

RECOVERY CONTINUES FOR RESTAURANTS AND BARS

Wisconsin's restaurant and bar industry has rebounded, with more businesses operating than before the pandemic and strong recovery in both employment and sales. Some pandemic impacts linger, however, as many restaurant and bar owners maintain reduced hours of operation and struggle to attract and retain staff. Workers are earning higher wages and consumers are paying higher prices, but those increases appear to have slowed as demand for workers, inflation, and supply chain issues have eased.

In September 2021, we [assessed](#) the state of recovery for Wisconsin's restaurants and bars, which were among the businesses most severely disrupted by the pandemic. We found the industry rebounding overall, but the number of people it employed remained down by roughly 9% and job openings were soaring, as many employers struggled to secure needed workers and new waves of COVID-19 cases remained a challenge.

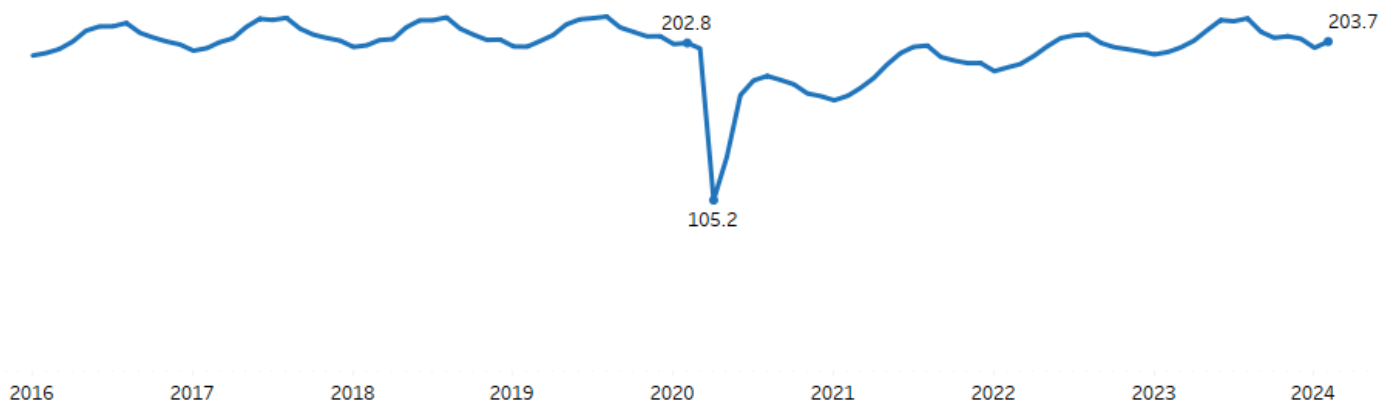
In this brief, we take a fresh look at the industry to determine the extent to which employment, sales, and the number of restaurants and bars in the state have continued to recover. We also examine data on employee wages and menu prices to understand how workers and consumers have been affected. Our

primary data sources are the U.S. Bureau of Labor Statistics, the Wisconsin Department of Revenue, and the National Restaurant Association. Interviews with leaders of Wisconsin's restaurant and bar industry also provided critical context.

JOBS RETURN, BUT STAFFING CHALLENGES LINGER

After a long and slow recovery, employment in Wisconsin's restaurants and bars has finally returned to pre-pandemic levels. The most recent federal estimates show that 203,700 workers were employed in those businesses in February 2024, exceeding the state's February 2020 total by roughly 900 or 0.4% (see Figure 1). February 2024 and November 2023 were the first

Figure 1: Job Numbers Have Fully Rebounded in Wisconsin's Restaurants and Bars
Total monthly employment in Food Services and Drinking Places (in thousands, not seasonally adjusted)



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

two months for which employment totals in this industry exceeded those of the same months immediately prior to the pandemic.

Employment in restaurants and bars fluctuates considerably by season, with employment growing in the summer months and dipping each winter. Employment last peaked at 218,100 in August 2023, which was still short of the pre-pandemic high of 219,200 in August 2019 but was the strongest monthly total since then.

