192

RESEARCH REPORT

The Covid-19 Pandemic and the Hospitality and Tourism Sector in Bangladesh

Mohammad Yunus
Mohammad Mainul Hoque
Tahreen Tahrima Chowdhury

Bangladesh Institute of Development Studies (BIDS)

RESEARCH REPORT

THE COVID-19 PANDEMIC AND THE HOSPITALITY AND TOURISM SECTOR IN BANGLADESH

Mohammad Yunus
Mohammad Mainul Hoque
Tahreen Tahrima Chowdhury

April 2022

BANGLADESH INSTITUTE OF DEVELOPMENT STUDIES

Research Report No. 192

Mohammad Yunus
Senior Research Fellow
Bangladesh Institute of Development Studies
Dhaka

Mohammad Mainul Hoque
Research Fellow
Bangladesh Institute of Development Studies
Dhaka

Tahreen Tahrima Chowdhury
Research Associate
Bangladesh Institute of Development Studies
Dhaka

Published by

Bangladesh Institute of Development Studies
E-17, Agargaon, Sher-e-Bangla Nagar
G.P.O. Box No. 3854, Dhaka-1207, Bangladesh
Phone: 880-2-58160430-7
FAX: 880-2-58160410
Website: www.bids.org.bd
E-mail: publication@bids.org.bd

Price: Inland Tk. 80.00 Foreign US$ 10.00

This Research Report has been set in Times New Roman by Md. Ahshan Ullah Bahar, Publication Assistant, BIDS, Printed at Matrivasa Printing & Packaging.

Contents

List of Tables

List of Figures

ACKNOWLEDGEMENTS

This Research Report is the outcome of a study conducted with financial support from the Bangladesh Tourism Board, Ministry of Civil Aviation and Tourism, Government of Bangladesh. The authors express their deep appreciation and gratitude to members of the associations of the hotels & resorts, travel agents & tour operators, and restaurants, together with the sample organisations and the selected employees from within them, for their contribution to various stages of this study. The authors also thank the field officers and research officers involved in this study for their excellent work. The authors acknowledge the valuable comments the anonymous reviewer provided, which helped improve the contents and analysis. However, the authors are responsible for any remaining errors or omissions.

ABSTRACT

The hospitality and tourism sector (HTS) was hit hard by the COVID-19 pandemic. This research report identifies and analyses the probable impacts of the COVID-19 pandemic on the HTS in terms of changes in several business indicators, the adaptation strategies, including retrenchment of workers and adjustment of workers' salary and benefits based on a comparison between the pre-COVID-19 and the COVID-19 pandemic periods.

While the enterprises in all sub-sectors were significantly affected during the pandemic, the intensity of the impact exhibits *a correlated pattern* with the severity of the pandemic. The first wave of COVID-19 spread over the months of April, May, June, and July in 2020, while the second wave was observed during the months of April to August in 2021. The plummets in business indicators coincided with these pandemic waves. During the second quarter (April–June) of 2020-21, when the infection rate due to COVID-19 peaked, there was a sharp drop in the number of days operated. The average number of days operated was reported to be only 31days by the transport agencies at the maximum and two days by amusement parks at the minimum. Even the restaurant services, which are a necessity by characteristics, were open for only 26 days during the same time.

In general, a sizeable drop in sales revenue was reported during the months from April to the end of the pandemic year. For illustration, travel agencies & tour operators, and amusement parks report a drop of 98 per cent in sales revenue during the second quarter of the pandemic compared to pre-pandemic time. Most of the sub-sectors started to show improvement in sales revenue from the third quarter, though at varying paces. By the fourth quarter, restaurants, tourism-SMEs, and transport sectors reported reaching at least two-thirds of the sales revenue generated during the pre-COVID-19 period. However, the revenue recovery path for the hotels and resorts is relatively slower. By the last quarter, when the pandemic situation was relatively well-controlled, the revenue from high-tariff rooms reached only 37 per cent of that reported in the pre-COVID-19 period. The expenses of hotels and resorts, restaurants, and amusement parks appear to follow an inverted V-shaped trend in 2020, although a secular flat trend across quarters was exhibited in 2019.

In contrast, the seasonal pattern for expenses observed in the cases of travel agencies & tour operators and tourism SMEs in 2019 was disrupted during the COVID-19 periods, especially during the months of April-June during the pandemic years. Most of the sub-sectors, except hotels and resorts, travel agents, and tour operators, started to gain positive surpluses from the third quarter. The upward trend continues till the fourth quarter of the pandemic year.

The net employment dropped during the pandemic consistently in all the sub-sectors. The average reduction in wages and salaries is quite substantial among the hotels and resorts (34 per cent) and travel agents and tour operators (27 per cent). In comparison, benefits and bonuses were reduced by about 42-55 per cent for employees in these sub-sectors. The percentage of employees reporting a fall in earnings is sizeable among the travel agents and tour operators (71 per cent) and hotels and resorts (51 per cent) during the second quarter of the year when the strict lockdown was in effect. The situation remained almost the same during the third quarter. But it improved during the last quarter when a lesser number of

workers from all sub-sectors reported a drop in earnings (in the range of 43-56 per cent). During the second quarter (strict lockdown), the earnings of an average employee fell by roughly 50 per cent compared to their counterfactual earnings (Tk.17,000-Tk.20,180). Compared to their counterfactual levels, employees in all sub-sectors reported a fall in earnings by 38-39 per cent during the third quarter and 27-33 per cent during the last quarter.

The reduction of salary and non-salary benefits was adopted as a major coping strategy by almost all enterprises in all sub-sectors. However, laying off employees appears to be adopted primarily by the tourism SMEs, restaurants, and hotels & resorts, in the range of 10-20 per cent, with an upward trend over the season. Borrowing from financial institutions is reported by tourism SMEs, travel agencies and tour operators, and transport agencies in the range of 9-19 per cent. Most of the employees reported dissaving, borrowing from social networks, and reduced household expenditure during the pandemic.

Sanitising hands with sanitiser or soap – a strong recommendation by epidemiologists to avoid infection – was adequately practised only by a few of the employees in the hotels and resorts (18 per cent) and travel agencies and tour operators (36 per cent). Although all enterprises recommend facemasks at work, only one-quarter of the employees, at most, reported face masks to be adequately provided in their workplace. Only one-fifth of hotel and resort employees reported using disinfectants to clean surfaces to avoid infection.

It is estimated that about Tk. 600 million was lost in gross value added in the HTS due to the COVID-19 pandemic. The transport sub-sector has borne the brunt of the heat as it endured more than 40 per cent of the loss. The hotels & resorts, and restaurants, respectively, accounted for 29 per cent and 25 per cent of the loss in gross value added. The scenario is also depressing for the job losses in the HTS. As many as 140 thousand workers lost their jobs during the COVID-19 pandemic. The restaurants and transport agencies accounted for more than 90 per cent of the job loss as mobility restrictions curtailed the business of the transport agencies.

As a short-term measure, the sub-sectors charted out two major types of support, fiscal stimulus and access to credit at low-interest rates, to recover the losses from the ravages of the COVID-19 pandemic. Besides, most of the sub-sectors viewed that the ease of lockdown helped them resume business to track the path of recovery. Most of the entrepreneurs in the sub-sectors realised that the current state of business is untenable in the medium term as consumers' tastes and preferences change over time and hence need major overhauling in terms of infrastructures and services with skilled human resources. As complementary measures, they pointed to several issues that the government needs to address, including the development of tourist sites and strengthening diplomatic efforts by the Bangladeshi missions abroad so that non-resident and foreign tourists are attracted to visit. In the absence of these measures in the short- and medium- terms, the current malaise of the sub-sectors under the HTS would continue, and the dream of achieving the relevant targets and indicators of the SDGs will remain a fleeting mirage.

CHAPTER 1
INTRODUCTION

1.1 The Context

Bangladesh is a signatory of the Sustainable Development Goals (SDGs) of the United Nations, which consists of 17 goals, 169 targets, and 230 indicators. Parts of SDG 8 and SDG 12 are particularly important for the growth and development, as well as the sustainability of hospitality and tourism sector (HTS). As part of sustained and inclusive growth and employment (SDG 8), the country needs to devise and implement policies in order to promote sustainable tourism that creates jobs and promotes local culture and products by 2030 (Target 8.9), which, in turn, necessitates enhancing the share of HTS's contribution to GDP (Indicator 8.9.1) and the share of tourism employment to total employment (Indicator 8.9.2). Further, to ensure sustainable consumption and production patterns (SDG 12), Bangladesh needs to develop and implement tools to monitor sustainable development impacts for sustainable tourism that will create jobs and promote local culture and products (Target 12. b). Consequently, Bangladesh needs to formulate several sustainable tourism strategies or policies and implement action plans with agreed monitoring and evaluation tools (Indicator 12.b.1).

Bangladesh is committed to focusing on the sector because the share of the tourism sector's gross value added was about 3 per cent of the total gross value added in the economy in 2018-19. Besides, about five million people were directly and indirectly employed in the HTS in the same year, which was about 8 per cent of total employment in the country (BBS, 2021). However, the HTS is one of the sectors in Bangladesh that has been the worst hit by the COVID-19 pandemic. However, the extent of adverse economic impacts has not been rigorously assessed. It has been claimed that the sector might have faced a loss of Tk. 60 billion between January and December 2020 due to the COVID-19 outbreak. For example, the Tour Operators' Association of Bangladesh (TOAB) reported that the sub-sector alone lost close to Tk.15 billion as of April 2020 (TOAB, 2020). Insofar as about 4 million people work directly or indirectly in the HTS sector, it is a cause of concern that an estimated 0.3 million jobs in this sector are currently at risk because of the COVID-19 pandemic (PATA, 2020).

The pandemic has been haunting the country for around two years, and the future is still uncertain. While most sectors experienced mild contraction to varying degrees, not surprisingly, the tourism sector was severely affected by the pandemic. As the consumption of tourism services requires both income and time spent outside, the pandemic ultimately negatively affects both components. Added to this is the unemployment of the employees and fall in income of the employers in the sector. Strict health warnings from responsible authorities due to the high risk of exposure to infection from staying outside the home or travelling caused a reduced demand for the HTS. Besides, the supply side may be affected in several ways as well. The direct effect of the economywide lockdown entails high overhead

costs for enterprises. The supply chain and logistics can be disrupted, as production, transportation, and distribution are affected in almost every sub-sector of the HTS during the pandemic. Due to the high risks of infection associated with exposure to tourists and others in the workplace, the absenteeism of employees may turn out to be high as well.

Hygiene and sanitation are very important in the HTS due to the preponderance of close contact while providing services. Hygiene and sanitation protocols ensure tourists' health safety from cross-contamination of germs and pathogens. However, such importance of protocols is heightened during the pandemic situation. The stringency of hygiene requirements to curb exposure to infection is likely to entail a rise in the costs for the enterprises, resulting in a price hike for tourism services. Consequently, many of the enterprises in the HTS claimed to have incurred a financial loss. Against this backdrop, many of the enterprises could not exit the business due to sunk costs, i.e., huge investments already made. However, financial distresses would not be similar as enterprises are heterogeneous in terms of the scale of operations, capacity, efficiency, location, reputation, resilience to shocks, etc. Facing the pandemic and the resulting economic downturn, the questions arise: What is the actual financial situation of the enterprises in the sub-sectors considered? How are the enterprises adapting to the 'new normal' environment? Or what are the coping strategies the enterprises adopt to mitigate the crisis? These are critical issues for making informed policymaking to ensure the sector's survival. Before looking into these issues, it is worth summing up the perils of the HTS amidst the COVID-19 pandemic across other countries.

