

Restaurants, Grocery Stores, Food Manufacturers Losing Millions of Workers

6/15/2020

Ames, IA – As restaurants across the U.S. have started re-opening their dining rooms for service, they're now facing another consequence of the COVID-19 pandemic—huge numbers of employees are seeking employment in other industries or leaving the workforce altogether.

“Labor supply has decreased at least somewhat in every industry because some workers may get sick or they may leave the labor market to take care of children displaced from school, etc.” said John Winters, an associate professor of economics at Iowa State University. “While it was expected, closures and reduced consumer demand severely impacted restaurant industry employment—it lost roughly five million jobs from April 2019 to April 2020.”

Winters is an author of a new Iowa State study, “[COVID-19 Employment Status Impacts on Food Sector Workers](#),” along with Seung Jin Cho and Jun Yeong Lee, both Ph.D. students in Iowa State’s Department of Economics.

The purpose of their study, however, wasn’t to find the overall number of jobs lost in each sector, it was to examine current trends in same-industry employment. That is, they wanted to look at whether food-sector workers are leaving their current jobs for employment in different industries, or possibly just leaving the workforce altogether.

“Prior to the coronavirus pandemic, typically more than 80% of workers continued employment in the same industry, but we’re definitely seeing those numbers go down in some food-related sectors,” Winters said. “In April 2019, just over 83% of previous restaurant workers were still employed in the restaurant industry. In April 2020, only about 43% of previous restaurant workers were employed at work in the restaurant industry, which is a significant drop.”

The study also examined same-industry employment in food manufacturing, grocery stores, and crop and animal production. While the restaurant industry was hardest hit by workers leaving the industry altogether, the food manufacturing and grocery store industries are seeing the same trend.

“Between April 2019 and April 2020, the number of previous workers still employed in food manufacturing decreased by about eleven percentage points and the number of previous workers still employed in grocery stores decreased by just over seven percentage points,” Winters said.

Unlike restaurants, the loss in grocery store employees isn’t due to decreased labor demand. “Labor demand in the grocery store industry has remained strong,” Winters said. “When previous grocery store workers exit the labor force it is very unlikely to be because of reduced labor demand. We also looked at hiring of new workers not previously employed in food manufacturing and grocery stores and didn’t find significant evidence of increased hiring, which suggests these industries may struggle to build and retain an effective workforce,” he said.

Winters said it’s very difficult to disentangle the various motives that lead to a reduced labor supply, but their data showed some expected general trends, such as older workers, less-educated workers,

and women with children being more likely to leave the workforce. “Eligibility for unemployment insurance, including expanded benefits from the CARES Act, also reduced labor supply,” he said.

Ultimately, the COVID-19 pandemic seems to be driving laborers away from certain industries and high-infection areas. “Workers have not only left their previous industry, but also decided not to look for work in areas with high COVID-19 infection rates,” Winters said.

The only U.S. food sectors examined in the study that didn’t show a reduction in same-industry employment were crop and animal production. However, Winters said that it’s possible that things may look different for those industries in the next few months as the U.S. continues through the primary growing season and fall harvest approaches.

For over 60 years, the [Center for Agricultural and Rural Development](#) at [Iowa State University](#) has conducted innovative public policy and economic research on local, regional, and global agricultural issues, combining academic excellence with engagement and anticipatory thinking to inform and benefit society.

###

Contacts

John Winters, Department of Economics, 515-294-6263, winters1@iastate.edu.

Nathan Cook, Communications, Center for Agricultural and Rural Development, 515-294-3809, nmcook@iastate.edu.