

**Pennsylvania Senate Community, Economic & Recreational Development Committee
Hearing on the “Economic Impact of the Workforce Shortage in Pennsylvania”
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Lancaster, Pennsylvania**

Presented by John Longstreet
President & CEO
Pennsylvania Restaurant & Lodging Association

Chairman Yudichak, Chairwoman Cappelletti and Members of the Committee, thank you for the opportunity to address you today regarding the workforce shortage in Pennsylvania. Today I’d like to spend just a few moments discussing why the shortage exists and more importantly what steps we can take to alleviate some of the pressure on the hospitality industry that this shortage has caused. The Pennsylvania Restaurant & Lodging Associations represents restaurants, hotels, and travel & tourism entities across the commonwealth. The PRLA is one of six state associations across the country that has all three components of our great industry under its umbrella.

I am not going to dwell on numbers and statistics. Evidence abounds that makes it clear that we are in a workforce crisis of unprecedented proportions.

To help shape the discussion, I would point out that in 2019, even before this terrible pandemic, the number one issue facing our industry was a worker shortage. This can be largely attributed to the fact that in our current decade we will see the smallest growth of the working age population, by far in any decade since 1900. You could say we have a demographic calamity in that regard. PRLA and our partner associations in Washington, even prior to COVID 19 were working to address this shortage. That said, many operators have told me that they consider our current workforce challenge to be ten times worse than it was before the pandemic. Second, this probably comes as no surprise to you, but the current worker shortage spans all industries – it’s not exclusive to hospitality. For example, my counterpart in Washington state last week reported that hundreds of his restaurants have been fired by their broadliners, the companies that deliver food and provisions to the restaurant. The reason for them cancelling their service is a lack of truck drivers.

The shortage is exacerbated in the hospitality industry because it takes so many people to run a restaurant or even a hotel. The restaurant business generates more jobs per dollar of revenue than virtually any other industry and is the third largest non-farm employer in the country.

Experts have cited several reasons for the current shortage, beyond demographics which I already mentioned. One is that employees are being incited not to work. A second is the closure of schools and the lack of available or affordable childcare. In the case of our industry there are two other unique challenges. As one of the few industries that was totally shutdown, at least in Pennsylvania, many restaurant employees moved to other industries that were not shut down. We have heard from them that they are concerned about future restaurant shutdowns and are reluctant to come back. It’s also important to note, and I’ll touch on this later, that the restaurant industry, because of its razor thin profit margins has typically been unable to offer the level of benefits that other industries enjoy. How can the legislature help address this crisis? PRLA has launched a statewide multi-media campaign to help prospective employees understand what our industry can offer. It features real restaurant and

hotel employees talking about the good that the industry has brought into their lives and is being promoted on social media as well as tertiary print and radio markets. PRLA has made a significant investment in the program and state workforce monies could amplify our message in major markets that are expensive to reach. And of course, while it is not directly related to staffing, we would like to see some of the American Rescue Plan funds used to replenish the popular CHIRP grant program. While the money went quickly, it provided much needed relief to hotels and restaurants that were in dire straits and for that we are grateful.

And speaking of workforce development, the Commonwealth of Pennsylvania devotes a significant amount of resource to this endeavor, but almost none of the resources are focused on hospitality, the fastest growing and one of the largest segments in the state. PRLA has a program – ProStart in about forty career development centers across the state. This two-year program enables high school students who have completed the program to enter directly into key culinary or restaurant management positions or take this training into their post-secondary hospitality education at community colleges and schools like Penn State, Temple, Drexel, or York College. We have similar curriculum for those interested in hotels. Workforce development funds should be used to help us make this program available to hundreds of secondary schools like many of our counterpart associations across the country have done. Virginia even offers ProStart in the prison system to enhance their release to work program. To be sure, this is a long game solution, but one we should embrace right away.

Earlier I mentioned benefits. Enhancement of benefits would not only be beneficial in attracting workers but is something most operators wish they could offer. Several years ago, the U.S. Department of Labor released guidance making the development of so-called Association Health Plans possible. The name is a bit of a misnomer, but for us it meant that restaurants could associate together to enjoy large group buying power that they did not previously have access to. In short that means that restaurants with less than 100 employees, which is most restaurants, could access affordable health insurance for their employees. Unfortunately, the insurance commissioner in our state blocked the use of this important vehicle and thus precluded restaurants from accessing insurance for their employees. If the legislature allowed these plans, it could be a game changer for our industry. Senate Bill 235 sponsored by Senator Michelle Brooks and House Bill 555 sponsored by Representative Valerie Gaydos would do just that. This legislation would make it possible for restaurants across the Commonwealth to offer health insurance to thousands who are not currently covered and help them attract new team members.

In the short term, PRLA has suggested government sponsored return to work incentives, like many other states have offered as well as childcare credits to assist working moms and dads with this stumbling block. We believe that some of the American Rescue Plan monies the state received would also go to good use in this effort.

Workforce is by far the most pressing issue that our industry faces. Having been in the business for forty years prior to taking the helm of PRLA, I have never seen such a severe shortage. Our industry greatly appreciates you helping to shed light on the situation.

Thank you for the opportunity to address you today. I would be happy to try to answer any questions that you may have.