

Impact of COVID-19 on the State's Leisure and Hospitality Industry

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Issue

Describe the impact of COVID-19 on the state's leisure and hospitality industry, including the effects on employment and tax collections.

Summary

The COVID-19 pandemic has had a significant impact on employment in the state and particularly within the leisure and hospitality industry. Year-over-year employment in the industry decreased substantially during the second and third quarters of 2020, dropping to a level not seen over the last three decades. Consequently, there was a steep increase in initial claims for unemployment benefits during 2020 compared to 2019, particularly within the accommodation and food services sector within the industry. Due to the pandemic's impact on the leisure and hospitality industry, collections for the (1) sales and use tax and (2) room occupancy tax decreased, with the latter being particularly impacted.

Industry Overview

The [leisure and hospitality supersector](#) (referred to throughout this report as the leisure and hospitality industry) consists of the (1) arts, entertainment, and recreation sector (i.e., NAICS 71), and (2) accommodation and food services sector (i.e., NAICS 72).

[According to the state Department of Labor \(DOL\)](#), the arts, entertainment, and recreation sector includes a wide range of establishments that operate facilities or provide services to meet varied

cultural, entertainment, and recreational interests of their patrons. It comprises establishments that (1) are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) preserve and exhibit objects and sites of historical, cultural, or educational interest; and (3) operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.

The accommodation and food services sector includes establishments providing customers with (1) lodging; (2) preparing meals, snacks, and beverages for immediate consumption; or (3) both. The sector includes both accommodation and food services establishments because the two activities are often available at the same establishment.

Employment

Year-Over-Year (YOY) Employment Comparison

Quarterly Census of Employment and Wages (QCEW) data for the second and third quarters (i.e., April through September)—[available via DOL](#)—shows that the COVID-19 pandemic resulted in a substantial employment decrease within the state's leisure and hospitality industry. Private employment in this industry was down by 91,301 in April 2020 compared to April 2019, representing a 59% decrease (see Table 1); during the same period statewide total employment decreased 18%. While the arts, entertainment, and recreation sector experienced a slightly larger percent decrease in YOY employment than the accommodation and food services sector over this period (see Fig. 1), the latter made up a larger share of the overall employment decrease within the leisure and hospitality industry (see Fig. 2). Between April and September 2020, the YOY leisure and hospitality employment deficit steadily decreased. September 2020 employment in the industry was down 35,391, or 22%, from the previous September.

According to [Opportunity Insights' Economic Tracker](#), which analyzes private sector data, as of February 4, 2021, the number of small businesses open in Connecticut had decreased by 44.1% compared to January 2020; the number of open small businesses in the leisure and hospitality industry decreased by 60.9%. Follow the above link for additional private sector data on small business revenue and job postings.

Table 1: YOY Change and Percent Change in Leisure and Hospitality Industry Employment in Connecticut, April–September 2019 vs. 2020

