Closing Time?

An Analysis of the Potential Effects of Shutting Down Restaurants, Cafés and Pubs

CONTENTS

INTRODUCTION

What happens when you close down every restaurant, every café and every pub in the country? What happens to the thousands upon thousands of businesses that are no longer able to operate, and those in their supply chains? What happens to the million plus people whose livelihoods depend on working in a sector that is, for now, in complete shutdown?

In one sense, these are impossible questions to answer with any certainty. So far as we know, no society has ever taken this type of sudden and monumental decision to close down such huge and vital sectors, and it is doubtful that any economic model really exists to answer questions around a scenario that nobody ever imagined would come to pass. Yes, there are still a few places doing delivery. Yes, the government has put in place a range of interventions in the form of loans and supports to furlough workers which should mitigate some of the damage. But this doesn't alter the fact that this sector of the economy is, for the most part, closed for business, and since we find ourselves in the midst of this previously unthinkable scenario, we do need to start asking the tough questions, and hopefully providing some reasonable answers about what this might mean.

In this short report, we hope to shed some light on these questions in the following ways:

- **General Insights:** We begin by looking at some general insights around the employment levels, economic contribution, and industry supply chains of these sectors.
- **Loss of Earnings:** We take a look at the weekly and monthly loss of earnings incurred by the shutdown, and what this might mean for different areas of the country.
- **Possible Job Losses:** We view the question from the perspective of job losses, looking at various scenarios to show how many actual jobs could be lost according to best, medium and worst case scenarios.

For the purposes of this analysis, we have used Standard Industry Classifications (SIC Codes) 5610 and 5630, which are Restaurants and mobile food service activities and Beverage serving activities. According to the Office for National Statistics (ONS), these are defined as:

Restaurants and mobile food service activities
Restaurants; cafeterias; fast-food restaurants; pizza delivery; take-out eating places; ice cream truck vendors; mobile food carts; food preparation in market stalls; restaurant and bar activities connected to transportation, when carried out by separate units.

Beverage serving activities
Bars; taverns; cocktail lounges; discotheques (with beverage serving predominant); beer parlors and pubs; coffee shops; fruit juice bars; mobile beverage vendors.

As you can see, they include a variety of different types of food and drinks venues, but for the purposes of this analysis, we will refer to the two sectors as Restaurants and Pubs.

GENERAL INSIGHTS

Let's begin by looking at the data to glean a number of broad insights about these sectors. The graphic below looks at the numbers they employ, the average wage they pay, and how much they contribute to the UK economy annually:

Jobs, wages and GVA in the UK Restaurant and Pub sectors

Restaurants and mobile food service activities	Total jobs in the sector in 2020 1.14m	Average wage per job £15,242	Gross Value Added (GVA) £18.6bn
Beverage serving activities	Total jobs in the sector in 2020 538,500	Average wage per job £15,382	Gross Value Added (GVA) £9.8bn
Totals	Total jobs in 2020 1.68m	Average wage per job £15,287	Total Gross Value Added (GVA) £28.4bn

Data: Emsi 2020.1

Clearly these sectors are vast, together employing more than 1.68 million people and contributing £28.4 billion of overall economic value every year to the UK economy (note: GVA is a measure of the value created by businesses in producing goods and services, equivalent to the revenue they generate less the costs of materials and services they use). It is certainly not hard to see that a complete shutdown of these industries for weeks, possibly months on end, is going to have a profound effect on thousands of businesses and on the lives of millions of people.

THE INDUSTRIES WHICH SUPPLY THE RESTAURANT AND PUB SECTORS

The potential effects on the Restaurant and Pub industries are, however, just part of the story. Economies are a complex network of interconnections between workers, workplaces, and goods and services, and no industry exists in isolation. Restaurants and pubs are no exception, relying on numerous other sectors to provide them with products and services, without which they could not function properly. To begin to get an idea of how the shutdown might affect industries beyond the two we are looking at, we need to take a look at those sectors which are in their supply chain. The table below does this, highlighting the Top 20 in terms of purchases.

Top 20 industries in the supply chain for restaurants and pubs

Industry	Purchases in UK	Imported Purchases	Total Purchases
Retail sale in non-specialised stores with food, beverages or tobacco	£849m	£61m	£910m
Other monetary intermediation	£586m	£36m	£622m
Manufacture of beer	£563m	£0	£563m
Accounting, bookkeeping and auditing activities; tax consultancy	£475m	£55m	£530m
Temporary employment agency activities	£437m	£28m	£465m
Distilling, rectifying and blending of spirits	£391m	£0	£391m
Growing of crops, market gardening, horticulture; Farming of animals	£390m	£0	£390m
Business and other management consultancy activities	£362m	£21m	£383m
Retail sale of clothing in specialised stores	£301m	£22m	£323m
Travel agency activities	£285m	£27m	£312m
Manufacture of bread; manufacture of fresh pastry goods and cakes	£303m	£0	£303m
Combined facilities support activities	£275m	£18m	£293m
Engineering activities and related technical consultancy	£264m	£23m	£287m
Other telecommunications activities	£273m	£0	£273m
Computer consultancy activities	£243m	£18m	£261m
Wholesale of other machinery and equipment	£251m	£6m	£257m
Renting and operating of own or leased real estate	£229m	£26m	£255m
Other retail sale in non-specialised stores	£236m	£17m	£253m
General cleaning of buildings	£235m	£15m	£250m
Advertising agencies	£221m	£19m	£240m

Data: Emsi 2020.1

There are a couple of important points to note from this table.