1.2 Review of Literature: Experience of Other Countries

The nexus between COVID-19 and tourism has been approached from different perspectives. While a group of studies is oriented toward estimating the effects of the pandemic on HTS, a few of them came up with discussions on the sustainable development of tourism facing an exogenous shock, such as the COVID-19 pandemic. Despite different methodologies and empirical strategies, almost all the studies corroborate the negative impact of COVID-19 on HTS, albeit at varying degrees. Romano (2020) finds that the impact of COVID-19 on Australia's economy is "likely to be deep," with a forecasted contraction of up to 15 per cent of GDP that would require government expenditure of at least $300 billion in the labour market, consumption, and investment to offset the shocks. While estimating the multiplier effect of COVID-19 on the tourism sector of the Greek economy, Mariolis, Rodousakis, and Soklis (2021) conclude that an unanticipated decrease in international travel receipts in the range of 3.5 to 10.5 billion euros would lead to a decrease in GDP of about 2 per cent to 6 per cent, a reduction in the levels of employment of about 2.1 per cent to 6.4 per cent, and an increase in the trade balance deficit of about 2.4 to 7.1 billion euros.

Fotiadis, Polyzos, and Huan (2021) attempted to forecast international tourism demand in response to the COVID-19 pandemic and forecasted that the decrease in tourist arrivals could range between 30.8 per cent and 76.3 per cent, and the trend would persist for at least until June 2021. Iacus, Natale, Santamaria, Spyratos, and Vespe (2020) examined the effects of the

air travel ban on aviation and the resulting socio-economic impact by constructing several scenarios based on past pandemics and observed flight volumes. The findings suggest that under the worst scenarios, the impact of aviation losses could have negatively reduced World GDP by 1.41-1.67 per cent, and job losses might have reached 25–30 million by the end of 2020. Although the impact of COVID-19 on travel and tourism is found to be negative, the impact seems to be stronger for the economies without prior experience of the pandemic compared with the economies with any experience of the pandemic in the past. Tran, Chen, Tseng, and Liao (2020) find a significant negative impact of COVID-19 on international tourism demand by comparing the pandemic-tourism relationship between economies with and without experiences of 2003 SARS for four Asia-Pacific Economic Cooperation (APEC) economies: Taiwan and Hong Kong (with 2003 SARS experiences) and Thailand and New Zealand (without 2003 SARS experiences) during January 2020–April 2020 period. The negative impact of COVID-19 on tourist arrivals for economies without 2003 SARS experiences is found to be much stronger than for economies with 2003 SARS experiences. This finding possibly reemphasises the role of adaptation and learning from prior exposure to shock.

Apart from estimating the impact of COVID-19 on the tourism industry, adequate preparations to address the after-effects came up as a crucial concern. Skare, Soriano, and Rochon (2021) discussed the differential impact of COVID-19 on the tourism industry as the recovery period after COVID-19 can be much longer compared to the pandemics in the recent past. The study emphasised the coordination of private and public policy support to ensure capacity building and operational sustainability of the travel tourism sector.

Kaushal and Srivastava (2021) developed 27 sub-themes condensed into four major themes as coping strategies based on qualitative analyses. Several sub-themes emerged from their analysis, including the need for multi-skilling and professional development of the employees, increased sense of hygiene, sanitation, and related standard operating procedures, optimism toward the revival of the industry, media roles, and the need for better crisis preparedness. Moreover, the size of the tourism sector contributes as an influencing factor in determining the economic policy response of the government. In a cross-country analysis of 136 countries, Khalid, Okafor, and Burzynska (2021) found that countries with larger tourism sectors adopted more aggressive economic stimulus packages to mitigate the impact of the COVID-19 pandemic. Incorporating a firm-level analysis of enterprises that work exclusively in the tourism industry of Bangladesh, this study will add to the existing literature on the impact of COVID-19 on global HTS.

1.3 Objectives

With insights from other countries, this study addresses a set of research questions based on surveys and case studies, including a representative set of enterprises drawn from all major sub-sectors of the HTS. The primary objective of the study is to systematically analyse the

current status of the HTS and identify the probable impacts in terms of loss of revenues and consequent retrenchment of workers and/or reduced work hours/day of the existing workers during the ongoing COVID-19 pandemic. Accordingly, the study attempted to assess the micro, meso, and macroeconomic impact, albeit differential, of COVID-19 on the sector, along with policy suggestions for recovery in a post-COVID-19 environment. The specific objectives include the following.

i. To assess the loss and damage of Bangladesh's hospitality and tourism sub-sectors due to the COVID-19 pandemic by comparing the current performance of the enterprises with the 'normal period.'
ii. To assess the extent of unemployment and underemployment induced by the pandemic that ultimately affected HTS workers' well-being.
iii. To assess the needs of the hospitality and tourism sector and find out sustainable ways to fulfil those needs so that the enterprises can cope with and recover from the current crisis.
iv. To suggest policy options to revamp the hospitality and tourism sector paralysed by the COVID-19 pandemic.

The report is organised as follows. After this Introduction that delineates the context, a succinct review of relevant literature in other countries, and the objectives, Chapter 2 describes the survey design and methodology. Chapter 3 covers the basic characteristics of the sample enterprises, including the structure and legal status of ownership, establishment size and capacity, employment size, and benefits provided to employees both in 2019 and 2020. Chapter 4 assesses the impacts of COVID-19 by subsectors on several indicators, including the number of days operated, sales of goods and services and the associated costs, the gross and net operating surpluses, the labour turnover, and workers' benefits. By comparing the sales, costs, and employment between 2019 and 2020, this chapter presents evidence of the direct adverse financial impacts of COVID-19 on the sector. Chapter 5 elaborates on the adverse impacts of the COVID-19 pandemic on the well-being of the employees, albeit the group who were still on the job. Chapter 6 assesses the coping strategies the enterprises and workers adopted to adapt to the pandemic situation. Chapter 7 quantifies the proximate direct loss in tourism gross value added and employment and the views of the entrepreneurs about the nature of government assistance required to cope with the COVID-19 pandemic. It also highlights the kind of interventions needed from within the sub-sectors and from the government to make the HTS sustainable beyond the COVID-19 pandemic to fulfil the country's commitment towards achieving the SDGs. Chapter 8 concludes the report with a few observations.

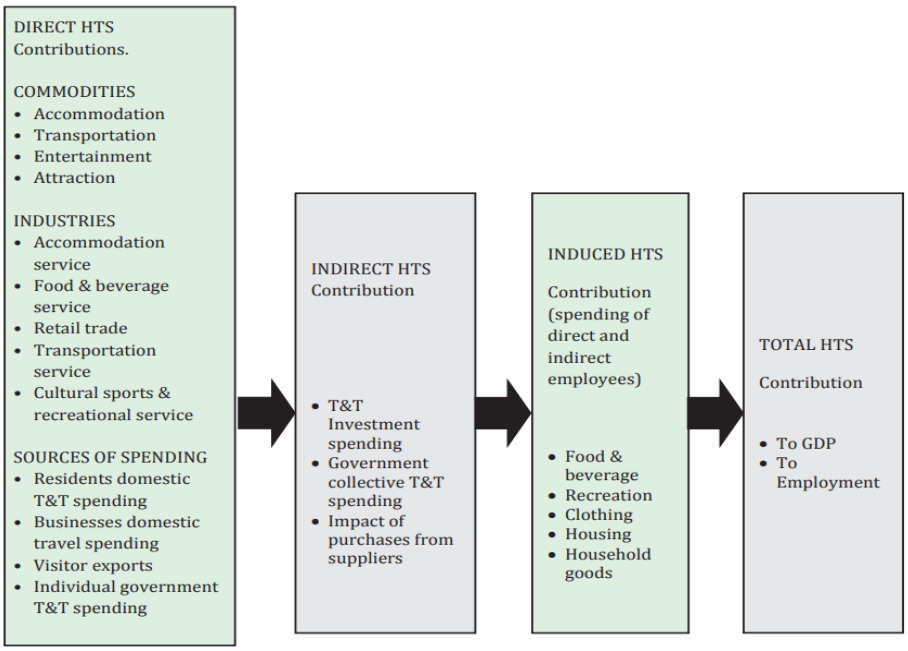
CHAPTER 2

METHODOLOGY AND SURVEY DESIGN

2.1 Approaches and Methodology

The standard accounting framework posits that the total contribution of the hospitality and tourism sector is composed of direct, indirect, and induced contributions to the economy (UNSD, EUROSTAT, OECD, & UNWTO, 2008; WTTC & Oxford Economics, 2021). It may be noted that direct contribution is limited to commodities and services such as accommodation, transportation, entertainment, etc., catered by related sub-sectors in which tourists spend their money that entails forward linkages. The indirect contribution arises from the investment spending both by the private sector and the government as well as purchases by the sub-sectors under the HTS from suppliers that entail strong backward linkages. The induced contribution originates in the creation of additional employment and jobs supported by the spending of those who the HTS, directly or indirectly, employs. Figure 2.1 shows the schematic flows of the contribution of the HTS to the economy.

Figure 2.1: Contribution of the Hospitality and Tourism Sector to the Economy



Source: World Travel and Tourism Council, 2015.

Spending through these channels entails strong backward and forward linkages. From these perspectives, the contribution of the HTS was analysed from its contribution to (i) GDP, (ii) employment generation, and (iii) capital investment. The direct, indirect, and induced impacts were assessed using a sample of the sub-sectors. It may be noted that the Tourism

Satellite Accounts (TSA) considers only the direct effects in assessing the contribution of the HTS to GDP. In contrast, the World Travel and Tourism Council (WTTC), an organisation of the global business in the sector, expands it to indirect and induced effects (WTTC & Oxford Economics, 2021). Albeit important, the assessment of these later effects is beyond the scope of this study. Besides, BBS also considers only the direct effects of the HTS in the estimation of GDP (BBS, 2021). Considering the components of the HTS for direct contributions to the economy, this study focused on the following components:

1) Accommodation (Hotel and Resort);

2) Food and Beverage (Restaurant);

3) Travel Agent and Tour Operator;

4) Tourism SME (Small and Medium Enterprise);

5) Transport Services; and

6) Places of Tourist Attractions/Recreation Centres.

2.2 Methodology

The study was carried out by reviewing existing literature and exploiting primary and secondary information to comprehend the multifarious impacts of COVID-19 on the HTS. Enterprise surveys involving the four major components, viz., accommodation, restaurants, travel agents and tour operators, and tourism SMEs, were carried out to generate credible data on a few vital parameters. Apart from conducting the enterprise surveys on all these sub-sectors, selected employees of hotels, resorts, travel agents and tour operators had also been interviewed to gauge the impacts of COVID-19 on their livelihood. Apart from representative surveys of enterprises and employees in these sub-sectors, case studies were also conducted involving transport owners and operators and owners of tourist attractions and recreational centers, e.g., amusement parks and archaeological sites, from all eight administrative divisional cities and Cox's Bazar. In addition to quantitative surveys and case studies, a webinar was arranged, involving major stakeholders and associations, including that of MICE, to assess the gravity of their concerns and coping strategies adopted, and strategies way forward. The data collection process was aimed at generating reliable estimates of vital parameters of different sub-sectors, both before the COVID-19 pandemic and in the current situations. The aggregation of these data and information through before-after comparisons provided estimates on the extent of the loss incurred by enterprises and workers in the HTS. These enterprise-specific and worker-specific estimates were then applied to the national enterprise and employer-level data (extrapolated from the last economic census and other BBS surveys) to estimate the total economic loss of the HTS due to the COVID-19 pandemic.

2.3 Sampling

The universe of the HTS, i.e., the total number of different enterprises in the sub-sectors, is diverse. Thus, a representative sample was drawn from this population, invoking appropriate

sampling criteria when the population under consideration was known. The case study method was applied where the underlying population was not precise. The sample size of this survey has been constructed as the best possible number of sampling units that are needed to build sound statistical measures and inferences. There are different formulas and ways to determine representative sample size. For this survey, the following formula was used to determine the optimum sample size:

$$\left[1/N + 1/PQ\ ((N-1)/N)(\frac{k}{z_{1-\frac{\alpha}{2}}})^2\right]^{-1}$$

where, N=population size, P=population proportion, Q=1-P, k=desired level of precision, and $z_{(1-\frac{\alpha}{2})}$ is the value of the normal standard coordinate for the desired level of confidence, 1-α. The above formula has been applied to estimate the number of enterprises for hotels (accommodation), tour operators, travel agents, and restaurants. Except for restaurants and case studies, data were collected on selected employees from the enterprises visited. Insofar as the list frames for other universes are not available, the case study method has been applied. The study employed a mixed-method approach, combining quantitative and qualitative data collection and analysis. The two main data collection methods were used: (i) quantitative survey and (ii) case study. The sets of survey instruments were developed and utilised for collecting the quantitative data. These quantitative data and information were then complemented with stakeholder consultation through key informant interviews, webinars, etc.

