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Essentially Doomed: How the COVID-19 Pandemic Has Impacted the American Restaurant Industry

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Abstract

COVID-19 appeared unpredictably in late 2019 and developed into the most catastrophic global outbreak of the last century over the course of the next three years. The highly contagious virus infected hundreds of millions of people worldwide and was responsible for the death of millions. Beyond the devastating health impact the virus had on the world, pandemic related shutdowns resulted in massive economic consequences. Social distancing measures resulted in months long shutdowns and restrictions for businesses throughout the United States, resulting in massive revenue and employment losses. Of specific industries heavily impacted by the pandemic in the United States, the American restaurant industry was devastated by the pandemic and its shutdowns. Despite being among America's largest industries by employment and being impacted by COVID-19 significantly worse than most other industries, three years later the restaurant industry is still fighting to recover. This paper is intended to answer the question of what the impact of the COVID-19 pandemic was on the American restaurant industry. This question will be further examined as 3 sub-questions; these questions are:

1. How did the COVID-19 pandemic impact the American restaurant industry?

2. How were independent restaurants impacted by the pandemic in comparison to restaurant chains?

3. How did the pandemic change the future of the restaurant industry?

Introduction

The American restaurant industry was thriving in 2019, experiencing its eleventh consecutive year of growth. According to the National Restaurant Association's 2020 State of the Industry Report, published in February 2020, the restaurant industry employed 15.4 million people in 2019 and generated $864 billion in revenue nationwide from as many as 1 million restaurants. The 15.4 million people employed by the restaurant industry accounted for the 3rd largest industry employment in the country trailing only the government and healthcare sectors. The industry's $864 billion in revenue constituted 4% of the United States GDP. The American restaurant industry was projected to experience its twelfth consecutive year of growth in 2020 with projected employment of 15.6 million and projected revenue of $899 billion. These projections were based off of America's strong economy, with the 2020 State of the Industry Report stating, "consumers will continue to be the driving force in the economy, buoyed by a healthy labor market and strong household balance sheets". Projected trends for 2020 included healthy menu options, locally sourced alcohol, off-premises dining options (takeout and catering), and advancements in technology.

Restaurant operators generally had a positive outlook for 2020, however, this viewpoint was far from universal. Despite projected industry-wide growth in 2020, there were some concerns expressed by restaurant owners as well as data analysts. One major concern expressed by restaurant owners was overregulation of the restaurant industry during the last decade. Owners interviewed explained restaurants have been intensely overregulated, which has led to an operating margin of 10% at best (Bort, 2020). Camila Marcus, owner of SoHo café West-Bourne agreed, explaining that the industry has enforced strict regulations to ensure that food is both grown and prepared safely. While these regulations are meant for the good of consumers, they have made it harder for restaurants to turn a large profit. Low operating margins result in lower net income for restaurants, with net profit margin stated as just 3-5% for full-service restaurants and 6-9% for quick service restaurants in 2020 (Flores, 2020).

Small independently owned restaurants must overcome these narrow profit margins to stay open. The Small Business Administration defines a small restaurant as any restaurant offering full service with less than $8 million in annual receipts or any quick-service restaurant with less than $12 million in annual receipts (Small Business Administration, 2019). For small restaurants, who do not have the same revenues or number of locations as national franchises, slim operating margins present a significant challenge. In addition to narrow profit margins, small restaurant owners expressed concerns over their diminished lobbying power. Despite 9 in 10 restaurants having fewer than 50 employees and 7 in 10 restaurants being single-unit operations, these establishments have no real power within the industry. Small restaurant owners are too busy performing daily operations to have the time to demand change, and those who do are drowned out by the national restaurant chains that hold the real power. Award winning chef Ignacio Mattos, owner of three New York restaurants, states his viewpoint without mincing words, saying "the system doesn't support small businesses" (Bort, 2020).

On March 11, 2020, the World Health Organization declared SARS-COV-2, more commonly known as COVID-19 or "Coronavirus", to be a global pandemic. The virus was discovered just 3 months earlier on December 12, 2019, in Wuhan, China when a group of patients began experiencing pneumonia like symptoms that would not respond to treatment. By March 11, there had already been 118,000 cases of COVID-19 in 114 countries, resulting in 4,291 deaths, (CDC, 2022). On March 13, 2020, the Trump Administration declared a national health emergency and issued a travel ban on non-United States citizens traveling from 26 European countries. Two days later on March 15, states began to implement shutdowns to limit the spread of COVID-19. Shutdowns varied by state, but constant procedures included the shutdown of schools and all businesses deemed to be "non-essential". Essential businesses typically included grocery stores, pharmacies, liquor stores, supply stores, childcare, and restaurants. In addition to essential businesses, jobs deemed to be critical to the function of the United States, including but not limited to healthcare workers, law enforcement and first responders, agriculture, energy, transportation, and critical trades remained operational throughout the entirety of the pandemic (NCSL, 2021).

When the World Health Organization declared COVID-19 to be a global pandemic in March 2020, scientists knew little about the highly contagious virus. What they did know is that COVID-19 is highly transmissible through water droplets exchanged with others through bodily fluids such as sweat and saliva. Furthermore, people who contract COVID-19 while having underlying health conditions or existing viruses, specifically those that affect the pulmonary and respiratory systems, face a higher chance of being severely affected by COVID-19, with an increased risk of death. Symptoms of COVID-19 include fever, cough, lethargy, shortness of breath, muscle aches, and chills. In other words, COVID-19 is a highly transmissible disease in which patients exhibit the same symptoms as the common cold and the flu. The symptoms of COVID-19 being nearly identical to those of the flu and the common cold made accurately tracking COVID-19 cases impossible. Consequently, people who became sick were unable to determine whether they had contracted COVID-19 or another common illness, resulting in increased transmission of COVID-19. As a result of the rapid global transmission of COVID-19 and limited knowledge on treating the virus, early solutions to slowing the spread were limited to isolation at home, social distancing when in public or at work, and utilization of hand sanitizer and face coverings. Despite these measures, the COVID-19 pandemic was only beginning in March 2020. Over three years later, COVID-19 and the resulting shutdowns have resulted in catastrophic implications for businesses worldwide. Among the businesses impacted the most by the COVID-19 pandemic is the restaurant industry, which lacking the option of working from home, was forced to navigate changing restrictions throughout the pandemic.

Statement of Purpose/ Significance

The purpose of this project is to determine how the COVID-19 pandemic, recent history's largest international health crisis, changed the landscape of the American restaurant industry. This project will provide analysis of which restaurants were impacted the most by the pandemic, how the government navigated the pandemic and provided relief to restaurants, and how restaurant employees and owners experienced the pandemic. This topic is one of great significance for a number of reasons. The first reason, as previously mentioned, is the massive size of the American restaurant industry in both employment and revenue. A crucial segment of the American economy, the restaurant industry was among the businesses affected the most by the pandemic and related restrictions. Simon et al. (2020) stated that "parts of the service industry affected by social-distancing rules were among the worst hit, accounting for 67% of jobs lost from March to May". As an industry which produced 4% of America's GDP and composed 9.7% of the country's workforce in 2019, according to the Bureau of Labor Statistics (2020), the industry's catastrophic revenue and employment losses alone create a compelling case for analysis. The impact of the COVID-19 pandemic on the restaurant industry, however, reaches much deeper than simply lost jobs and revenues.

Restaurants hold a cherished place in the hearts of many of their patrons. While to some people a restaurant is simply a place to grab food when they don't feel like cooking or for a special occasion, for many consumers restaurants carry sentimental value. "For many, the neighborhood restaurant is more than a local business. It's a gathering place, a comfort zone, a landmark for generations. It's where we often bring our families together, where holiday meals are held, where wedding receptions and anniversary dinners are hosted. We know the names of our servers and bartenders, and they know us, too" (Baltimore Sun, 2020). Local restaurants are commonly referred to as a backbone of their community. They are a place where lifelong memories are made, traditions are started, and people can connect and socialize. For a significant number of people local restaurants mean much more than just a hot meal. The implications that the COVID-19 pandemic has for restaurants impacts not just the restaurant's owners and employees, but the consumers who have grown to love that restaurant and its staff. While consumers can move on to another restaurant and create new memories and traditions, the closing of a restaurant may be the final chapter of a storied history and the destruction of the owner's life's work.

The importance of restaurants to the American economy exceeds merely their employment and revenue figures. The local agriculture industry faces increased competition as food is mass produced and imported from other parts of the world. American restaurants sourcing ingredients locally allows local agriculture to thrive and helps to protect local jobs. Restaurants are also directly responsible for jobs held by those who work at food distributors, beverage distributors, and kitchen equipment manufacturers and suppliers. Local restaurants that struggled to survive the pandemic are far more crucial to local economies than what meets the eye. The Cumberland Area Economic Development Association states, "When you choose to shop or dine at a local business or restaurant, you generate almost four times more economic benefits for your local community" (2021). The restaurant industry is vital to the development of the workforce as well. "Half of all adults have worked in the restaurant industry at some point during their lives. 1 in 3 Americans got their first job experience in a restaurant" (Wirth, 2019). The restaurant industry provides millions of entry-level jobs requiring little to no prior work experience. These jobs are often filled by teenagers, college students, and young adults. They gain experience, building and implementing interpersonal, time management, and leadership skills essential to growth as a person and as an employee. Both directly and indirectly, the restaurant industry is crucial to the development and sustainability of the American economy.

Despite being among America's largest industries by employment and being impacted by COVID-19 significantly worse than most other industries, three years later the restaurant industry is still fighting to recover. This paper is intended to answer the question of what the impact of the COVID-19 pandemic was on the American restaurant industry. This question will be further examined as 3 sub-questions; these questions are:

1. How did the COVID-19 pandemic impact the American restaurant industry?

2. How were independent restaurants impacted by the pandemic in comparison to restaurant chains?

3. How did the pandemic change the future of the restaurant industry?

This paper will provide thorough analysis of the impact of the COVID-19 pandemic on restaurant industry revenues, employment numbers, and closures, the role of government throughout the pandemic, and industry outlook through the collection and interpretation of primary interview data from employees and management of a local restaurant as well as secondary data collected from over a year of research. This paper will analyze not only the direct consequences of COVID-19 related stay at home orders and social distancing protocols on the American restaurant industry but it will also consider the impact of economic changes that resulted from the pandemic. These economic changes include record inflation and increases in the consumer price index. The goal of this paper is to examine which factors aided restaurants in their struggle to survive the pandemic, which factors failed in assisting restaurants, and how the restaurant industry has changed as a result of COVID-19.

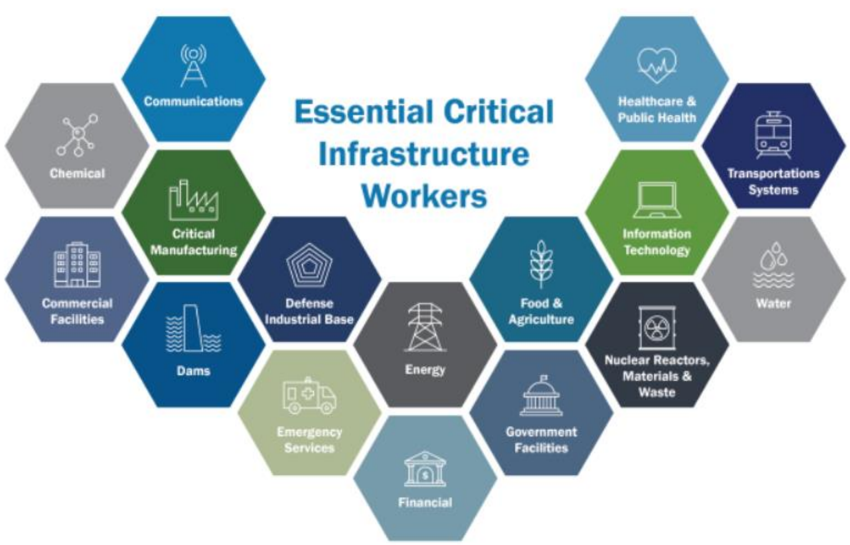
Chapter 2: Literature Review

COVID-19 Onset

The economic effects of the COVID-19 pandemic were felt instantly by the restaurant industry. According to the Bureau of Labor Statistics, employment in restaurants and bars decreased by 5.5 million jobs in April 2020, a decrease of roughly 35.7% of the restaurant labor force in 2019 (2020). Most restaurants were forced to close down temporarily to strategize a new business plan to keep customers and employees safe. Many states, including Massachusetts, authorized restaurants to offer takeout services only in an attempt to stop the spread of COVID-19. For thousands of restaurants, takeout operations were not a part of their business structure, forcing them to close or adapt to their state’s policies. For restaurants that did have existing takeout options, takeout alone was not able to provide the same revenue that they made pre-pandemic. As of April 1, 2020, the National Restaurant Association stated that 3%, or 30,000, US restaurants had already permanently closed. The UBS projected as many as 20% of US restaurants could close as a result of the pandemic (Taylor, 2020). The immediate impact of COVID-19 on the restaurant industry left millions of employees unemployed, and thousands of restaurant owners were forced to close their business. With it, COVID-19 brought a wave of panic and uncertainty for millions of restaurant workers, who were unsure of how they would pay their rent or buy food. As server Tory LeClair states, “I was truly in survival mode” (Simon & Cheung, 2021).