Firstly, it is clear that the amount of purchases made by the Restaurant and Pub sectors in goods and services produced by other sectors is vast. In the Top 20 alone, the amount purchased with UK-based businesses in the supply chain amounts to £7.2bn. Across all industries, this figure actually amounts to £18.3bn.

Secondly, note that the supply chain contains not just obvious industries, such as Manufacture of beer, but also many sectors which we might not have even thought of as vital suppliers of restaurants and pubs, such as Temporary employment agencies, Telecommunications, and Computer consulting activities.

What this suggests is that a complete shutdown of the Restaurant and Pub sectors is not only going to have huge implications for businesses and workers in those two industries, but also for the dozens of businesses and thousands of workers in the sectors that supply them, should the shutdown continue for any great length of time.

THE OCCUPATIONS WHICH THE RESTAURANT AND PUB SECTORS EMPLOY

Having highlighted some general insights about these sectors, and then looked at which industries supply them, we can now turn to look in more detail at their employment. The way our data is modelled allows us to run a staffing pattern for any industry or industries, through which we can establish which occupations they employ. We have done this in the table below, identifying the Top 20 occupations that are employed in the two sectors:

Top 20 occupations in the Restaurant and Pub sectors

Occupation	Employed in Industry	% of Total Jobs in Industry	Median Hourly Wages
Kitchen and catering assistants	318,600	18.9%	£8.41
Waiters and waitresses	299,760	17.8%	£8.24
Bar staff	293,800	17.7%	£8.32
Chefs	196,300	11.7%	£9.66
Restaurant and catering establishment managers and proprietors	117,910	7.0%	£11.33
Sales and retail assistants	68,960	4.0%	£8.79
Publicans and managers of licensed premises	59,530	3.6%	£10.77
Cooks	53,030	3.2%	£8.91
Cleaners and domestics	39,230	2.4%	£8.67
Catering and bar managers	28,700	1.7%	£10.28
Van drivers	22,970	1.4%	£9.73
Other administrative occupations	16,650	1.0%	£11.32
Retail cashiers and check-out operators	12,450	0.7%	£8.95
Customer service occupations	10,400	0.6%	£10.15
Sales supervisors	10,370	0.6%	£10.20
Managers and directors in retail and wholesale	9,720	0.6%	£13.29
Book-keepers, payroll managers and wages clerks	7,400	0.4%	£12.96
Elementary security occupations	5,200	0.3%	£9.93
Vocational and industrial trainers and instructors	4,990	0.3%	£14.79
Receptionists	4,660	0.3%	£9.42

Data: Emsi 2020.1

There are two key takeaways from this:

Firstly, the numbers employed in these sectors are vast, with tens and sometimes hundreds of thousands in certain occupations. Given that the industry has effectively been closed down, we can assume that most of these people are currently not working and – sadly – that many may not have a job to return to once the shutdown is lifted.

Secondly, just as there were numerous surprising industries in the supply chain table, there are a number of occupations that we might not have naturally expected to appear in a Top 20 table of occupations in the Restaurant and Pub sectors. No doubt we would have named jobs like Bar staff, Chefs, and Waiters and waitresses, but would we have thought of Van drivers, Sales supervisors and Book-keepers? Yet these sorts of occupations are clearly vital to these sectors.

What this does is to put a human face on the unfolding economic crisis. Unfortunately, with much of the media commentary focusing exclusively on the threat from Covid-19, the enormous consequences to the lives of millions of people due to the closure of large parts of the economy has tended to get a bit lost. But as we can see from these figures, when we talk about the economic consequences, we are not talking about money and GDP figures. Rather, we are talking about real people – Chefs, Van drivers, Cleaners etc – all needing to earn to survive, and all suddenly finding their jobs and their livelihoods under threat.

LOSS OF EARNINGS

Looking at the number of jobs employed in the Restaurant and Pub sectors, the type of jobs they employ, and the variety of industries that supply them, it is clear not only that these are vital sectors in the economy, but that closing them down is bound to have a far reaching effect on many other sectors and on millions of people. What we now want to do is to take a look at the loss of earnings in these sectors, and the ripple effect this has on the rest of the economy.

LOSS OF EARNINGS THROUGHOUT THE COUNTRY

We can begin by looking at the situation across the United Kingdom as a whole, breaking down the loss into Initial, Direct, Indirect and then Total losses. These can be defined as follows:

Initial: Loss of earnings of those employed in the Restaurant and Pub sectors.