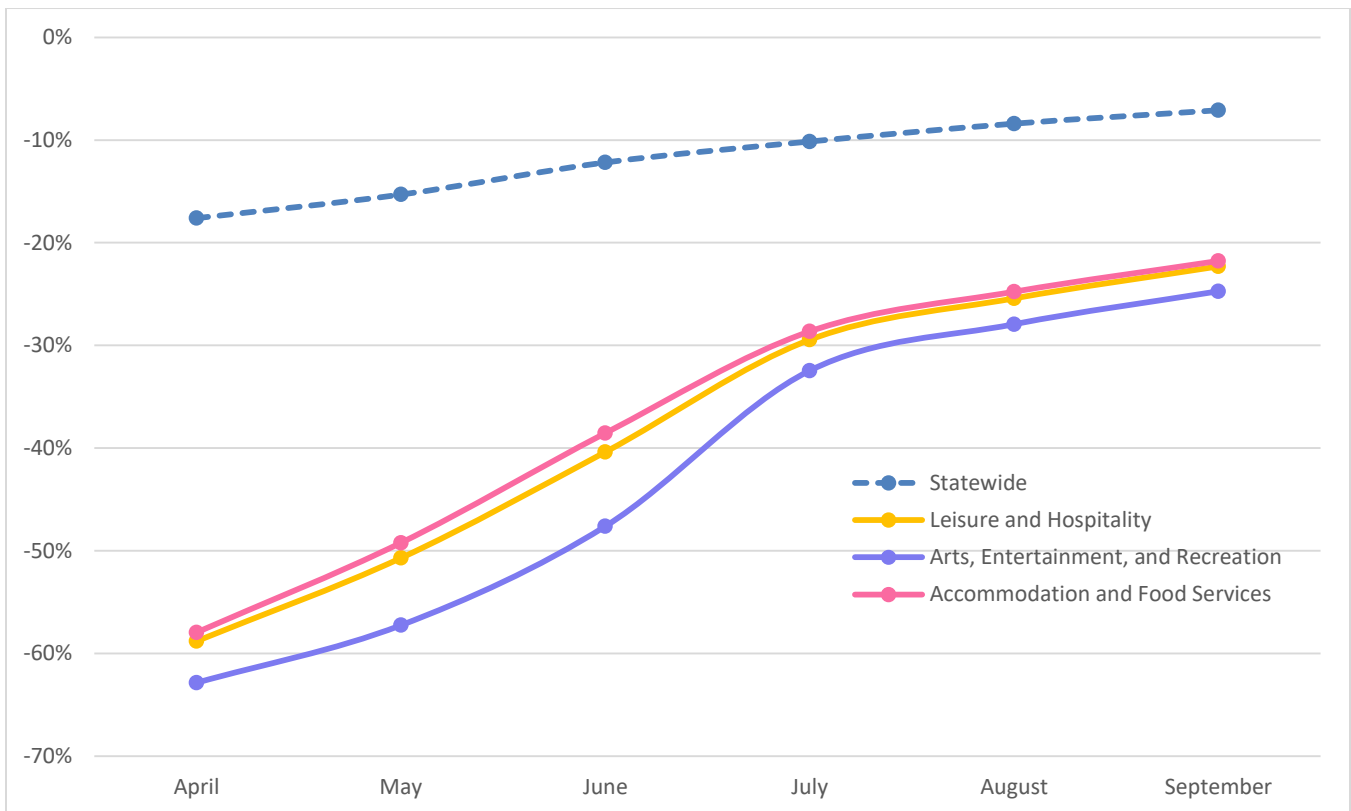
NAICS Code	Industry	April		May		June		July		August		September	
		Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
1026	Leisure and Hospitality	-91,301	-59%	-82,248	-51%	-68,122	-40%	-49,838	-29%	-42,098	-25%	-35,391	-22%
71	Arts, Entertainment, and Recreation	-16,912	-63%	-17,139	-57%	-16,292	-48%	-11,741	-32%	-9,480	-28%	-7,064	-25%

Table 1 (continued)

NAICS Code	Industry	April		May		June		July		August		September	
		Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
711	Performing arts and spectator sports	-2,550	-58%	-2,903	-61%	-2,662	-58%	-2,931	-63%	-2,135	-54%	-2,137	-55%
712	Museums, historical sites, zoos, and parks	-986	-35%	-920	-31%	-1,004	-32%	-924	-29%	-943	-30%	-668	-24%
713	Amusements, gambling, and recreation	-13,376	-68%	-13,316	-60%	-12,626	-48%	-7,886	-28%	-6,402	-24%	-4,259	-20%
72	Accommodation and Food Services	-74,389	-58%	-65,109	-49%	-51,830	-39%	-38,097	-29%	-32,618	-25%	-28,327	-22%
721	Accommodation	-6,869	-61%	-7,211	-62%	-7,511	-59%	-6,808	-50%	-6,403	-48%	-4,970	-42%
722	Food services and drinking places	-67,520	-58%	-57,898	-48%	-44,319	-36%	-31,289	-26%	-26,215	-22%	-23,357	-20%
-	Statewide Total	-293,128	-18%	-257,345	-15%	-206,029	-12%	-168,585	-10%	-139,241	-8%	-118,981	-7%