The early days of the pandemic were a time of uncertainty for the world. Original mandates included shutting down schools and businesses for 2 weeks in an effort to isolate and stop the spread of COVID-19. Scientists and governments speculated that 2 weeks of isolation and social distancing would be enough to stop the spread of the highly contagious virus. American citizens were expected to stay at home, “with the exceptions of going to an essential job or shopping for essential needs” (Katella, 2021). The term “essential worker” is one that brought many questions with it. The US Department of Homeland Security defines essential workers as “those who conduct a range of services and operations that are typically essential to continue critical infrastructure operations” (2021). Among these critical infrastructure operations includes energy, food and agriculture, emergency services, transportation, and more (see Exhibit A).

Exhibit A



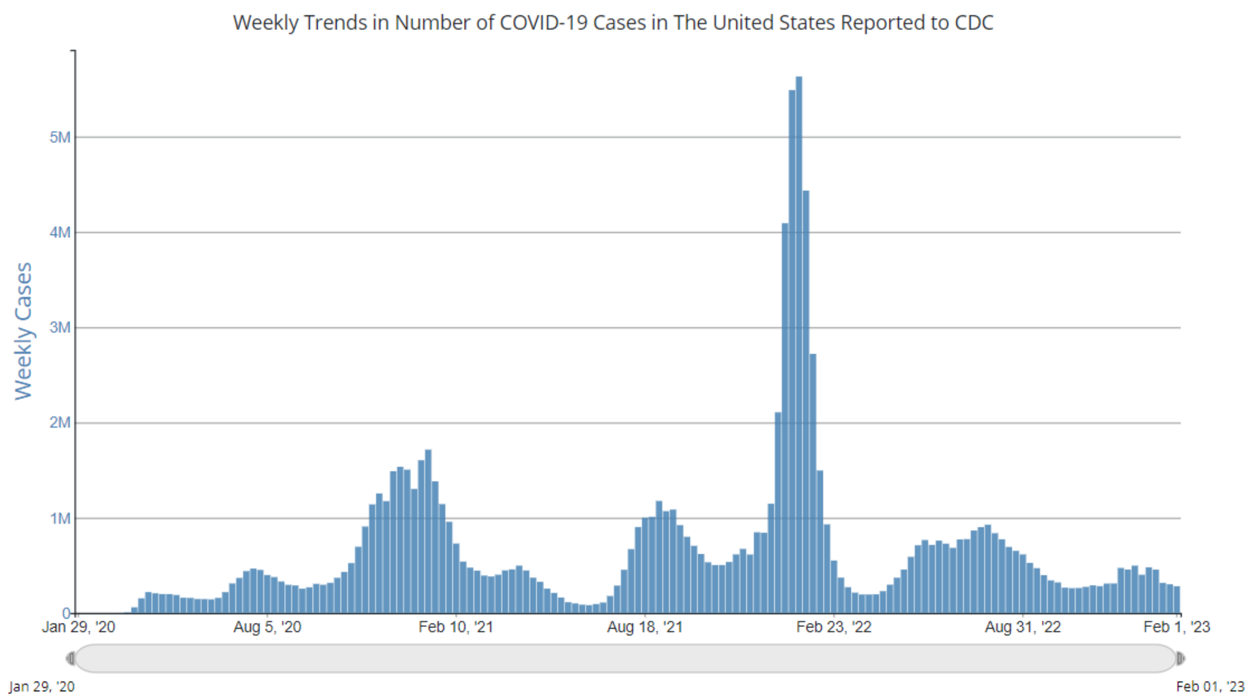
(cisa.gov)

While the Department of Homeland Security and the Cybersecurity & Infrastructure Security Agency defined what the federal government considered to be essential employees, the topic quickly became convoluted. The United States Federal Government delegated the authority to create and enforce COVID-19 related mandates and policies to the states, providing federal guidelines for states that decided not to create their own policies. Some states chose to follow the federal guidelines while others used them as a starting point, adding or subtracting businesses deemed essential to their state. Restaurants were determined to be essential businesses nationwide as a crucial food provider for American citizens. Despite this designation, restaurants normal operations were altered to comply with social distancing efforts. Many states updated the list of essential industries to include the critical retail sector, critical trades, and childcare. Some states included liquor stores, churches, and non-profits as essential businesses as well. While each of these businesses is important in their own right, the substantial number of businesses deemed to be "essential" resulted in isolation and social distancing becoming nearly impossible.

The first few months of the pandemic were confusing as there was limited knowledge about how COVID-19 spreads and how to avoid contracting the virus. The two most common measures prescribed by scientists to slow the spread of the virus were social distancing and face coverings, with 39 states implementing public mask mandates during the pandemic (Abassi, 2022). The effectiveness of face coverings, typically surgical masks, was heavily debated in the early days of the pandemic and resulted in delayed adoption by many Americans. In a since deleted tweet from February 29, 2020, US Surgeon General Dr. Jerome Adams stated, "Seriously people- STOP BUYING MASKS! They are NOT effective in preventing general public from catching #Coronavirus" (Netburn, 2021). As of March 24, 2020, over a week into the US state of emergency, the CDC still regarded facial coverings for the public as unnecessary for protecting from COVID-19. Just over a week later on April 3, federal health officials changed their guidance and began to recommend that the public wear masks as evidence grew that individuals without symptoms were playing a large role in the spread of the virus. These asymptomatic carriers of COVID-19 made accurately tracking cases and preventing the spread of COVID-19 significantly more challenging. By July 14, 2020, the CDC published studies suggesting the contribution of masks to slowing the spread of COVID-19, with CDC director Dr. Robert Redfield stating, “Now’s the time to wear a mask” (Netburn, 2021).

The initial 2-week shutdown turned into a month. A month turned into 2 months, and before the world knew it COVID-19 had dragged all the way into 2021. Experts focused on “flattening the curve”, or halting the increase in weekly COVID-19 cases before eventually reducing weekly cases. Limited knowledge about the transmission of the virus paired with uncertainty about whether to utilizes masks resulted in weekly cases steadily growing. The increase in COVID-19 testing throughout the country without a doubt contributed to the rise in weekly cases throughout April. The curve was flattened by May 2020, with weekly cases dropping from over 198,000 on April 29 to 146,000 on May 27 (CDC Covid Tracker). This positive trend was quickly reversed in the Summer of 2020 as states began to gradually loosen restrictions. After over 2 months of isolation, Americans were eager to return to normal life, spending more time in public and resuming large gatherings as the summer weather rolled in. US COVID-19 cases quickly reached record numbers, with over 300,000 new cases per week through July and August (see Exhibit B). The Summer 2020 influx in COVID-19 cases would result in the pandemic continuing much longer than initially expected, impacting the lives of millions of Americans and the fates of millions of American businesses for the next two-plus years.

Exhibit B



(CDC Covid Data Tracker)

The initial restrictions placed on restaurants by state governments were not permanent, evolving as time passed. Reopening strategies varied by state, but most would permit some type of return to dining at restaurants by Summer, whether it be outdoor dining or limited indoor dining with social distancing. While restrictions were gradually loosened, their presence was still felt, nonetheless. Nationwide restaurant revenue was just $678 billion in 2020, down $186 billion from 2019 and $221 billion short of the projected 2020 industry revenue. Restaurant employment was at just 12.8 million at the end of 2020, which was down 2.6 million from 2019. This number was encouraging for the industry, however, as restaurant employment was down 5.5 million jobs within the first month of the pandemic. Roughly 110,000 restaurants were permanently or temporarily closed at the end of 2020. The industry wide revenue and employment losses in 2020 were devastating, but not public knowledge. With COVID-19 still sweeping through the world, the United States had already accounted for almost 20 million COVID-19 cases and over 350,000 deaths attributed to the virus (CDC, 2023). As 2020 ended, the COVID-19 pandemic was far from over.

COVID-19 (2021-Now)

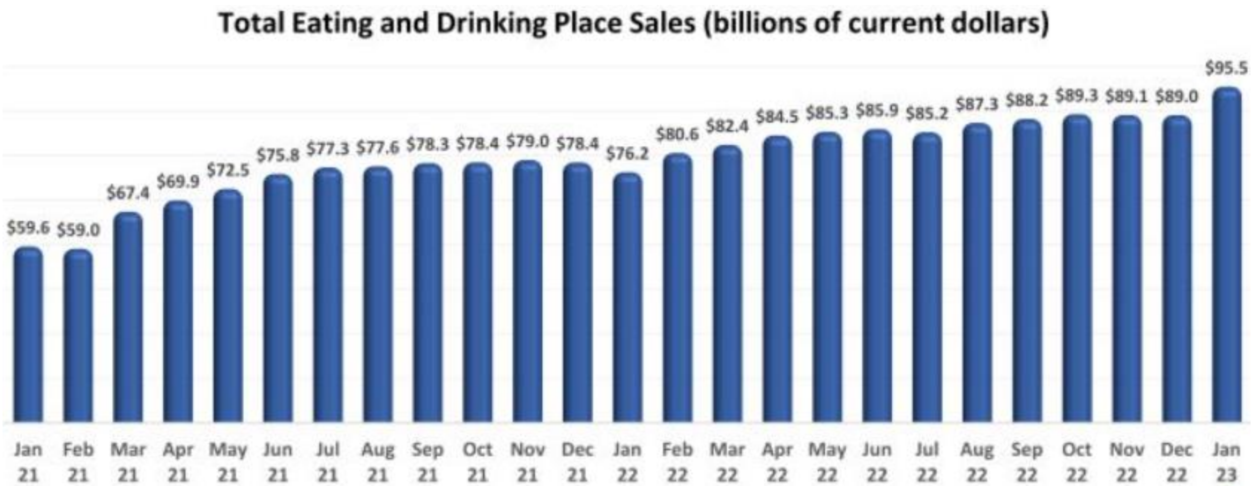
With the new year came a wave of optimism in the fight against COVID-19. While the winter of 2020-2021 resulted in an increase in COVID-19 cases in America, that winter also marked the authorization and implementation of COVID-19 vaccines. The Food and Drug Administration granted emergency use authorization for a vaccine for the prevention of COVID-19 to companies Pfizer, Moderna, and Johnson & Johnson for their respective vaccines between December 2020 and February 2021. Emergency use authorization allowed these vaccines to be implemented to combat COVID-19 without enduring the lengthy FDA trail that are typically associated with the vaccine authorization process. The FDA chose to provide emergency use authorization based on the severity of the pandemic as well as evidence of success in fighting COVID-19 from each of the vaccines. The FDA stated that "data also support that the known and potential benefits outweigh the known and potential risks" (2021). The authorization and distribution of COVID-19 vaccines provided a legitimate tactic to slow the spread of the virus and begin the return to normalcy.

Emergency use authorizations for COVID-19 vaccines could not have come at a better time. At the same time that the FDA granted Pfizer, Moderna, and Johnson & Johnson emergency use authorization for their vaccines, scientists around the world began to discover COVID-19 variants. The COVID-19 "Delta" variant was found to be even more contagious than the original virus, further increasing transmission of COVID-19. Other variants including "Alpha" and "Omicron" were discovered shortly after, making the rapid distribution of vaccines vital to slowing the spread of COVID-19. Mass production and rapid distribution of COVID vaccines was achieved during the opening months of 2021 as millions of Americans received a COVID-19 vaccination. Vaccinating Americans streamlined the process of returning to pre-pandemic operations for restaurants across the country. The restaurant industry received additional aid by way of the Restaurant Revitalization Fund, which was implemented on March 11, 2021, as part of the American Rescue Plan Act. The Restaurants Revitalization Fund (RRF) was established with the intention of aiding restaurants impacted by the pandemic, specifically small restaurants. While previous loans were split among all industries and failed to provide adequate relief to the restaurant industry, the RRF was accessible exclusively to restaurants. The Restaurant Revitalization Fund provided crucial funding for small restaurants still struggling to stay open a year after the declaration of state of emergency.