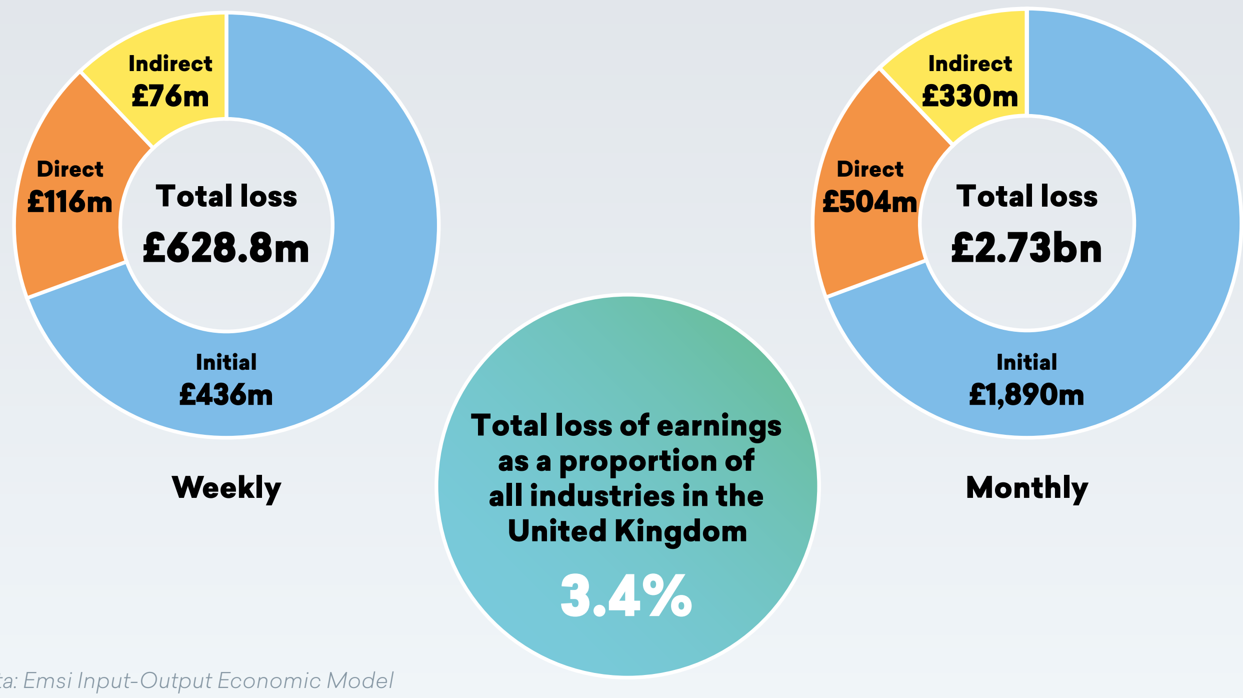
Direct: Loss of earnings for industries in the immediate supply chain of Restaurants and Pubs.

Indirect: The ripple effect caused by a decrease in spending of those supply chain industries.

Total: The summation of Initial, Direct and Indirect loss of earnings.

The chart below shows this earnings breakdown on both a weekly and monthly basis. The overall monthly loss of earnings is vast at £2.73bn, representing 3.4% of the entire earnings in the UK economy across all sectors:

Weekly and monthly loss of earnings due to closure of the Restaurant and Pub sectors in the UK