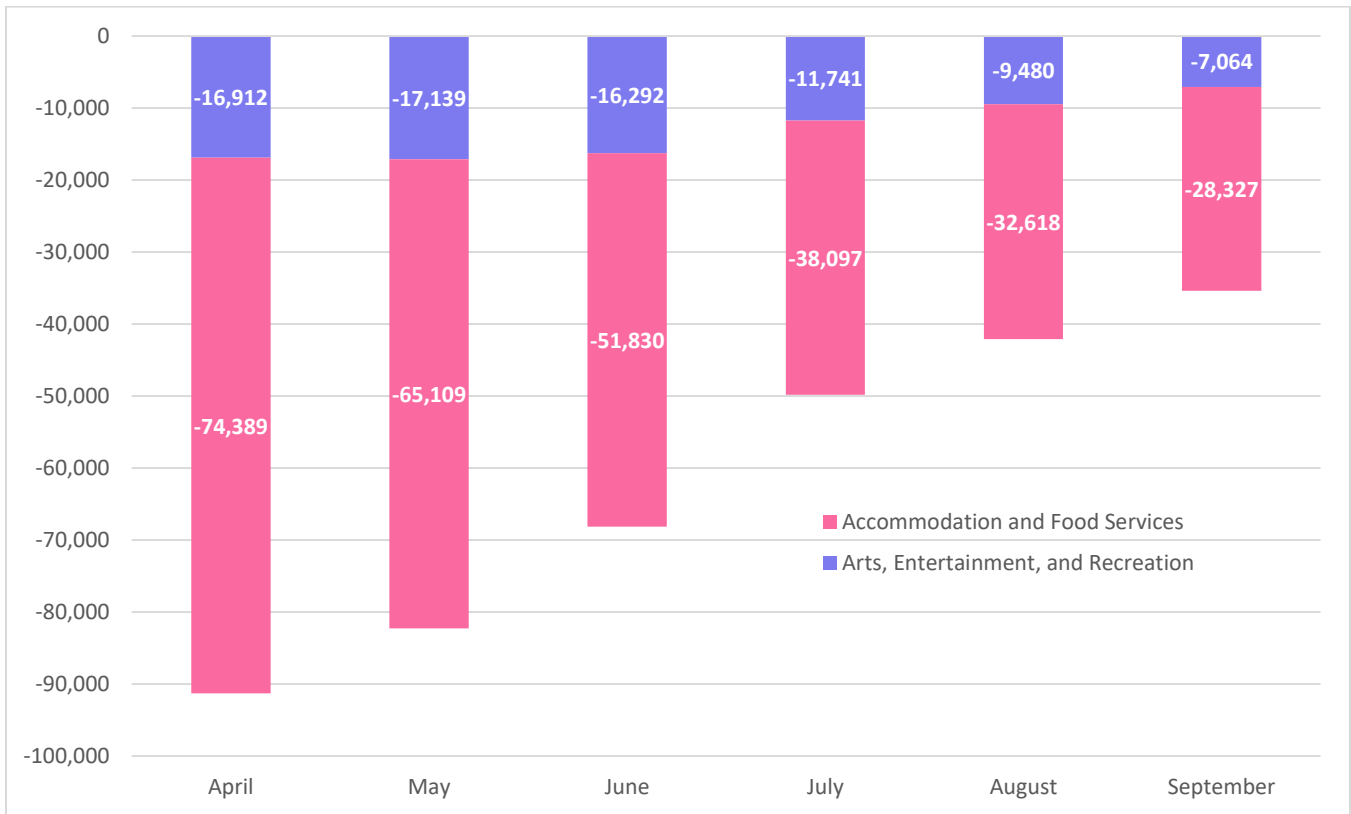
Source: OLR analysis of CT DOL, [Statewide Quarterly Averages – Employment & Wages by Industry \(OCEW\), 2Q and 3Q 2019/2020](#).