After more than a year of enduring through restrictions on operations, restaurants nationwide would finally return to full capacity indoor dining in 2021. While exact dates vary from state to state, restaurants in all 50 states were permitted to offer full capacity indoor dining by Summer 2021. Massachusetts, the second to last state to begin the reopening process, allowed restaurants to return to full capacity effective May 29, 2021. Massachusetts restaurants were forced to endure a lengthy process that transitioned from takeout only to outdoor dining to limited capacity indoor dining over the course of 14 months. For the first time in over a year, restaurant owners were in full control of their businesses. "State officials also noted that businesses may continue to set their own mask or vaccination requirements" (DeCosta-Klipa, 2021). The removal of restrictions on restaurants was long awaited and crucial to the rebound of the restaurant industry. After the catastrophic revenue and employment losses in 2020, the restaurant industry, specifically independent restaurants, would have been severely impacted by another year without indoor dining. National restaurant revenue increased to $799 billion in 2021, which was $65 billion less than that of 2019, and employment increased to 14.5 million, 900,000 fewer than in 2019. At the end of 2021, 90,000 restaurants nationwide had permanently closed due to the pandemic (National Restaurant Association, 2022). While the increase in both revenue and employment in 2021 from the previous year was a step in the right direction, COVID-19’s damage to the restaurant industry is undeniable. With 90,000 restaurants closed and 900,000 jobs removed from the industry nearly two years after the declaration of a world health emergency, the restaurant industry was still far from recovered.

The National Restaurant Association’s 2022 State of the Industry Report forecasted a strong year of recovery for the American restaurant industry in 2022, with projected revenue of $898 billion and an increase of 400,000 restaurant jobs, bringing the nationwide total to 14.9 million. The 2022 year would be a year of significant recovery for the struggling restaurant industry, as both of these projections were exceeded. The American restaurant industry achieved a national revenue of $937 billion in 2022 as monthly sales have consistently grown (see exhibit C) and added 500,000 jobs to the industry, increasing the United States total to 15 million restaurant employees. The restaurant industry was finally able to surpass the pre-pandemic 2019 revenue of $864 billion, yet employment still remains 400,000 jobs lower than in 2019. The sizable revenue increases experienced by the restaurant industry in 2022 may be a misleading number, as the 2022 year was characterized by record increases in inflation and food prices, resulting in increases in menu prices across the country.

Exhibit C



(US Census Bureau & National Restaurant Association)

Expectedly, the top challenges cited by restaurant owners during 2022 were higher food costs, which was listed by 92% of operators, and being understaffed. Restaurants have been able to recover largely in part due to elevated takeout sales which have remained since the removal of COVID-19 restrictions as well as the additions of outdoor dining and alcohol-to-go sales. Trends within the industry include streamlined menus at full-service restaurants as well as the addition of technology to improve productivity in both the front and back of the house. Takeout and delivery sales remained as a crucial portion of restaurant sales in 2022, with 79% of fine dining restaurants adding delivery to their business for the first time during the pandemic. Of the restaurants that added delivery to their business during the pandemic, 8 in 10 plan on keeping this service in 2023. Two out of three adults surveyed stated that they were more likely to order takeout from a restaurant than they were prior to the pandemic (National Restaurant Association, 2023).

Restaurant industry revenues and employment are projected to continue to grow in 2023. Restaurant revenues are expected to increase to $997 billion in 2023, driven in part by inflation and increased menu prices. Restaurant employment is expected to increase by 500,000 jobs in

2023 to 15.5 million, a projection that surpasses the 2019 restaurant industry employment figure of 15.4 million. Outlook for the upcoming year is mixed among operators, with the positive factor of consumer preference to dine more at restaurants during 2023. Optimistic restaurant operators look to capitalize on consumer desires to dine out more in the coming year and continue to capitalize on rewards programs and flexible pricing made available by recent technological implementations. More pessimistic restaurant operators cite increased costs of doing business and increased competition within the industry heading into 2023 as key factors negatively impacting their outlook. Regardless of outlook for the coming year, three years after the onset of the COVID-19 pandemic the American restaurant industry is still recovering from the pandemic.

Role of Government

The United States federal government and state governments were forced to navigate a pandemic of unprecedented proportions during the global COVID-19 outbreak. Both the federal government and state governments contributed heavily to the national response to COVID-19 and enacted mandates and relief efforts that concurrently injured and healed the American restaurant industry. The federal government and state governments played different roles in the United States' response to COVID-19. Business shutdowns and stay at home orders were created and enforced by state governments, resulting in varying lockdowns and timelines from state to state. The federal government allocated resources including personal protective equipment and ventilators to states in need, began research and development of vaccines, and provided citizens and businesses with various relief packages. The federal government was tasked with a more administrative role allocating resources to both slow the spread of COVID-19 and keep businesses and the economy afloat.

While the United States federal government is typically the country's highest authority, it actually does not have the power to create public health mandates for individual states. "Nothing confers on the President the authority to dictate to the states what their individual responses will look like. While the President has a great deal of leeway both at the nation's borders and in the context of interstate activity, none of those powers reaches purely intra-state public health decisions" (Berman, 2020). The federal government was instead tasked with coordinating a unified national response that included federal agencies, state and local health departments, and the private sector. The federal government was responsible for research on COVID-19 and development of vaccines, the allocation and distribution of resources necessary to combat the virus, and the deployment of financial resources for necessary purposes. "The Stafford Act also makes federal assistance available when there is a disaster "of such severity and magnitude" that it exceeds the capabilities of local government to respond effectively" (Berman, 2020). While the federal government's role in response to the pandemic was mainly focused on public health rather than businesses, the Stafford Act made a number of federal relief programs possible.

The Federal government launched multiple economic relief programs to assist United States businesses financially during the pandemic. The program that gained the most recognition, the Paycheck Protection Program, was signed into law on March 27, 2020, as a part of the CARES Act. The first round of the program included $349 billion which could be used to pay employees' salaries as well as for mortgage interest, rent, utilities, and uninsured property damages. The first round of funding for the Paycheck Protection Program, commonly referred to as PPP loans, was used up in just 2 weeks. The program was replenished by the Consolidated Appropriations Act which provided an additional $284 billion for loans. PPP loans hold a 1% interest rate with a maturity of 2 years for loans issued prior to June 5, 2020, and a maturity of 5 years if issued after June 5. The Paycheck Protection Program was intended to aid sole proprietors, independent contractors, and individually employed people. Eligible businesses were required to have less than 500 employees for single unit operations, or less than 500 employees per location. PPP loan requirements included using 80% of the loan for payroll expenses initially, but this number was lowered to 60% after the program's replenishment. The rest of the loan could be used for the business owner's choosing from a list of approved expenses, (Small Business Administration, 2020).

The Paycheck Protection Program provided millions of American businesses with much needed capital to pay expenses and wages during the pandemic. Without these loans, a large portion of these businesses would not have survived the pandemic. The Paycheck Protection Program did however receive extensive criticism. The program was criticized for failing to allocate funds to industries impacted the most by the pandemic and for granting loans to large companies that should not have qualified to receive PPP loans. The Paycheck Protection Program gave multi-million-dollar loans to publicly traded corporations that should never have been eligible to receive a loan. More than 50 publicly traded companies received PPP loans, including the US division of Japanese owned Kura Sushi, which has over 450 locations and a market value of $800 million. Another large restaurant franchise, Ruth's Chris Steak Houses, which has more than 5,000 employees, received $20 million in PPP loans (Gandel, 2020). The supposed limit for a single borrower was supposed to be $10 million. In addition to billion-dollar companies receiving PPP loans intended to aid small businesses, restaurants were greatly underrepresented in the disbursement of loans. The hotel and food-services industry shed 40% of its jobs, 5.7 million, from January to May, the most of any economic sector. As of June 12, it had received just 8% of PPP loans, trailing health care, construction, and manufacturing, industries better positioned to weather the crisis, according to data from the SBA and Labor Department. By contrast, professional, scientific, and technical services providers lost 480,000 jobs, 5% of its total, and received 13% of PPP loans. Restaurant owners also stated their discontent with the program's requirement that businesses use loans within 8 weeks, which was redundant for restaurants with state mandates to be closed. Treasury Secretary Steve Mnuchin recognized these issues, stating "Had we waited another month to get the program up and running, we may not have had some of the issues that we had when we launched the program. On the other hand, had we waited another month, you wouldn't have had people to be able to get loans as quickly" (Simon et al, 2020).

The Paycheck Protection Program was not the only relief program created by the CARES Act. The Economic Injury Disaster Loan (EIDL) was established with the declaration of COVID-19 as a disaster under the Small Business Act, which allows the Small Business Administration to use its lending authority. The EIDL is a long-term, low interest, fixed-rate loan to help businesses overcome the effects of the pandemic by providing working capital to meet operating expenses, including payroll, rent/mortgage, utilities, and other ordinary business expenses, and to pay business debt incurred at any time . Businesses were required to show economic injury due to COVID-19 to be eligible to receive a loan. This loan was created specifically to help small businesses, and has a loan term of 30 years at 3.75% interest with payments deferred for the first 2 years. The maximum loan amount was $2 million, and required collateral for loans above $25,000 and a personal guarantee for loans above $250,000, (Small Business Administration, 2020). The SBA clearly defined industries eligible to receive an EIDL loan, listing hotels, recreational facilities, charter boats, manufacturers, sports vendors, owners of rental property, restaurants, retailers, souvenir shops, travel agencies, wholesalers. Ineligible businesses include agriculture, churches, public charities, and gambling establishments.

The EIDL received credit for its clear eligibility requirements and loan terms, which allowed businesses to determine how to allocate their funds and for its long-term payback period which provides businesses heavily impacted by the pandemic with adequate time to recover and repay the loan. The EIDL was surrounded by much less controversy in terms of which industries and businesses received loans than the Paycheck Protection Program. The EIDL program provided tens of thousands of restaurants with critical funding to survive the pandemic, however, the National Restaurant Association has expressed concerns over loan repayment. “Almost half of restaurants utilized EIDL during the pandemic, according to a recent survey, but less than 1 in 4 restaurant operators say they will be able to make scheduled principal and interest payments” (Kennedy, 2022). Restaurants took these loans when they believed that pandemic related restrictions would only last a few weeks rather than two years. In a letter to the Small Business Administration, the National Restaurant Association requested to eliminate EIDL accrued interest debt and lower the interest rates from 3.75% to 1% to match that of PPP loans.

One COVID-19 relief loan was created specifically to provide relief to restaurants. The Restaurant Revitalization Fund (RRF) was established by the American Rescue Plan Act with the intention of aiding restaurants impacted by the pandemic, specifically small restaurants. The RRF pledged to provide eligible restaurants with funding equal to their pandemic-related revenue loss up to $10 million per business. The RRF was much less strict in terms of what the loan could be used for, and recipients are not required to repay the loan given that the funds were used for eligible purposes by March 11, 2023. The RRF set aside over $5 billion for small restaurants, and prioritized helping minority and women-owned establishments (Small Business

Administration, 2021). The Restaurant Revitalization Fund was able to provide $28.6 Billion in funding to over 278,000 restaurants, however, 177,000 restaurants who applied for grants did not receive funding, resulting in $43.6 Billion in unfunded applications. The Small Business Administration released an additional $83 million in RRF funding to 169 operators in November 2022, the last loans of the program (National Restaurant Association, 2022). While this relief program was ultimately unable to provide every applicant with loans, the Restaurant Revitalization Fund was the most effective relief program in aiding the restaurant industry due to its focus on serving restaurants and its absence of a repayment requirement.

State Governments

Restrictions on businesses, and reopening plans, were created and enforced by state governments. Each state constructed its restrictions and reopening plan based off of its COVID-19 situation, resulting in great variation from state to state. Varying restrictions resulted in different economic outcomes for each state and caused restaurants in some states to be impacted by pandemic restrictions worse than those in other states. Every state implemented a form of temporary shutdown and restrictions on restaurants at the start of the pandemic. The key determinant in how a state's restaurant industry was impacted by the pandemic is how long it took for the state to lift indoor dining and capacity restrictions. What began as a two week ban on indoor dining would result in over a year of indoor dining restrictions for restaurants in many states. As of January 2021, nine months since the initial shutdown of indoor dining, only 13 states permitted restaurants to operate at 100% capacity. While these states were permitted to operate at full capacity, each of these states had additional restrictions on restaurants, including required curfews, social distancing within restaurants, and town specific capacity orders. Of the remaining 37 states, 24 states allowed restaurants to operate between 25-75% capacity, 5 states and Washington DC allowed no indoor dining at all, and 8 states did not specify capacity rules (Andrews, 2021). Nine months into the COVID-19 pandemic in the United States, just 13 out of 50 states permitted restaurants to operate at full capacity indoor dining.