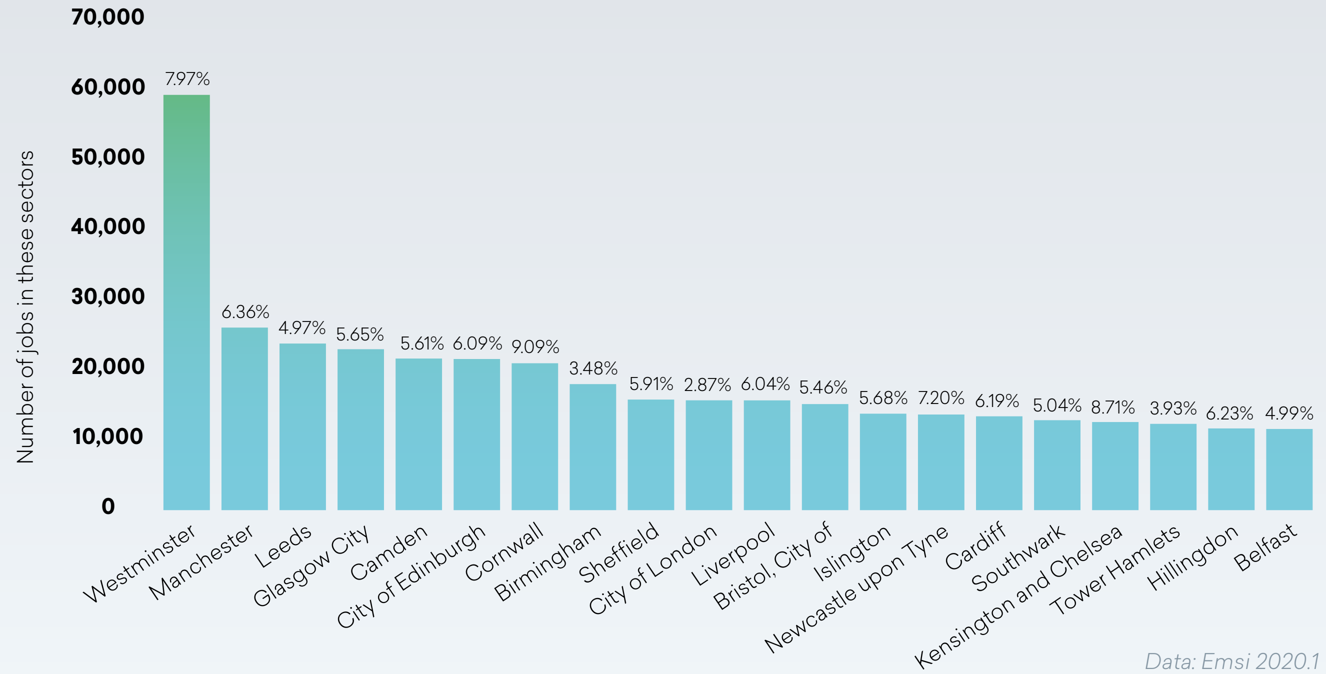
Data: Emsi Input-Output Economic Model

DIFFERENCES IN IMPACT ACROSS THE COUNTRY

Although the closure of Restaurants and Pubs will clearly have a big effect on the national economy generally, as we are always at pains to point out, the concept of a national economy is something of a misnomer. In actual fact, when we talk about the national economy, what we are really referring to is the aggregation of hundreds of smaller, local economies which are often very different from one another. And so this raises the following question: where is the shutdown of Restaurants and Pubs likely to be felt the most, and how much is it likely to cost in terms of earnings?

We can answer this question in a couple of ways. The first is simply to look at absolute job numbers, to see which are the biggest areas of Restaurant and Pub employment in the country. The chart below shows this, and as we would no doubt have expected, it is the big city areas where we see the big numbers. Westminster, however, is in a league of its own with almost 60,000 people employed in these sectors, which represents 7.97% of the entire workforce in the area:

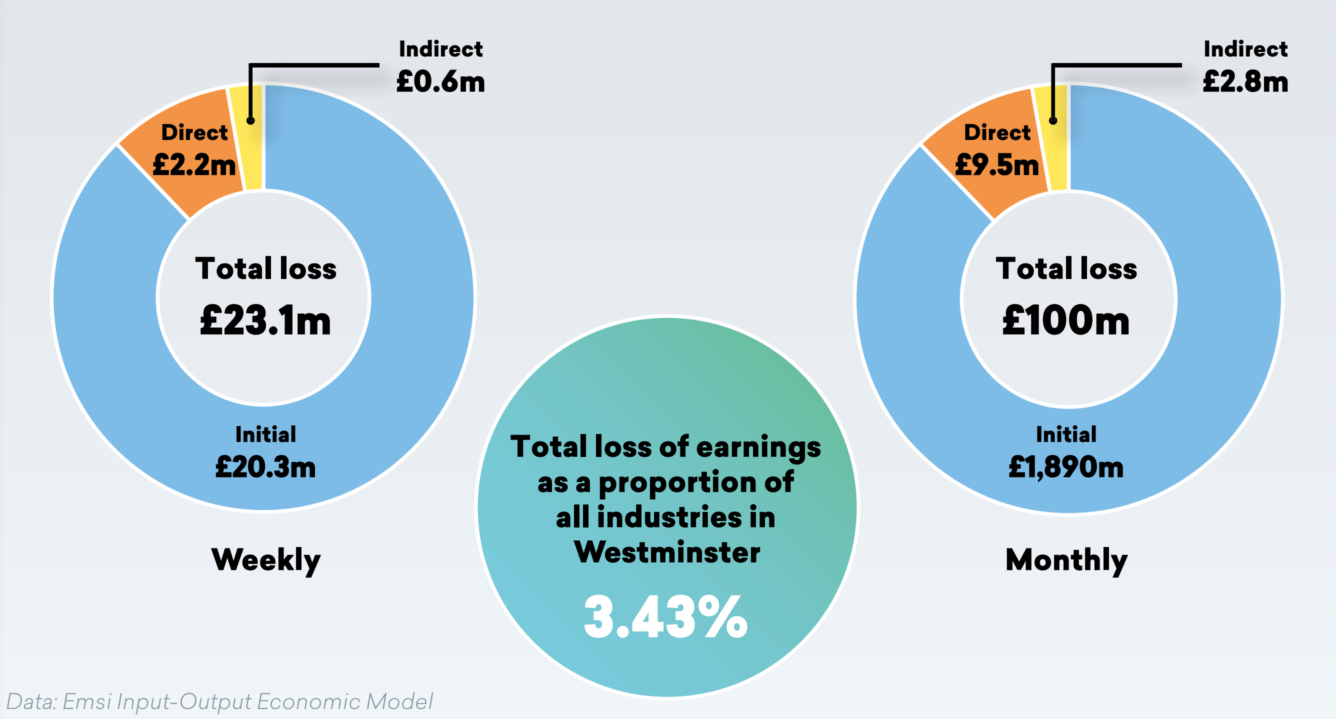
Top 20 areas with the largest number of jobs in the Restaurant and Pub sectors



Data: Emsi 2020.1

What we can now do, is use the Input-Output modelling that we used on page 7 for the country as a whole, to give an idea of the sorts of earnings losses that might be incurred in these much smaller geographies. For instance, in the chart at the top of page 9, we have run the model for Westminster, and as you can see, the closure of the Restaurant and Pub sectors in the area is likely to lead to weekly and monthly losses of £23.1m and £100m respectively – 3.43% of total earnings in the area, which is slightly higher than the national average of 3.40%.

