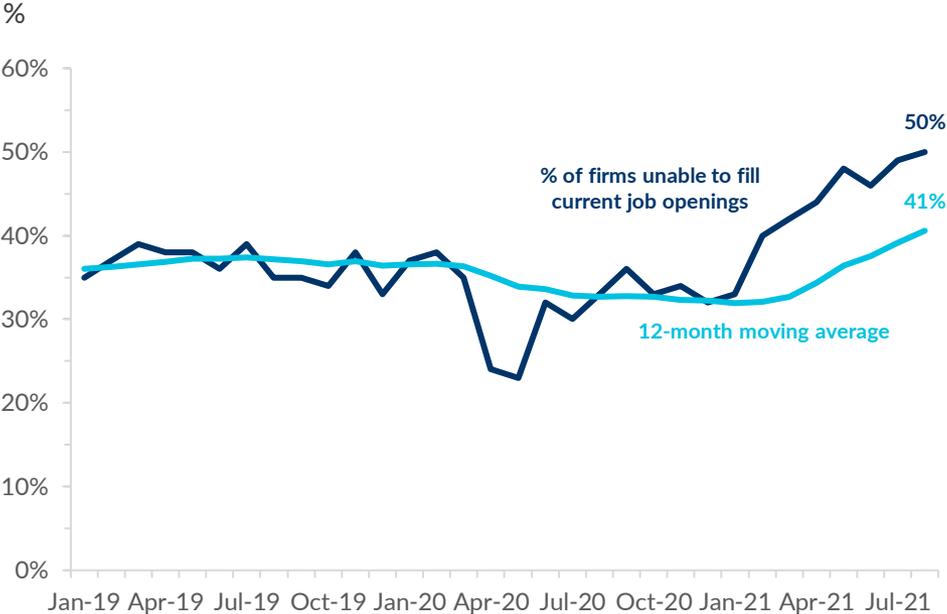
Source: BLS

SMALL BUSINESSES FACING EXTREME SHORTFALLS

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

In the August NFIB Small Business Jobs Report, 50% of small businesses reported being unable to fill current job openings. While the 12-month moving average of firms facing labor shortfalls had been steadily declining throughout the pandemic, the vaccine rollout and easing virus fears at the beginning of this year led to the return of economic activity to outpace the return of workers, resulting in the employment shortfall expanding to a record high.

NFIB employment gap



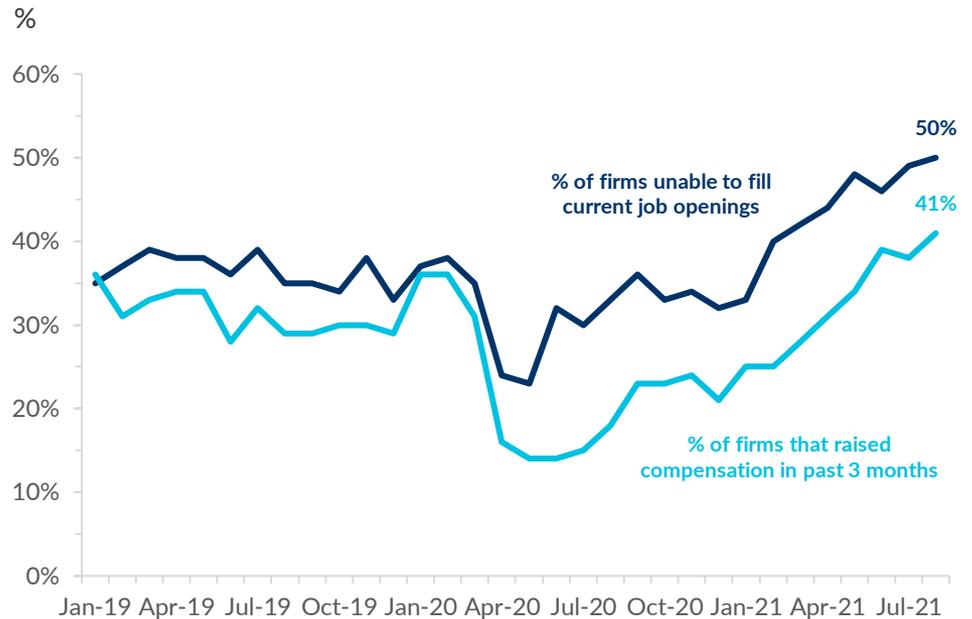
Source: National Federation of Independent Business

