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## From Crisis to Recovery: Analyzing Government Support for Canadian Restaurants during the COVID-19 Pandemic

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# **From Crisis to Recovery: Analyzing Government Support for Canadian Restaurants during the COVID-19 Pandemic**

## **Introduction**

The Canadian restaurant industry was profoundly impacted by the COVID-19 pandemic, resulting in extensive closures and substantial financial strain. In response to these unprecedented challenges, the Canadian government implemented various interventions designed to support restaurants and mitigate economic fallout. This study aimed to empirically investigate the effectiveness of the Canadian government's policies, procedures, closures, and subsidies, specifically from the restaurateurs' perspective. Qualitative interviews were conducted with a diverse group of Canadian restaurant owners and managers. By exploring the experiences and insights of these key stakeholders, this research provides a fuller understanding of the dynamics between COVID-19 government interventions and the realities faced by restaurateurs, contributing to a nuanced assessment of their effectiveness.

## **Literature Review**

The COVID-19 pandemic severely impacted the Canadian restaurant industry, leading to widespread closures and financial strain (Restaurants Canada, 2022). The food service industry, which plays a significant role in employment and GDP growth (Statistics Canada, 2023), faced challenges such as plummeting revenues, layoffs, reduced consumer confidence, and changing consumer behaviour. In response to the COVID-19 pandemic, the Canadian government implemented various policies and procedures to support the survival of the restaurant industry and preserve jobs.

Notably, the Government of Canada introduced several financial support programs to relieve restaurants grappling with decreased revenue and operational difficulties.

**The Canada Emergency Wage Subsidy (CEWS)** aimed to help businesses retain and rehire employees by subsidizing a portion of eligible employee wages (Canada Revenue Agency, 2022). The CEWS aimed to promote workforce stability and the resumption of operations.

**The Canada Emergency Rent Subsidy (CERS)** was designed to alleviate the financial burden of commercial rent for eligible businesses by providing direct subsidies to offset a percentage of rent expenses, to help manage fixed costs, and reduce the risk of eviction during the pandemic (Department of Finance, 2020).

**The Canada Emergency Business Account (CEBA)** offered interest-free loans to eligible businesses, including restaurants, to provide working capital and support operational needs, with forgiveness options based on repayment terms (Government of Canada, 2023). CEBA aimed to assist businesses in maintaining their financial stability and liquidity during challenging times.

**The Canada Recovery Hiring Program (CRHP)** provided financial assistance to businesses that experienced revenue declines due to the pandemic and sought to hire and rehire employees (Canada Revenue Agency, 2022b). CRHP incentivized the hiring of workers by offering support for wages and training expenses to facilitate workforce recovery.

This study evaluated the effectiveness of these government subsidies and financial aid programs from the perspective of restaurant owners and operators as part of their COVID-19 recovery plans. By examining the impact and outcomes of these programs, the study seeks to shed light on their effectiveness in alleviating the financial hardships faced by restaurants and whether they promoted successful recovery during the pandemic.

## **Methodology**

This study employed a qualitative approach to investigate the impact of Canadian government policies, subsidies, and interventions on the restaurant industry during the COVID-19 pandemic. Sixteen restaurant owners and managers were selected as participants and interviewed. The interviews focused on three main research inquiries:

**Government Programs and Subsidies:** How did government programs assist restaurant businesses in surviving the pandemic?

**Government Regulations and Policies:** How did government regulations affect the ability of restaurant businesses to withstand the challenges posed by the pandemic?

**Restaurant Business Pivots:** What strategic adaptations were necessary for restaurant businesses to survive during the pandemic?

The interviews were conducted via Zoom, utilizing its transcribe feature for accurate recording. A thematic analysis was conducted to identify patterns and extract meaningful insights from the data. The investigators employed an open coding approach to generate initial codes representing ideas and recurring themes. The codes were refined and organized into potential themes through discussion and comparison.

## **Results**

**Government Programs and Subsidies:** Most interviewed restaurant owners acknowledged the positive impact of government programs, particularly the wage subsidy (CEWS) and rent subsidy (CERS), in supporting their establishments during the pandemic. Government grant money facilitated critical initiatives such as patio expansions and heating equipment installation to accommodate outdoor dining. While some restaurants opted out of specific grant opportunities due to paperwork requirements and limited staff capacity, overall, the application process for government programs was perceived as relatively straightforward, with most businesses completing it independently. The provision of loans, including CEBA loans, initially relieved

restaurant owners; however, the uncertainty surrounding revenue levels and their ability to repay these loans was a pressing concern.

**Government Regulations and Policies:** Frequent changes in government regulations regarding restaurant operations led to customer uncertainty and significant disruptions in business activities. Communication challenges arose due to unclear messaging and evolving regulations, hindering the effective dissemination of information regarding seating arrangements and mask mandates. The enforcement of regulations, such as vaccine passports, caused discomfort among staff members and some customers. The imposition of regulations that conflicted with customers' personal beliefs further contributed to the difficulties faced by restaurant staff.

**Restaurant Business Pivots:** Restaurants undertook diverse strategies to adapt and survive during the pandemic, including expanding outdoor seating areas, utilizing barriers to ensure customer safety, menu modifications, and streamlining operations. Staffing emerged as a significant challenge due to employee attrition, a reduced labour pool, and difficulties in hiring reliable workers.

## **Conclusion and Discussion**

This study examined the impact of government programs, regulations, and business adaptations on the restaurant industry during the COVID-19 pandemic. Most restaurant owners recognized the positive effects of government programs, and despite some challenges with grant applications, the overall process was considered manageable.

Loans, including the CEBA loan, provided initial relief to restaurant owners but raised concerns about repayment due to uncertain revenue levels. Government regulations, persistent changes and unclear communications caused customer uncertainty and disrupted business operations. Enforcement of regulations, including vaccine passports, generated discomfort for staff and customers with conflicting beliefs.

To adapt and survive, restaurants employed various strategies, including expanding outdoor seating, implementing safety barriers, modifying menus, and streamlining operations. However, staffing posed a significant challenge due to employee departures and a diminished labour pool.

In conclusion, government programs positively impacted restaurants, although challenges with grants and loan repayments remain. The fluctuating government regulations created uncertainty and communication difficulties. Restaurants showed resilience through adaptive strategies, but staffing shortages persist. Policymakers and industry stakeholders should provide ongoing support, improve communication, and address labour shortages to ensure the recovery and long-term sustainability of the restaurant sector. Further research should delve into the dynamics between government support, regulations, and business adaptations to enhance our understanding of the industry's resilience.



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