While this is encouraging news, job recovery in restaurants and bars still slightly lagged the state’s economy overall. Total nonfarm employment in Wisconsin was 1.4% higher in February 2024 than in the same month in 2020 and has consistently exceeded pre-pandemic levels since January 2023. Employment recovery in the restaurant and bar industry has been slightly stronger in Wisconsin than nationally, however, with national data showing employment 0.09% lower in February 2024 than in the same month in 2020.

These estimates account for all workers covered by state unemployment insurance laws, including both part-time and full-time employees. Federal data only available at the national level shows that employees of food services and drinking places worked an average of 24.9 hours per week in February 2024, which was just shy of the February 2020 average of 25.4 hours.

Despite this recovery, leaders of Wisconsin’s restaurant and bar associations say staffing remains a top concern

Defining Restaurants and Bars

In this report, we use “restaurants and bars” to refer to all establishments categorized as “Food Services and Drinking Places” by the U.S. Bureau of Labor Statistics. According to that federal agency, this subsector includes all businesses that “prepare meals, snacks, and beverages to customer order for immediate on-premises and off-premises consumption.”

We refer to the subset of those businesses categorized as “Drinking Places (Alcoholic Beverages)” simply as “bars.”

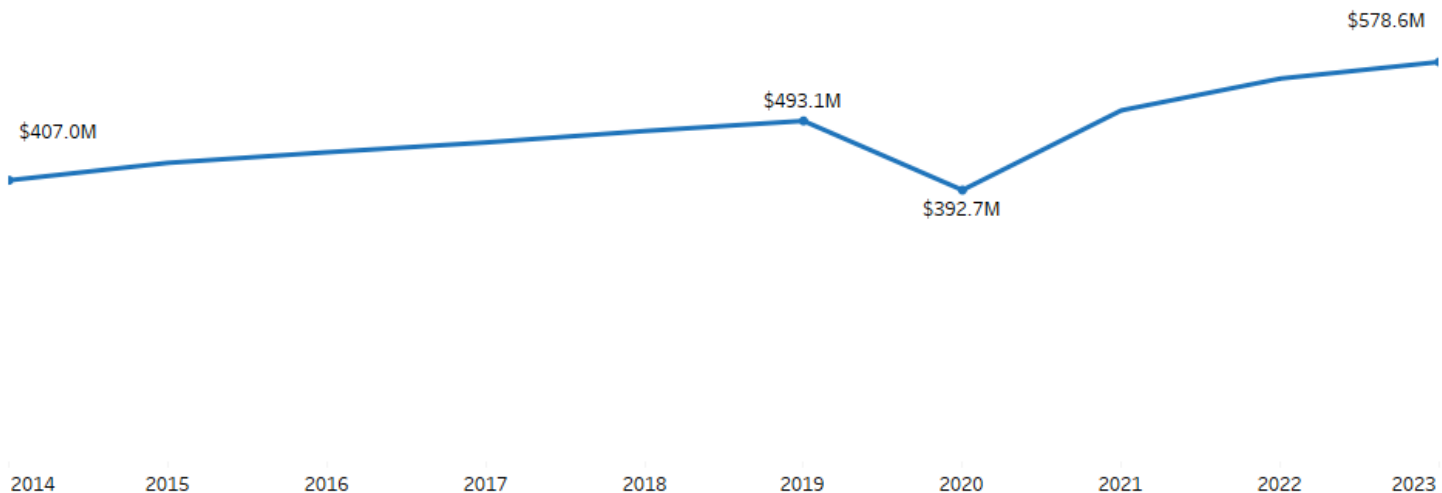
for the businesses they represent. Many restaurants and bars have raised wages but still find it difficult to compete for and retain workers.

REVENUES HAVE REBOUNDED ON FEWER SALES

Preliminary data on state sales tax collections show that the total state revenue being generated by restaurants and bars in Wisconsin topped \$578 million in 2023, which was 17.3% higher than in 2019 (see Figure 2). That modestly lagged the pace of inflation (19.2%), however, and growth was stronger in other industries subject to the sales tax, with overall tax revenues rising 26.6% during that period.

