

ECONOMY

# Restaurants are ‘sucking wind’ but fighting back to reopen amid a worker shortage

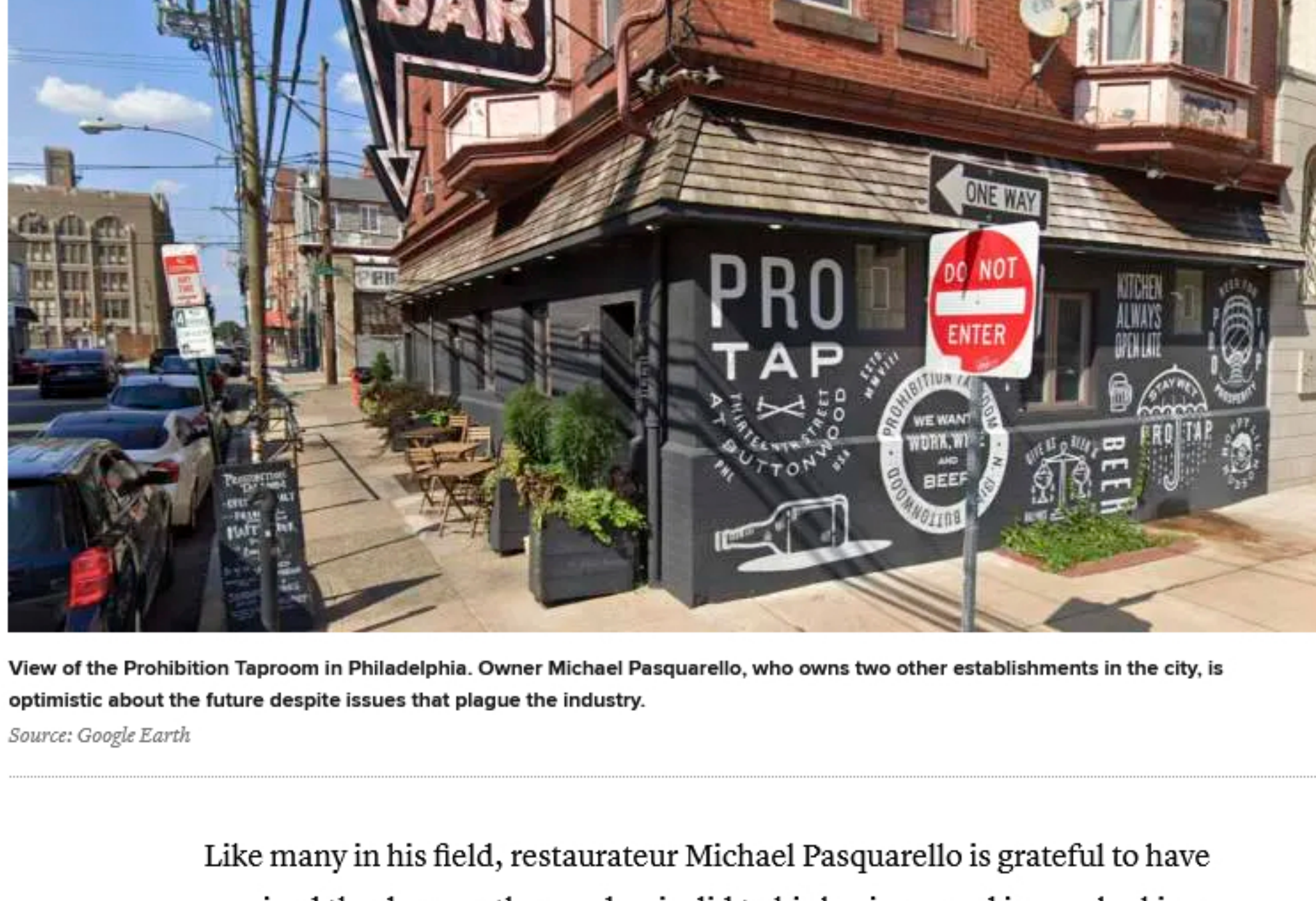
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## KEY POINTS

- Proprietors faced a revolving door of closures, space restrictions, sanitation regulations and a lingering air of uncertainty about what’s next.
- They’re now facing a potentially crippling labor shortage as summer approaches.
- “Restaurants, in general, are sucking wind. These guys are crying on my shoulder,” says Kirby Mallon, a Philadelphia-area business owner who repairs commercial kitchen equipment.