Weekly and monthly loss of earnings due to closure of the Restaurant and Pub sectors in Westminster

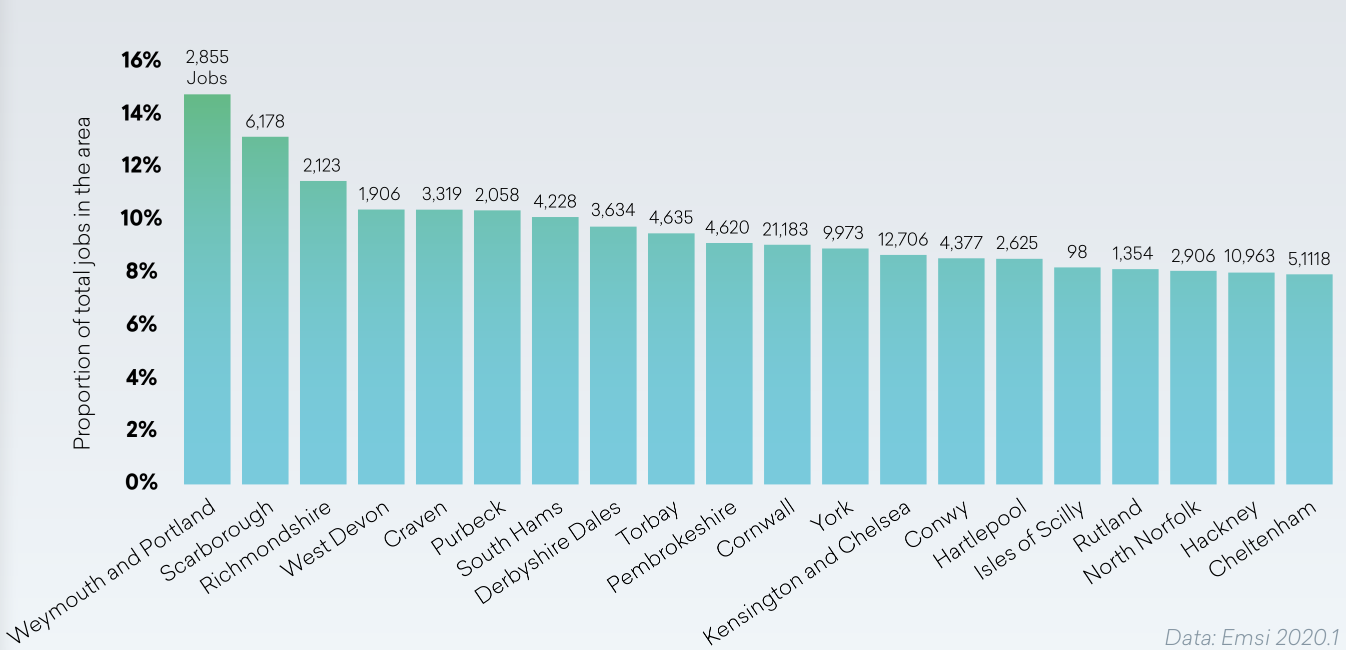


Data: Emsi Input-Output Economic Model

A second, and in many ways much more important way of looking at the regional picture, is to look at the question not from the perspective of absolute job numbers, but rather in terms of the proportion of people employed in these sectors. Certain areas of the country, whilst not necessarily employing vast numbers, are far more reliant on these sectors as a proportion of their local economy than the likes of Westminster, Manchester and Leeds, which in turn means that the effects of the shutdown could well be far more acute for them.

In the chart below, we have identified the Top 20 areas of the country with the highest proportion of their workforce employed in the Restaurant and Pub industries. As you can see, the majority of the areas on the list are tourist destinations, such as West Devon, Torbay, and Cornwall, and as such are hugely reliant on these sectors to drive local prosperity. Top of the list is Weymouth and Portland, which although having few people employed in these sectors (2,855) compared to places like Westminster, actually makes up over 14% of its entire workforce:

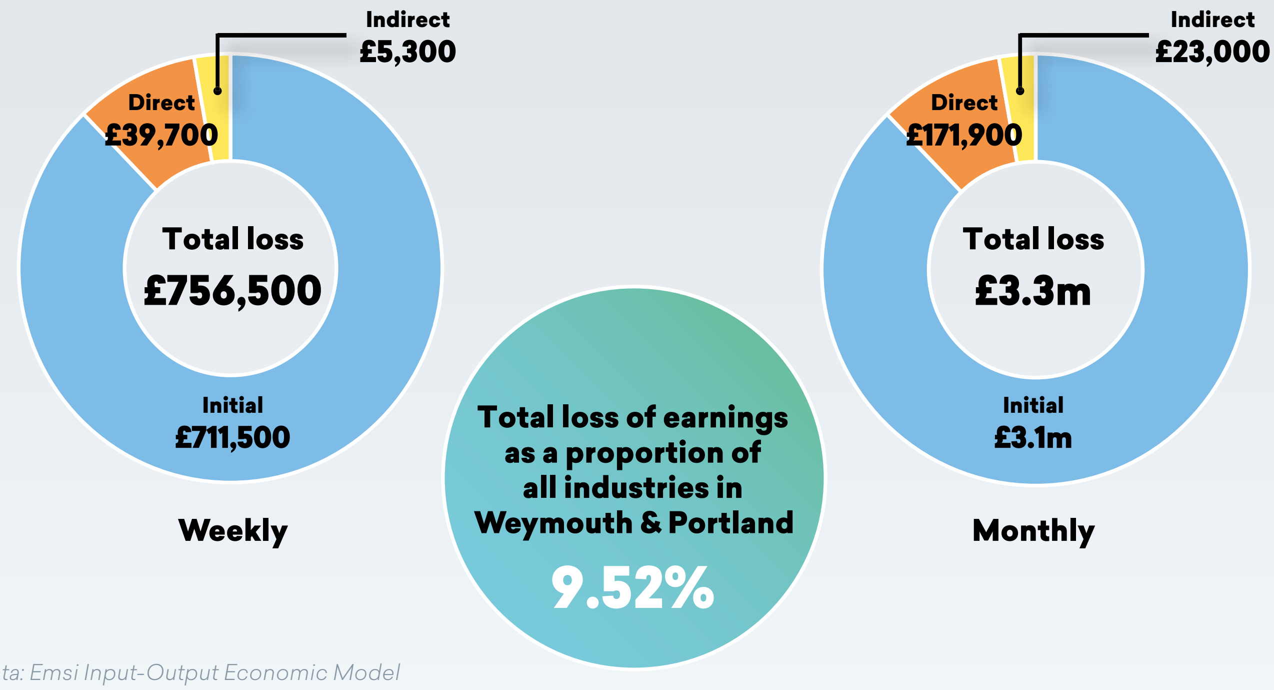
Top 20 areas with highest proportion of its jobs in the Restaurant and Pub sectors



Data: Emsi 2020.1

This means that the effect of the shutdown is likely to disproportionately effect places like Weymouth and Portland in comparison to the big urban areas. Once again, we can use our Input-Output modelling to show this in terms of earnings losses:

Weekly and monthly loss of earnings due to closure of the Restaurant and Pub sectors in Weymouth & Portland



Data: Emsi Input-Output Economic Model

As you can see, although the losses in numerical terms seem insignificant when placed next to the losses incurred in Westminster and the UK overall, in actual fact they are far more significant in proportionate terms to the Weymouth and Portland economy, with the loss of earnings incurred because of the shutdown in the area equating to 9.52% of the entire earnings in the area (compared to 3.43% for Westminster and 3.40% for the UK).

In summary, the data in this section shows two main things:

Firstly, the loss of earnings from the shutdown of the Restaurant and Pub Sectors is huge, equating to £628.8m for every week of shutdown, and £2.73bn for every month, across the country as a whole.

Secondly, the effects are likely to be far more acute in some areas, since their economies – particularly tourist destinations – are heavily reliant on these sectors to generate the prosperity which benefits the lives of the people who live there.

POSSIBLE JOB LOSSES

So far, we've seen how important the Restaurant and Pub sectors are to the UK economy in terms of jobs, economic contribution, and industry supply chains, and we then went on to look at the effect of the shutdown on earnings on a weekly and monthly basis, both for the country as a whole and at the regional level. What we now need to do is to focus our attention on employment, particularly the potential job losses that might come about as a result of the shutdown, both in the Restaurant and Pub sectors themselves, but also the knock-on effects this might have on jobs in other industries.

This is of course one of those situations where we need to place a number of caveats around the data we present. Although it is safe to assume that the shutdown cannot go on indefinitely, we do not yet know when it might be lifted, how many businesses will have failed during that period, nor how many people might be laid off. In that sense all bets are off, and we are certainly not attempting to predict what might happen. What we can do, however, is to look at three different hypothetical scenarios – a best case, medium case and worst case scenario whereby we assume a 5%, 15% and 25% contraction in the Restaurant and Pub sectors – and ask what effects these could have on the wider economy. To reiterate, we're not saying that any of these outcomes *is* going to happen, but rather looking at what *might* happen, at least in the short-term before demand recovers at some point in the future.

POTENTIAL JOB LOSSES IN THE RESTAURANT AND PUB SECTORS

Prior to the shutdown, the number of people employed in the Restaurant and Pub industries was approximately 1.68 million. Assuming our scenarios of 5%, 15% and 25% contraction, we would therefore be looking at job losses in the two sectors alone of around 84,000, 252,000 and 420,000. However, as we showed when looking at the effect on earnings, the **initial effect** of job losses in these sectors would then lead to a **direct effect** on industries in their supply chain, which would in turn lead to an **indirect effect** – that is a ripple through the rest of the economy as less earnings lead to less demand, leading to further job losses in other industries.

Our Input Output model captures this ripple effect, and the graphic below shows what it might mean in terms of job losses in Restaurants and Pubs, job losses in all other industries, and the total job losses that this might mean under our three scenarios:

Potential job losses in the UK economy if the Restaurant and Pub sectors contract by 5%, 15% or 25%

Total Jobs in the Restaurant and Pub Sectors
1.68m

Potential job losses

Scenario		
5%	Restaurants & Pubs	= **83,920**
	All other sectors	= **24,410**
	Total	= **108,330**
15%	Restaurants & Pubs	= **251,740**
	All other sectors	= **73,220**
	Total	= **324,960**
25%	Restaurants & Pubs	= **419,560**
	All other sectors	= **122,030**
	Total	= **541,590**

Data: Emsi Input-Output Economic Model

As you can see, the potential losses are vast with, for example, over half a million job losses arising from a 25% contraction in the Restaurant and Pub sectors - something that would have seemed unthinkable at the start of the year, but which may well be a possibility as things stand. It should also be noted that should these scenarios come to pass, they would mean a loss of earnings in the UK economy of around £1.79bn, £5.36bn or £8.94bn respectively.