2.4 Sample size

2.4.1 Hotel and Resort

The number of permanent establishments that provide services for short time accommodations had been considered as the sampling frame of the "Hotel and Resort Component." According to Economic Census 2013 (BBS, 2016), the number of permanent establishments with short-term accommodation (residential hotels and resorts) services is 3,018. Given this population size (N), P=0.5, k=0.056, α=0.10, and z=1.645, the optimum sample size for the "Hotel and Resort Component" becomes 200.

2.4.2 Restaurant and Fast-Food Shop

The number of permanent establishments of restaurants and fast-food shops has been considered as the sampling frame of the "Restaurant and Fast-Food Component." According to Economic Census 2013 (BBS, 2016), the number of permanent establishments of restaurants and fast food shops is 84,988. Given this population size (N), P=0.5, k=0.056, α=0.10, and z=1.645, the optimum sample size for the "Restaurant and Fast-Food Component" becomes 200.

2.4.3 Travel Agency and Tour Operator

The number of permanent establishments of the travel agents has been considered the sampling frame of the "Travel Agency and Tour Operator Component." According to

Economic Census 2013 (BBS, 2016), the number of permanent establishments of travel agents and tour operators is 2,585. Given this population size (N), P=0.5, k=0.056, α=0.10, and z=1.645, the optimum sample size for the "Travel Agency Component" becomes 152.

Table 2.1 shows the spatial distribution of the enterprises included in the survey. The country, particularly its urban areas, was severely hit by the second wave of the COVID-19 pandemic when the survey was about to be launched. Many of the enterprises were closed, and many enterprise owners were either unavailable or refused to participate in the interview. Consequently, data could be collected from 200 restaurants, 201 hotels and resorts, and 148 travel agents and tour operators. Of the travel agents and tour operators, 87 were travel agents, 38 were tour operators, and 23 enterprises were engaged in both travel agent and tour operator activities. In addition, interviews were conducted with 643 employees from the hotels and resorts sub-sector and 133 from the travel agents and tour operators sub-sector.

Because of the high concentration of these enterprises, data were collected from Barishal, Chattogram, Cox's Bazar, Dhaka, Khulna, Mymensingh, Rajshahi, Rangpur, and Sylhet. If the regional concentration is not considered and a simple random sampling method is used, it would lead to inaccurate inference about the universe. Therefore, the stratified random sampling method was used by allocating samples proportionately to get the desired sample from a particular city/town. For the case studies of tourism SMEs, transport owners and operators, and amusement parks, the purposive sampling method was followed to draw 63 tourism SMEs, 21 transport owners/operators, and seven amusement parks.

Table 2.1: Spatial Distribution of Sample

Sub-sectors	Chattogram	Cox's Bazar	Dhaka	Sylhet	Barishal	Rangpur	Mymensingh	Khulna	Rajshahi	Total
Enterprise										
1-Star Hotel	8	5	9	4	5	5	5	8	10	59
2-Star Hotel	8	10	4	3	3	3	3	5	5	44
3-Star Hotel	10	16	21	8	2	2	2	2	0	63
4-Star Hotel	3	5	10	2	0	0	0	0	0	20
5-Star Hotel	1	5	6	3	0	0	0	0	0	15
All Hotel & Resort	30	41	50	20	10	10	10	15	15	201
Travel Agent & Tour Operator	20		78	17	7	7	6	8	5	148
Restaurant	40	20	60	20	10	10	7	18	15	200
Tourism SME	10	10	15	6	2	5		5	10	63
Transport	1		10	2	3		2	1	2	21
Amusement Park	1		1	1	1	1		1	1	7
Employee										
1-Star Hotel	9	4	9	4	11	10	8	16	23	94
2-Star Hotel	23	19	8	6	5	5	7	10	7	90
3-Star Hotel	33	46	86	22	5	4	5	4	0	205
4-Star Hotel	24	40	63	15	0	0	0	0	0	142
5-Star Hotel	10	29	47	25	0	0	0	0	1	112
All Hotel & Resort	99	138	213	72	21	19	20	30	31	643
Travel Agent and Tour Operator	20		63	17	7	7	6	8	5	133

Source: BIDS Survey, 2021.

CHAPTER 3

SOME BASIC FEATURES OF THE SAMPLE

This chapter characterises the sample enterprises and a sub-set of employees who work there. For enterprises, the characteristics include size, ownership, total persons engaged, and annual turnover. In contrast, the workers' characteristics include their main socio-demographic attributes such as age, sex, education, household size, economic dependency within their households, monthly household income and expenditures, types of employment contracts, experience, their roles in the workplace, workers' earnings, and their contribution to household expenditures. All these characteristics are reported for each of the constituting sub-sectors. Together, these variables capture most of the salient features of the sub-sectors under consideration.

3.1 Types of Ownership of Enterprises

The patterns of ownership of the enterprises by sub-sectors are presented in Table 3.1. Among the 201 hotels and resorts surveyed, 59 are 1-star, 44 are 2-star, 63 are 3-star, 19 are 4-star, and 14 are 5-star hotels and resorts. It may be noted that 78 per cent (158) of the hotels and resorts belong to local private ownership, 12 per cent (24) are under government ownership, and 10 per cent (18) are under joint ownership. Only one (5-star hotel) is under foreign ownership.

The prevalence of local private ownership is dominant among travel agents and tour operators. Ninety-three per cent (138 out of 158) of travel agents and tour operators surveyed are operated under local private ownership, the relevant government agencies operate seven, and local and foreign entities jointly own three.

As one expects, there is a certain degree of overlap between travel agencies and tour operators concerning their activities. However, the overlap is tenuous, as only 15.5 per cent of the enterprises are engaged in both types of activities. In contrast, about 58.8 per cent of the enterprises are engaged in only travel agency activities and about 25.8 per cent in tour operator activities. The dominance of local private ownership is still evident at a more disaggregated level. More than 95 per cent of the enterprises that operate as travel agents or tour operators belong to local private ownership.

Similarly, when restaurants, tourism SMEs, transport agencies, and amusement parks are considered, the sample reveals a high concentration of local private ownership. It implies that local private ownership status is dominant in most of the sub-sectors under the HTS in Bangladesh. Although this is beneficial for other sub-sectors under the HTS, it is certainly a cause of concern for the hotels and resorts because there are only a few international chains of luxury hotels and resorts operating in the country, which do not bode well for attracting international tourists.

Table 3.1: Enterprises by Type of Ownership

Sub-sectors	Government ownership	Local private ownership	Joint ownership (Local/Foreign)	Total
1-Star Hotel	16	41	2	59
2-Star Hotel	6	35	3	44
3-Star Hotel	1	55	7	63
4-Star Hotel		17	3	20
5-Star Hotel	1	10	4*	15*
All Hotel and Resort	24	158	19*	201*
Restaurant	44	132	24	200
Travel Agent and Tour Operator	7	138	3	148
Tourism SME	22	41		63
Transport		19	2	21
Amusement Park	3	4		7

Note: Figures with an asterisk include one foreign-owned unit.
Source: BIDS Survey, 2021.

3.2 Type of Legal Status of Enterprises

Table 3.2 presents the legal status of hotels and resorts, tour operators and travel agencies, restaurants, tourism SMEs, transport agencies, and amusement parks. Among the hotels and resorts, the dominant form of ownership is a sole proprietorship (115), followed by joint ownership (63) and private limited company (19). Of the remaining, three hotels and resorts are under the public limited company (one 2-star and two 5-star) category, and one 5-star hotel is under government ownership.

The distribution of legal status in the case of tour operators and travel agents is more skewed: about 78 per cent of the tour operators and travel agencies are under sole proprietorship, whereas 14 per cent and 7 per cent of these enterprises belong to joint and private limited company ownership, respectively. Interestingly, registration under the public limited company ownership is recorded for only one tour operator. It appears that none of these tour operators or/and travel agencies are enlisted in the local capital market.

About 59 per cent of surveyed restaurants (118 out of 200) are operated under sole private ownership, followed by joint ownership (40 per cent of 200 restaurants). Only two restaurants are under private limited companies. This distribution is even more concentrated with sole private ownership when transport agencies and tourism SMEs are considered. As many as 59 tourism SMEs (out of 63) are under sole private ownership. A similar observation holds for transport agencies: 14 transport agencies (out of 21) are under sole private ownership. Among the seven amusement parks surveyed, two are under sole private ownership, three are under private limited companies, and each of the rest two are under joint ownership and government ownership, respectively.

Table 3.2: Legal Structures of Ownership of Enterprises

Sub-sectors	Private sole ownership	Joint ownership	Private limited company	Public limited company	Total
1-Star Hotel	40	19	-	-	59
2-Star Hotel	32	10	1	1	44
3-Star Hotel	32	23	8	-	63
4-Star Hotel	10	8	3	-	20
5-Star Hotel	2	3	7	3*	15*
All Hotel and Resort	115	63	19	4*	201*
Restaurant	118	80	2		200
Travel Agent and Tour Operator	115	21	11	1	148
Tourism SME	59	4	-	-	63
Transport	14	6	1	-	21
Amusement Park	2	1	3	-	7

Note: Figures with an asterisk include one government/nationalised unit.
Source: BIDS Survey, 2021.

3.3 Number of Rooms and Guests Capacity

The average capacity of hotels and resorts in terms of the number of rooms, tariff range, and the maximum number of guests they can accommodate at a point in time is presented in Table 3.3. Rooms are classified into high-, medium-, and low-tariff ranges across star ranks of hotels and resorts. The distribution of rooms by tariff range is vivid- the number of rooms in the low-tariff range is higher, irrespective of the type of hotels and resorts, followed by medium- and high-tariff range rooms. Not surprisingly, the higher the number of rooms, the greater the capacity to accommodate guests. For illustration, the number of high-, medium-, and low-tariff range rooms in a 5-star hotel is 102, 52, and 20, respectively, with a corresponding guest capacity of 169, 101, and 42 person. It is not surprising that there is a positive association between the number of rooms available and the hotel rank: the higher the rank of the hotel, the greater the capacity.

Table 3.3: Capacity (Number of Rooms and Guests) of Hotels and Resorts

Types of Hotels and Resorts	Types of Rooms	Number of Rooms	Number of Guests
1–Star Hotel	High tariff range rooms	6.00	13.70
	Medium tariff range rooms	10.78	18.49
	Low tariff range rooms	12.98	18.71
2-Star Hotel	High tariff range rooms	9.27	21.48
	Medium tariff range rooms	12.25	28.27
	Low tariff range rooms	16.84	26.80
3- Star Hotel	High tariff range rooms	9.69	23.16
	Medium tariff range rooms	15.03	33.31
	Low tariff range rooms	16.32	26.45
4-Star Hotel	High tariff range rooms	11.55	32.35
	Medium tariff range rooms	22.45	45.60
	Low tariff range rooms	26.05	38.95
5-Star Hotel	High tariff range rooms	20.47	42.13
	Medium tariff range rooms	51.60	100.53
	Low tariff range rooms	102.33	168.67
All Hotel and Resort	High tariff range rooms	9.51	22.34
	Medium tariff range rooms	16.65	34.10
	Low tariff range rooms	22.88	36.16

Source: BIDS Survey, 2021.