Figure 1: YOY Percent Change in Leisure and Hospitality Industry Employment in Connecticut, April–September 2019 vs. 2020



Source: OLR analysis of CT DOL, [Statewide Quarterly Averages – Employment & Wages by Industry \(OCEW\), 2Q/3Q 2019/2020](#).

Figure 2: YOY Change in Leisure and Hospitality Industry Employment in Connecticut, April–September 2019 vs. 2020

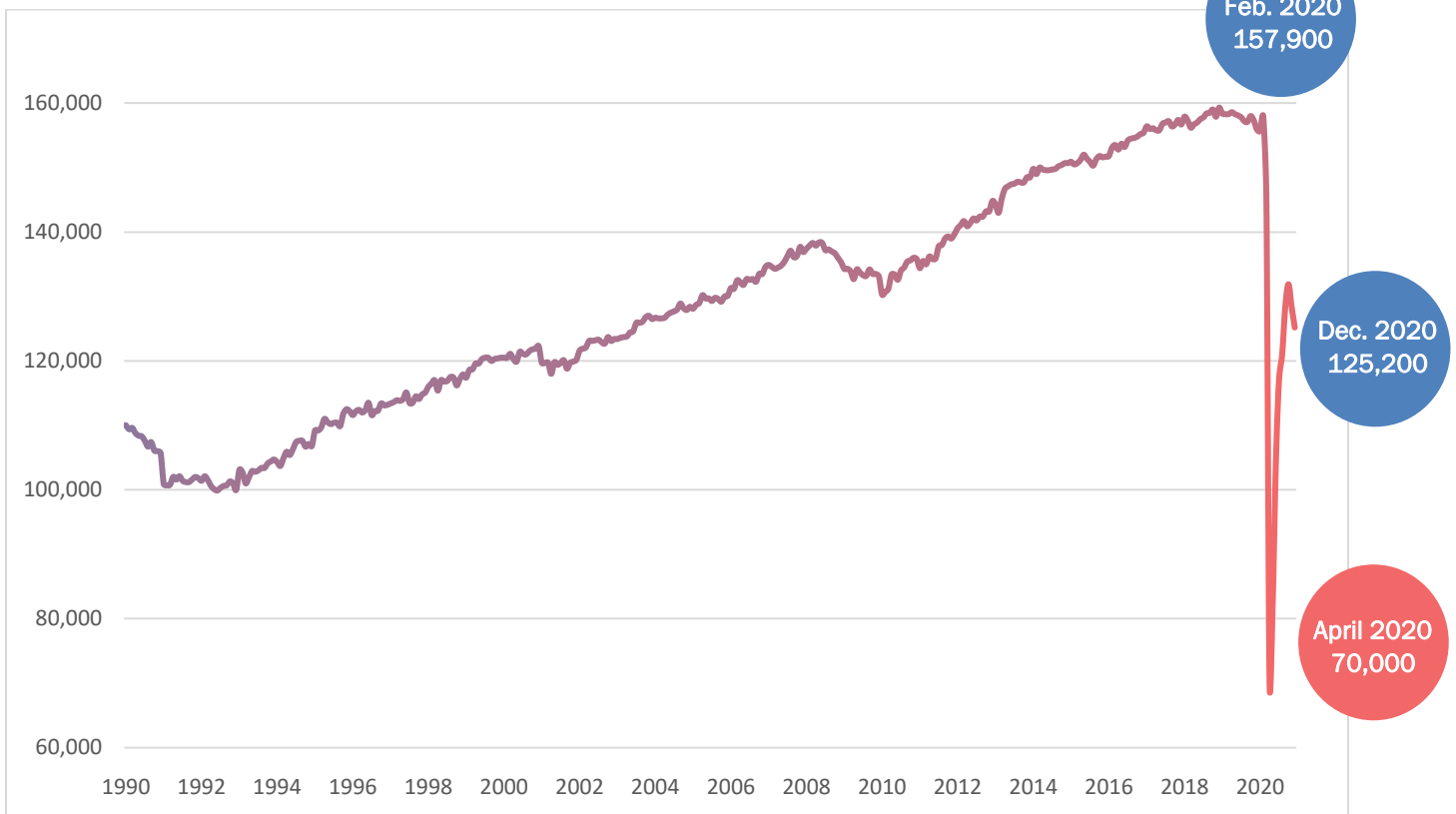


Source: OLR analysis of CT DOL, [Statewide Quarterly Averages – Employment & Wages by Industry \(QCEW\), 2Q and 3Q 2019/2020](#).

Historical Employment Levels

Historical Current Employment Statistics (CES) data—[available via DOL](#)—help to put the magnitude of the pandemic's impact on employment within the state's leisure and hospitality industry in context. In February 2020, the month before Governor Lamont declared COVID-19-related emergencies (declared on March 10), employment in the leisure and hospitality industry statewide was 157,900. By April 2020, statewide leisure and hospitality employment was less than half of that, totaling only 70,000—a decrease of 87,900 employees. Based on CES data, this low-point in leisure