SMALL BUSINESS HIRING STRAINS

Pandemic-related closures and restrictions more negatively impacted small businesses, and the rapid spread of the Delta variant and potential reinstatement of those restrictions presents vast uncertainty and risk to small business operations moving forward.

This uncertainty adds to the challenge of higher costs and employment shortages. In the August report, the share of small businesses unable to fill job openings (50%) and of firms raising employee compensation (41%) reached new all-time highs.

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

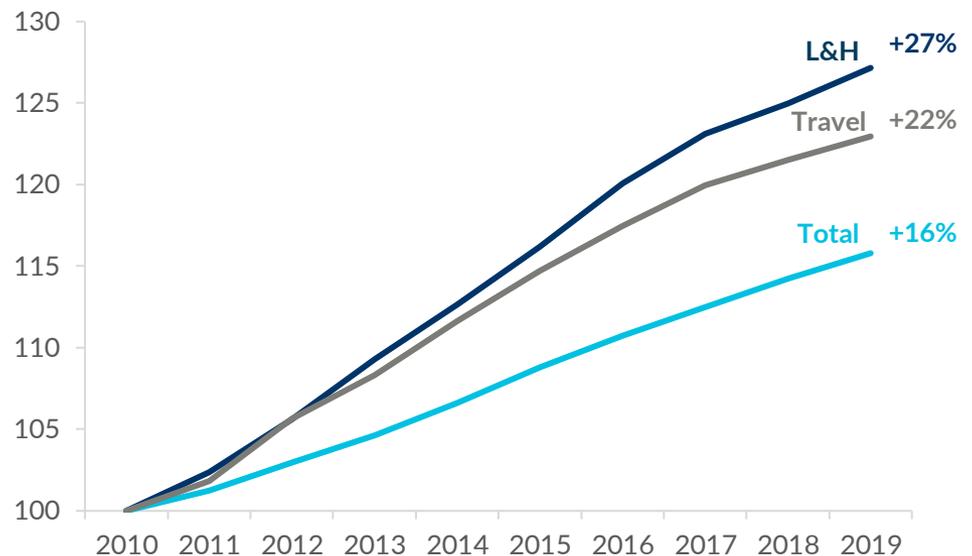
Travel-related industries generally outpaced the overall US economy over the past decade. Employment in the leisure and hospitality (L&H) sector expanded 27% from 2010-2019 while total US economy employment grew just 16%.