State governments were thrust into a challenging situation in terms of restrictions on businesses. The pandemic required state governments to attempt to preserve the economy while simultaneously prioritizing public health. "State governments in the U.S. have been facing difficult decisions involving tradeoffs between economic and health-related outcomes during the COVID-19 pandemic. Despite evidence of the effectiveness of government-mandated restrictions mitigating the spread of contagion, these orders are stigmatized due to undesirable economic consequences. This tradeoff resulted in state governments employing mandates at widely different ways" (Ligo et. al, 2021). State reopening policies appear to have been influenced by two factors: the state's political orientation and the severity of the first wave of the pandemic on that state. Eight of the top ten state economies during the pandemic voted for Trump and were run by Republican governors, while all ten of the bottom states voted for Biden and have Democratic governors. States heavily impacted by the first wave of the pandemic, including New York, Massachusetts, Connecticut, and New Jersey were slower to lift restrictions on businesses and have had slower economic recovery. While Republican states lifted restrictions quicker and experienced quicker economic recovery, it is important to note that states run by Democrat governors had better health outcomes, with 14 of 15 of the top states in terms of health voting for Biden in 2020 (McMinn & Crampton, 2021). Rural states with less dense populations tended to fare better in terms of both health and economy as COVID-19 transmission rates remained lower and allowed these states to avoid catastrophic outbreaks.

Exhibit D: 2020 Election Map

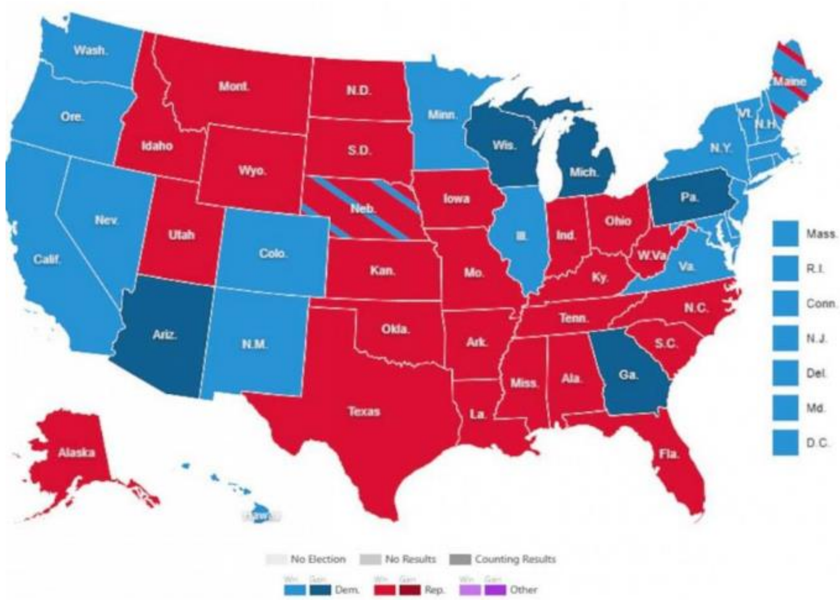


Exhibit E: Health Performance by State During COVID-19

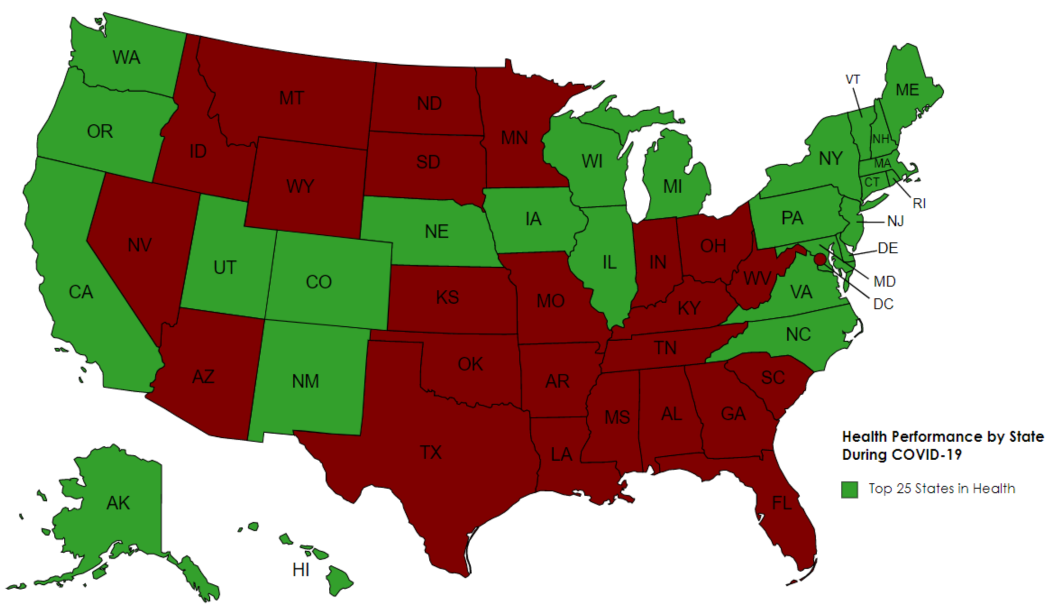
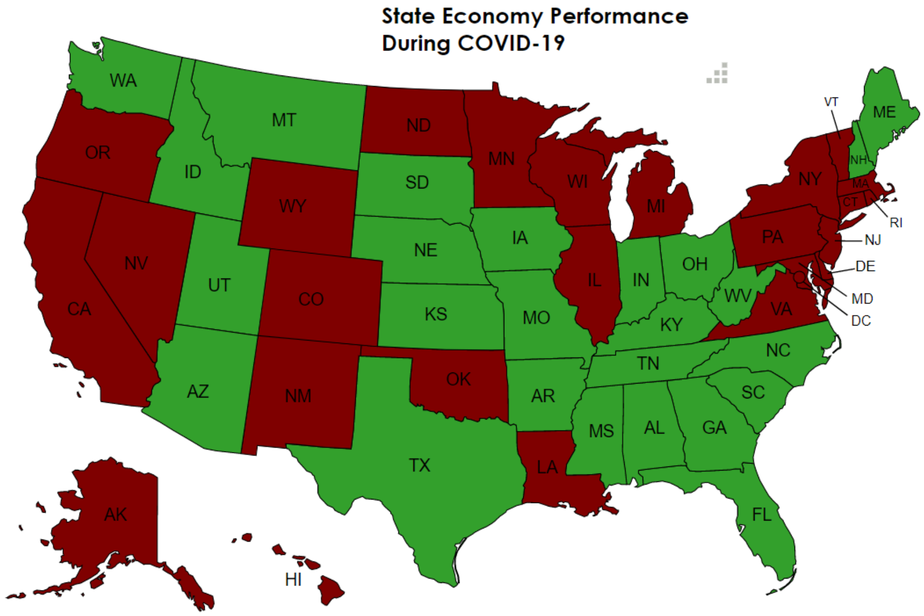


Exhibit F: Economic Performance by State During COVID-19



The charts shown above provide a detailed look into the trade-off states were forced to make in terms of public health and economic success during the COVID-19 pandemic. As shown by these maps, states that voted Republican during the 2020 presidential election achieved better economic performance during the pandemic yet performed worse in terms of public health. The top 25 states in terms of health performance during the pandemic are shown in green on exhibit E while the bottom 25 states are shown in red. The top 25 states in terms of economic performance are shown in green in exhibit F with the bottom 25 again in red. States that voted Democrat during 2020 had better health outcomes but performed worse economically due to stricter restrictions on businesses and slower reopening procedures than Republican states. As previously stated, rural states with less dense populations, such as Iowa, Nebraska, Utah, and New Hampshire were able to perform in the top 25 states in terms of both health and economic performance. While there was no perfect approach in responding to the COVID-19 pandemic, restaurants, and businesses in general, fared better in states that voted Republican due to shorter restrictions on business operations.

As the restaurant utilized for primary research interviews for this project is located in Massachusetts, a brief overview of Massachusetts' COVID-19 restrictions on restaurants is necessary. Massachusetts restaurants were forced to tolerate over a year of restrictions placed on their daily operations. Starting from a point of takeout only service, restrictions slowly loosened to allow outdoor dining. This slowly evolved to limited capacity indoor dining before finally returning to full capacity indoor dining. Starting June 22, 2020, indoor dining returned to Massachusetts with parties being limited to 6 people per table, a ban on bar seating, and restaurants and bars being prohibited from serving alcohol to customers without a food order. Over the course of almost a year, restaurants endured limited capacity and limited revenue while doing all that they could to keep customers and employees healthy. It was not until May 29, 2021, that restaurants could return to operating at 100% capacity and Massachusetts' indoor mask mandate was lifted. On June 15 Governor Charlie Baker ended the states COVID-19 state of emergency. With nearly all restrictions lifted, local cities and towns could "choose to keep more cautious masking or reopening rules in place" (DeCosta-Klipa, 2021). Individual towns had the choice to enforce heavier regulations than those required by the state. This was permitted throughout the entirety of the pandemic, with towns such as Plymouth and Canton choosing to enforce indoor mask mandates until February 2022. Towns are required to comply with statewide regulations and have the option to add their own restrictions beyond state policies.

As previously mentioned, Massachusetts is a Democrat state that was heavily impacted by the first wave of the pandemic. As a result, Massachusetts was one of the last states to fully reopen and its economy was strongly affected by the pandemic. Extended shutdowns and limited operations resulted in disastrous revenue losses for restaurants and caused tens of thousands of restaurants to permanently close their doors. By the summer of 2021, restaurants in all 50 states were finally able to return to 100% capacity. The economic effects of the COVID-19 pandemic on restaurants did not end with the return to normal operations. During the latter half of the pandemic restaurants would be faced with record levels of inflation and tremendous increases in the Consumer Price Index. COVID-19 related shutdowns and relief packages would result in trillions of dollars of currency being circulated in the economy which would cause inflation to skyrocket to record highs. Record inflation levels would increase food prices globally and increase the cost of doing business for an already strained industry.

Inflation & Supply Chain Issues

The economic effects of the COVID-19 pandemic continued after the removal of restrictions on restaurants. Supply chain disruptions and labor shortages combined with the introduction of trillions of dollars of new currency, through both personal and business relief packages, drove inflation to record high levels in 2022. High inflation results in the dollar decreasing in value, which in turn results in higher prices. Inflation is measured by using the Consumer Price Index (CPI), which tracks the price of a representative basket of goods that a household buys weighted by how much they spend on each item. The Consumer Price Index increased by 7.0% from December 2020 to December 2021 and again increased by 6.5% from December 2021 to December 2022. Food prices increased particularly heavily, with a 6.3% increase from December 2020 to December 2021 and a 10.4% increase from December 2021 to December 2022 (Bureau of Labor Statistics, 2022). Food prices rose in all six major categories in 2022 (see Exhibit G).

Exhibit G

Categories	Dec 2018 to Dec 2019	Dec 2019 to Dec 2020	Dec 2020 to Dec 2021	Dec 2021 to Dec 2022
All items	2.3%	1.4%	7.0%	6.5%
Food	1.8	3.9	6.3	10.4
Food at home	0.7	3.9	6.5	11.8
Cereals and bakery products	0.3	3.2	4.8	16.1
Dairy and related products	2.4	4.4	1.6	15.3
Other food at home	0.3	3.9	5.6	13.9
Nonalcoholic beverages	1.0	4.4	5.2	12.6
Fruits and vegetables	-1.3	3.2	5.0	8.4
Meats, poultry, fish, and eggs	2.3	4.6	12.5	7.7
Food away from home	3.1	3.9	6.0	8.3

(Bureau of Labor Statistics, 2022)

The intense increase in inflation as a result of the COVID-19 pandemic has further hindered the recovery of the American restaurant industry. Although restaurants nationwide were permitted to return to normal pre-pandemic operations during summer 2021, recovering lost profits has become a more intense challenge. “Inflation continues to eat away at the average restaurant’s already small margins. Even if a restaurant’s current sales recovered to its 2019 pre-pandemic levels, its additional costs would turn a 5% profit margin into a 12.3% loss” (Kennedy, 2022). Increased food and transportation costs have resulted in lower profit margins for restaurants, requiring sales increases from pre-pandemic levels in order to turn a profit. Restaurants are not only facing significant challenges in terms of paying for food and beverage products, but also in the acquisition of said products. Supply chain disruptions have resulted in difficulty acquiring products for restaurants nationwide. Many producers significantly reduced outputs during the pandemic and are struggling to meet current demand, causing restaurants to be shorthanded on ingredients. According to the National Restaurant Association, “96% of operators experienced supply delays or shortages of key food or beverage items in 2021” (2022). With revenues low to begin with and inflation limiting profit margins, restaurants must also adapt to supply chain issues resulting in the delay or removal of key menu items. As one of the industries impacted the most by COVID-19 business restrictions, restaurants must change menus and increase prices to make a profit.