3.4 Number of Employees

Average employment sizes across enterprises would characterise the surveyed enterprises in terms of labour involved in the production of services. Table 3.4 presents the average number of workers employed in the surveyed hotels and resorts, tour operators and travel agents, restaurants, amusement parks, tourism SMEs, and transport agencies. Besides the averages on total employment for the whole sector, the composition of workers employed in hotels and resorts is presented at a disaggregated level across the departments, viz., front office, production, food and beverage service, housekeeping, and maintenance. The employees were grouped by the nature of the contract, permanent vs. casual workers, to understand the nature of employment. In hotels and resorts, the maximum number of workers are engaged in the production and services of food and beverage, followed by housekeeping, front desk, and maintenance.

An average hotel/resort employs more than 28 workers, of whom 93 per cent are permanent employees. Thus, the proportion of contractual employees appears small. Given our small sample, we report both the mean and the median number of employees engaged in the enterprises. It appears that the distribution of employees across hotels and resorts is skewed to the right: the statistics of the mean are driven by the 'large' enterprises as the median number of employees is only 13. This caveat is worth mentioning while interpreting the results. Unlike other countries, in the hotels and resorts in Bangladesh, the evidence of female employment is minimal; these female workers are mostly engaged in housekeeping and food and beverage services. The distribution of employees in travel agencies and tour operators presents

substantially lower skewness in comparison with the distribution in hotels and resorts–the mean number (mean) of employees in travel agencies and tour operators is five, while the median number of employees is four. Almost all the workers employed in travel agencies and tour operators are permanent workers because the mean number of contractual employees appears trivial across all three categories: travel agents, tour operators, and both tour operators and travel agents.

The average number of employees in restaurants, amusement parks, tourism SMEs, and transport agencies is 13, 39, 2, and 35, respectively. Similar to that for hotels and resorts, the distribution of employees in amusement parks is skewed to the right, i.e., the estimates of mean are driven by the 'large' enterprises as the median number of employees is only 23 against the mean employee 39. Overall, among all the enterprises interviewed, the employment sizes in hotels and resorts, restaurants, and amusement parks are relatively large.

Table 3.4: Average Employment by Sub-sectors and Job Tenure Type

Type of Employment	Total Employees		Permanent Employees		Contractual Employees	
	Mean	Median	Mean	Median	Mean	Median
Hotel and Resort						
Front Office	5.57	4.00	5.29	3.00	0.28	0.00
Food & Beverage (Service)	13.18	7.00	12.40	7.00	0.79	0.00
Food & Beverage (Production)	14.04	7.00	13.31	6.00	0.73	0.00
Housekeeping	8.16	5.00	7.84	5.00	0.31	0.00
Maintenance	3.44	2.00	2.98	2.00	0.46	0.00
All Hotel and Resort	27.98	12.50	26.44	12.00	1.54	0.00
Restaurant	13.29	12.00	-	-	-	-
Travel Agent and Tour Operator	4.92	4.00	4.69	3.00	0.20	0.00
Tourism SME	2.31	2.00	-	-	-	-
Transport	34.57	33.00	-	-	-	-
Amusement Park	39.43	23.00	-	-	-	-

Source: BIDS Survey, 2021.

3.5 Types of Leaves Granted to Employees

The right to leave is an important component of any formal job contract, according to the Labour Act 2006 and Labour Rules 2015 of Bangladesh. The survey examines the pattern in different types of leave enjoyed by the workers in the sub-sectors under the HTS that would reflect on the practice against the actual entitlement. Table 3.5 presents the incidence of different types of leaves granted to employees in hotels and resorts, travel agencies and tour operating agencies, and restaurants. It is found that about 94-97 per cent of the hotels and resorts and 92-97 per cent of the travel agencies and tour operators grant different types of

paid leaves to their employees. On the other hand, this proportion is lower for the restaurants: overall, 75-80 per cent of the surveyed restaurants grant different types of paid leaves to their employees. The proportion of enterprises providing "unpaid" leaves is, therefore, higher for restaurants than for hotels and resorts, tour operators, and travel agents. The difference suggests that restaurant employees are more likely to be contractual. Accordingly, restaurant owners seem to be less obligated to follow the labour act and labour laws when granting leave to their employees.

However, many of these enterprises do not appear to grant paid maternity leaves, and female employees are instead granted unpaid maternity leaves. It is a gross violation of the existing labour act and rules of the country. In contrast to the case of maternity leave, the employees are in a slightly better situation for weekly leaves, casual leaves, and sick leaves. In terms of granting leaves, the performance of the travel agencies and tour operators appears to be better than that of the hotels and resorts despite the fact that the employee size is smaller in the former group.

Table 3.5: Incidence of Different Leaves by Pay Status

Types of Leaves	Percent of Enterprise that Provides		Number of Enterprises
	Paid Leave	Unpaid Leave	
Hotel and Resort			
Weekly	94.96	5.04	139
Casual	63.40	36.60	153
Sickness	97.98	2.02	198
Maternity	96.67	3.33	150
Restaurant			
Weekly	76.39	23.61	72
Casual	67.39	32.61	92
Sickness	80.81	19.19	198
Maternity	88.24	11.76	85
Travel Agent and Tour Operator			
Weekly	94.12	5.88	136
Casual	94.64	5.36	56
Sickness	94.52	5.48	146
Maternity	95.07	4.93	142

Source: BIDS Survey, 2021.

CHAPTER 4

IMPACT OF THE COVID-19 PANDEMIC ON THE ENTERPRISES

The consumption demand for tourism services requires both income and time spent outside. In contrast to a pandemic-induced recession, demand for recreation and tourism can be resilient to an economic recession with no risks of infection or health uncertainty (Hoque, Herriges, & Kling, 2020). It is because of the two opposing factors that respond to a recessionary shock differently: unemployment, fall in income, and uncertainty about the labour market are widespread during a recession but households, in general, exhibit a reduced opportunity cost of time resulting from unemployment or underemployment. However, the health risks involved with a pandemic situation can alter this value of time upward.

Being continually ravaged by the pandemic for almost two years, most of the economies experienced, to some degree, economic recession for varying periods. Although all sectors are adversely affected by the pandemic, not surprisingly, the HTS was hit hard due to the distinct nature of tourism services. Due to restrictions on mobility and increased risk of infection from exposure to public transport services and places, consumption of tourism services manifests in marked decline. Besides, reduced income resulting from widespread unemployment or underemployment, heightened uncertainty about the future, and health risks from staying outside the home or travelling cause a reduced demand for tourism services. The demand can still be depressed due to the health risks involved, even when restrictions on mass mobility or visits to tourist sites and attractions are absent.

Not only the demand side but also the supply side may be severely affected in several ways as well. One of the direct impacts of a countrywide lockdown is a temporary shutdown of businesses, although it entails high overhead costs for businesses. Moreover, the supply and logistics chains could be jeopardised, as production, transportation, and distribution are affected in almost every sector of the economy during the pandemic. Further, employee absenteeism may rise due to the high risks of infection associated with exposure to tourists and others in the workplace. All these factors indicate a rise in the costs of operations. Hygiene and sanitation is important for the HTS, even in normal times. The stringency of hygiene requirements to curb exposure to infection may imply a rise in the costs for the enterprises, resulting in a price hike for tourism services.

With depressed demand and increased production costs, many of the enterprises involved in the HTS are likely to incur negative operating surpluses. Despite these negative outcomes, many of the enterprises would be unable to go out of business due to the huge investments already made. However, financial distresses would not be similar as enterprises are

heterogeneous in terms of the scale of operations, capacity, efficiency, location, reputation, resilience to shocks, etc. This section focuses on how the enterprises in the sub-sectors that did not shut down business in the face of the economic downturn performed financially and survived. Accordingly, based on a rich set of information on financial indicators and coping strategies collected through a primary survey, this section extends on the following indicators: (i) number of operational days, (ii) average sales of goods and services, (iii) average costs of production, (iv) gross and net operating surpluses, (v) recruitment and retrenching of employees, (vi) benefits provided to employees, and (vii) coping strategies Adopted by the Enterprises. It would inform on the impact of the pandemic on enterprises' financial health and adaptation to the 'new normal' environment.

4.1 Number of Days Operated

The impact of COVID-19 on enterprises would be reflected in the average number of operational days during the pandemic and pre-pandemic periods. Table 4.1 presents the average number of days the enterprises were operational within a quarter in the pre-COVID-19 period (2019) and COVID-19 period (March 2020-June 2021). It appears that the number of days operated during the pre-COVID-19 period was close to 90 in each quarter; enterprises were operational for almost every business day available within the quarter.[1] But the situation changed markedly during the COVID-19 period. During the first quarter (January–March) in 2020 and 2021, the average number of days operated ranged between 73 and 77 for all hotels and resorts, travel agencies and tour operators, and amusement parks. In contrast, the average number of days operated for restaurants, tourism SMEs, and transport agencies ranged between 86 and 88. It is consistent given that the pandemic did not hit the country until the first quarter of 2020, and, thus, the averages deviated from the normal time due to lower counts of operational days during the end of the first quarter of 2021 when the first few cases of COVID-19 infection were diagnosed.

However, there was a significant drop in operations in the second quarter as the average number of days operated for hotels and resorts was only 25. The average number of operational days is only 13 days for travel agencies and tour operators and only two days for amusement parks. In contrast, the fall in operational days is not as steep for the transport agencies (31 days), restaurants (26 days), and tourism SMEs (21 days) as it has been for the other sub-sectors, as mentioned above. As the outbreak of both the first wave (April 2020-June 2020) and the second wave (April 2021-June 2021) formed the second quarter, the sharp decline in average operational days compared to the first period is self-explanatory. A set of t-tests were conducted between the average number of days operated in pre-COVID-19 and COVID-19 periods to assess if the differences are statistically meaningful. The last column of Table 4.1 reveals that all the t-values are highly significant, implying a statistically significant drop in

[1]This evidence is not driven by outcomes from any particular location; rather it appears consistent across all the tourist locations in the sample (i.e., Chattogram, Cox's Bazar, Dhaka, and Sylhet) in the pre-COVID-19 period. Due to small sample, the analysis is not presented by region.

the average number of operational days during the second quarter of the COVID-19 pandemic. The situation started to improve by the third quarter when the infection rate started to decline, and it continued to rise in the fourth quarter. Interestingly, restaurants, tourism-SMEs, and the transport sector reached the pre-COVID-19 level by the third quarter, as they reported operating for the same number of days as had been the case in 2019. Overall, the evidence strongly supports a recovery.

Table 4.1: Average Number of Operational Days in Pre-Pandemic and Pandemic Time

	Pre-COVID-19	During COVID-19	Diff. (Std. Error)
Hotel and Resort			
January-March	89.49	76.68	12.81*** (1.09)
April-June	90.37	25.65	64.72*** (1.39)
July-September	91.38	58.53	32.85*** (2.43)
October-December	91.60	75.07	16.53*** (1.86)
Restaurant			
January-March	86.92	86.79	0.13 (1.05)
April-June	87.83	26.01	61.82*** (1.74)
July-September	89.09	78.98	10.12*** (2.18)
October-December	89.70	90.21	-0.51 (1.02)
Travel Agent and Tour Operator			
January-March	89.89	75.24	14.65***(1.13)
April-June	89.66	12.76	76.90***(1.51)
July-September	91.49	33.43	58.07***(3.16)
October-December	91.84	63.91	27.93***(3.17)
Tourism SME			
January-March	88.86	85.56	3.30*** (0.63)
April-June	89.84	20.67	69.18*** (3.39)
July-September	90.83	70.27	20.56*** (4.26)
October-December	91.02	88.67	2.35* (1.27)
Transport			
January-March	90.00	88.05	1.95*** (0.23)
April-June	91.00	31.62	59.38*** (3.79)
July-September	92.00	83.24	8.76 (6.04)
October-December	92.00	92.00	-
Amusement Park			
January-March	90.00	72.64	17.36* (8.25)
April-June	91.00	2.22	88.79*** (2.22)
July-September	92.00	33.86	58.14** (15.69)
October-December	92.00	61.29	30.71 (16.39)

Notes: 1. Standard errors are in parentheses. 2. Figures with *. **. and *** imply significance at a 10%, 5%, and 1% error probability level, respectively.
Source: BIDS Survey, 2021.

