



Florida TaxWatch

ECONOMIC COMMENTARY

Beyond the Pandemic: Long-Term Changes and Challenges for Leisure & Hospitality

COVID-19 LEGACY SERIES PT.5
SEPTEMBER 2021

Note: This economic commentary is one of a multi-part “COVID-19 Legacy Series” discussing the long-term changes brought on by the COVID-19 pandemic and the challenges facing the state of Florida in the years to come. Each installation will examine a particular focus area and describe how the changes will impact the Florida economy.

JUST AS THE NATION WAS ENTERING A NEW PHASE OF THE COVID-19 PANDEMIC—ONE WHERE VACCINATION RATES WERE RISING AND PENT-UP DEMAND FOR TRAVEL STARTED TO UNLEASH DURING THE SUMMER—THE CONTAGIOUS DELTA VARIANT EXPOSED TOURISM’S LINGERING ECONOMIC VULNERABILITY. For Florida’s Leisure and Hospitality sector, emerging from the COVID-19 pandemic means more than just having tourists return or for employment numbers to reach pre-pandemic levels. There are fundamental considerations about the future service workforce, which intersect with broader industrial trends to position businesses for a disruptive future. Leisure and Hospitality form a core part of the state, and developments in the sector will precipitate and propel larger transformations for the Florida economy as a whole.

HOW DID WE GET HERE?

A substantive discussion about the future of Florida’s Leisure and Hospitality sector warrants a brief review of where the state has come from in just over twenty years and why Leisure and Hospitality have been instrumental for the state’s economic growth leading up to the pandemic.

Since the start of the millennium, Florida’s economy has undergone a significant change in its employment composition. More than any other sector, Leisure and Hospitality employment grew by 67.3 percent over two decades, followed by sizeable gains in Education and Health Services and Construction, which grew around 52.8 and 49.3 percent, respectively (See Table 1).

TABLE 1. FLORIDA’S CHANGING ECONOMY 1999-2019

Economic Sector	Employment (1999)	Employment (2019)	% Change
Leisure and Hospitality	761,162	1,273,796	67.3%
Education and Health Services	1,214,423	1,855,356	52.8%
Construction	379,842	567,238	49.3%
Financial Activities	441,038	589,063	33.6%
Other Services	222,313	282,441	27.0%
Professional & Business Services	1,117,723	1,394,816	24.8%
Trade, Transportation & Utilities	1,498,454	1,851,281	23.5%
Government	409,888	457,782	11.7%
Manufacturing	451,365	383,683	-15.0%
Information	177,743	139,938	-21.3%
Agriculture	97,938	68,623	-29.9%

Source: U.S. Bureau of Labor Statistics - Quarterly Census of Employment and Wages (QCEW)

The combination of exceptional population growth and elevated annual tourism stimulated economic diversification beyond the state's historically significant sectors like agriculture and cemented Florida's position as a global destination and trade leader.

The unrivaled growth in Leisure and Hospitality, in particular, catalyzed a heavy reliance on service industry jobs and a heightened sensitivity to tourism patterns — two features that made Florida extremely vulnerable to the impending pandemic in 2020. It comes by no surprise, then, that the Leisure and Hospitality sector in Florida experienced the most pronounced employment losses of any industry during the pandemic, at one point losing 532,000 jobs in April 2020. Since then, there has been a slow but steady reclamation of jobs with periodic disturbances (e.g. during the winter COVID-19 spike or Delta surge). As of August 2021, Florida's Leisure and Hospitality employment stood at nearly 1,082,000—roughly 84.8 percent of its pre-pandemic level.

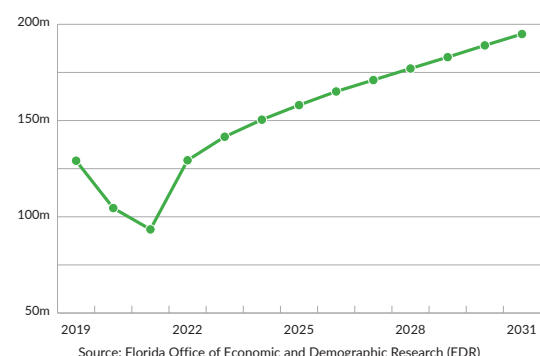
THE RETURN OF TOURISM AND TRAVEL?

Underpinning most of Florida's Leisure and Hospitality sector is the yearly influx of visitors from other states and around the world. Since the beginning of the Great Recession recovery in 2010, Florida experienced rapid tourism growth every year, reaching an apex in 2019 when some 131 million visitors came to the Sunshine State.

These tourists generated economic activity throughout the economy and contributed around 15 percent to the state's general revenue through sales tax collections. Yet as the pandemic reached the nation's shores, tourism suffered a major setback, and by the end of the 2020 calendar year, only 79.3 million visitors arrived in Florida—a 39.6 percent decline from the previous year.

Based on past case studies of major epidemics, the average recovery time for visitor numbers is around 19 months;¹ however, given the protracted struggle with COVID-19 and its pervasiveness, the timeline for recovery is uncertain. Despite this tenuous timeline, estimates from Florida's Office of Economic and Demographic Research (EDR) suggest total visitors may reach 129 million visitors sometime in 2022.² By the end of the decade, forecasts predict there may be 195 million visitors who visit Florida annually (See Figure 1).³ In terms of tourism returning, EDR expects leisure driving vacations to come back first, followed by business travel, domestic air travel, and international travel.⁴

FIG. 1. FLORIDA ANNUAL VISITOR FORECAST THROUGH 2031



As pointed out in a previous Florida TaxWatch commentary, the shift to remote work for many businesses throughout the pandemic complicates the return of business travel.⁵ Greater use of virtual formats may have a downward pressure on demand for services that business travel has historically provided. Without truly knowing how much leisure travel will offset business travel declines, Leisure and Hospitality businesses in many areas face a precarious future. Not all long-term outcomes are perilous though—remote work has blurred the traditional lines between business and leisure travel, presenting businesses and localities with a significant growth opportunity to attract new potential visitors.⁶

WHAT LIES AHEAD?

