Effects of the COVID-19 Pandemic on the Restaurant Industry: Comparisons Between Immigrants and US-Born Workers

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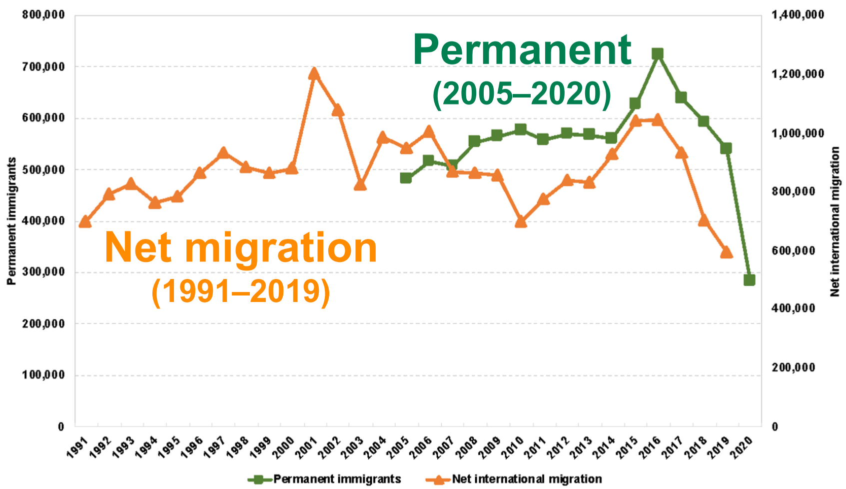
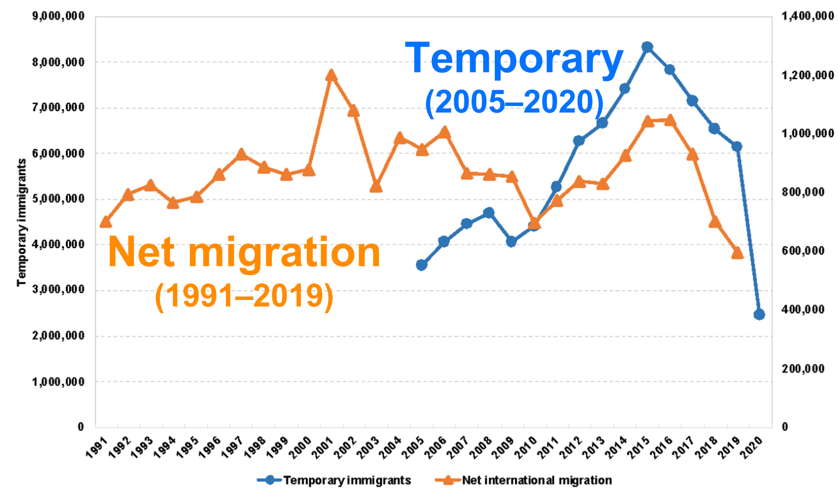
Immigration effects on US-born workers

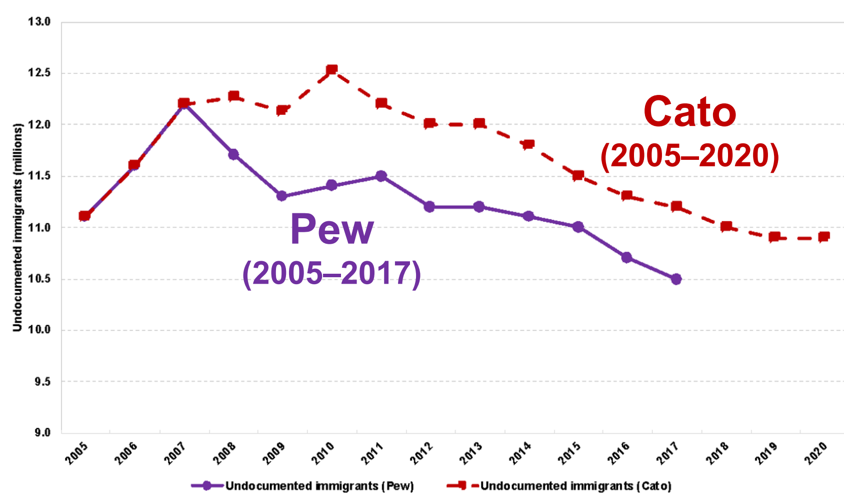
- Depends on degree of competition and degree of substitutability (Borjas, Grogger, Hanson 2008)
- Most intense in low-skill occupations and industries (Mandelman, Zlate 2022)
- Depends on the international tradability of the industry (Burstein, Hanson, Tian, Vogel 2020)
- Depends on the unobserved skills (Peri, Sparber 2009)
- Specialization can mitigate adverse effects and maybe create jobs for US-born workers (Albert 2021)