4.1.1 Factors Contributed to Limited Scale of Operations

The government-imposed restrictions, such as lockdown, to curb infection during the pandemic appears to be a key factor contributing to the reduced businesses during the COVID-19 pandemic. However, the challenges faced by the enterprises while operating the businesses could linger beyond the lockdown period imposed by the government. The constraints and

challenges reported by the enterprises by quarter and defined by the stringency of the lockdown are presented in Table 4.2. During the first quarter (January-March of 2021), most of the enterprises cited lockdown, apprehension about health risks, and depressed demand as the primary reasons for limited operations, despite the infection rate being low and the lockdown not strictly enforced. The trend of attributing falling demand to lockdown is more prominent in the case of travel agencies and tour operators, and tourism SMEs.

During the second quarter (April-June), when the lockdown was most strictly enforced due to the onset of the pandemic or very high casualty, 65 per cent of the hotels and resorts, 68 per cent of all the travel agencies and tour operators, 77 per cent of restaurants, 80-90 per cent of amusement parks and tourism SMEs, and 73 per cent of the transport agencies attributed the reduced business activities to the lockdown imposed in order to curb the COVID-19 infection rate. All the enterprises across the sub-sectors except those from hotels and resorts and travel agents and tour operators mentioned concerns about health safety as the second main cause through which businesses were affected. Reduced demand for services turned out to be the third prime factor in this regard.

Table 4.2: Reasons for Limited Operations during the Pandemic Year by Season

Reasons for Closure	Quarter during Pandemic (2020 and 2021)			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Hotel and Resort				
Lockdown imposed by the government	4.40	65.00	36.50	2.90
Enterprise operated on a limited scale due to health risk	4.40	11.20	14.70	8.80
Enterprise projected reduced demand for their service	53.80	13.10	31.90	52.50
Activity resumed after the lockdown was over but closed later due to inadequate demand	35.80	5.10	9.90	35.50
Supply chain is disrupted/affected	4.50	3.50	5.10	5.60
Labour shortage	-	0.70	1.80	4.20
Restaurant				
Lockdown imposed by the government	53.10	77.40	75.60	36.90
Enterprise operated on a limited scale due to health risk	11.80	6.20	14.50	15.40
Enterprise projected reduced demand for their service	9.20	3.10	6.30	32.70
Activity resumed after the lockdown was over but closed later due to inadequate demand	5.20	2.90	14.30	24.40
Supply chain is disrupted/affected	23.40	4.30	2.90	12.70
Travel Agent and Tour Operator				
Lockdown imposed by the government	61.70	68.00	38.60	54.20
Enterprise operated on a limited scale due to health risk	3.30	12.70	47.20	35.70
Enterprise projected reduced demand for their service	10.70	15.10	10.90	7.10
Activity resumed after the lockdown was over but closed later due to inadequate demand	12.90	3.70	1.30	1.30
Tourism SME				
Lockdown imposed by the government	91.70	81.40	52.90	76.90
Enterprise operated on a limited scale due to health risk	-	11.90	26.90	30.80
Enterprise projected reduced demand for their service	12.50	3.70	9.00	15.40
Transport				
Lockdown imposed by the government	100.00	72.50	100.00	100.00
Enterprise operated on a limited scale due to health risk	-	25.70	-	-
Amusement Park				
Lockdown imposed by the government	-	90.50	20.00	-
Enterprise operated on a limited scale due to health risk	100.00	28.60	73.33	100.00

Notes: Data for the first quarter comes from 2021; those for the second quarter are averages across 2020 and 2021, and those for the last two quarters are taken from 2020.
Source: BIDS Survey, 2021.

During the third quarter (July-September), when infection was curbed well, and the lockdown was not very stringent, the proportion of enterprises attributing the lockdown

imposed by the government to limited business operations went down. In contrast, the proportion of enterprises reporting apprehension about health risks and reduced demand for businesses trended upward. It is consistent across enterprises in all sub-sectors except those in the transport sector, as the latter still attributes the lockdown imposition by the government exclusively to limited business operations. During the last quarter, when the pandemic situation started to improve and the lockdown was loosely enforced, the situation did not change much. The depressed demand situation, employees' health concerns, and the imposition of the lockdown appear to be the major reasons for operating the enterprises on a limited scale. Approximately 36 per cent of hotels and resorts and 24 per cent of restaurants reported being compelled to close their business due to inadequate demand, after resuming the activity with the improved pandemic situation.

4.2 Sale of Goods and Services

One of the direct impacts of the COVID-19 pandemic on enterprises would be reflected in their volume of goods and services. Average quarterly sales of goods and services in hotels and resorts, travel agents and tour operators, restaurants, tourism SMEs, transport agencies, and amusement parks during the pre-COVID-19 period and COVID-19 period (March 2020-June 2021) are presented in Table 4.3. The associated t-tests reveal if there is a significant difference in average sales of goods and services between the corresponding quarters of the pre-COVID-19 period and the COVID-19 period. The estimates are based on the available data for the months of January to June in 2019, 2020, and 2021 and from July to December in 2019 and 2020 only.

It is not surprising that sales revenue from goods and services across quarters in 2019 was persistently higher than that in the year 2020-2021 because the COVID-19 pandemic wreaked havoc on the HTS in 2020-2021, as much as in the other sectors of the economy. Though the drop in revenue between January and March of 2020-2021 was relatively low, there was a significant drop from April to the end of the year. The first and second waves of COVID-19 portray the same seasonal pattern in Bangladesh. While the first wave in 2020 spread over the months of April, May, June, and July, the second wave was observed from April to August in 2021, with the peak reaching both the infection and mortality rates during these months in both years. It was the time when mobility restriction was most stringent. Accordingly, the plummet in sales revenue coincided with these pandemic waves. For illustration, travel agencies and tour operators, and amusement parks report a drop of 98 per cent in sales revenue during the second quarter of the pandemic years compared to pre-pandemic time. Among all the enterprises, the least affected is the transport sub-sector, with a 63 per cent fall in revenue during this pandemic-induced trough compared to pre-pandemic time.

Most of the enterprises in sub-sectors started to show improvement in the sales revenue from the third quarter. However, this improvement has been slower for hotels and resorts and travel agencies and tour operators, with revenue generation hovering around 13-19 per cent of that reported in the corresponding pre-COVID-19 quarter. The rise in sales revenue also continues during the fourth quarter, although slower for the same set of sub-sectors reported above. In contrast, the recovery appears faster for some of the sub-sectors, with restaurants, tourism-SMEs, and transport sectors reporting 60 per cent, 67 per cent, and 87 per cent of

sales revenue, respectively, generated during pre-COVID-19. If the nature of the services provided by these latter groups of enterprises is considered inelastic or a necessity for living, the sharp recovery in revenue would not appear surprising. Further, the pattern observed in sales revenue across quarters is quite consistent with those found in Table 4.1– the average number of days operated. Further, the average sales revenues of higher-ranked hotels and resorts are also higher compared to low-range hotels and resorts.

Table 4.3: Average Sales of Goods and Services in Pre-Pandemic and Pandemic Time

(Tk. '000)

	Pre-COVID-19	During COVID-19	Diff. (Std. Error)
Hotel and Resort			
January – March	15887.10	11411.44	4475.66*** (1667.17)
April – June	14936.95	2375.97	12560.98*** (4009.48)
July – September	14776.89	2877.55	11899.34*** (4180.31)
October – December	15706.08	4439.49	11266.59*** (3959.62)
Restaurant (Food & Beverage)			
January – March	2930.52	2248.09	682.43*** (97.87)
April – June	2408.77	376.09	2032.68*** (181.00)
July – September	2713.51	1285.96	1427.55*** (161.23)
October – December	2967.73	1767.00	1200.73*** (154.65)
Travel Agent and Tour Operator			
January – March	14034.44	9717.24	4317.20*(2480.77)
April – June	15912.61	281.12	15631.49***(2057.39)
July – September	13844.65	1756.19	12088.47***(2130.11)
October – December	13149.35	3210.05	9939.30***(1875.31)
Tourism SME			
January – March	900.05	630.18	269.87*** (60.05)
April – June	623.78	114.19	509.59*** (62.85)
July – September	546.62	293.65	252.97*** (37.55)
October – December	715.95	477.24	238.71*** (41.34)
Transport			
January – March	65955.72	59659.17	6296.55* (3245.41)
April – June	66974.52	25109.29	41865.24*** (6956.31)
July – September	67249.10	55980.24	11268.86*** (3128.06)
October – December	67830.95	58590.24	9240.71*** (3092.58)
Amusement Park			
January – March	3239.91	2446.97	792.95** (258.00)
April – June	3007.52	56.22	2951.30** (1159.90)
July – September	2906.54	1190.29	1716.25** (528.98)
October – December	3267.81	1754.14	1513.66** (478.82)

Notes: 1. Standard errors are in parentheses. 2. Figures with one, two, and three asterisks imply significance at 10%, 5%, and 1% error probability levels, respectively.
Source: BIDS Survey, 2020-2021.

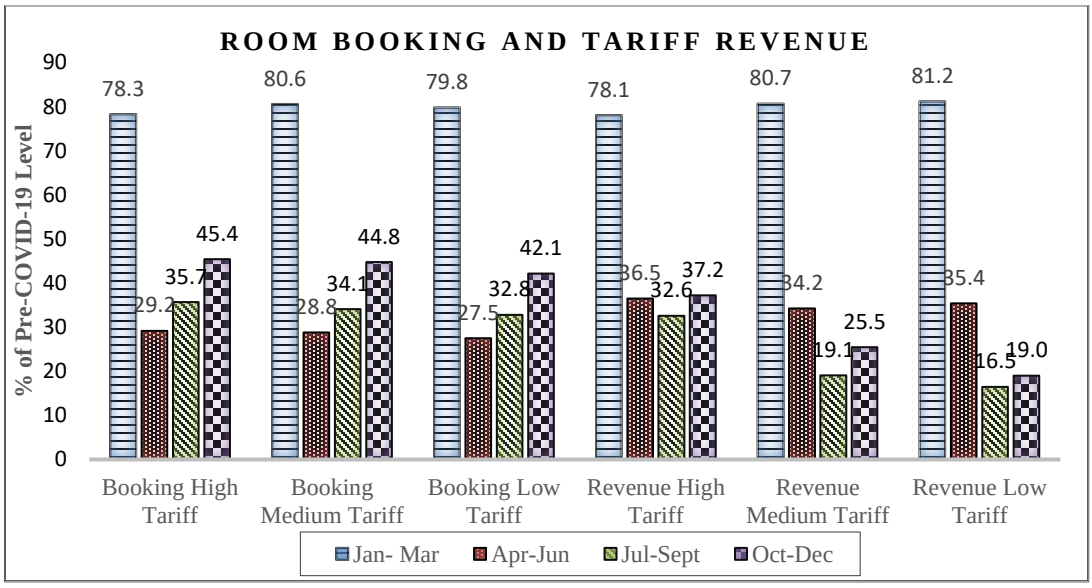
4.2.1 Reduced Room Booking and Drop in Room Tariffs for Hotels and Resorts

In addition to the analysis of sales revenue reported above for the hotels and resorts, the impact of the pandemic is also evident when the count of room-days booked is compared between the pandemic and pre-pandemic year (Figure 4.1 and Table 4.4). In general, when compared between quarters in the pre-COVID-19 vis-à-vis COVID-19 periods, the fall in both room-days booked and tariff revenue appears sharp and statistically significant for all the cases.

During the peak season of the year 2020-2021, the first quarter of the calendar year when the pandemic was either yet to hit the country or was well-controlled, the room-booking level was about 82-83 per cent of that reported in the pre-pandemic year, with the least variation

across room tariff range noted. Room booking exhibited a sharp decline of 71 per cent for rooms in the high-tariff range and 71-73 per cent for rooms in the medium or low-tariff range during the second quarter when the country was under strict lockdown. The scenario improved slightly by the third quarter when the lockdown was partially lifted with a fall in infection rate, with the room-booking rate for high-tariff range rooms reaching 36 per cent of pre-pandemic levels while that for medium-and-low-tariff range rooms reached 33-34 per cent

Figure 4.1: Room-Days Booked and Tariff Revenue during the Pandemic (% of pre-COVID-19 Level)



Source: BIDS Survey, 2021.