WHICH INDUSTRIES MIGHT BE AFFECTED?

As well as looking at the question of job losses in terms of broad numbers, we can also take a look at the other industries that might be most affected. In the table below, we have looked at every 1-digit Standard Industry Classification (SIC) industry, showing how those initial losses in Restaurants and Pubs might play out across the rest of the economy. Clearly the largest number of potential job losses is within the Accommodation and food service activities sector, which includes Restaurants and Pubs, but there are also significant job losses elsewhere, and not just in the industries that are directly in the supply chain. Loss of earnings means loss of demand, and this would effect all sectors to some extent:

Potential job losses across all industries (1-digit SIC) as a result of a 5, 15 or 25% contraction in the Restaurant and Pub sectors.

Industry	5% Contraction	15% Contraction	25% Contraction
Accommodation and food service activities	-85,150	-255,480	-425,790
Wholesale and retail trade; repair of motor vehicles and motorcycles	-6,820	-20,500	-34,170
Administrative and support service activities	-4,070	-12,200	-20,340
Professional, scientific and technical activities	-2,930	-8,780	-14,640
Manufacturing	-1,990	-5,980	-9,970
Transportation and storage	-1,770	-5,300	-8,840
Information and communication	-1,040	-3,100	-5,170
Education	-840	-2,520	-4,200
Financial and insurance activities	-710	-2,120	-3,530
Other service activities	-600	-1,790	-2,980
Construction	-570	-1,700	-2,830
Human health and social work activities	-510	-1,520	-2,530
Agriculture, forestry and fishing	-410	-1,230	-2,040
Arts, entertainment and recreation	-310	-930	-1,540
Real estate activities	-200	-610	-1,010
Public administration and defence; compulsory social security	-130	-380	-640
Electricity, gas, steam and air conditioning supply	-130	-380	-630
Water supply; sewerage, waste management and remediation activities	-120	-360	-600
Mining and quarrying	-30	-80	-140
TOTAL JOB LOSSES	**-108,330**	**-324,960**	**-541,590**

Data: Emsi Input-Output Economic Model

We can also dig down further into the data to identify where these job losses might be at the much more specific 4-digit SIC level. In the chart on page 13, we have included the 20 industries after the Restaurant and Pub sectors that would likely suffer the highest numbers of job losses:

Potential job losses in the Top 20 supply chain industries (4-digit SIC) as a result of a 5, 15 or 25% contraction in the Restaurant and Pub sectors.

Industry	5% Contraction	15% Contraction	25% Contraction
Retail sale in non-specialised stores with food, beverages or tobacco	-1,540	-4,620	-7,700
Temporary employment agency activities	-1,090	-3,260	-5,430
General cleaning of buildings	-750	-2,230	-3,710
Accounting, bookkeeping and auditing activities; tax consultancy	-620	-1,840	-3,060
Business and other management consultancy activities	-610	-1,820	-3,030
Retail sale of clothing in specialised stores	-530	-1,580	-2,620
Combined facilities support activities	-420	-1,240	-2,060
Other retail sale in non-specialised stores	-410	-1,230	-2,050
Engineering activities and related technical consultancy	-380	-1,140	-1,900
Other monetary intermediation	-360	-1,070	-1,790
Activities of head offices	-360	-1,070	-1,790
Warehousing and storage	-350	-1,050	-1,740
Freight transport by road	-350	-1,040	-1,740
Computer consultancy activities	-340	-1,010	-1,670
Growing of crops, market gardening, horticulture; Farming of animals	-330	-980	-1,640
Primary education	-330	-980	-1,640
Other business support service activities	-310	-930	-1,550
Travel agency activities	-300	-900	-1,490
Legal activities	-290	-870	-1,450
Maintenance and repair of motor vehicles	-280	-840	-1,400