Flows of immigrants





Stock of undocumented immigrants



Source: US Dept. State, Dept. Homeland Security, Federal Res. Bank of Dallas, Pew Research Center, Cato Institute.

Question and background

- Did immigrants experience worse employment outcomes in restaurants during the pandemic?

- Focus on restaurant workers
  - Low-skill, nontraded industry where immigrant and US-born competition should be most intense (Borjas et al. 2008; Burstein et al. 2020; Mandelman, Zlate 2022)
  - 4th largest occupational group: 11.3% in 2020
  - Lowest mean earnings: $27,655 in 2020
  - 8.1% of newly arrived immigrants are in restaurant jobs, compared to 5.3% of other immigrants (2022)
  - Opportunities for specialization, which can mitigate adverse effects (Albert 2021; Peri, Sparber 2007; Deming 2017)

National occupational employment and wage estimates

Occupations	Total employed (%)	Mean earnings	Difference from average earnings
Office and Administrative Support Occupations	18.55	$42,391	–34.69%
Sales and Related Occupations	13.12	$45,752	–27.06%
Transportation and Material Moving Occupations	12.02	$39,778	–41.05%
Food Preparation and Serving Related Occupations	**11.26**	**$27,655**	**–77.40%**
Production Occupations	8.52	$41,757	–36.19%
Educational Instruction and Library Occupations	8.14	$60,167	0.33%
Management Occupations	7.46	$126,708	74.81%
Healthcare Practitioners and Technical Occupations	7.08	$76,361	24.17%
Healthcare Support Occupations	6.44	$32,247	–62.04%
Business and Financial Operations Occupations	5.98	$77,091	25.12%

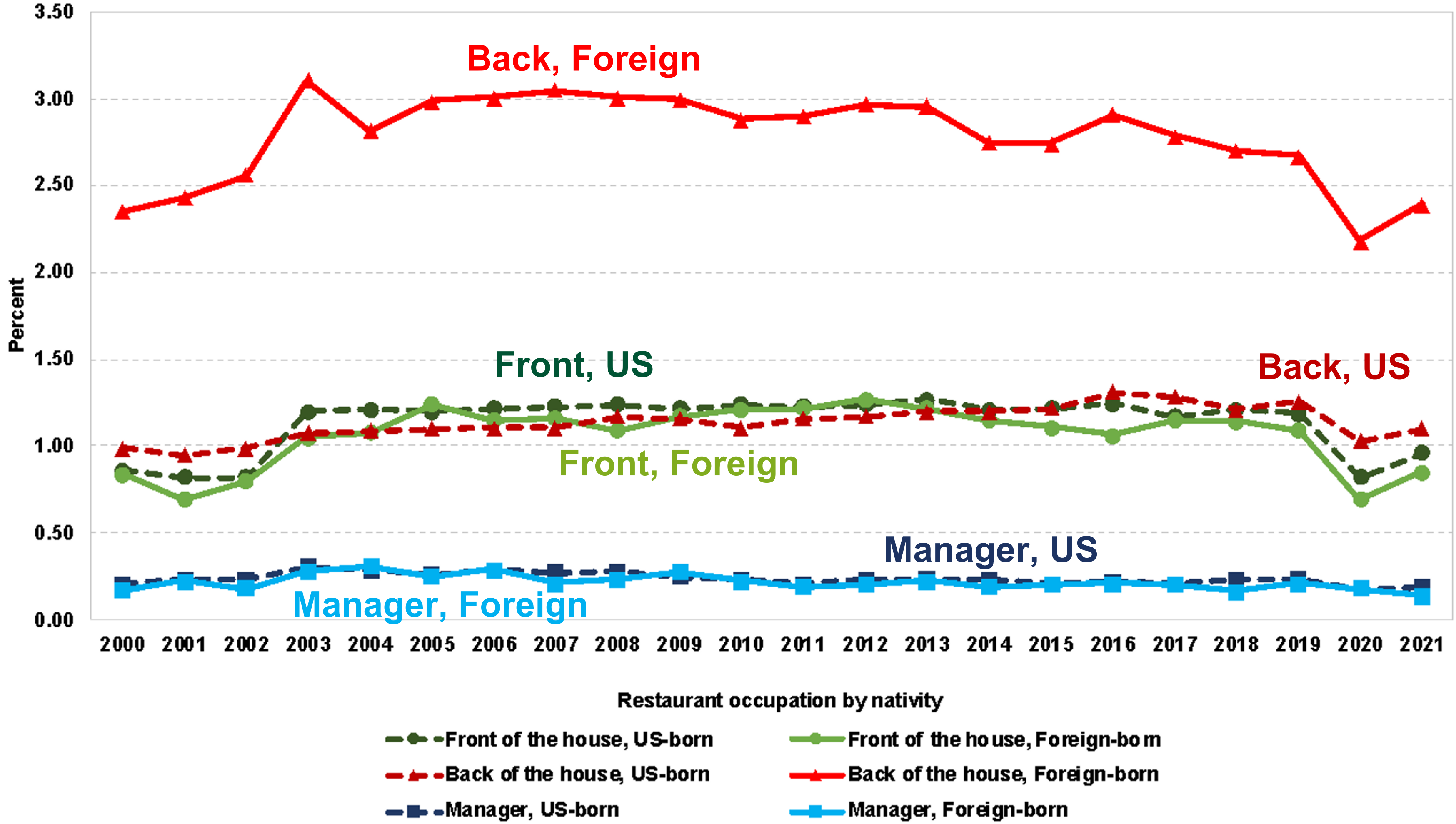
Source: May 2020 Bureau of Labor Statistics (BLS).