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

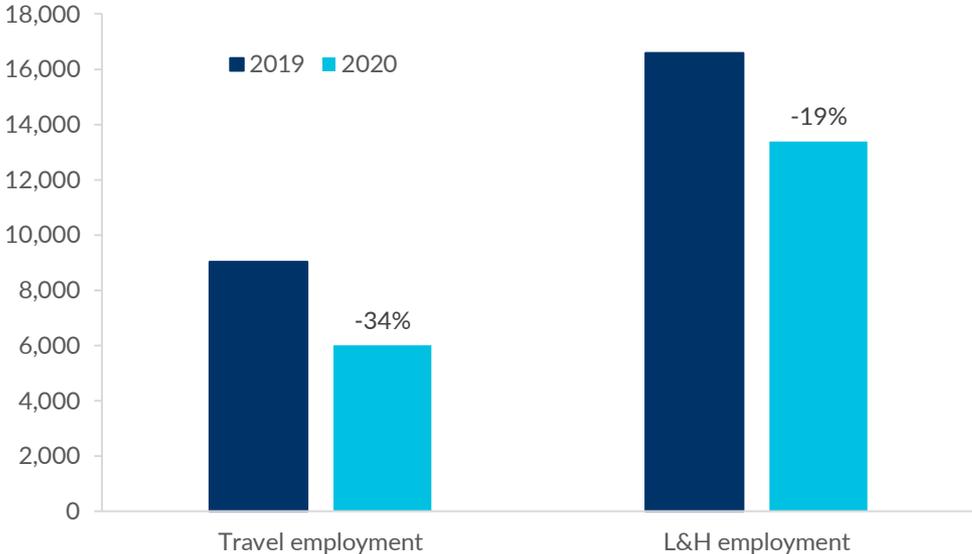
TRAVEL EMPLOYMENT HAS UNDERPERFORMED L&H SINCE THE ONSET OF THE PANDEMIC

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.

Travel and L&H employment

Thousands of jobs



Source: BLS, Tourism Economics

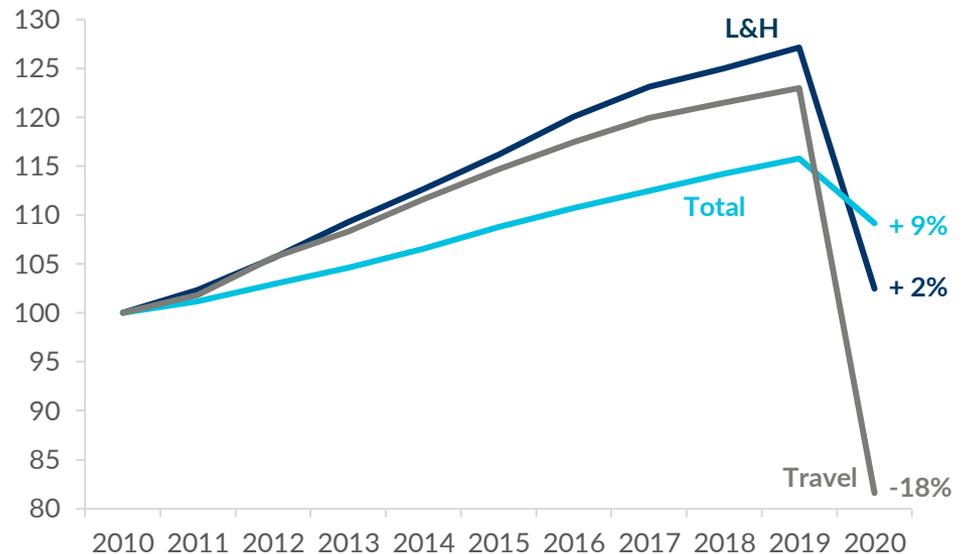
DECADE OF GROWTH LOST IN 2020

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- Aug. 2021)	% of industry jobs lost (Feb. 2020- Aug. 2021)	% of all jobs lost (Feb. 2020-Aug. 2021)
Mining & logging	-46	-7%	1%
Construction	-232	-3%	4%
Manufacturing	-378	-3%	7%
Wholesale trade	-173	-3%	3%
Retail trade	-285	-2%	5%
Transportation & warehousing	22	0%	0%
Information	-150	-5%	3%
Finance & insurance	34	1%	-1%
Real estate, rental & leasing	-63	-3%	1%
Professional & business services	-468	-2%	9%
Educational services	-159	-4%	3%
Health services	-746	-4%	14%
Leisure & hospitality	-1,699	-10%	32%
Arts, entertainment, and recreation	-376	-15%	7%
Accommodation	-356	-17%	7%
Food services and drinking places	-966	-8%	18%
Other services	-189	-3%	4%
Government	-744	-3%	14%
Total economy	-5,333	-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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