Table 4.4: Room-Days Booked and Tariff Revenue in pre-COVID-19 and COVID-19 Period

Quarter	Pre-COVID-19	During COVID-19	Diff. (St. Error)
(a) Room Days Booked			
(i) High Tariff Range			
January-March	316.10	247.53	68.57** (27.94)
April-June	286.32	83.72	202.59*** (22.75)
July-September	284.23	101.42	182.81*** (27.65)
October-December	319.03	144.87	174.16*** (28.88)
(ii) Medium Tariff Range			
January-March	681.22	548.99	132.23** (53.63)
April-June	623.77	179.75	444.02*** (41.73)
July-September	627.25	213.79	413.46*** (49.78)
October-December	701.28	314.03	387.25*** (56.00)
(iii) Low Tariff Range			
January-March	1023.93	817.07	206.86* (118.12)
April-June	961.09	264.08	697.01*** (95.49)
July-September	957.29	313.74	643.55*** (115.45)
October-December	1022.89	430.90	591.99*** (115.65)
(b) Tariff Revenue Generated			
(i) High Tariff Range			
January-March	1112.81	868.89	243.92 (156.13)

(Contd. Table 4.4)

Quarter	Pre-COVID-19	During COVID-19	Diff. (St. Error)
April-June	1025.42	374.61	650.81*** (137.91)
July-September	1005.04	327.32	677.72*** (146.67)
October-December	1108.92	412.96	695.96*** (153.53)
(ii) Medium Tariff Range			
January-March	3367.10	2716.22	650.88 (968.28)
April-June	3223.35	1103.50	2119.85*** (813.97)
July-September	3134.29	598.58	2535.71*** (900.68)
October-December	3308.80	843.23	2465.57*** (929.99)
(iii) Low Tariff Range			
January-March	4809.56	3906.27	903.29*** (2514.85)
April-June	4760.09	1686.03	3074.07*** (2114.67)
July-September	4710.95	775.46	3935.49*** (2451.87)
October-December	4761.08	903.46	3857.62*** (2434.62)

Notes: 1. Room-Days mean the number of effective days the hotel rooms were booked for. Suppose a hotel or resort has five rooms in the medium tariff range. For any specific month, if three of those rooms were booked for 15 days, one was booked for 20 days, and another was not booked at all, then the total room-days booked in the medium range for that hotel would be calculated as 65 (3x15 + 1x20 + 1X0) hotel-days. 2. pre-COVID-19 is the average of the months in 2019, while "during-COVID-19" consists of the average of months in 2020-2021. 3. Figures with one, two, and three asterisks imply significance at 10%, 5%, and 1% error probability levels, respectively.

Source: BIDS Survey, 2021.

The situation recovered to some extent by the last quarter when the pandemic situation improved, as 42 per cent (low tariff range) to 46 per cent (high tariff range) of the room-booking level recorded in the pre-pandemic level was reached by then. In contrast, the revenue scenario (proceeds from room tariffs) appears worse than the pre-pandemic level, showing a very slow recovery path. By the last quarter, when the pandemic situation was well under control, sales revenue from high tariff rooms reached only 37 per cent of that reported in the pre-COVID-19 time. The corresponding figures from low-tariff rooms were reported to be only 19 per cent. Although not reported in Table 4.5, the average sales revenues of higher-ranked hotels and resorts are also higher compared to low-range hotels and resorts. Overall, the hotels and resorts are on a slow recovery path in terms of room booking and tariff revenue but are still far from the level observed during the pre-pandemic period.

4.3 Average Costs of Production in Pandemic

All enterprises' operational and capital costs in 2019 and 2020-2021 are lumped together as total expenses, which are presented in Table 4.6. The quarterly estimates are constructed from the available data for the months of January to June in 2019, 2020, and 2021 and from July to December in 2019 and 2020 only. Similar to the cases above, these estimates are also presented in quarterly averages. The results are broadly consistent with the results found for the number of operational days and sales proceeds. Although many of the enterprises hardly made any sales revenues during the months of 2020 and 2021, several of them had to incur positive expenses due to overhead costs.

Given the normal economic condition, the average costs of production are higher in 2019 relative to the pandemic years. Across all the sub-sectors, the average costs of production

exhibit an inverted V-shaped pattern, falling sharply during the second quarter but starting to recover during the third and fourth quarters. The drops in average costs for enterprises working as travel agencies and tour operators were most drastic- a fall of 96 per cent compared to the corresponding quarter in the pre-pandemic year. Both the hotels and resorts and the restaurants register a drop in average costs of production by 60 per cent. The least affected sector appears to be the transport sector, with a drop of 33 per cent of average costs. It is not surprising as all the enterprises were almost closed due to the COVID-19 outbreak during these periods, or the enterprises might have tried to cut down expenses in whatever ways possible.

Table 4.5: Costs of Production and Services during pre-COVID-19 and COVID-19 Periods

	Pre-COVID-19	During COVID-19	Diff. (Std. Error)
Hotel and Resort			
January – March	10107.06	11214.22	-1107.16 (901.34)
April – June	10417.63	3733.00	6684.63*** (2129.37)
July – September	10691.00	5300.80	5390.20*** (2045.02)
October – December	10435.78	5333.23	5102.55*** (1877.33)
Restaurant (Food & Beverage)			
January – March	1893.61	1676.15	217.46*** (63.72)
April – June	1725.13	638.54	1086.59*** (78.71)
July – September	1872.72	1099.07	773.65*** (68.52)
October – December	1956.36	1342.31	614.05*** (68.06)
Travel Agent and Tour Operator			
January – March	9466.82	6569.88	2896.94***(703.34)
April – June	10532.12	401.02	10131.10***(1701.65)
July – September	9463.45	2355.98	7107.47***(1124.74)
October – December	9151.51	4148.99	5002.52***(815.77)
Tourism SME			
January – March	691.79	453.13	238.66*** (77.20)
April – June	448.82	126.21	322.62*** (52.53)
July – September	392.83	226.07	166.76*** (30.63)
October – December	501.96	329.55	172.41*** (37.84)
Transport			
January – March	35913.81	36104.37	-190.56 (1737.95)
April – June	35528.95	23862.81	11666.14*** (3365.93)
July – September	35555.72	32165.81	3389.91*** (933.76)
October – December	35641.43	36773.76	-1132.33 (3337.02)
Amusement Park			
January – March	2125.03	1642.17	482.86* (220.99)
April – June	2062.32	1059.89	1002.43* (455.86)
July – September	2072.46	1221.32	851.14** (283.69)
October – December	1929.46	1322.89	606.57** (221.87)

Notes: 1. Standard errors are in parentheses. 2. Figures with one, two, and three asterisks imply significance at 10%, 5%, and 1% error probability levels, respectively.
Source: BIDS Survey, 2021.

The comparison in average costs between corresponding quarters of pre-pandemic and pandemic years suggests that the enterprises resumed production of goods and services starting from the third quarter during the pandemic. The recovery process gained momentum during the fourth quarter for most of the sub-sectors when the transport agencies incurred costs at the pre-pandemic level. These differences do not merely appear as sampling anomalies, as the test of differences turns out to be statistically significant in all cases on a quarter-to-quarter basis.

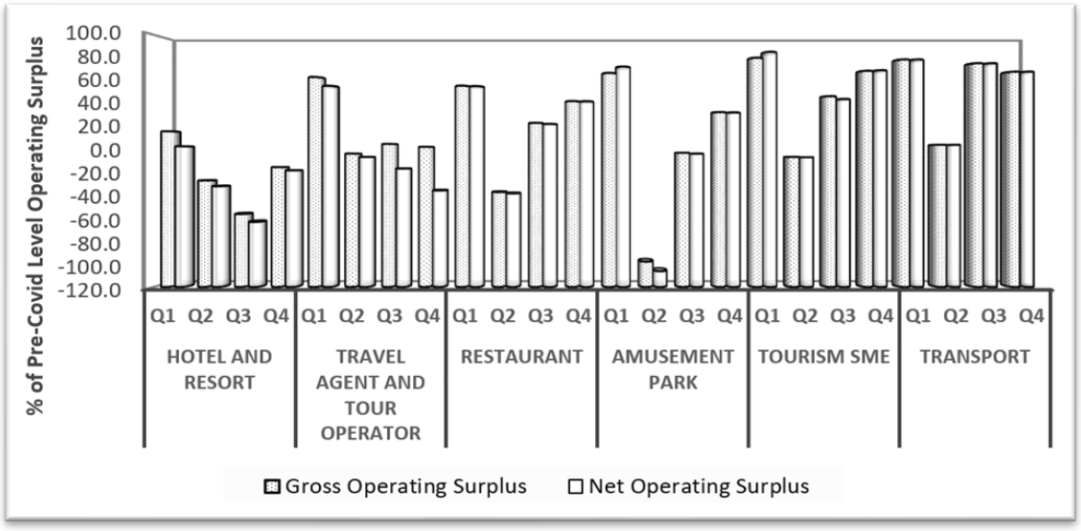
4.4 Gross and Net Operating Surplus during pre-COVID-19 and COVID-19 Period

The analyses presented above reveal that both the revenues and sales of the enterprises fell sharply during the COVID-19 pandemic. These estimates, however, do not uncover the

full impact on the HTS unless operating surplus or 'profit' is examined. The gross and net operating surpluses may remain positive when both sales revenue and average costs fall, but the fall in the average costs is higher than that of the average sales revenue. It is, therefore, important to delve into the twin falls further. To that end, the average gross and net operating surpluses are estimated for all the major sub-sectors of the HTS (Figure 4.2 and Table 4.6). For this purpose, the average gross and net operating surpluses are derived as the difference between the average sales revenue and the total average operating costs and total average costs, respectively.

As expected, the gross operating surplus is always higher than the net operating surplus. The results also reveal that the adverse impact of the COVID-19 pandemic was minimal during the first quarter of 2020, when both the gross and net operating surplus of all the sub-sectors were positive. However, the sub-sectors bore the brunt of the COVID-19 pandemic from the second quarter on, as reflected in the estimates of negative surpluses. Most of the sub-sectors, except hotels and resorts and travel agents and tour operators, started to gain positive surpluses from the third quarter. The upward trend continued till the fourth quarter of the pandemic year. Even in the fourth quarter of the pandemic, the negative net operating surpluses reported by hotels and resorts and travel agencies and tour operators suggest that these sub-sectors are hit hard within the HTS. One of the plausible reasons for the hotels and resorts to bear the brunt earlier could be the loss of international tourists as the COVID-19 pandemic hit many other countries before it made inroads in Bangladesh.

Figure 4.2: Change in Gross and Net Operating Surplus during the COVID-19 Pandemic



Notes: 1. Q1 denotes the first quarter (January-March), while Q4 denotes the last quarter (October-December) 2. Each bar represents the percentage of Gross (Net) Operating Surplus during a particular quarter of the pandemic year compared to the corresponding quarter in the pre-pandemic year.
Source: BIDS Survey, 2021.

