

Rip Currents

How the recession affected seasonal employment in one beach town

BY DAVID VAN DEN BERG

Few firms can escape changes in the business cycle. The general characteristics of economic booms are increases in employment and income. During recessions, unemployment rises instead.

Yet not all companies or industries will feel effects of the same magnitude when the economy stalls. Take, for instance, beach towns. Myrtle Beach, S.C., is a tourism hotspot where demand fluctuates widely depending on the weather. But unlike many other areas, it's not home to a diverse set of industries. There aren't a lot of corporate jobs in the Myrtle Beach area, says Pauline Levesque, former president and chief executive officer of the Myrtle Beach Area Hospitality Association. About a third of all jobs in the region are either in hotels or restaurants.

Thus, seasonal income and employment are a fundamental characteristic of the region, which usually faces fairly predictable seasonal cycles. However, this summer the area was clobbered by an unexpectedly severe business downturn too. "We've gone through other recessions, certainly, but haven't seen retail spending be off by as much as it has, haven't seen hotels having to discount as steeply as they are just to fight for any kind of market share this summer," says Don Schunk, an economist at Coastal Carolina University in Conway, S.C., near Myrtle Beach.

Developments in Myrtle Beach this year, where declining consumer spending lowered demand for seasonal employment, help illustrate how business cycles and seasonal cycles are related.

Supply and Demand

Research on seasonality tends to focus on data adjustments, as opposed to the nature of seasonal cycles themselves. To the extent economists have studied seasonal employment it's largely been in relation to how the fluctuations should be smoothed through the ebbs and flows of the business cycle.

Tourism labor, whether seasonal or permanent, is difficult to track. That's because governments gather statistics by industry code and there is no code for tourism, says Richard Perdue, chair of the hospitality and tourism management department at Virginia Tech. Instead, all types of tourism are grouped under the "leisure and hospitality" heading, which also includes things like sports and restaurants. Perdue also notes that many of the products and services that tourists buy and use are also purchased by the year-round residents of destination communities. So, in many tourist towns, businesses that play a key role in supporting visitors, like grocery stores, are important for locals as well.

Yet business cycle trends cannot be ignored in an area

where tourism dominates the economy. Myrtle Beach sits at the heart of the Grand Strand, a 60-mile stretch of beachfront from the North and South Carolina border past the city. The region attracts about 14 million visitors a year, many of whom drive there.

In each month this year — except for May when motorcycle rally crowds largely stayed away after the city of Myrtle Beach tightened noise and helmet ordinances hoping to drive out the events — the area has welcomed about the same number of tourists as it did in 2008. However, they're not staying as long and not spending as much.

This has caused a significant drop in consumer spending in the area. From January through April, that spending declined 16 percent. It's expected to drop 12 percent for the peak season in 2009 compared to the same period in 2008, Schunk says. "In a tourist destination it all comes down to consumer spending," he notes. "One of the major implications might not be revealed until the fall. I think we could be looking at some pretty steep declines, even steeper than usual declines, in terms of seasonal employment."

Destinations like Myrtle Beach are likely to have far more seasonal employment fluctuations in tourism-related businesses than cities like Washington, D.C., where the culture and historic monuments drive year-round tourism, says Perdue. So tourism properties work to build traffic during "shoulder seasons" on either side of their peak period.

Jobs Wash Away

This year proved challenging for lodging properties in the Myrtle Beach area, which cut rates to lure more visitors. For instance, Myrtle Beach Seaside Resorts dropped its rates 20 percent, says Jim Eggen, the company's general manager. Oceana Resorts President and Chief Executive Officer Frans Mustert says his company, which has nine properties, has dropped rates by as much as 30 percent from last year.

This year, the Myrtle Beach region saw a small decline in the number of seasonal jobs available. While seasonal hiring usually ramps up in the spring, and while some jobs were added during that time, Schunk says those gains weren't as large as normal.

Usually, local businesses hire seasonal workers for the peak spring and summer seasons in March to allow time to have all those staffers trained. The motorcycle rally crowds typically boosted hotel occupancy to about 75 percent in May, and without that traffic this year, many hotels and restaurants held off on adding workers, says Taylor Damonte, director of the center for resort tourism at Coastal Carolina University. In June, he said many businesses were staffed for 40 percent to 50 percent

occupancy. "It's happening later for the industry in general this year, that staffing up," he says.

Of course, spikes in unemployment typically occur in recessions. Nationally, the rate of increase of the unemployment rate this recession resembles the 1973-75 and 1981-82 downturns, Beth Mowry and Murat Tasci of the Federal Reserve Bank of Cleveland write in a recent article. Unemployment has nearly doubled in Myrtle Beach's Horry County in the past year, and in August was 10.5 percent, expanding candidate pools for many companies.

In March, the Myrtle Beach Area Hospitality Association held a job fair for employers in any industry. More than 8,000 job seekers attended, while only 38 vendors were present, according to Levesque. In 2008, 6,000 job seekers and 140 vendors attended the fair. "I think that their staffing strategy is just to keep the numbers low and manage from there," Levesque says.

While there were fewer jobs, the pool of candidates seeking them was larger and more diverse. That allowed Myrtle Beach Seaside Resorts, which has nine properties in the region, to find workers it may not have been able to otherwise, Eggen says. "I'm getting some people who were general managers and executives in different positions looking for work," he says. "Quite a few of our folks have four-year degrees working at the front desk."



Myrtle Beach, S.C., is the heart of the Grand Strand, a stretch of Atlantic Ocean beachfront that is one of America's tourism hotspots.

Recovery may not come quickly for tourist towns like Myrtle Beach once the bulk of the current economic storm passes. Travelers have changed their price expectations and may no longer be accustomed to booking their vacation so far in advance. "I think we'll have to change how we do business," Eggen says. "You give someone a great deal; they don't think it's a great deal. They think it's now the new standard."

Just as consumers may not change their behavior, employers may not generally boost their staffs quickly either. "I think the severity and length of this recession exceed the experience of most tourism business managers, leading me to suggest the recovery may be slower as managers hesitate to add payroll obligations," Perdue argues. **RF**

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past two years for a reason. "It just doesn't fit today's lifestyle to call a doctor, wait for an appointment, wait for an hour to see the doctor for two minutes, and spend more time with the nurse at the desk." Her consulting firm interviewed 1,500 shoppers nationwide in January 2009 for its annual shopping survey. Forty-four percent said they would expect good quality care from a clinic in a Walgreens or a CVS

but retail clinics had been used by a mere 9 percent of interviewees.

It's going to be a slow build because the retail clinic is not a fashion trend — it's health care, Corlett says. Consumers are ready for convenience and affordability, but "it's not going to take off like platform boots or the color orange." **RF**

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