Inflation and supply chain issues have made the restaurant industry's recovery a longer process than initially expected. 50% of restaurant operators expect to make less profit in 2023, with 92% of operators citing food costs as a major challenge and 89% stating labor costs as a significant challenge. As a result of inflation and supply chain issues, 87% of restaurants reported increasing menu prices while 59% changed the food and beverage items offered on their menu (National Restaurant Association, 2023). Increasing menu prices hypothetically results in increased revenue. The true question, however, is how different menu options and increased prices will impact consumer spending at restaurants. The wave of inflation affects not only restaurants but consumers as well. With the Consumer Price Index increasing at record levels and an economic recession impending, consumers will begin to limit spending on non-essential goods and services, with restaurants often falling into this category. The added factor of changing menu options eliminates the preferred meals of some consumers which further impacts consumer spending at restaurants.

The impending recession is likely to slow the recovery of the restaurant industry further based off of consumer spending at restaurants during the 2007-2008 economic recession. The 2007-2008 economic recession resulted in consumers cutting back on spending at restaurants as gas and food prices increased and millions of Americans lost their jobs. The casual dining sector, composed of traditional full-service restaurants, suffered the most during the recession. "Unlike fast-food chains, which offer dollar menus and cheap limited time offers, sit-down chains typically require diners to pay a tip and charge far more for food. Customers also frequently are encouraged to buy pricey add-ons like drinks or desserts" (CBS, 2008). While full-service restaurants were impacted the most by the 2007-2008 economic recession, the damage to the restaurant industry was not isolated to these restaurants. National chain Starbucks closed 600 locations in the United States as a result of the recession and Ruby Tuesday's shares decreased in value by 85%. While the 2022 year was a year of significant recovery for the restaurant industry, the upcoming recession combined with increased menu prices may result in a step back for the industry in 2023.

Employees

Restaurant employees, like the establishments they work for, were forced to navigate through months of uncertainty during the pandemic. The first month of the COVID-19 pandemic's surge through the United States resulted in 5.5 million jobs being removed from the restaurant industry, with the remaining 10 million restaurant employees dealing with limited hours and restrictions on daily operations. As the United States implemented various mandates and began development of COVID-19 treatments and vaccines these jobs would begin to return to the restaurant industry. Restaurant employees, however, had a difficult decision to make in returning to work. As essential workers, restaurant employees were among the members of society deemed necessary for the function of the country. Unlike thousands of other jobs which the world quickly discovered could effectively be completed remotely, restaurant jobs require employees to be on the premises. As the largest global health emergency of the last century spread rapidly throughout the world, restaurant employees were forced to choose between risking the health of themselves and their families or risking their source of income for the unforeseeable future.

Neither of the two options available for restaurant employees were ideal. Returning to work meant risking their health, lower wages, and increased stress due to restrictions on operations and the necessity of performing different roles. Electing to stay out of work provided the benefit of health and safety with the disadvantage of losing a source of income. For many restaurant employees, the choice was no choice at all. “Adding to the declining workforce, women tended to leave jobs early in the pandemic to address childcare needs brought on by closed day care facilities and the shift to remote schooling. U.S. Census Bureau research found that in March and April 2020, 3.5 million mothers with school-aged children left “active work.” Some exited the labor market or lost their jobs, while others took paid or unpaid leaves” (Hulton & Hentze, 2021). Although restaurants were deemed to be essential businesses, millions of employees had other priorities that required attention. With schools and childcare programs closed, parents were required to be home more to care for and educate their children. Already being employees in a lower income industry, restaurant workers who needed to stay home to care for their children began to seek alternative career options.

Despite the labeling of restaurant employees as essential workers, the industry has experienced a mass exit of employees. Even with COVID-19 restrictions being lifted and revenue and employment numbers climbing, the restaurant industry is still 900,000 employees short of pre-pandemic employment numbers. The restaurant industry, known for long hours and low wages, would experience a nationwide exodus of thousands of employees during the pandemic to purse new careers. In a survey of employees planning on leaving the restaurant industry, “20% of workers are leaving the industry to pursue a new career path, reflecting how the pandemic created an opportunity to switch fields or find a more appealing job situation” (Cobe, 2021). For the millions of restaurant employees without work or choosing to stay home the pandemic provided an opportunity to take classes, job search, and transition to a new career. Former restaurant employees cite better money, less stress, and more flexible schedules as key benefits of leaving the industry for new careers. Former Nike Headquarters chef de cuisine Thomas Boyce, who was laid off during the pandemic, stated “Being employed at a restaurant is not the inspiring work it once was. It’s still a lot of hustle and dealing with difficult people” (Cobe, 2021).

The COVID-19 pandemic would not only lead to the mass resignation from the restaurant industry. Another trend that has arisen in during the pandemic is the recent wave of unionization. The restaurant industry was not excluded from this trend. The low wages and long hours that have driven thousands of workers to leave the restaurant industry have also resulted in calls for change from large cohorts of restaurant workers. National restaurant franchises McDonald’s, Taco Bell, Starbucks, and Chipotle have had thousands of employees unionize during 2022. As to why so many restaurant workers have unionized recently, “the rising gap between executive pay and employees’ wages is a good place to start, particularly in one of the few industries where subminimum wages are allowed” (Avalle, 2022). Furthermore, Americans have a more positive view of unions than in recent decades. Unionization for restaurant employees is a challenge. Winning a union contract typically taking over a year. The restaurant industry’s high turnover rate only enhances the difficulty of reaching labor agreements. Unionization in restaurants primarily occurs in national chains, with workers at independent restaurants being left behind. This trend is not isolated to just the recent wave of unionization. While the majority of restaurants in the United States are single unit operations, these restaurants rarely have their voices heard.

Independents vs Chains

COVID-19 has been a catastrophic event for the restaurant industry, but it has not been proportionately damaging for chain restaurants and independent restaurants. Before comparing and contrasting how the pandemic has affected the two restaurant classifications, it is important to define the difference between a chain restaurant and an independent restaurant. The concept of what constitutes a chain restaurant varies between states and people and has no official definition. Most people view a chain restaurant as a restaurant with 10 or more locations which crosses state lines and often franchises locations. Under this definition, restaurants such as Olive Garden and McDonalds, who collectively have thousands of United States locations dispersed throughout the country would be considered chain restaurants. Independent restaurants are restaurants owned by a single person or group that operate in one geographic location. Independent restaurants may have multiple locations. Restaurants such as Mia Regazza and Johnny Macaroni's, local Massachusetts restaurants with two and three locations respectively, are still considered independent and not restaurant chains. As previously mentioned, 7 in 10 United States restaurants are single unit operations, resulting in the majority of United States restaurants being defined as independent restaurants.

The COVID-19 pandemic has had a more severe impact on independent restaurants than restaurant chains. Independent restaurants have suffered more severely as a result of the pandemic for multiple reasons. One reason is that independent restaurants are typically full-service casual dining restaurants while many large chain restaurants are quick-service restaurants. Full-service restaurants have felt the consequences of shutdowns and dining restrictions much more than their quick-service counterparts. Even after indoor dining restrictions were lifted, independent restaurants continued to suffer. Customers returned to dining at restaurants, however "they're most likely to feel safe with restaurants with drive-thrus, outdoor seating, and quick-service and fast-casual restaurants, and many of these features are associated with chains rather than independent restaurants" (Fantozzi, 2020). Chain restaurants had a greater tendency to have existing takeout operations at the start of the pandemic than independent restaurants. This awarded chains a competitive advantage over independent restaurants, thus allowing them to achieve greater success during the pandemic.

In addition to chains holding the advantages of existing takeout operations and consumer preference during the pandemic, chains also had the benefit of greater capital and more locations. "Larger operators generally have the advantages of more capital, more leverage on lease terms, more physical space, more geographic flexibility" (Haddon, 2020). Independent restaurants consist of businesses with one location or in some cases a few locations, all located within the same state. Chain restaurants had the advantage of extensive capital and often hundred to thousands of locations spread across the country, or even the world. When COVID-19 crippled the restaurant industry, chain restaurants had the luxury of being able to close some locations and transfer resources and capital to their more prosperous locations. Initial revenue losses for chains were not as injurious as revenue losses were for independent restaurants. Chains had millions, even billions of dollars to fall back on. Independent restaurants were not so fortunate to have backup funds and closeable locations. Most independently owned restaurants survive month to month, with only enough cash available to survive a few weeks without additional revenue. Months of revenue losses and location closures were not just minor setbacks for independent restaurants, instead, it was the end of far too many.

The different experience throughout the pandemic between chains and independent restaurants continued in terms of accessibility to government loans. The Paycheck Protection Program was abused by large restaurant chains and was largely ineffective in providing adequate relief to independent restaurants. Despite PPP loans being intended for small businesses with fewer than 500 employees impacted heavily by the pandemic, large restaurant chains including

McDonald’s, Five Guys, Shake Shack, and Ruth’s Chris received loans. In some cases, including that of Shake Shack, these multinational companies would receive multiple loans totaling over $10 million, which was the supposed limit for a single borrower. While small restaurants struggled to keep the lights on during the early days of the pandemic, publicly traded restaurants absorbed large sums of relief funding. Chain restaurants did not require this money to pay employees, instead applying for loans simply because they could. “In April, Shake Shack, Ruth’s Chris, and several other publicly traded companies returned their loans after drawing backlash for taking money from the quickly depleted fund” (Lucas, 2020). During a time where thousands of independent restaurants across the country closed permanently due to a lack of money, publicly traded chain restaurants took vital funds away from them.

In addition to the billions of dollars drained from the fund by large corporations, independent restaurants often had trouble accessing PPP loans. For small restaurants that had been operating successfully for decades without requiring assistance from banks, the pandemic would create a significant challenge. “Some businesses were too small to have relationships with banks, which processed the loans, leaving small entrepreneurs—sole proprietors, mom-and-pop operations and the like—at the tail end of weekslong lines. Some had poor records or little, if any, payroll” (Simon et. al, 2020). Independent restaurants that did apply for PPP loans often saw their applications rejected due to the absence of a previous relationship with the bank. Jackie Nersesian, owner of Country Kitchen Diner, applied for a PPP loan through six different banks. “They all turned her down, she said, because she wasn't an existing customer: ‘We were just getting the cold shoulder.” (Simon et. al, 2020). A program intended to aid small businesses impacted the most by the COVID-19 pandemic instead saw these businesses encountering far too many obstacles in the path to receiving a loan.

Many national chain restaurants actually experienced significant growth during the first year of the pandemic. Chipotle tripled its online business sales in the second quarter of 2020, while other chains such as Domino's, Papa John's and Wingstop reported double-digit sales increases at stores during the third quarter of 2020 compared to the prior year. Fast food giant McDonalds reported a 4.6% increase in same-store sales during the third quarter of 2020, including its best monthly performance in a decade during September (Haddon, 2020). Other restaurant chains like Olive Garden have viewed the pandemic as an opportunity to capitalize on a weakened industry and gain a larger market share. While the chains mentioned above, as well as numerous other national restaurant chains, have thrived during the pandemic, not all chains have fared so well. Haddon notes that more than a dozen chains filed for bankruptcy during the pandemic, including Ruby Tuesday's and California Pizza Kitchen. While the increase in sales at chain restaurants has not been universal, chains have generally fared better than independent restaurants since the onset of the pandemic and have seized more control of the restaurant market. According to a Bank of America credit card spending analysis, at the beginning of the pandemic, consumer spending at restaurant chains was about 5-6% higher than at independent restaurants. By mid-April 2020, the difference in consumer spending between chain restaurants and the rest of the industry had widened to almost 35% (Fantozzi, 2020).