Data and methods

- **Current Population Survey (CPS)**
  - 2000–2021 Annual Social and Economic Supplement (ASEC)
  - 2000–2022 Basic Monthly data
    - Multinomial logistic: occupational transition to next year
      - **From restaurant** (independent) to another occupation (dependent)
      - From all occupations (independent) **to restaurant** (dependent)

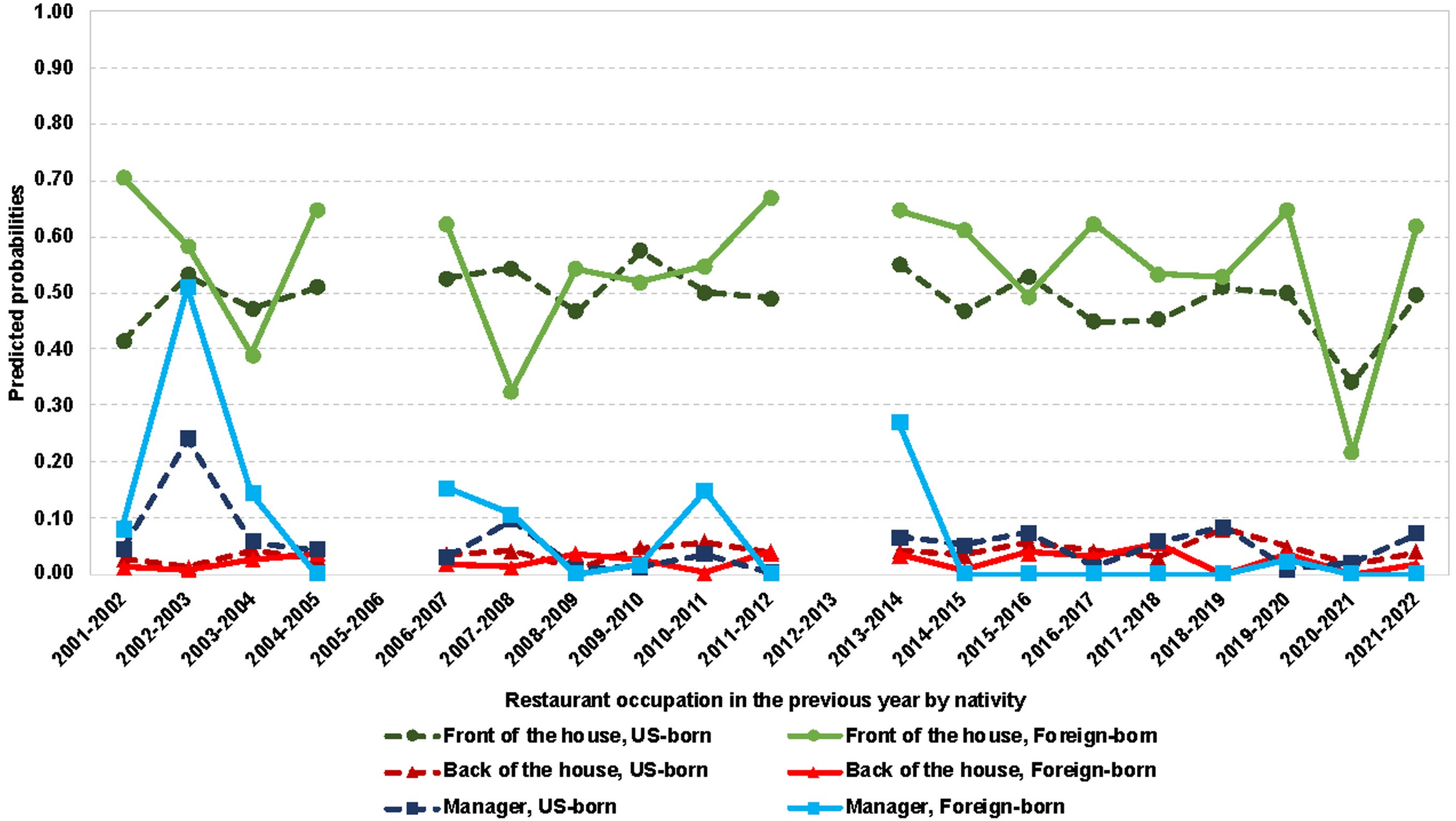
- **Data collection with restaurant owners/managers**
  - Summer 2021 (n=457)
    - Survey about changes over time: Jan. 2020 (before pandemic), Jan. 2021 (height of pandemic), time of survey
    - OLS models estimate percentage changes in numbers of workers by nativity and occupation within restaurants