View of the Prohibition Taproom in Philadelphia. Owner Michael Pasquarello, who owns two other establishments in the city, is optimistic about the future despite issues that plague the industry.  
Source: Google Earth

Like many in his field, restaurateur Michael Pasquarello is grateful to have survived the damage the pandemic did to his business and is now looking forward to something that resembles normal.

He knows it won’t be easy.

“We all have come to appreciate being able to welcome guests back and we’re super grateful to be hosting again,” Pasquarello said recently amid the usual din that greets a day shuffling family and business responsibilities. “But it’s a different world.”

For folks like Pasquarello and his wife, Jeniphur — who run three restaurants in the Philadelphia area and are opening another shortly — the world has changed dramatically from the one they knew prior to March 2020.

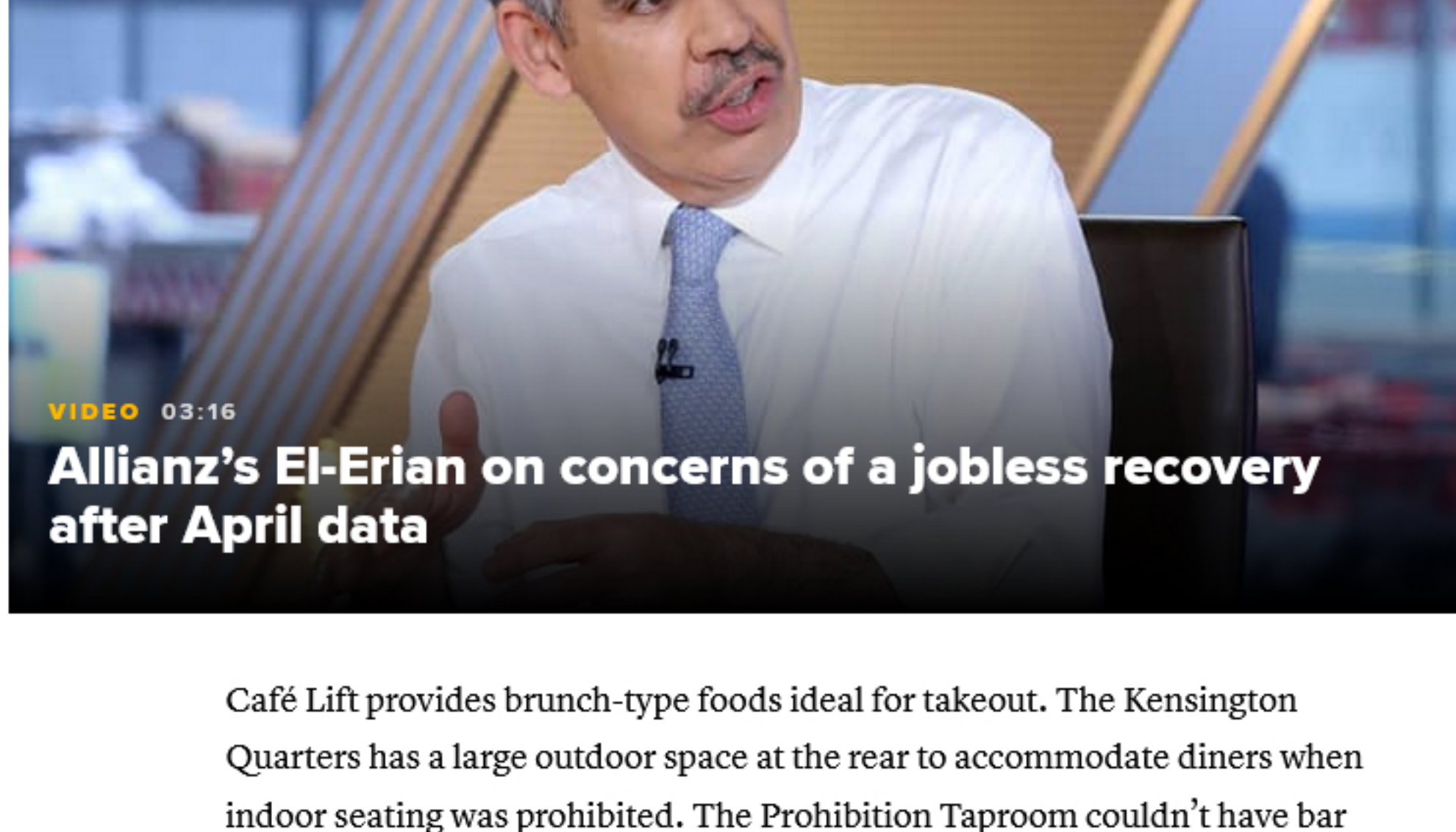
The [burdens the hospitality industry have faced](#) eclipsed those from probably any other in the country except for education. Proprietors faced a revolving door of closures, space restrictions, sanitation regulations and a lingering air of uncertainty about what’s next.