and hospitality employment was well beyond any previous floor over the past 30 years. As of December 2020, employment had increased back to 125,200, though this figure remains below every monthly leisure and hospitality employment total since approximately June 2003. Figure 3 provides a full time series graph of this data.

Figure 3: Connecticut Leisure and Hospitality Industry Employment, 1990–2020



Source: CT DOL Office of Research, [State of Connecticut Leisure and Hospitality Sector Monthly Employment Estimates, 1990–Present, Seasonally Adjusted](#).

Employment Losses by Industry

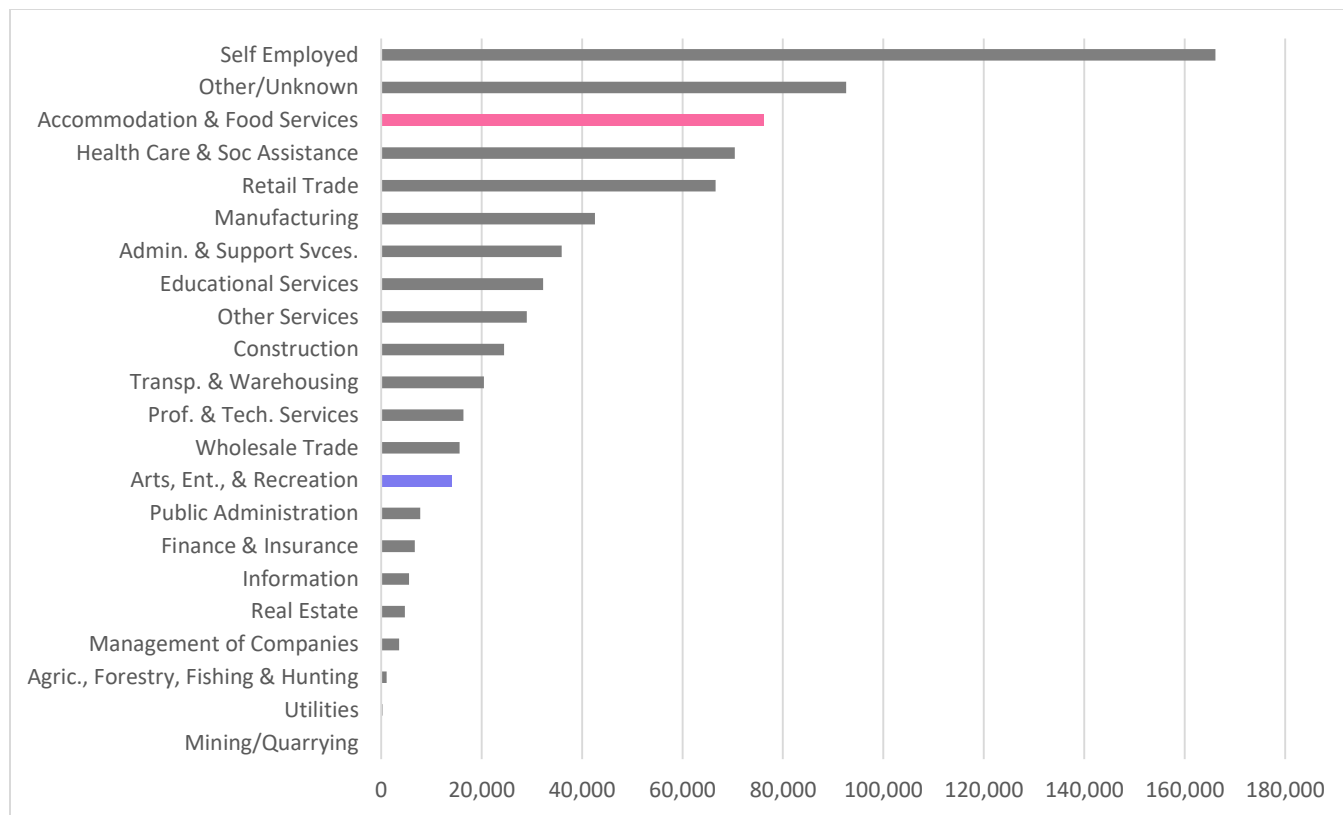
According to the Connecticut General Assembly's Office of Fiscal Analysis (OFA), while the pandemic has affected each industry sector within the state, job losses have been particularly concentrated in the leisure and hospitality industry. For an overview of how job losses in leisure and hospitality compare to other industries based on preliminary September 2020 data from the U.S. Bureau of Labor Statistics (BLS) CES, see Figure 4.1 in [OFA's Fiscal Accountability Report for FY 21–FY 24](#) (page 23).