Foreign-born and US-born in restaurant occupations



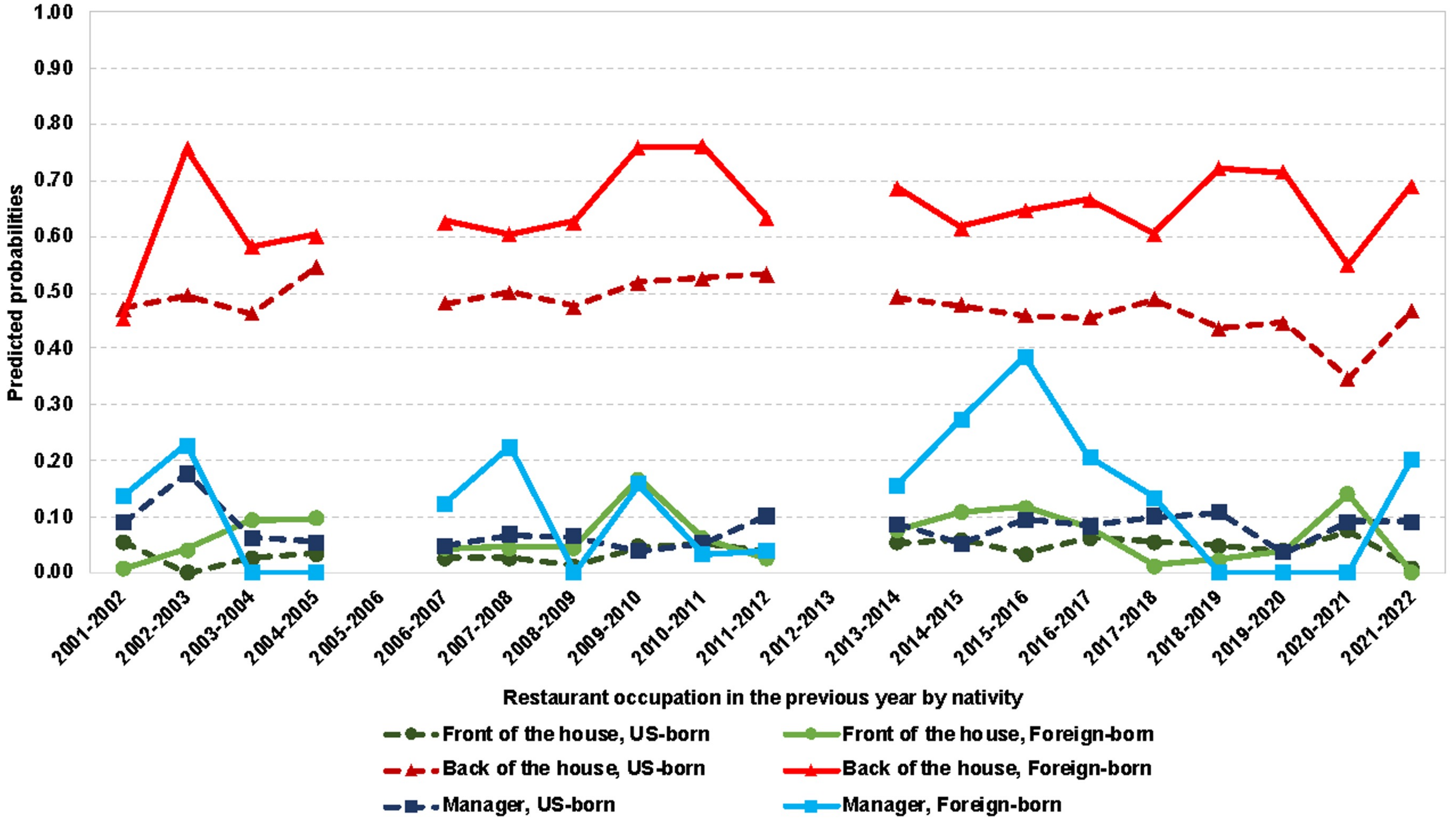
Source: 2000–2021 ASEC CPS (denominator is population by year for each nativity).

From restaurant to front of the house: Foreign-born have deeper 2021 decline of continuing in front of the house



Source: Multinomial logistic models using the 2000–2022 Monthly CPS (January).

From restaurant to back of the house: US-born have better 2022 recovery of continuing in back of the house



Source: Multinomial logistic models using the 2000–2022 Monthly CPS (January).

Sample size and column percentage of restaurants by type and service

Type of restaurant	Restaurant service				
	Fast food	**Upscale fine dining**	**Casual fine dining**	**Moderately priced style**	**Total**
Independently owned	22 17.32%	17 53.13%	48 73.85%	148 63.52%	235 51.42%
Franchise	78 61.42%	9 28.13%	6 9.23%	49 21.03%	142 31.07%
Corporate owned	27 21.26%	6 18.75%	11 16.92%	36 15.45%	80 17.51%
Total	127 100.00%	32 100.00%	65 100.00%	233 100.00%	457 100.00%

Source: Nationwide survey with restaurant owners and managers (Summer 2021).

OLS: Pct. changes on number of workers from January 2020 to Summer 2021

Independent variables	Front of the house		Back of the house	
	US-born	Foreign born	US-born	Foreign born
Type of service				
Upscale fine dining	**–22.84** **(13.34)**	–20.50 (16.24)	4.17 (14.10)	**–24.55*** **(15.13)**
Casual fine dining	–2.38 (9.92)	12.52 (12.01)	–7.68 (10.31)	5.13 (11.28)
Moderately priced style	–2.50 (5.03)	**–9.46*** **(6.71)**	0.35 (5.43)	–0.20 (6.09)
Fast food	1.87 (6.90)	**21.79***** **(9.27)**	–0.66 (7.49)	**15.01*** **(9.21)**

Note: ***Significant at p<0.01, **Significant at p<0.05, *Significant at p<0.1 (one-tailed test).