Some survived thanks to government assistance, takeout business and the luck of the draw, but many didn’t. On top of that, they’re now faced with a crippling worker shortage as well as regulatory and legislative obstacles.

That burden is on a sector whose success at regaining its footing is integral to the path of the U.S. post-Covid recovery.

### ‘A mixed bag of tricks’

The Pasquarellos were able to get through the crisis by using the unique assets of each business to adapt.



Café Lift provides brunch-type foods ideal for takeout. The Kensington Quarters has a large outdoor space at the rear to accommodate diners when indoor seating was prohibited. The Prohibition Taproom couldn’t have bar seating but became a “streetery” when the city allowed businesses to use parking spaces for dining.

“Like everyone else, we didn’t make money. But it felt good to open a business,” Pasquarello said. “So it’s been a mixed bag of tricks. Each place had to figure a different way to deal with this.”

Many such businesses weren’t as fortunate.

More than 110,000 bars and restaurants shut their doors for good in 2020, according to the National Restaurant Association. In most states, [harsh lockdown measures](#) imposed to combat Covid-19 forced businesses that already operated at low margins to shut completely, then reopen with mostly limited capacity.

But as vaccinations provide hope in the pandemic fight, the fortunes may start turning for hospitality focused businesses.

“I’m super optimistic that we will get back to where we were,” Pasquarello said.

Not everyone is as convinced.