Given inflation and higher food and by extension menu prices, this suggests that restaurants are earning a similar amount of revenue as before the pandemic on

Figure 2: Sales Tax Revenues Have Returned to Pre-Pandemic Trend
State sales tax revenues for restaurants and bars (in millions, not adjusted for inflation)



Source: WPF analysis of Wisconsin Department of Revenue data



what is likely to be a lower number of transactions or smaller orders. Many restaurants also continue to operate on [fewer days or for shorter hours](#) than before the pandemic, so they are likely generating more revenue for each hour of operation. Indeed, the state's restaurant and bar associations say many businesses discovered during the pandemic that they could have a similar bottom line with a reduced schedule and are now more judicious with which days and hours they open.

The pandemic has faded, but certain types of restaurants continue to struggle more than others, according to officials from the Wisconsin Restaurant Association. Those include mid-priced sit-down restaurants, whose customers are more sensitive to price increases than those of fine dining establishments, and restaurants serving lunch in downtown areas, where fewer people are working and going out for lunch due to remote and hybrid work arrangements.

MORE RESTAURANTS, FEWER BARS

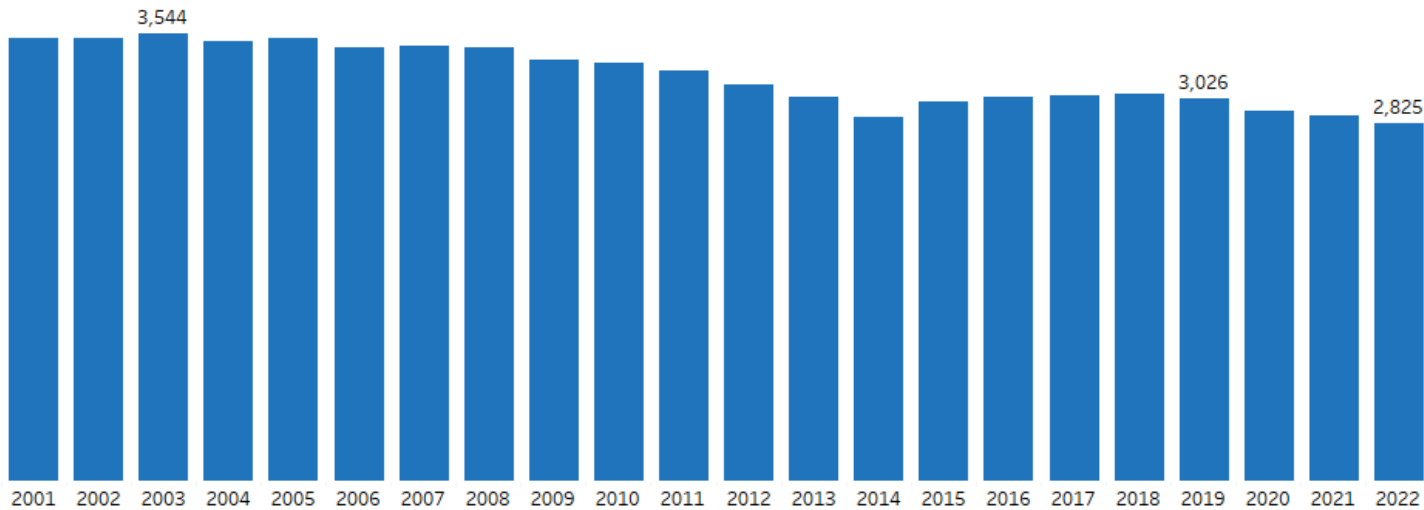
Although some restaurants and bars in Wisconsin were forced to close during the pandemic, most survived. Many were able to do so, in part, by accessing federal pandemic relief aid, including special grants offered specifically to restaurants (for more information on these supports, see our previous [research brief](#) on the recovery of this industry).

Encouragingly, preliminary federal data show the number of restaurants and bars in Wisconsin has recovered overall, exceeding 2019 levels for the first time in both the second and third quarters of 2023, which are the most recent for which data are available. In the third quarter of 2023, the number of those establishments was 1.6% higher in the state than in the same quarter in 2019.