Florida's tourism-sensitive economy has ebbed and flowed throughout the past year and a half, with the Delta variant representing the latest development in a series of unpredictable events. A lackluster national jobs report by the Bureau of Labor Statistics (BLS) revealed an even more nuanced picture of the economic recovery pace. In August 2021, the national Leisure and Hospitality sector recorded net zero job growth despite averaging more than 350,000 new jobs for each of the preceding three months.⁷ The disappointing numbers reflect dimming consumer confidence as the Delta variant continues to complicate a return to normal.

1 World Travel & Tourism Council, Crisis Readiness: Are you Prepared and Resilient to Safeguard Your People & Destinations, Feb. 25, 2021.

2 Florida Economic Estimating Conference, Long-Run Tables, Held on July 20, 2021.

3 Florida Economic Estimating Conference, Long-Run Tables, Held on July 20, 2021.

4 The Florida Legislature Office of Economic and Demographic Research, "Florida: An Economic Overview," Presented on Aug. 31, 2021.

5 Florida TaxWatch, Beyond the Pandemic: Long-Term Changes and Challenges for Florida's Workforce, Jul. 21, 2021.

6 CNBC, "Marriott CEO: Line between business and leisure travel is blurring – that's good news for hotels," May 10, 2021.

7 Economic Policy Institute, "Economic Indicators: Jobs and Unemployment," Sept. 3, 2021.

Continued struggles for Florida's Leisure and Hospitality sector signify a potential long-term risk for other areas of the state's economy. Often overlooked, workers in the tourism industry develop many transferrable skills—such as relationship building, adaptability, and problem-solving—due to various job functions involving customer engagement.⁸ In many cases, these skills enable the workers to progress into higher-paying careers like business, finance, manufacturing, or management.⁹ From these industry pathways, it becomes apparent Leisure and Hospitality serves as a foundational sector and a crucial talent pipeline for other parts of the Florida economy.

As evidenced in recent months, however, Leisure and Hospitality workers across the nation are leaving the sector with over one-third indicating they are not considering reentering the tourism industry.¹⁰ Factors such as low pay, lack of benefits, the opportunity for remote work elsewhere, and the ongoing unpredictability have spurred individuals out of the industry.¹¹ Not only are these trends troubling for creating labor shortages across the U.S., but for places like Florida, a lack of Leisure and Hospitality workers produces a negative cascading effect on other industries by potentially constricting the flow of labor in future years.

For the state, these potential long-term difficulties underscore the importance of expanding workforce training (e.g. upskilling and reskilling) for service-sector jobs. Providing Leisure and Hospitality workers with workforce training opportunities has the dual benefit of minimizing downstream labor consequences and incentivizing workers to professionally develop within the tourism industry. The long-term challenge also presents the state with an opportunity to identify additional ways to bolster career pathways between Leisure and Hospitality and rising in-demand sectors.

Beyond just difficulties with labor shortages, Florida's Leisure and Hospitality must also wrestle with the reality that the future will be rife with economic disruption beyond just COVID-19. From more severe climate-induced events to major global supply shocks, disruption will be a factor for the sector in the decades to come. How businesses respond will have an important bearing on operations, output, and workers. Technological innovation has already been observed to some extent during COVID-19. Online delivery systems, contactless payment, and digital kitchen boards all attest to the rapid digitalization the sector has embraced due to the pandemic. Although some of these trends were present before COVID-19, the pandemic elevated the physical dimension of risk and made automation a means of survival for many businesses. To what extent automation continues and creates new skill sets for the sector will be a constantly evolving consideration ahead.

Structural changes for the Leisure and Hospitality sector also signal macro-changes for Florida's overall economy down the road. The pandemic presented a renewed sense of urgency for broad economic diversification beyond the former "three-legged stool" model that has typified the state for decades. In emerging areas like health care, information technologies, engineering, and e-commerce, there is abundant opportunity for economic growth. To be clear, Florida will remain heavily service-oriented beyond COVID-19, but that does not preclude the state from pursuing in-demand sectors and improving pathways between service sectors and emerging technological fields. These goals will be imperative for the Florida economy's longevity and resilience in a dynamically disruptive future.

CONCLUSION

Even though the COVID-19 pandemic did not stall or reverse Florida's orientation as a service economy, the state's Leisure and Hospitality sector bore the brunt of the pandemic's adverse effects. Looking beyond the current Delta variant surge, future tourism numbers and employment figures look promising for Florida's recovery. Underneath the surface, however, is a more nuanced picture of the long-term changes and challenges that the Leisure and Hospitality sector is experiencing. The human service experience is constantly being re-defined as physical risk, economic uncertainty, and technological innovation all converge. What this means for Leisure and Hospitality will undoubtedly affect all other portions of the state of Florida's economy.

8 CNBC, "Hospitality workers have transferable job skills. Here's how to use them to switch careers," Mar. 6, 2021.

9 Florida Chamber Foundation, Florida Workforce Needs Study, Jun. 2021. Accessed Sept. 17, 2021.

10 Bloomberg, "Half of U.S. Hospitality Workers Won't Return in Job Crunch," Jul. 8, 2021.

11 Bloomberg, "Half of U.S. Hospitality Workers Won't Return in Job Crunch," Jul. 8, 2021.

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