Table 4.6: Gross & Net Operating Surplus during pre-COVID-19 and COVID-19 Period

	Pre-COVID-19	During COVID-19	Diff. (Std. Error)	Pre-COVID-19	During COVID-19	Diff. (Std. Error)
	Gross Operating surplus' (000 Taka)			Net Operating surplus' (000 Taka)		
Hotel and Resort						
Jan – Mar	5943	935	5007*** (1649.55)	5654	153	5501.45*** (1784.51)
Apr – Jun	4576	-1245	5821** (2281.83)	4398	-1414	5811.91** (2275.76)
Jul – Sept	4038	-2279	6316.4** (2821.77)	3955	-2505	6460.30** (2820.9)
Oct – Dec	5208	-807	6014.97** (2525.6)	5133	-941	6074.54** (2527.19)
Restaurant						
Jan – Mar	1068	593	475.08*** (73.64)	1037	572	464.97*** (74.23)
Apr – Jun	692	-258	949.14*** (117.36)	684	-262	946.09*** (117.57)
Jul – Sept	856	198	657.92*** (113.34)	841	187	653.90*** (113.46)
Oct – Dec	1018	429	588.97*** (98.32)	1011	425	586.68*** (98.4)
Travel Agent and Tour Operator						
Jan – Mar	7115	4490	2626 (1669)	4746	2631	2115 (1671)
Apr – Jun	7510	-279	7789*** (1597)	5153	-338	5491*** (1720)
Jul – Sept	7160	339	6822*** (1838)	4858	-813	5670*** (1874)
Oct – Dec	6448	144	6304*** (1365)	4188	-1503	5691*** (1383)
Tourism SME						
Jan – Mar	223	178	44.74 (62.13)	208	177	31.21 (61.60)
Apr – Jun	176	-12	187.15*** (22.57)	175	-12	186.97*** (22.58)
Jul – Sept	156	72	83.69*** (16.09)	154	68	86.21*** (16.60)
Oct – Dec	217	149	68.32*** (21.43)	214	148	66.30*** (21.56)
Transport						
Jan – Mar	30057	23570	6486.57* (3680.90)	30042	23555	6487.11* (3680.87)
Apr – Jun	31471	1261	30209.62*** (7227.9)	31446	1246	30199.10*** (7229.56)
Jul – Sept	31708	23829	7878.95** 3353.53)	31693	23814	7878.95** (3353.95)
Oct – Dec	32225	21832	10393.24** 4378.8)	32190	21816	10373.05** (4379.87)
Amusement Park						
Jan – Mar	1246	831	415.09** (153.97)	1115	805	310.09 (167.65)
Apr – Jun	1025	-1003	2027.37** (842.23)	945	-1004	1948.87** (784.27)
Jul – Sept	891	-27	917.39** (286.07)	834	-31	865.11** (271.82)
Oct – Dec	1345	437	908.38** (303.31)	1338	431	907.09** (303.7)

Notes: 1. Standard errors are in parentheses. 2. Figures with one, two, and three asterisks imply significance at 10%, 5%, and 1% error probability levels, respectively.
Source: BIDS Survey, 2021.

4.5 Labour Turnover during Pandemic

One usually expects an increased incidence of hiring when the sector experiences a boom than when the sector is in a slump. The incidence of hiring and retrenching/leaving jobs in the tourism sub-sectors during 2019 and 2020 is presented in Table 4.7. It may be noted that the average number of workers hired by the hotels and resorts in 2019 was significantly higher than that reported in the pandemic year (6.4 vis-à-vis 3.77). Within hotels and resorts, most of the workers were hired for food production and food services, followed by front office and housekeeping. In all the departments, the extent of hiring is lower. Such stagnancy in hiring could be due to the COVID-19 pandemic that rubbed the entire tourism industry.

In contrast, in neither 2019 nor in 2020, is hardly any hiring and retrenchment by travel agencies and tour operators, and tourism SMEs. The scenario is somewhat different in the case of restaurants, tourism SMEs, transport agencies, and amusement parks. On average, more than two workers/employees were hired by restaurants in 2019 and 2020; however, more than four workers were retrenched in 2020 vis-à-vis no retrenchment in 2019. Even though amusement parks came up with greater employment generation in 2019 compared to other sectors, the net employment generation in 2020 was negative, with almost no hiring of employees but some retrenchment during this period. There was hardly any recruitment or retrenchment by the transport sector in 2019, although the average number of workers hired and retrenched in 2020 is almost the same.

Table 4.7: Average Labour Turnover in Pandemic by Sub-sector

(number)

Trades/Total	Pre-COVID-19	During COVID-19	Diff. (Std. Error)
Hotel and Resort: Workers Hired			
Front Office	1.99	1.07	0.93*** (0.19)
Food & Beverage (Service)	2.58	1.49	1.09** (0.51)
Food & Beverage (Production)	2.39	1.45	0.95 (0.57)
Housekeeping	1.96	1.29	0.67** (0.26)
Maintenance	0.38	0.16	0.22** (0.09)
Total	6.40	3.77	2.64*** (0.8)
Hotel and Resort: Workers Retrenched/Left			
Front Office	0.35	1.62	-1.28*** (0.17)
Food & Beverage (Service)	0.94	4.14	-3.20*** (0.51)
Food & Beverage (Production)	0.75	3.19	-2.45*** (0.38)
Housekeeping	0.68	2.52	-1.84*** (0.23)
Maintenance	0.10	0.41	-0.31*** (0.07)
Total	1.84	7.68	-5.85*** (0.69)
Restaurant			
Workers Hired	2.55	2.43	0.12 (0.53)
Workers Retrenched/Left	0.52	4.67	-4.16*** (0.41)
Travel Agent and Tour Operator			
Workers Hired	0.45	0.14	0.30**(0.14)
Workers Retrenched/Left	0.05	0.76	-0.70***(0.21)
Tourism SME			
Workers Hired	0.45	0.43	0.02 (0.15)
Workers Retrenched/Left	0.83	0.31	0.52* (0.29)
Transport			
Workers Hired	0.10	2.43	-2.33*** (0.65)
Workers Retrenched/Left	0.05	2.81	-2.76*** (0.65)
Amusement Park			
Workers Hired	11.00	0.14	10.86 (10.86)
Workers Retrenched/Left	0.00	1.86	-1.86 (1.24)

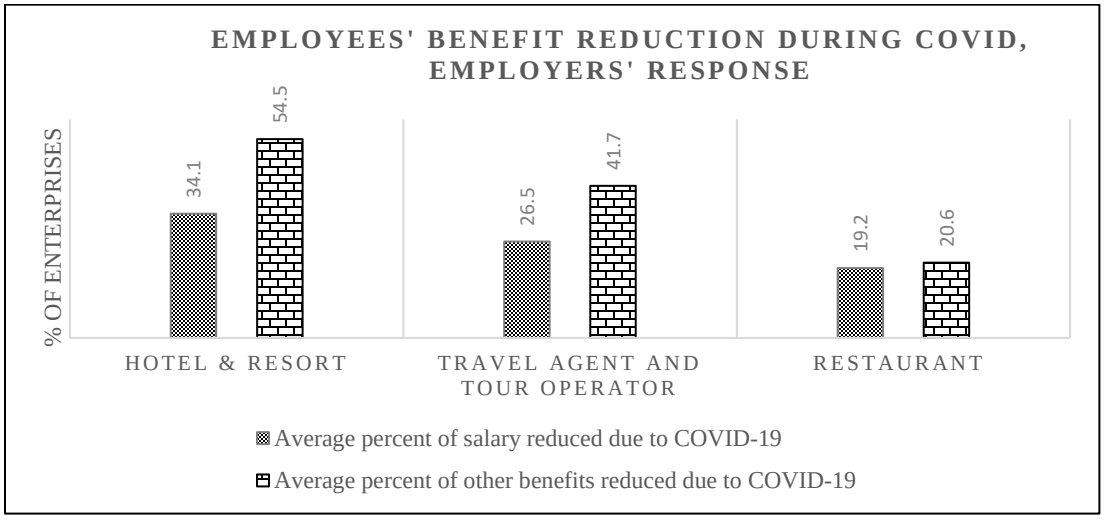
Notes: 1. Standard errors are in parentheses. 2. Figures with one, two, and three asterisks imply significance at 10%, 5%, and 1% error probability levels, respectively.
Source: BIDS Survey, 2020-2021.

Not unexpectedly, the opposite situation may be observed in the case of retrenching employees or employees leaving jobs voluntarily or involuntarily during COVID-19 years vis-à-vis pre-COVID-19 years (Table 4.8). The first type of outcome is in line with the destiny of the bare-foot hedge fund managers as exemplified by Banerjee and Duflo (2011): when the enterprises cut back costs, the brunt of the heat is felt by the casual workers as they can be easily retrenched despite that a small fraction of the workers leaves their jobs voluntarily for numerous other reasons. While hotels and resorts retrenched about two workers in 2019, the process precipitated when as many as eight workers were retrenched in the pandemic year. Even smaller enterprises, such as travel agencies and tour operators, retrenched at least 0.8 workers during the pandemic. Workers' retrenchment is notably higher among restaurants (4.67 workers), transport (2.81), and amusement parks (1.86). Comparing average hiring and retrenchment, one can conclude that per enterprise employment in hotels and resorts increased by about five workers in 2019 but declined by about four workers during the pandemic. In the case of restaurants, employment per enterprise increased by about two workers in 2019 but decreased by two workers in 2020-2021. On the other hand, this difference in employment in these two years is even larger in amusement parks; the net level of employment in 2019 was 11 workers per enterprise, whereas the number of workers decreased by two persons in 2020-2021. In brief, net employment dropped during the pandemic consistently in all the sub-sectors.

4.6 Workers' Benefits during the COVID-19 Pandemic

Enterprises are supposed to provide various types of benefits to their employees. Some of these benefits are mandated by the concerned rules and regulations of the government. Others are provided as incentives to retain the employees in the enterprises. Some major benefits include bonuses, gratuity, provident funds, life insurance, health insurance, loan facilities, etc. Enterprises are required to provide mandatory benefits per existing rules and regulations. On the other hand, the optional benefits are crucially dependent on the business cycles of the sector and the employer's attitudes in the concerned enterprises.

Figure 4.3: Reduction of Benefits during the COVID-19 Pandemic



Note: Sub-sectors for which the enterprises responded well to the questions related to both salary and benefit reduction are included here.
Source: BIDS Survey, 2020-2021.

During any shock, salary and benefit reduction is a widely adopted strategy by enterprises. As Figure 4.3 presents, adopting such practices during the pandemic by enterprises in the HTS also appears common. As reported by enterprises, the average salary reduction is quite substantive among hotels and resorts (34 per cent) and travel agents and tour operators (26.5 per cent). In comparison, benefits were reduced by about 42-55 per cent for employees in the sub-sectors mentioned above. The average employee working in restaurants drew 80 per cent of salaries and benefits relative to normal time.

Table 4.8: Benefits Provided to the Employees

(per cent)

Benefits	Pre-COVID-19	During COVID-19	Diff. (Std. Error)
Hotel and Resort			
Bonus	82.40	54.20	28.20*** (4.40)
Gratuity	3.00	3.00	0.10 (1.70)
Provident Fund	4.00	4.00	0.10 (2.00)
Life Insurance	1.50	1.50	0.00 (1.20)
Health Insurance	5.10	8.00	-3.00 (2.50)
Loan Facilities	36.70	32.90	3.90 (4.80)
Others	19.60	16.90	2.70 (3.90)
Travel Agent and Tour Operator			
Bonus	86.30	30.80	55.50***(4.80)
Gratuity	0.70	0.70	0.00(0.90)
Provident Fund	0.70	0.70	0.00(0.90)
Life Insurance	1.40	1.40	0.00(1.40)
Health Insurance	2.80	2.80	0.00(1.90)
Loan Facilities	19.20	13.80	5.40(4.40)

Notes: 1. Standard errors are in parentheses. 2. Figures with one, two, and three asterisks imply significance at 10%, 5%, and 1% error probability levels, respectively.
Source: BIDS Survey, 2021.