Unemployment Claims by Industry

[Data available from DOL](#) on processed initial claims for unemployment benefits during the COVID-19 pandemic so far (i.e., the period comprising the week beginning March 1, 2020, through the week ending January 16, 2021) show that the accommodation and food services sector accounted for the highest number of claims of any specified industry at 76,148 (about 10% of the 732,397 total claims). The other sector composing the leisure and hospitality industry—arts, entertainment, and recreation—accounted for 14,050 claims over this time period (about 2% of the total). Figure 4

displays a comparison of initial unemployment claims between these and other industries. For more details about this dataset and its limitations, follow the above link to access DOL's FAQ on the topic.

Figure 4: Processed Initial Claims for Unemployment Benefits by Industry in Connecticut, March 1–January 16, 2020



Source: OLR analysis of CT DOL, [Statewide Claims Profile: Processed Initial Claims by Industry](#), Updated Feb. 8, 2021.

A comparison of annual totals of processed initial claims for unemployment benefits within the state's leisure and hospitality industry for 2019 and 2020 reveals that the COVID-19 pandemic drove a substantial uptick in claims (see Table 2). Initial claims in the leisure and hospitality industry went from 13,177 in 2019 to 90,845 in 2020. This 589% increase outpaced the 437% increase across all industries. Within leisure and hospitality, the accommodation and food services sector experienced a greater increase in annual initial claims (618%) than the arts, entertainment, and recreation sector (468%).

Table 2: Annual Totals of Processed Initial Claims for Unemployment Benefits Within Leisure and Hospitality Industry in Connecticut, 2019–2020

	Leisure and Hospitality	Arts, Entertainment, and Recreation	Accommodation and Food Services	Total (All Industries)
2019	13,177	2,522	10,655	132,179
Share of total	10%	2%	8%	-
2020	90,845	14,320	76,525	710,146
Share of total	13%	2%	11%	-
Change	77,668	11,798	65,870	577,967
Percent Change	589%	468%	618%	437%

Source: OLR analysis of CT DOL, [Statewide Claims Profile: Processed Initial Claims by Industry](#), Updated Feb. 8, 2021.