Data: Emsi Input-Output Economic Model

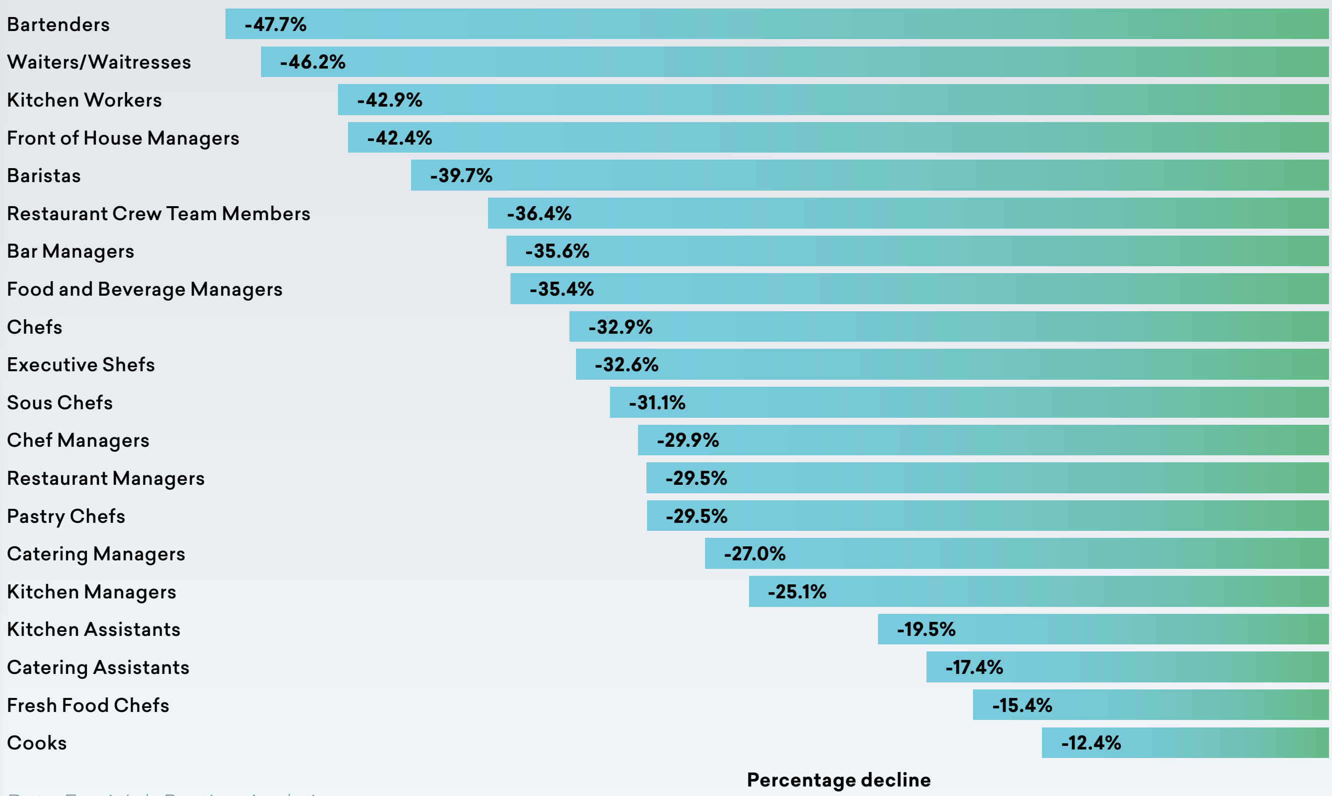
Again, the point is clearly made by the data that no sector is an island, and job losses in Restaurants and Pubs would have far reaching consequences for employment in industries as diverse as Retail, Cleaning, Temping agencies, Farming, Accounting, Warehousing and Computer consultancies.

HOW IS EMPLOYER DEMAND DOING?

We finish this analysis by looking at how the shutdown is affecting employer demand. At the time of writing, we are still in something of a no-mans land, and it won't be until we get the claimant count figures in the third week of May that we will be able to see just how much damage the shutdown has had on jobs (the figures due to be released in April will not cover much of the shutdown period, and so may not tell us terribly much). What we can do, however, is take a look at employer demand through the lens of our Job Posting Analytics to get some idea of how things might be shaping up.

The following chart looks at the 20 most sought after job titles in the Restaurant and Pub sectors, comparing the 30-day period up to 13th April with the 30 days prior to that. When looking at the data, it is important to remember that we are not looking at actual jobs, but rather jobs that employers are hiring for, and nor are we necessarily looking at all job advertisements, as these include only those that are placed on the internet. However, although this is not an exact science, it does give a fairly stark indication of the huge drop in demand over last month.

Employer demand for the Top 20 Restaurant and Pub job titles comparing 30-days up to April 13th with the previous 30 days.



Data: Emsi Job Posting Analytics

These declines are obviously very sizeable, with demand for many of the most prominent positions falling by more than 30% over the 30-day period, and with some heading towards the 50% mark. We would anticipate that these declines will continue still further over the coming weeks, firstly as the shutdown continues with no firm date proposed for the reopening of the sector, and secondly because some of the job postings still on web may have been placed before the shutdown, but will soon be coming to an end. It remains to be seen when we will see employer demand return and the number of jobs that have been lost during the imposition of the closure of the sectors.

EXECUTIVE SUMMARY

The effects of the unprecedented shutdown of the Restaurant and Pub sectors are of course yet to be seen in anything like a complete picture. However, the closure of sectors that between them employ 1.68 million people, and which contribute £28.4bn in GVA per year, cannot fail to have enormous repercussions, as we have shown.

The 5 key takeaway points from our analysis may be summarised as follows:

1. We estimate that the total loss of initial, direct and indirect earnings caused by the shutdown will be around **£628.8 million** per week and **£2.73 billion** per month.

2. These sectors make up **3.4%** of the UK economy, but in some tourist destinations, the proportion is over **10%**, which means these areas are likely to suffer more acutely.

3. A 5%, 15% or 25% contraction of these sectors could lead to job losses of around **108,000**, **325,000** or **542,000** across all sectors throughout the UK economy.

4. A 5%, 15% or 25% contraction of these sectors could cause a loss of earnings of around **£1.79bn**, **£5.36bn** or **£8.94bn** throughout the UK economy.

5. Employer demand for jobs in these sectors has fallen dramatically, with job postings for some of the most in-demand jobs down in some cases by over **40%**.

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