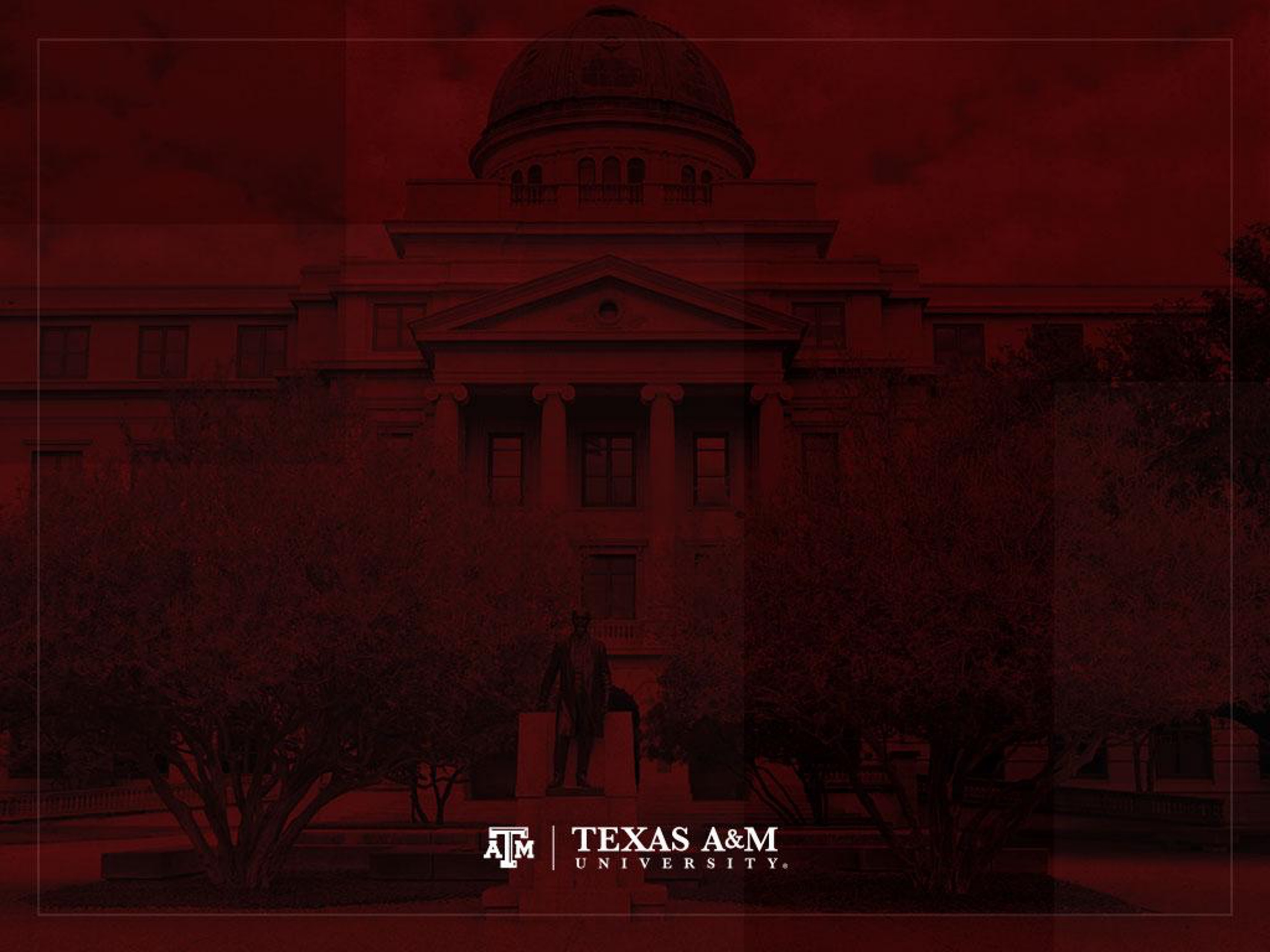
Source: Nationwide survey with restaurant owners and managers (Summer 2021), n=457.

Final considerations

- Resilience of immigrants during economic crises have limitations
  - In the 2008 Great Recession, immigrants had better economic outcomes than US-born workers
  - In the COVID-19 pandemic, immigrants in the restaurant industry did worse than US-born workers
- In the pandemic, immigrants lost advantages of geographical mobility and flexibility
  - Period of restricted movement within the U.S.
  - Economic crisis was uniform across the country
  - Widespread restaurant closures or contraction

Policy implications

- Policy implications on U.S. aid programs
- Rethink restrictions on aid programs that prevent undocumented immigrants from participating
- A main example is lack of access to unemployment benefits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