



Restaurant Health Care Primer

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Introduction

As the second largest private sector employer and an industry dominated by small businesses, the restaurant industry is on the front lines of the nation's health care delivery crisis. In recent surveys and focus groups conducted by the National Restaurant Association, restaurant owners and operators from companies of all sizes said providing health insurance to their employees is a challenge that continues to grow.

Restaurant operators that do provide coverage said the rising costs are making it increasingly difficult to keep coverage at current levels. Those that can not afford to provide health insurance said it puts them at a competitive disadvantage in terms of recruiting and retaining employees. Health insurance is clearly an issue of growing concern for restaurant operators.

Economic Characteristics of the Restaurant Industry

To create a health care delivery system that retains employment-based insurance as a key component, it is essential to examine each industry on an individual basis, rather than apply sweeping changes across industries. The structural economic characteristics of the restaurant industry are significantly different from most other industries, and these unique factors are an important consideration in the health care debate.

1) *The Restaurant Industry is Dominated by Small Businesses*

- **More than nine out of 10 eating and drinking place firms have fewer than 50 employees, according data from the U.S. Census Bureau.** Within the industry, 92% of fullservice firms (representing 77% of fullservice establishments) and 91% of quickservice firms (representing 54% of quickservice establishments) have fewer than 50 employees. Note: Firms refer to the business entity while establishments are individual restaurant locations.
- More than seven out of 10 eating and drinking place establishments are part of single-unit restaurant businesses, according to Census data. Average unit sales are \$867,000 at fullservice restaurants and \$715,000 at quickservice restaurants.
- Despite being an industry of predominately small businesses, the restaurant and foodservice industry is the nation's second largest private sector employer, providing a projected 13 million jobs in 2009. Of this total, 9.5 million jobs are at eating and drinking places, while 3.5 million individuals work in foodservice occupations in other industries throughout the economy.

2) *Restaurants Employ a High Proportion of Part-Time Workers*

- **A key factor that differentiates the restaurant industry from many other industries is the high proportion of part-time workers that are employed in restaurant and foodservice jobs.** According to Census Bureau figures, only 43 percent of restaurant employees work full-time (more than 30 hours per week) and are employed for the full-

year (52 weeks). Seventeen percent of restaurant employees are part-time/full-year workers; 14 percent are full-time/part-year workers; and 26 percent are part-time/part-year employees.

- Nonsupervisory employees in the restaurant industry worked an average of 24.3 hours per week in 2008, well below the average of 40.2 hours worked by individuals in goods-producing sectors, 30.0 hours worked by their counterparts in the overall retail sector and 33.6 hours worked in the overall private non-agricultural sector, according to the Bureau of Labor Statistics.

3) *The Restaurant Industry is Highly Seasonal*

- **Another factor that differentiates the restaurant industry from other industries is the high proportion of seasonal businesses.** According to Census Bureau figures, approximately 23 percent of restaurant firms are not open for the entire year. Many seasonal restaurant businesses employ a large staff of full-time employees during their busy tourist season – generally four to six months – and close down for the remainder of the year.
- Even restaurant businesses that are open the entire year are subject to wide variations in their average employment levels. On average in the United States, restaurants employ the largest number of individuals during the busy summer months and the fewest number of individuals in January. According to Bureau of Labor Statistics data, the average number of employees at eating and drinking places during June, July and August is roughly seven percent above the average number of employees in January. In some states with tourism-driven economies, restaurant industry employment jumps by more than 20 percent during the busy summer months. This seasonality in the restaurant industry makes it more difficult for restaurant businesses to provide health insurance when their staffing levels fluctuate significantly throughout the year.

4) *Restaurants Employ a High Proportion of Younger Workers*

- **A key characteristic of the restaurant industry is the large number of younger workers, with nearly one-half of the industry's workforce under the age of 25.** Many of these individuals are often eligible to be covered under their parents' health insurance plans.

5) *Restaurants Typically Have High Turnover Rates*

- **The restaurant industry has a high average turnover rate, relative to other industries in the economy.** According to the Bureau of Labor Statistics, the annual turnover rate in the Accommodation and Food Services sector was 75 percent in 2008, well above the 49 percent turnover rate for the overall private sector.

6) *Restaurants Operate with Relatively Low Profit Margins*

- **The business model of the restaurant industry is one that produces relatively low profit margins.** The average restaurant posts income-before-taxes in the 4-6 percent

range, which translates into pre-tax income of roughly \$45,000 for a restaurant with annual sales of \$900,000.

7) *The Restaurant Industry is Extremely Labor Intensive*

- **The restaurant industry is extremely labor-intensive, with its employees generating a relatively small quantity of sales, compared to most other industries.** Eating and drinking places generate less than \$50,000 in annual sales per employee (both full-time and part-time), which is significantly below that of most other sectors in the U.S. economy.