Consumer spending at full-service restaurants dropped significantly more during the pandemic than at quick-service restaurants as well. "Spending at quick-service restaurants dropped to about $20.1 billion, 15.4 percent lower than average spending from March to May 2019. Full-service restaurants experienced a more severe drop as state and local Governments across the country implemented social distancing mandates that limited in-person dining. During this time, spending at full-service establishments fell to $7.0 billion, almost 52 percent lower than a year earlier" (Marchesi, 2022). By the end of 2020, spending at quick-service restaurants had exceeded spending in 2019. Conversely spending at full-service restaurants had dropped by 24.8% from 2019. Quick-service restaurants, typically chains, were more likely to have existing takeout operations and the resources to adapt to pandemic restrictions. Undoubtedly the entire American restaurant industry has experienced the consequences of the COVID-19 pandemic, however, it is clear that the pandemic and its concurrent restrictions have had a more severe effect on independent restaurants. The combination of a lack of existing takeout operations, limited resources to adapt to pandemic restrictions, and difficulties accessing government loans have essentially doomed independent restaurants across the country.

Chapter 3: Methodology

Primary research was utilized for this research project to provide further insight into the challenges faced during the pandemic by a local independent restaurant. Primary research collected includes in-person interviews with management and employees of a local Massachusetts independent restaurant which operated prior to, during, and after COVID-19 pandemic restrictions. This primary research collected both qualitative data through descriptions of how the pandemic changed the restaurant industry and quantitative data through changes in revenue and sales. The goal of these interviews is to gain a better understanding of the daily challenges faced by employees during the pandemic, how their jobs were affected by the pandemic, and outlook for the future of the restaurant industry. The management interview will provide further information on how the pandemic affected daily operations of the business, how the restaurant's service has changed as a result of the pandemic, and how government mandates were perceived by the business.

Selection Process

The restaurant utilized for this project's primary research was selected as a local independent restaurant based in East Bridgewater, Massachusetts. The restaurant has three locations, with two being traditional full-service restaurants offering takeout and catering, and one restaurant offering strictly takeout and catering. Between the three locations this restaurant employees roughly 75 people, including kitchen staff and front of house staff. For this project one location was utilized for employee and management interviews. From this location, ten employees and one manager were selected for the interview process.

Employee selection was based off of tenure at the restaurant. Employees eligible to be selected for the interview process were required to have been employed at the restaurant prior to the COVID-19 pandemic, during the pandemic, and at present after the pandemic. The reason for this requirement is to ensure quality information in terms of how the pandemic affected their job by confirming that the employee worked at the restaurant prior to the onset of COVID-19.

Interview Questions

Employees were asked to answer the following questions:

- What were your daily tasks that you performed prior to the onset of the COVID-19 pandemic?
- At the beginning of the pandemic, did you consider staying home from work to protect yourself or family members from exposure to the virus?
- Did your hours decrease as a result of pandemic related restrictions (takeout only, statewide curfew, etc.)?
- What new tasks, if any, did you take on at work during the pandemic?

- Were you forced to work a different job within the restaurant as a result of the pandemic?
- Do you feel that state mandated restrictions were necessary to contain the spread of COVID-19? Did these restrictions make you feel safe while working during the pandemic?
- What was the biggest challenge of working at a restaurant during the pandemic in your experience?
- Did you receive any compensation for being an essential employee during the pandemic, ranging from essential employee pay or increased tips from customers?
- Have you noticed any long-term changes at work that are likely to continue for the foreseeable future as a result of the pandemic?

Management was asked to answer the following questions:

- What were your daily roles that you performed at the restaurant prior to the onset of COVID-19?
- Prior to the COVID-19 pandemic, how would you describe the ratio of in-house dining to takeout orders?
- Was the restaurant forced to shut down for any period of time at the beginning of the pandemic? Was the restaurant forced to shut down at all throughout the rest of the pandemic?
- What immediate changes was the restaurant forced to put in place for the safety of employees and customers?
- Do you feel that these changes were successful in protecting employees and customers from COVID-19?

- Do you feel that state mandated restrictions were necessary to contain the spread of COVID-19? Were restrictions kept for a reasonable amount of time, for too long, or not long enough?
- Did you encounter any staffing issues during the pandemic?
- What changes did the restaurant make to daily operations as a result of state mandated restrictions?
- Did the restaurant experience a change in income from past years in 2020 and 2021?
- Did you notice a significant increase in food delivery services such as DoorDash and GrubHub during the pandemic?
- Since the removal of indoor dining restrictions, have takeout sales returned to pre-COVID-19 levels, or have they remained elevated?
- How do you view the future of the restaurant industry as a result of COVID-19?

In addition to these questions, management was asked to participate in a brief survey which provided further insight into the regular operations of the restaurant before, during, and after COVID-19 restrictions (see Appendix C).

IRB

The IRB consent process was utilized for this project to ensure compliance. The interview and survey questions implemented were approved by the Assumption University Institutional Review Board and classified under the exempt risk level. Exempt classification research involves minimal risk as all information gathered from this research will remain anonymous and all data unidentifiable. The research includes non-risk anonymous interviews in which the participants cannot be directly or indirectly identified. All participants were provided with a consent form in which they were made aware of their right to refuse to participate, skip any questions, and withdraw their participation at any time. All participants in the interview process are adults of age 18 or older and were explicitly informed of their right to refuse or withdraw participation. The information provided by participants does not place them at risk legally, politically, or professionally.

Chapter 4: Research Findings

Manager Interview

As stated above, the restaurant utilized for this research is an independently owned Italian American restaurant with three locations in East Bridgewater and Halifax, Massachusetts. Prior to COVID-19, the restaurant offered in house dining, takeout, and catering from its two East Bridgewater locations and takeout and catering from its Halifax location. Unlike many independently owned restaurants across the United States, this restaurant was fortunate enough to have existing takeout operations prior to the onset of the pandemic. The restaurant's hours were 11:30am-8:30 pm from Tuesday to Thursday and Sunday and 11:30am-9:30pm on Friday and Saturday. Between the three locations the restaurant employed about 75 people in total, with some employees working shifts at multiple locations. A typical weekend or holiday shift consisted of 15-20 employees working at each of the two full-service locations. This staff consisted of 5-6 cooks, 1 salad/dessert prep worker, 2 dishwashers, 1 bartender, 4-5 waitresses, 1 busser, and 1 host.

Prior to the COVID-19 pandemic, the restaurant's ratio of in-house to takeout sales was about 60% in house to 40% takeout on weekdays and 70% in house to 30% takeout on weekends with the full menu available for takeout purchase. The restaurant offered a limited menu for catering orders consisting of half trays and full trays of the restaurant's classic recipes. The restaurant did not have any partnerships with Grubhub, DoorDash, Uber Eats, or any other third-party delivery systems. The restaurant offered delivery for large catering orders through its catering and takeout only location in Halifax, for an additional charge. On premises dining options included the dining room or seating at the bar. The bar area contains 8 seats at the bar and 5 surrounding tables.

The unforeseen arrival of COVID-19 on American soil and the subsequent restrictions imposed on businesses resulted in months of uncertainty for management. Management explained, "The original two week shut down of in-house dining was definitely a little scary but manageable. We were lucky to already offer takeout and a had great crew that quickly adapted to keep us going. Once the shutdown got extended longer, things really got scary". The restaurant was able to rapidly shift operations to takeout only and reduce the staff to a skeleton crew to ensure appropriate social distancing and employee safety. The regular crew of 15-20 employees was reduced to about 6-8 employees, with some performing multiple jobs, to ensure social distancing. The restaurant added other precautionary measures that differed from previous operations to ensure the health and safety of both customers and employees. After shifting to takeout only, the restaurant implemented curbside pickup. This change entailed employees bringing orders straight to customers vehicles to limit contact between customers and employees. Masks and hand sanitizer were provided by the restaurant for employees and end of the night cleaning began to include advanced sanitation. Employees experiencing any symptoms of COVID-19 were encouraged to stay home and consult with a doctor or undergo a COVID test before returning to work.

While the restaurant was able to quickly transition to takeout only operations to comply with Massachusetts policies, it still faced significant challenges. The uncertainty surrounding COVID-19's transmission and symptoms resulted in a large number of employees, roughly 40%, opting to stay home from work to protect the health of their family or for childcare necessity. Even while operating with a reduced staff to ensure proper social distancing, the restaurant frequently faced staffing issues during the first year of the pandemic. "A lot of people were afraid of contracting Covid and stayed out of work to protect their health and other employees took advantage of extensive unemployment benefits. This combined with employees contracting Covid did result in some staffing problems", stated management. In addition to employees who chose to stay home, jobs such as waitresses and bartenders were not required for takeout operations, resulting in reduced hours for these employees. As months passed and the pandemic progressed, employees contracting the virus became inevitable. The restaurant was obligated to close one location on one occasion after an employee tested positive for the virus. The employee had left a shift early due to COVID-19 symptoms. The restaurant was able to avoid an outbreak within the staff, with management proclaiming, "We were lucky to catch it early enough that it didn't spread throughout the entire restaurant". The restaurant elected to close the location for the following day and had it professionally sanitized to kill any remnant of the virus remaining on surfaces in the restaurant. Employees who came in close contact with the employee that contracted the virus remained home for the next few days and required negative tests before returning to work.

The restaurant made a significant number of changes to daily operations beyond curbside pickup as time passed. With takeout being the only option for restaurants, this restaurant added partnerships with DoorDash, GrubHub, and Uber Eats during the pandemic to maximize sales to customers who felt safest in their own home. The restaurant also added outdoor dining in June 2020 after Massachusetts commencement of Phase II of the state's reopening plan, which permitted outdoor dining. The restaurant had not previously offered outdoor dining prior to COVID-19, which resulted in the creation of a makeshift dining area in the parking lot. A section of the parking lot was blocked off with large cinderblocks and filled with tables, chairs, and umbrellas to allow customers to dine at the restaurant for the first time in three months. The restaurant quickly added a deck connected to the building to offer more convenient and professional outdoor dining services starting in August 2020. The gradual return to indoor dining, beginning in December 2020 at 25% capacity, resulted in changes as well. Plastic barriers were installed between bar seats, and tables, tables were spread out to a distance of at least six feet apart, and a 90-minute time limit for diners was implemented.

The restaurant applied for and received a PPP loan during April, the first month of the program. The restaurant quickly received a loan just weeks after the March 27, 2020, implementation of the CARES Act. The restaurant applied during a time of uncertainty as to how consumers would respond to takeout only operations and how sales would be impacted by this restriction. The restaurant was able to allocate PPP funds to paying employees who continued to work during the pandemic and supplement income for employees who lost hours due to limited staff. Restaurant management stated that the loan was helpful in providing capital to keep the restaurant running during the pandemic in terms of paying both employees and expenses. This restaurant was fortunate to receive a PPP loan and utilized the funds received properly, however, management understands that they were among the luckier independent restaurants. Management expressed, "So many small restaurants weren't able to receive a loan like we did that might've been the difference between them closing or shutting down for good".

Despite existing takeout operations and the ability to remain open for the entirety of the pandemic, this restaurant still saw a decrease in revenue during 2020 and 2021. Sales dropped 10-15% from the 2019 year during 2020 and 2021. The pandemic has also resulted in a change in consumer dining habits at this restaurant, with takeout sales claiming a larger portion of total sales. According to management, "Takeout increased by about 30% during its peak and sales volume is still 20-25% higher than pre-pandemic levels. Dine-in has not returned to pre-COVID levels still even with the removal of restrictions". The change in consumer dining preferences has resulted in the removal of some jobs and the creation of other jobs within the restaurant. Bussers have become less of a necessity in the restaurant, now only being scheduled for weekend shifts. Wait staff has also been reduced due to reduced dine-in customers. Elevated takeout sales have resulted in new jobs being created in the restaurant, including workers dedicated to taking and entering takeout orders into the POS system and food runners to deliver takeout orders to vehicles via curbside pickup. Fortunately for wait staff and bussers who have seen their normal hours decrease, the skills required for these new roles are transferable from their typical jobs.