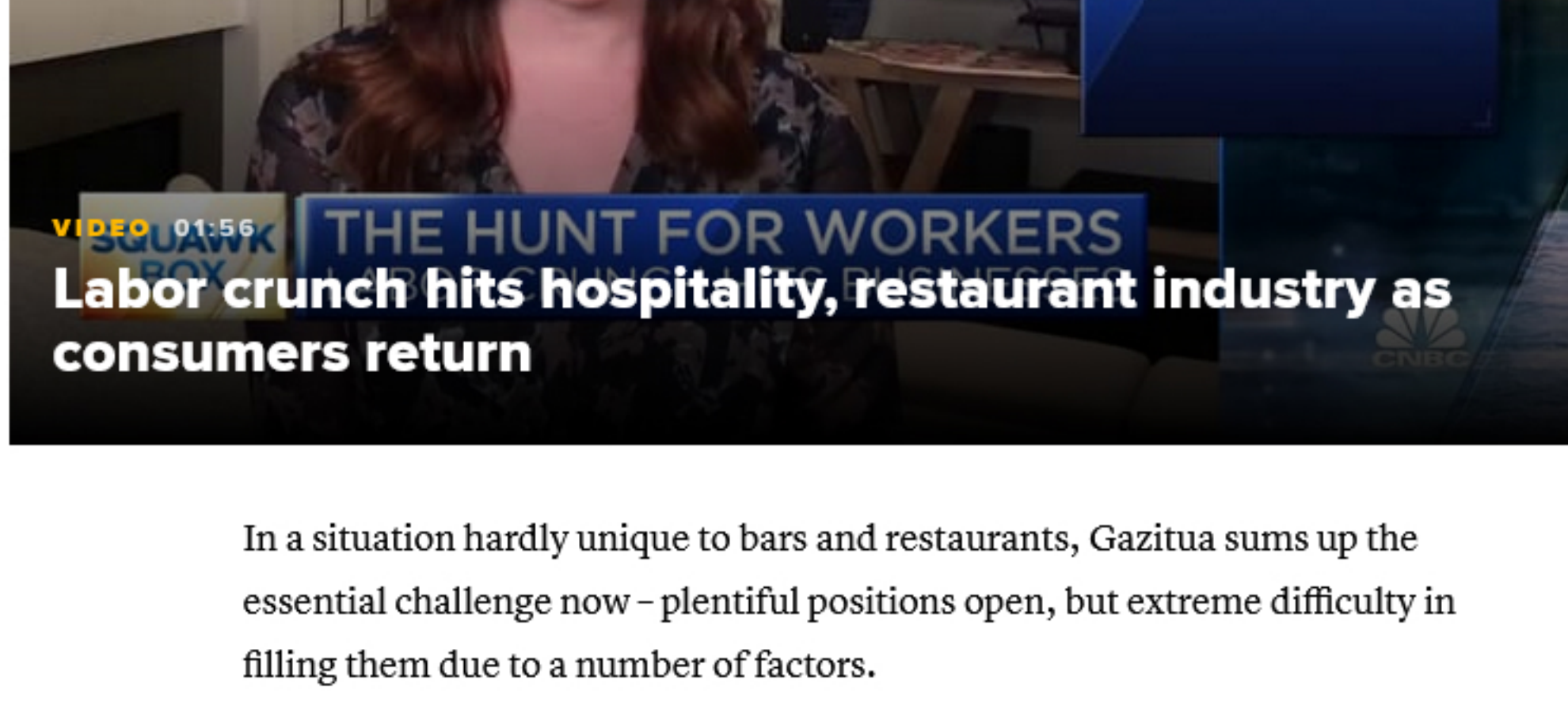
### Dealing with a labor shortage

In other parts of the country, the picture isn’t quite as clear, and it’s not just about reopening under Covid-era conditions.

Carlos Gazitua is CEO of Sergio’s Family Restaurants, a group of Cuban eateries in Florida.

Gazitua is preparing for a summer he anticipates as potentially record-breaking in terms of demand but fears a significant problem on the other end — supply, as in getting enough labor to meet all the customers hungry to get back to dining out again.

“In the summer, we’re expecting record-breaking numbers here,” he said. “All the hotels are booked, restaurants expect to be going gang-busters. What happens after that is a different story. Once the stimulus is gone, that’s when we’re going to understand where the industry is.”



In a situation hardly unique to bars and restaurants, Gazitua sums up the essential challenge now — plentiful positions open, but extreme difficulty in filling them due to a number of factors.

There are enhanced unemployment benefits that [the U.S. Chamber of Commerce says serves as a disincentive](#) for lower-paid workers to return to their jobs. There are also skills mismatches, resulting in workers struggling to adapt to new disciplines, as well as a lingering fear over [the pandemic’s future path](#) that is still keeping some at home.

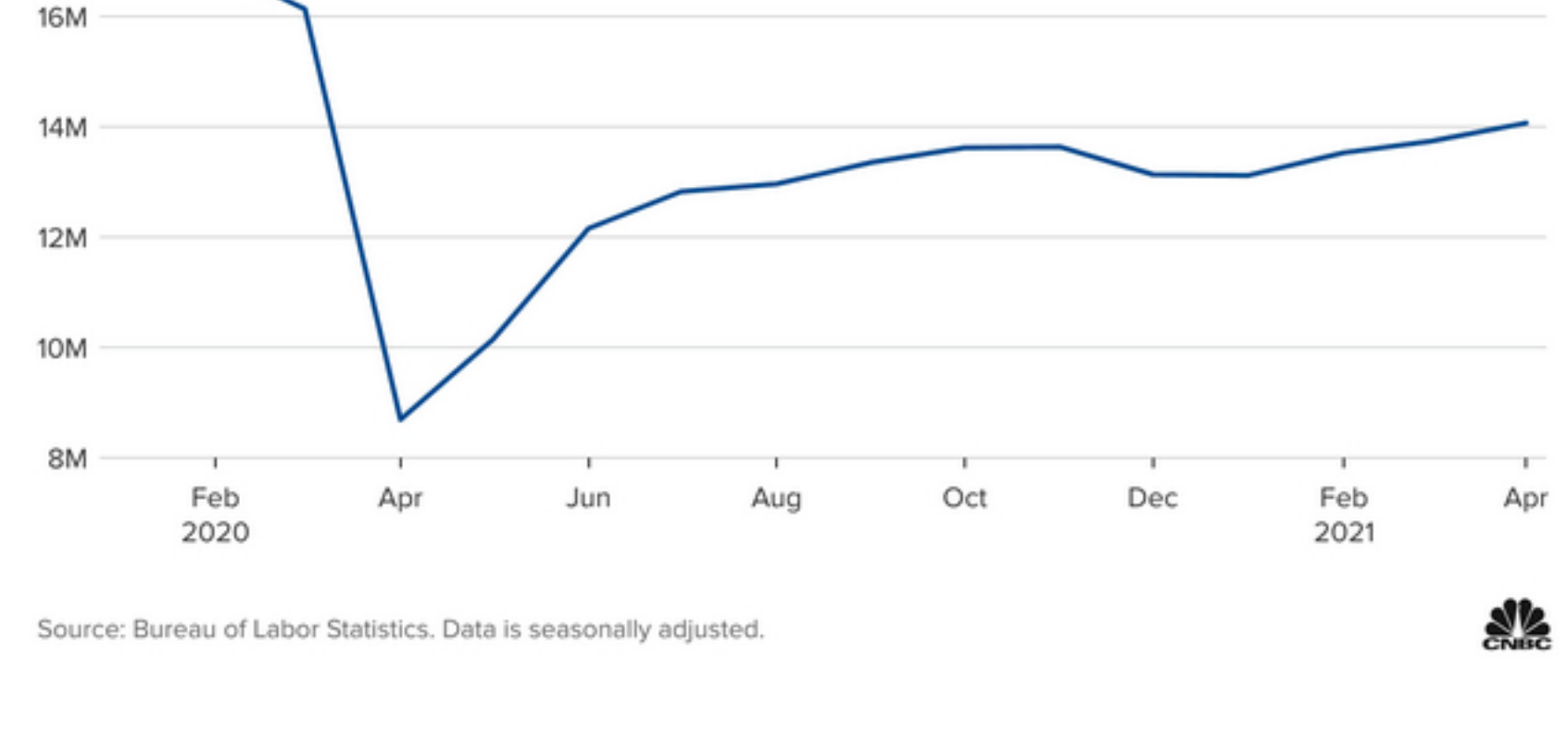
Whatever the cause, the shortage is stressing out business owners who are trying to staff up, as well as employees who must work longer hours to compensate for the lack of available personnel.