Tax Impacts

Sales and Use Tax

According to the Department of Revenue Services' (DRS) two most recent [annual reports](#), state revenue from the sales and use tax on the arts, entertainment, and recreation and accommodation and food services sectors declined by approximately \$19.8 million, or 4.4%, between FY 19 and FY 20. (Note, FY 20 closed on June 30, 2020, only several months into the COVID-19 pandemic.)

Room Occupancy Tax

Over the previous five fiscal years unaffected by COVID-19 (i.e., FY 15 to FY 19), the state's room occupancy tax collections averaged \$123.8 million (see Table 3). Tax collections decreased to \$100.4 million during FY 20, the lowest number since FY 11 (\$77 million) (see Figure 5). Over the first seven complete months FY 21 (i.e., July through January), room occupancy tax collections were down by nearly \$34.4 million compared to same period during FY 20—a decline of over 49%.

A [report](#) conducted by Oxford Economics and [released](#) by the American Hotel & Lodging Association in June 2020 estimated that the pandemic's impact on the hotel industry would result in a \$287.1 million loss of state and local tax revenue in Connecticut during 2020.

Table 3: Room Occupancy Tax Collections by Month, FY 15 to FY 21

	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
July	(\$1,627,279)	(\$9,180)	(\$3,074,761)	(\$1,367,052)	(\$962,345)	(\$945,485)	(\$747,015)
August	\$8,363,146	\$12,175,992	\$13,867,547	\$12,792,798	\$12,629,358	\$11,541,563	\$5,637,274
September	\$13,396,480	\$11,639,789	\$12,574,829	\$10,068,171	\$10,889,574	\$13,971,137	\$9,282,820
October	\$11,974,959	\$11,222,365	\$11,392,890	\$13,991,783	\$14,502,127	\$13,003,419	\$6,413,945
November	\$9,372,941	\$11,784,429	\$11,960,901	\$12,157,529	\$12,408,748	\$12,672,574	\$6,722,041
December	\$10,761,958	\$8,766,329	\$8,615,191	\$9,336,841	\$10,973,951	\$11,363,387	\$5,196,189
January	\$6,318,929	\$6,232,567	\$8,773,748	\$9,244,554	\$7,991,967	\$8,320,303	\$3,035,755