Bars were lost at a faster rate than restaurants during the pandemic, however, and it is possible that their numbers remain down. Only annual data are available for the state's bars, and 2022 data are the most recent available, meaning there is a longer delay in our understanding of this smaller subset of businesses. The number of establishments classified as "Drinking places (alcoholic beverages)" was 6.6% lower in 2022 than in 2019 (see Figure 3), while the broader set of all "Food Services and Drinking Places" was down 2.3%. Even if bars recovered in 2023 at a similar pace as restaurants, it is likely there are still fewer of them than there were before the pandemic.

Perhaps more strikingly, there were 20.3% fewer bars in Wisconsin in 2022 than in 2003, with much of that loss having occurred prior to 2014. Employment totals in Wisconsin's bars have been much more stable than the number of establishments, however, which likely indicates that the state has primarily lost smaller bars and that a shift has taken place to fewer, larger establishments. In 2022, employment in Wisconsin's

Figure 3: Number of Bars in Wisconsin Continues Longer-Term Decline
Private establishments in Wisconsin categorized as "Drinking Places (Alcoholic Beverages)"



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

bars was 4.1% lower than in 2019 and only 2.6% lower than in 2003, when far more bars were operating.

The Wisconsin Tavern League spokesperson we interviewed supported this theory, noting that the longer-term decline in the number of bars in the state largely has been driven by a loss of small, family-owned businesses.

WAGE AND MENU PRICE INCREASES HAVE SLOWED

Recent Forum [research](#) showed that during the pandemic, wages increased much faster for restaurant workers than for those in all other occupations. Between 2019 and 2022, median annual wages for food preparation and serving occupations in Wisconsin rose 29.8%, which far outpaced both wage growth across all jobs (16.8%) and inflation during that period (14.5%).

Those increases appear to have slowed considerably, however. Data released in April 2024 show the median annual wages for employees in food preparation and serving occupations rose just 4.2% in 2023, which matched the pace of growth for all occupations. In interpreting these figures, it is important to note that federal occupational wage data for a given year are collected during the previous three-year period.

One key factor slowing wage growth is that the previously intense demand for restaurant workers has cooled somewhat. Job openings at restaurants and bars, which skyrocketed in 2021 and remained a major challenge for employers in 2022, decreased markedly in 2023, according to federal [data](#) that is only available nationally. Prior to the pandemic, monthly job openings in the industry were typically between 600,000 and one million, but they spiked to over 1.5 million in 2021 and remained there for much of 2022. Since then, job openings have fallen closer to pre-pandemic levels and have been below one million each month since October 2023.

Likewise, consumers are well aware that restaurant prices have risen, but national research shows those price increases have slowed in the last year. According to [analysis](#) from the National Restaurant Association, year-over-year menu price increases for full-service restaurants were as high as 9.0% for several months in 2022 but had fallen to 3.2% as of March 2024. The

association also found that menu price increases have been more modest in the Midwest than nationally.

National Restaurant Association data also show that wholesale food prices have stabilized nationally, which had been another major factor contributing to increased menu prices. Wholesale food prices grew rapidly from late 2021 through early 2023, with year-over-year growth [peaking at 17.7% in April 2022](#), but slowed dramatically in 2023 and have remained relatively flat for the last several months.

CONCLUSION

Wisconsin's restaurant and bar industry has made a strong recovery from the pandemic overall, yet challenges remain. More restaurants are operating in the state than ever before and employment in the industry has fully recovered, but many employers say finding and keeping workers remains a top concern. The amount of revenue restaurants and bars are collectively generating has recovered as well, but inflation and higher menu prices factor into that. This suggests the number or size of sales orders likely remains down – possibly a function, at least in part, of reduced operating hours.

There are mixed indicators for restaurant and bar employees and consumers as well. For employees, wages rose considerably during the pandemic, but those increases have slowed as demand for workers has moderated. Menu prices also are up significantly, which has made many consumers more selective with how often and where they go out to eat and drink, but those price increases have slowed as inflation, supply chain issues, and wholesale food prices have eased.

When we last analyzed Wisconsin's restaurant and bar industry in September 2021, it was emerging from the pandemic but still experiencing a great deal of uncertainty. Since then, the pandemic has faded and the industry's recovery has strengthened. While industry leaders can point to numerous challenges facing the state's restaurants and bars today, the overall outlook has taken a turn for the better.