Employee Interviews

Interview Question	"Yes"	%	"No"	%
Considered Staying Home from Work	5	50%	5	50%
Experienced Change in Hours During Pandemic	10	100%	0	0%
Decreased Hours	6	60%	4	40%
Increased Hours	4	40%	6	60%
Worked Different Job in Restaurant	6	60%	4	40%
Assigned New Tasks/Responsibilities	10	100%	0	0%
Felt Restrictions Were Necessary	7	70%	3	30%
Received Extra Compensation During Pandemic	8	80%	2	20%

The COVID-19 pandemic was a turbulent time for the employees of the restaurant used for this research paper. The beginning of the pandemic presented employees of the restaurant, deemed essential by the state of Massachusetts, with two options. Option one was to continue working in the restaurant and interact with other employees on a daily basis, increasing the chance of contracting the virus. Option two was to choose to stay at home in an effort to isolate and avoid contracting COVID-19. For some employees, the choice was a no-brainer to continue working and make money, while for others the choice resulted in sleepless nights. When asked about whether they considered staying home from work during the beginning of the pandemic, some employees responded with “no, of course not” and “no, at the beginning the pandemic was very new, and I was not worried about the virus at all”. Other employees had other factors to consider than themselves, with one employee answering, “I did consider staying home from work due to both of my sisters being nurses. One primarily works in the ICU with COVID-19 patients. I mainly wanted to keep everyone at work safe”. While every employee interviewed for this project ultimately decided to return to work at the restaurant, about 40% of the restaurant’s staff elected to remain home during the early months of the pandemic.

Every employee interviewed experienced a change in their weekly hours worked at the restaurant during the pandemic. Six out of ten employees interviewed experienced a decrease in hours while four out of ten saw an increase in their weekly hours. While these may seem like opposite alternatives, context provides better clarification as to why employees had differing results. Employees that experienced an increase in hours were primarily part-time workers at the restaurant prior to the pandemic, working a second job or enrolled in college. As a result of the closure of schools and non-essential businesses, these employees were able to increase their hours at the restaurant. One employee responded, “Because I was part time at school I was able to increase my hours since I was home". Employees that worked at the restaurant full time prior to the pandemic were those who suffered the consequences of takeout only restrictions and had decreased hours. Reasons for the decrease in hours cited by these employees include "takeout only would always be easier to get done early", and "my hours got cut nearly in half. There wasn't enough work to go around". Most employees saw their hours decrease between 5-10 hours per week, losing a shift or losing hours from shortened shifts due to less restaurant traffic. However, as one employee stated, some employees had their hours cut in half during the early months of the pandemic. The employees who experienced heavy hour losses were primarily servers and hosts who transitioned into different roles during the pandemic.

Employees not only experienced changes to their hours worked in the restaurant, but also experienced a change to the job itself. All ten employees interviewed noted that they were assigned new tasks and responsibilities within the restaurant while six out of ten employees would work shifts in different roles than they did prior to the pandemic. Every employee interviewed included the new tasks of increased sanitation and cleaning, during and at the end of shifts, to limit the spread of the virus within the restaurant. Other new responsibilities noted by employees include the new curbside takeout system, self-reporting symptoms of COVID-19, and assuming more responsibility in terms of stepping into a new role when necessary. Many employees within the restaurant would assume a new role within the restaurant during the pandemic, with some employees working as many as three different jobs during one week, often two at once. One employee stated, "often times I would be a curbside pickup runner which did not exist as a position pre-COVID". Another employee recalls "I had to do dishes and salad/dessert prep during the same shift on multiple occasions". Restaurant employees, already battling the stress of being exposed to COVID-19 on a daily basis, were confronted with the additional stress of increased responsibility within the restaurant.

For enduring the added stress of risking personal health and the health of family members, combined with the added stress of increased responsibility within the restaurant, a majority of employees responded that they received additional compensation during the pandemic. Some employees stated that they received essential employee compensation from the state of Massachusetts for their work during the pandemic. Other employees replied with the hazard pay bonus that employees received during the first 8 weeks of the pandemic, stemming from the PPP loan that the restaurant received. The restaurant was able to reward the employees that remained committed to the restaurant and worked during the initial months of the pandemic with a temporary bonus to their regular pay. Additional compensation mentioned by numerous employees was the influx in customer tips during the pandemic. Eight out of ten employees interviewed named increased tips from customers as a form of additional compensation received during the pandemic. Some employees theorized that stimulus checks led to increased tips, while others viewed the customers as more appreciative of the restaurant and its employees. One employee stated, “I believe the customers began to tip a lot more in order to help out businesses during the pandemic”. Regardless of the reason, employees are grateful to the customers who tipped them for their hard work during the pandemic.

Outlook on Government Restrictions & The Future of the Restaurant Industry

The attitude towards the government restrictions placed on restaurants varied among employees. Of the ten employees interviewed, seven felt that the restrictions placed on restaurants were necessary in containing the spread of COVID-19 while three employees felt the restrictions were unnecessary. Among the employees who felt that the state’s restrictions were necessary for public health, some expressed their discontent with the length of the restrictions levied on restaurants. According to one employee, "For the first few weeks they were necessary since the virus was very unknown but after those few weeks and more was learned the restrictions were very unnecessary". Another employee said, "I felt that most of the restrictions were necessary but some restrictions seemed drastic. Taking over a year to allow us to return to full capacity was way too long". The consensus among employees was that the government did what they felt was best for public safety given the circumstances, yet the reopening process could have been quicker.

The restaurant's management shared the employees' sentiments regarding government restrictions. Management stated, "I believe that these changes were successful in protecting employees. Employees did contract Covid but we were able to avoid major outbreaks within the staff. Making sure the restaurant is successful is a priority, but at the end of the day the most important thing is keeping everybody safe". The restaurant was able to avoid major outbreaks within the staff and was forced to close one location for just one day due to an infected employee. Regarding the timeframe for lifting restrictions, management again shared similar beliefs as employees. "I think that the time frame was pretty good for a pandemic that we had never seen before. In house dining definitely could have returned faster with social distancing, barriers, and time limits for tables. This would have helped a lot of restaurants". Being a restaurant located in New England, the harsh winter climate made outdoor dining impossible from November to February, as well as parts of October and March. Surges in COVID-19 cases after Thanksgiving limited indoor dining capacity to just 25% during the winter, greatly limiting the ability of Massachusetts restaurants to recover revenues.

The removal of restrictions has not resulted in a return to pre-pandemic conditions, according to employees and management. Takeout sales have remained elevated while on premise dining is still yet to return to pre-pandemic levels. Third party delivery services DoorDash and Grubhub continue to have a high volume of orders to the restaurant as well. Other changes destined to stay include online ordering and QR code menus, signaling an increase in technology use throughout the restaurant. The restaurant's added deck seating continues to provide an outdoor dining option during the spring and summer months for customers weary of dining close to strangers, or who simply enjoy the fresh air. As for more industry specific trends, management provided a more detailed picture, saying "It's still hard to get help and a lot of restaurants have been closing. If inflation and the cost of doing business goes down restaurants will be able to improve much quicker". These sentiments are shared with thousands of other restaurant operators across the country. While independent restaurants continue to recover, they still struggle to find employees, while combatting shriveling profit margins due to record inflation and Consumer Price Index increases.

The restaurant utilized for this research was one of the luckier independents in terms of preparation and outcome during the pandemic. The restaurant had existing takeout operations and familiarity with busy takeout and catering days. The restaurant also had multiple locations located close to one another, allowing resources and employees to become easily transferable between locations. The restaurant was also able to secure a PPP loan to provide funding during the beginning of the pandemic, which many restaurants were not able to do. Even being one of the luckier independent restaurants during the pandemic, the restaurant saw revenues decrease 10-15% from 2019 during the 2020 and 2021 calendar years. Independent restaurants local to the

South Shore, and more broadly across Massachusetts, did not have the same level of preparation to survive strictly off takeout operations.

During the initial onset of the pandemic, when indoor dining was banned entirely, 16,000 Massachusetts restaurants were forced to shut down completely due to a lack of takeout operations. Of the restaurants forced to shut down entirely, over 3,200 never reopened their doors. Independent restaurants struggled to keep their doors open during the first year of the pandemic largely due to the fact that outdoor dining was not feasible during the late fall and winter months in Massachusetts. Numerous independent restaurants located in the towns surrounding the restaurant utilized for this research paper's interviews, including Brianna's and My Sister & I, both of whom had been in successful operation for over a decade, closed their doors permanently during the pandemic. Massachusetts restaurant closures were not limited to independent restaurants. National chains Chili's, Red Robin, McDonald's, and TGI Friday's closed multiple locations throughout the state during the past few years. Like the rest of the United States, the Massachusetts restaurant industry was severely impacted by the COVID-19 pandemic, and rising inflation and food prices show no sign of easing up on the struggling industry in the near future. The impending economic recession paired with the restaurant industry's existing struggles of supply chain issues and record inflation are likely to continue negatively impacting the restaurant industry for the coming year.

Chapter 5: Conclusion

The COVID-19 pandemic was an undebatable catastrophe for the American restaurant industry. Had the original plan of a two-week shutdown been successful, the restaurant industry would have lost hundreds of millions of dollars and likely still experienced a spike in closures during 2020. As time has shown, this alternative would have been a blessing for the industry in comparison to how the pandemic actually played out. The American restaurant industry, deemed to be essential to the country, was often treated as an afterthought throughout the pandemic. Restaurants received much stricter regulations than other businesses for much longer timeframes. Despite being among the industries impacted the most by the pandemic, federal loan money intended for shuttered industries was dispersed elsewhere. As an industry near and dear to the hearts of millions of American citizens, the pandemic reaped significant consequences for the American restaurant industry.

COVID-19 impacted the American restaurant industry heavier than most other sectors throughout the country. As an industry in which working virtually is impossible, restaurants immediately encountered staffing issues as millions of employees elected to stay out of work for health and safety reasons. Stay at home orders and social distancing regulations impacted restaurants heavier than most other industries as well, as tens of thousands of restaurants relied solely on on-premises sales prior to the onset of the pandemic. The restaurant industry was not able to transition to e-commerce as other industries were able to. Instead, restaurants were forced to adapt, implementing takeout operations, and adding third-party delivery services, or shut down. For many restaurants that elected to shut down and wait out the initial two week mandated shut down, the doors never reopened.

COVID-19 completely halted the growth of the American restaurant industry, which was projected to continue for its twelfth consecutive year in 2020 (National Restaurant Association, 2020). Instead, national restaurant revenues would decrease in 2020 and fail to surpass the 2019 revenue figure until 2022, in part due to inflation and increased menu prices. As of the end of 2022, national restaurant employment is still 400,000 jobs lower than in 2019. While restaurant revenue was able to surpass the industry's 2019 revenue during the 2022 fiscal year, 2022 sales were boosted by record levels of inflation which resulted in increased menu prices across the country. Restaurant operators cited rising costs of doing business and significant challenges procuring menu items due to supply chain issues and hefty price increases during 2022 (National Restaurant Association, 2023). Three years since the beginning of the COVID-19 state of emergency in the United States, the American restaurant industry has 90,000 less restaurants and 400,000 less employees. Even with revenue and employment numbers beginning to trend in the right direction once again, record increases in inflation and the Consumer Price Index will extend the recovery of the restaurant industry.