“We’ve increased wages. We have about three different staffing agencies that are constantly looking for people,” Gazitua said. “Other restauranters are walking around neighborhoods passing out flyers. The heroes in our communities are the people currently working for you and me. These people are burnt out.”

April’s nonfarm payrolls report delivered a shock when the Labor Department said the [economy added just 266,000 jobs](#) during a month when Wall Street was expecting 1 million.

Some economists cited enhanced unemployment benefits as driver behind the shortness of labor, while others said the count could have just been a statistical anomaly. Virtually all other job market indicators have been positive, including [jobless claims](#), the ADP [private payrolls count](#) and a report Monday from the Conference Board that showed its employment index rose 2.7% in April and is now 45.7% higher than a year ago.

But the hospitality industry came out of April still down more than 2.8 million workers from where it was pre-pandemic, with an unemployment rate of 10.8% compared to the national level of 6.1%, according to the Bureau of Labor Statistics.



### Battered industry looks for hope

Elmer Schultz Services owner and President Kirby Mallon sees the sector’s employment struggles close-up in his business repairing kitchen equipment at restaurants as well as nursing homes, hospitals and schools. He also is based in the Philadelphia area.

“Restaurants, in general, are sucking wind. These guys are crying on my shoulder,” he said.



Kirby Mallon, owner and president of Elmer Schultz Services.  
Courtesy Kirby Mallon

Mallon knows their pain somewhat — he, too, is having difficulty finding workers, despite his recruiting efforts as president of the nonprofit Commercial Food Equipment Service Association. He said there are few takers despite the high level of unemployment, lucrative pay and ample opportunities.

Pennsylvania’s jobless rate was 7.3% in March while neighboring New Jersey’s was 7.7%, while the national rate was 6%.

“We cannot get any quality people to hire,” Mallon said. “That has always been a problem in the industry, but it is absolutely the most critical issue right now. We cannot even find people that we can train.”

Gazitua, though, sees another factor holding back job creation, namely the Biden administration’s push to make companies eventually pay tipped workers the federal minimum wage. As a member of the conservative-leaning Job Creators Network, Gazitua is a business advocate who says the hospitality industry is being singled out while other professions like real estate and insurance are not required to pay minimum wage.

“I find it a little bit hypocritical that they’re attacking the restaurant industry’s sales model on employing people at a time when the industry was disproportionately impacted during the coronavirus pandemic,” he said. “Changing policy and changing the sales model for an industry that’s not even back on its feet is a bad idea.”

Still, Michael Pasquarello is awaiting the opening of his fourth restaurant soon with anticipation that as things progress, some sense of stability will return to the industry.

He isn’t worried about staffing and hasn’t had to pay higher wages, relying instead on a work environment that promises less stress than your average restaurant scenario and guarantees managers two days in a row off and health insurance.

“We call it ‘culture’ and we try to set up a family culture inside the place that we think surpasses the financial piece,” he said. “It’s going to take time, but I think on the other side of this industry is in a better place, with everyone earning more. So I’m very optimistic.”

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**CORRECTION:** The Conference Board said its employment index rose 2.7% in April. A previous version misstated the month.

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