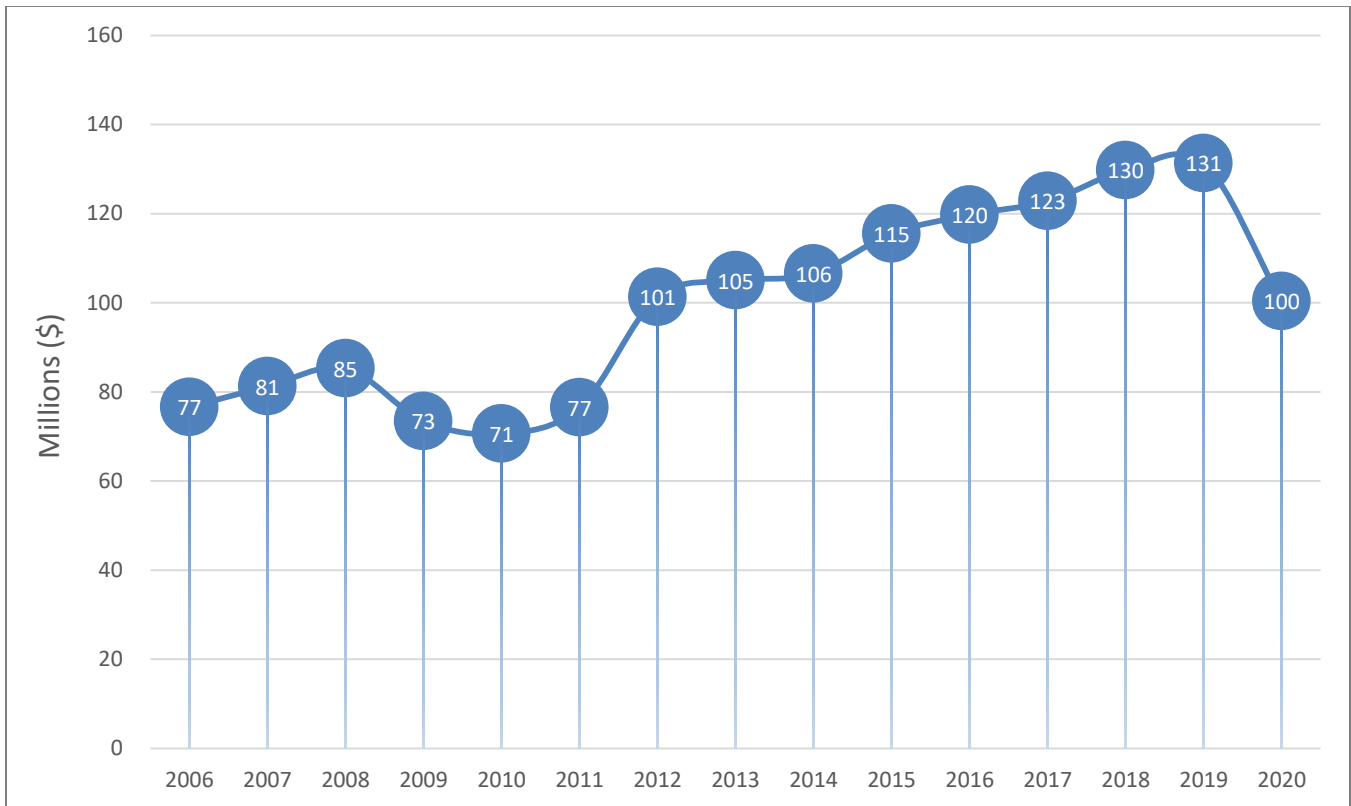
Table 3 (continued)

	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
February	\$8,089,143	\$7,463,962	\$7,280,882	\$7,818,996	\$7,909,918	\$7,667,501	\$866,875
March	\$7,996,672	\$7,865,913	\$7,949,901	\$7,519,926	\$7,560,272	\$7,842,331	-
April	\$8,860,218	\$7,628,762	\$7,755,756	\$10,467,060	\$10,394,625	\$4,058,630	-
May	\$9,206,060	\$10,744,537	\$11,080,182	\$10,879,761	\$10,972,091	\$2,270,433	-
June	\$11,115,926	\$11,461,468	\$11,401,714	\$10,162,395	\$9,720,322	\$3,184,701	-
July*	\$11,668,977	\$12,789,760	\$13,216,062	\$16,661,272	\$16,316,951	\$5,417,202	-
Total	\$115,498,129	\$119,766,692	\$122,794,842	\$129,734,035	\$131,307,559	\$100,367,696	\$36,407,884

*collections from new fiscal year related to sales payments from previous fiscal year

Source: CORE-CT. February 3, 2021. (Data provided by OFA for the purposes of this report.)

Figure 5: Total Room Occupancy Tax Collections by Year, FY 06–FY 20, in Millions (\$) (rounded)



Source: CORE-CT. February 3, 2021. (Data provided by OFA for the purposes of this report.)

Additional Resources

- Lane, Jamie. ["Viewpoint Hotel. An Updated 2020 Outlook: Expectations for the Year Ahead."](#) CBRE. April 14, 2020.
- Opportunity Insights. ["Economic Tracker."](#) (See business and employment indicators.)

- Yelp
 - ["2020 Annual Report."](#) January 2021. (Overview of general U.S. data)
 - ["Q3 2020 Economic Average."](#) October 2020. (Also see [Q2.](#))
 - ["Local Economic Impact Report."](#) September 2020.

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