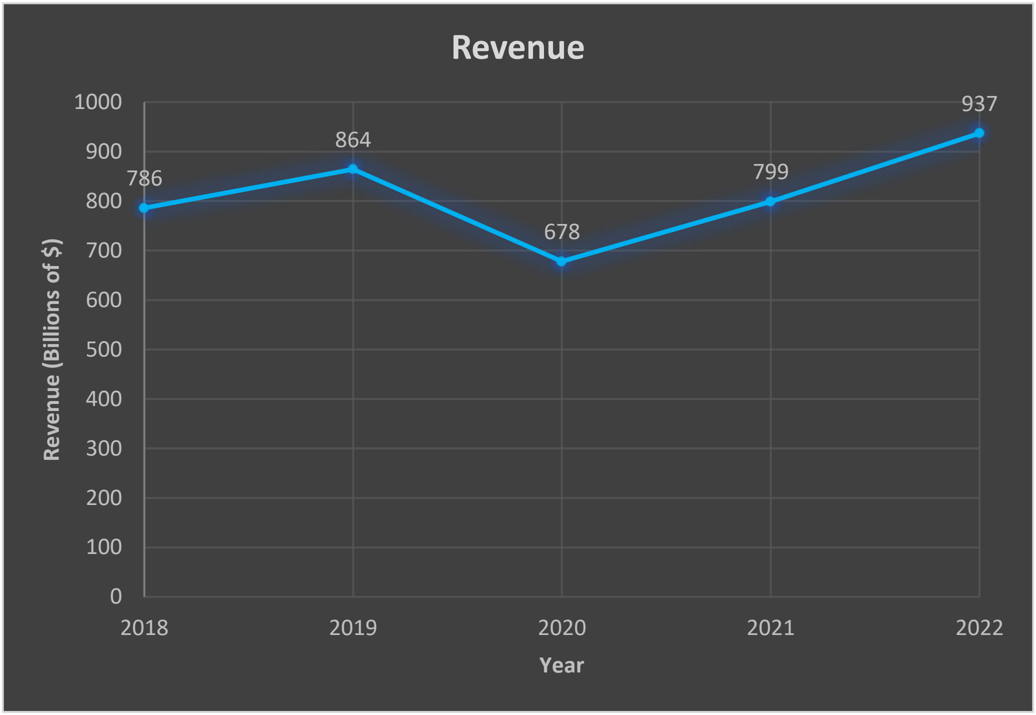
The COVID-19 pandemic heavily impacted both chain restaurants and independent restaurants, but independent restaurants felt the impact of the pandemic and related restrictions more severely than chains. Chain restaurants were better prepared for an international health crisis like COVID-19 due to multiple factors. Extensive capital, strong relationships with banks, existing takeout operations, many locations, and many chains being quick-service locations better prepared chain restaurants for success during the unexpected pandemic. Independent restaurants are traditionally full-service restaurants which rely heavily, if not entirely, on in-house sales. Independent restaurants are also limited in terms of capital and have just one to a few locations, all located within close proximity. Although thousands of independent restaurants did all that they could to implement successful takeout operations during the pandemic, they were unable to produce enough revenue to meet operating expenses. Independent restaurants, many of whom lacked strong relationships with banks, suffered the consequences of the lack of this relationship when attempting to apply for crucial government loans. Instead, these loan programs were abused by national chains, further wounding independent restaurants chances of surviving the pandemic. As the world moves past the COVID-19 pandemic, independent restaurants continue to struggle to recover more than their chain counterparts due to rising food prices and inflation.

Independent restaurants continue to struggle more on the road to recovery than their chain counterparts largely in part due to increased food and labor costs caused by this record wave of inflation. Food and labor costs account for approximately 33 cents for every dollar of sales, the two most significant line items for a restaurant. Heading into 2023, 92% of restaurant operators cite food costs as a significant challenge while 89% of operators cite labor costs as a significant challenge. Due to these challenges, 50% of operators expect to make less profit in 2023 (National Restaurant Association, 2023). Supply chain issues and increased food prices have caused many independent restaurants to change their menus and increase prices which harm the restaurant's sales. Chain restaurants typically have more control over their supply chains and more capital available to procure their required ingredients. Chains extensive capital and location availability once again offer them a better chance to adapt to the challenges the restaurant industry must face than independent restaurants. Independent restaurants still face substantial challenges to overcome the effects of the COVID-19 pandemic in 2023.

The pandemic undoubtedly set the restaurant industry back and heavily increased the challenges of successfully operating a successful independent establishment. The pandemic also created additional changes to the future of the restaurant industry. The heavy increase in takeout during the pandemic is here to stay, as consumer preferences have shifted. Post-pandemic consumers favor takeout far more than pre-pandemic consumers. Improved quality and abundance of takeout operations paired with some consumers hesitancy to return to traditional dining have kept takeout sales elevated during 2022. The rise in takeout similarly resulted in massive increases in the use of and sales of third-party delivery services by restaurants. Third-party delivery services DoorDash, GrubHub, and Uber Eats capitalized on takeout only restrictions during the pandemic and have become an integral part of consumer dining habits going forward. Third-party delivery services, provided through mobile apps, contribute to another restaurant industry change for the future, the advancement of technology. Restaurants began utilizing QR codes for menus, mobile apps, and advanced POS systems during the pandemic in efforts to reduce contact between customers and employees. As both customers and restaurants have discovered, these changes increase accessibility and efficiency, and are here to stay.

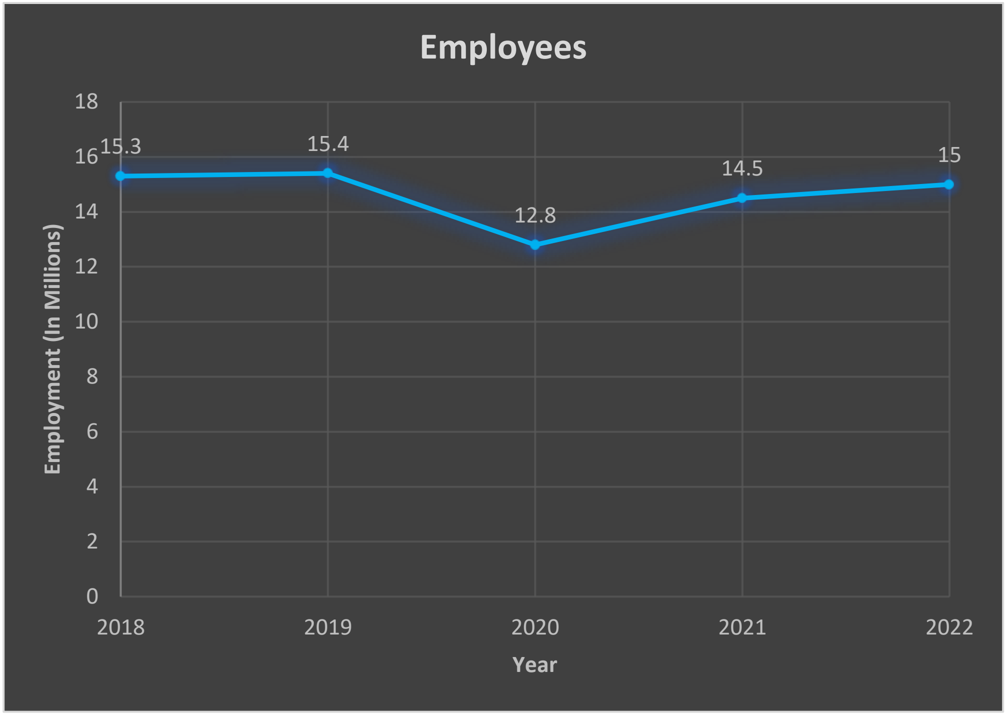
While the pandemic heavily injured the restaurant industry, it also drove innovation and shaped the future of the American restaurant industry. Independent restaurants were forced to adapt to pandemic related shutdowns and restrictions and revolutionize their business model to survive the pandemic. Despite the massive employment, revenue, and location losses, the majority of the restaurant industry persevered to make it through the pandemic. While increases in food prices and inflation make it clear that the restaurant industry is not out of the woods just yet, the COVID-19 pandemic hardened the American restaurant industry. However, as data from the 2007-2008 economic recession shows, consumer spending at restaurants is likely to decrease during the impending recession as Americans tighten their spending habits. As the American restaurant industry looks to move past the COVID-19 pandemic, restaurants must continue to fight for survival.

Exhibit H



Revenue
1000
900
800
700
600
500
400
300
200
100
0
Revenue (Billions of $)
786
864
678
799
937
2018
2019
2020
2021
2022
Year

Exhibit I



Employees
18
16
14
12
10
8
6
4
2
0
Employment (In Millions)
15.3
15.4
12.8
14.5
15
2018
2019
2020
2021
2022
Year

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Appendix A: Manager Interview Questions

1. What were your daily roles that you performed at the restaurant prior to the onset of COVID-19?

2. Prior to the COVID-19 pandemic, how would you describe the ratio of in-house dining to takeout orders?

3. Was the restaurant forced to shut down for any period of time at the beginning of the pandemic? Was the restaurant forced to shut down at all throughout the rest of the pandemic?

4. What immediate changes was the restaurant forced to put in place for the safety of employees and customers?

5. Do you feel that these changes were successful in protecting employees and customers from COVID-19?

6. Do you feel that state mandated restrictions were necessary to contain the spread of COVID-19? Were restrictions kept for a reasonable amount of time, for too long, or not long enough?

7. Did you encounter any staffing issues during the pandemic?

8. What changes did the restaurant make to daily operations as a result of state mandated restrictions?

9. Did the restaurant experience a change in income from past years in 2020 and 2021?

10. Did you notice a significant increase in food delivery services such as DoorDash and GrubHub during the pandemic?

11. Since the removal of indoor dining restrictions, have takeout sales returned to pre-COVID-19 levels, or have they remained elevated?

12. How do you view the future of the restaurant industry as a result of COVID-19?

Appendix B: Employee Interview Questions

1. What were your daily tasks that you performed prior to the onset of the COVID-19 pandemic?

2. At the beginning of the pandemic, did you consider staying home from work to protect yourself or family members from exposure to the virus?

3. Did your hours decrease as a result of pandemic related restrictions (takeout only, statewide curfew, etc.)?

4. What new tasks, if any, did you take on at work during the pandemic?

5. Were you forced to work a different job within the restaurant as a result of the pandemic?

6. Do you feel that state mandated restrictions were necessary to contain the spread of COVID-19? Did these restrictions make you feel safe while working during the pandemic?

7. What was the biggest challenge of working at a restaurant during the pandemic in your experience?

8. Did you receive any compensation for being an essential employee during the pandemic, ranging from essential employee pay or increased tips from customers?

9. Have you noticed any long-term changes at work that are likely to continue for the foreseeable future as a result of the pandemic?

Appendix C: Survey Questions

Please enter the letter corresponding with your answer to each multiple-choice question in the text box provided. Questions 12 and 20 are open response questions, for which a few sentences are adequate.

Pre- COVID-19

1. Prior to the onset of the COVID-19 pandemic, what percentage of sales were takeout sales?
    - A. 0-25%
    - B. 26-50%
    - C. 51-75%
    - D. 76-100%

2. Was the full menu available for takeout orders?
    - A. Yes
    - B. No

3. Did you have partnerships in place with any food delivery services such as DoorDash, GrubHub, Uber Eats, any other companies?
    - A. Yes
    - B. No

4. Did your restaurant offer delivery or event catering services directly through the restaurant?
    - A. Delivery
    - B. Catering
    - C. Delivery and Catering
    - D. None

COVID-19

5. Were you forced to shut down your restaurant at any point during the COVID-19 pandemic?
    - A. Yes
    - B. No

6. If you were forced to close at any point, for how long was your restaurant closed?
    - A. 1-7 days

- B. 2-4 weeks
- C. 1-2 months
- D. 3+ months
- E. N/A

7. Was your restaurant forced to shut down on multiple occasions, even for as little as one day?
    - A. Yes
    - B. No
    - C. N/A

8. Were you forced to operate with reduced staff as a result of state mandated restrictions?
    - A. Yes
    - B. No

9. Did any employees opt to stay home from work due to concerns of coming in contact with COVID-19?
    - A. Yes
    - B. No

10. Did you encounter staffing issues at any point during the pandemic?
    - A. Yes, 1 to 2 times
    - B. Yes, occasionally
    - C. Yes, frequently
    - D. Never

11. Was there a change in frequency in third party food delivery services picking up takeout orders during the pandemic?
    - A. Increase
    - B. Decrease
    - C. No Change
    - D. N/A

12. What changes to daily operations did your restaurant establish as a result of state mandated restrictions? (ex. Creation of outdoor dining)

13. Did your restaurant receive any government relief loan during the pandemic?

- A. Paycheck Protection Program Loan
- B. Restaurant Revitalization Fund Loan
- C. Economic Injury Disaster Loan
- D. Did not receive any loan

14. If your restaurant received a loan, was it helpful in providing capital to keep your restaurant running during the pandemic?
    - A. Yes
    - B. No
    - C. Applied for loan but was not selected to receive loan
    - D. Did not apply for any loan

Post COVID-19

15. Did your restaurant experience a change in revenue from 2019 to 2020?
    - A. Yes
    - B. No

16. Since the lifting of indoor dining restrictions, how busy has your restaurant been to the pre-COVID-19 era?
    - A. More Busy
    - B. Less Busy
    - C. Equally Busy

17. Have takeout sales remained elevated compared to takeout sales prior to COVID-19 since the lifting of indoor dining restrictions?
    - A. Yes
    - B. No

18. Do you believe that state mandated COVID-19 restrictions were effective in keeping customers and employees safe?
    - A. Yes
    - B. No
    - C. Unsure

19. How do you view the length of indoor dining restrictions, which limited indoor dining from March 15, 2020, to May 29, 2021?
    - A. Too Long
    - B. Not Long Enough
    - C. Reasonable Length
    - D. Indoor Dining restrictions were unreasonable

Overall, what thoughts do you have on the COVID-19 pandemic's impact on both your restaurant and the restaurant industry? What is your outlook on the future of the American restaurant industry post-COVID-19?