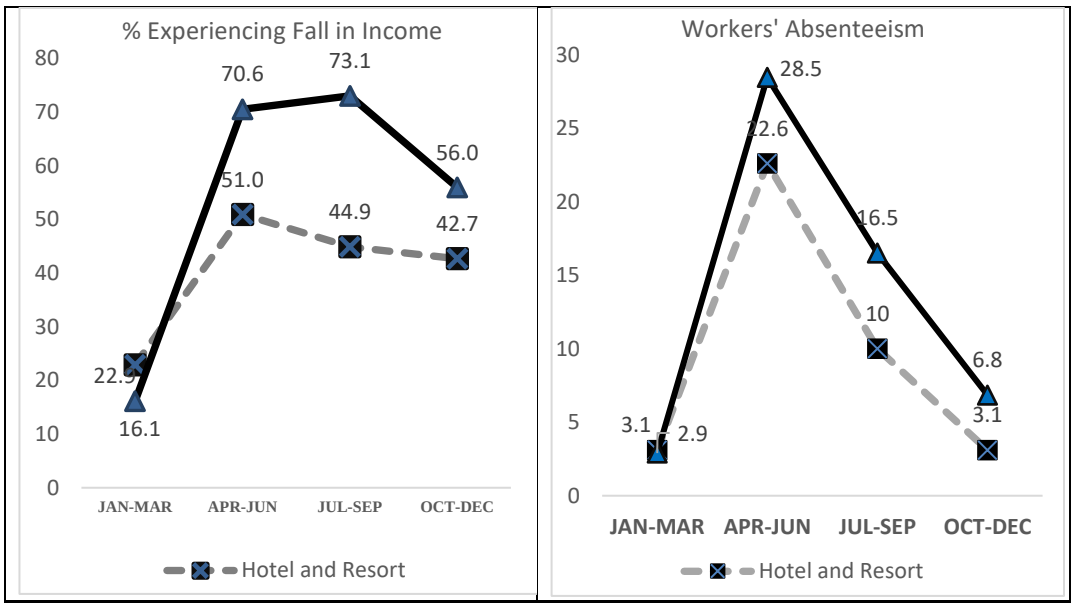
Benefits provided to employees by sub-sectors are presented in Table 4.8. There are variations in provisions of benefits provided to employees between the pre-COVID-19 period in 2019 and the pandemic periods of 2020 and 2021. Therefore, a statistical test was conducted to check if any significant differences exist in the provision of benefits between the pre-pandemic and the pandemic period. The evidence from the statistical test suggests that there is a significant drop in providing bonuses between the periods. It appears that although 82 per cent of hotels and resorts and 86 per cent of travel agents and tour operators provided bonuses in 2019, only 54 per cent of hotels and resorts and 31 per cent of travel agents and tour operators provided bonuses to their employees during 2020-2021. Despite the fact that the other types of benefits and facilities exhibit a drop during the pandemic, those falls are not statistically significant compared to the pre-pandemic period. Loan facilities are another type of benefit that the enterprises provide to their employees: 33 per cent of hotels and resorts and 14 per cent of the enterprises among travel agents and tour operators provided loan facilities to their employees during the pandemic. In contrast, the incidence of the provision of provident funds, health, and life insurance appears consistently low across the sub-sectors; the lowest is reported by the tour operators, with 2.8 per cent of them providing health insurance coverage to their employees during the pandemic period. The incidence of health insurance provision among enterprises in hotels and resorts exhibits a slightly upward trend during the pandemic (5 per cent in pre-COVID-19 vs 8 per cent during COVID-19).

CHAPTER 5

WELL-BEING OF EMPLOYEES DURING THE COVID-19 PANDEMIC

Workers in the HTS are highly vulnerable as different sub-sectors within it were hit hard by the pandemic. Accordingly, an attempt was made to understand the economic well-being of workers employed in hotels and resorts and tour agencies that were included in the enterprise survey. For analytical convenience, employees working in travel agencies and tour operators for salaries vis-à-vis freelancing are considered a consolidated group. The following analysis sheds light on workers' absenteeism, income changes, unemployment type, and coping mechanisms during the crisis period. Workers' absenteeism is measured by the counts of days the workers self-reported being absent from work during a quarter. In contrast to the analyses in the previous sections, the analysis in this section is based on employees' responses, which allows one to dig deep into the employees' issues with a wider perspective. Figure 5.1 shows how the employees' earned income and absenteeism changed throughout the pandemic period.

Figure 5.1: **Workers' Absenteeism and Reduction in Income**



Source: BIDS Survey, 2021.

Both indicators exhibit an inverted V-shaped pattern over the quarters of the year. Even before the onset of the pandemic in the country at the end of March 2020, 23 per cent of employees in hotels and resorts and 16 per cent in travel agents and tour operators reported a fall in income. The per cent of employees reporting falling income rose by 55 percentage

points among the travel agencies and tour operators and 28 percentage points among the hotels and resorts during the second quarter of the year when the strict lockdown was administered. The situation remains almost the same during the third quarter except for those working in the hotels and resorts, with 45 per cent reporting falling income. However, the earnings scenario improved during the last quarter when a lesser number of workers from both of the sub-sectors reported a shrink in income (43-56 per cent).

The pattern is similar in the case of workers' absenteeism. While 'average numbers of days absent' were reported as 2-3 days during the first quarter, the counts rose by 629-881 per cent (23-29 days) during the second quarter, right after the onset of the pandemic in the country. The counts of days absent exhibit an improvement by the third and fourth quarters for workers in both sub-sectors; this improvement (fall in absenteeism) is more pronounced for workers in the hotels and resorts. The main reasons for remaining absent from work could be unemployment, sickness, restriction, mobility, or a combination of some of these factors. A spectrum of factors mentioned by the employees attributed to their absenteeism is reported in Table 5.1.

During the second quarter, when the lockdown was most strict and administered successfully, a large proportion of employees reported the closure of the enterprise they work for (69 per cent for hotels & resorts and 57 per cent for travel agents and tour operators). The situation improved in the last quarter for the employees working in hotels and resorts but not for those working as tour operators and travel agents. The other major factors that deter workers from joining work include avoidance of the workplace for fear of infection and area-based lockdowns. Absenteeism from the workplace due to sickness or being infected by COVID-19 is reported by 2-3 per cent of workers in hotels and resorts.

Table 5.1: Reasons Cited for Absenteeism during the COVID-19 Pandemic

(in per cent)

Reasons for Absence from Work	Apr-Jun	Jul-Sep	Oct-Dec
Hotel and Resort			
Workplace/enterprise was not in operations	68.47	55.76	18.14
Not called by the employer after the enterprise resumed operations	0.72	1.58	1.49
Did not go to work considering the risk of infection	4.47	4.88	1.57
Self/one or more family members were sick	0.56	1.69	2.90
Self/family members were COVID-19 infected	0.61	0.38	-
Unavailability of transport due to COVID-19	0.42	-	-
Could not go due to government restrictions owing to COVID-19	7.27	7.45	-
Other	15.74	26.31	29.38
Travel Agent and Tour Operator			
Workplace/enterprise was not in operations	56.67	60.30	70.81
Could not go due to government restrictions owing to COVID-19	42.27	30.05	9.34
Other	-	3.27	6.70

Note: Only responses received from the respondents are recorded.
Source: BIDS Survey 2020-2021.

The magnitude of the fall in income of the employees is reported in Table 5.2. The fall in income is examined in two ways: through a comparison of reported income across quarters and a self-reported counterfactual income if COVID-19 were absent. The latter assumes that employees have the richest set of information to assess their earnings if there is no pandemic shock. The trend of income across quarters of the calendar year supports that the magnitude of the fall in income followed a consistent decreasing pattern. In terms of magnitude, during the second quarter, when the lockdown was administered most strictly, the income of an average employee fell by roughly 50 per cent compared to either their first-quarter income or counterfactual income. Compared to their counterfactual income, employees in all sub-sectors report a fall in income by 38-39 per cent during the third quarter and 27-33 per cent during the last quarter. The reported income appears to recover when the pandemic situation improves.

Table 5.2: Reported Fall in Income of the Employees during COVID-19

(in Tk.)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Hotel and Resort				
Average take-home income	15917.90	8076.80	11173.00	11474.60
Income in the absence of the COVID-19 pandemic	-	17039.60	17923.40	16220.50
Travel Agent and Tour Operator				
Average take-home income	19525.80	10709.70	12574.30	14662.20
Income in the absence of the COVID-19 pandemic	-	20186.90	20136.20	18622.94

Note: Since the onset of COVID-19 in Bangladesh took place after March 2020, no counterfactual income for the January-March period has been reported.
Source: BIDS Survey, 2021.

The employees reported different factors contributing to the fall in their income/earnings (Table 5.3). It may be noted that income/earnings can decline in various ways: through unemployment directly, reduced work hours or reduced wages, or a combination of both. In the case of hotels and resorts, 35 per cent of the employees became unemployed during the second quarter, which gradually declined across quarters and reached 9.5 per cent by the last quarter. However, the situation was diametrically opposite among employees in travel agencies and tour operators, for whom the unemployment rate was reported to remain the same or exhibited an increase across quarters.

Table 5.3: Reasons Cited for Reduction of Earnings by the Employees

(in per cent)

Indicators of fall in income	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Hotel and Resort				
Was unemployed	22.95	34.94	20.95	9.48
Daily work hours or workdays per week were cut	1.09	1.60	1.57	1.46
Work hours were unchanged, but wage/salary was cut	16.39	11.19	20.20	32.05
Both work hours and the salary were reduced	5.46	4.11	6.39	11.74
Earnings from tips/gifts from tourists/guests fell	15.85	10.07	12.14	15.14
No option to work overtime	8.74	6.37	8.48	11.22
No allowances/bonuses like pre-COVID-19 time	21.31	24.87	20.74	17.47
Other	5.46	5.48	8.19	8.21
Travel Agent and Tour Operator				
Was unemployed	43.48	47.02	38.39	44.75
Daily work hours or workdays were cut	4.35	-	-	-
Work hours were unchanged, but wage/salary was cut	4.35	1.44	10.49	11.35
Both work hours and the salary were reduced	4.35	2.69	2.67	5.46
Earnings from tips/gifts from tourists/guests fell	8.70	2.91	2.00	1.86
No option to work overtime	-	0.62	0.67	1.20
No allowances/bonuses like pre-COVID-19 time	26.09	43.44	41.27	34.16

Source: BIDS Survey, 2021.

A sizeable number of workers from all sub-sectors report a fall in wages with unchanged work hours. However, another significant group of workers from hotels and resorts and travel agents and tour operators reported both a fall in wages and reduced work hours. The fall in income is also attributed to reduced tips/gifts, bonuses, and overtime allowances. The earnings from bonuses or overtime did not improve much, even during the last quarter of the calendar year when approximately one-third of the workers involved in travel agencies and tour operators reported a shrink in income from bonuses or overtime options.

CHAPTER 6

COPING AND ADAPTATION STRATEGIES BY EMPLOYERS AND EMPLOYEES

Enterprises and workers usually adopt various strategies and mechanisms to cope with and adapt to major shocks. Given that the HTS is one of the sectors to be the worst hit by the COVID-19 pandemic, as reflected in the performance indicators analysed above, including limited operations for a considerable period, plummeting sales revenue, and negative operating surpluses for consecutive quarters. Insofar as it is also one sector that is largely excluded from the government COVID-19 assistance programme as provided to enterprises in the manufacturing and service sectors, it is important to learn how the enterprises and their employees coped with the depressed business situation.

6.1 Coping Strategies by the Enterprises

As presented in Table 6.1, enterprises in the HTS adopted various measures as survival or countervailing strategies to cope with the pandemic-induced recession. Although shutting down the business is expected to be the prime strategy during the pandemic, this has not been the case for the enterprises in the HTS in the country. Even at the height of pandemic waves during the second and third quarters of the year when the strict lockdown was administered, a mixed set of strategies have been employed by the enterprises across sub-sectors: the major coping mechanisms adopted by the enterprises were temporarily shutting down the business (approximately 61 per cent of the travel agencies and tour operators, 40 per cent of amusement parks, 24 per cent of tourism SMEs, 21 per cent of hotels and resorts, and 20 per cent of restaurants), reduced salary payments (37 per cent of restaurants, 28 per cent of transport agencies, 23 per cent of travel agents and tour operators, and 23% of the hotels and resorts) as well as reduction of other benefits to employees (27 per cent of restaurants, 21 per cent of transport agencies, and 15 per cent of hotels and resorts), and laying off employees (14 per cent of tourism SMEs and hotels and resorts). Reducing non-labour maintenance costs is another key mechanism through which a considerable proportion of hotels and resorts, tourism SMEs, transport agencies, and amusement parks coped with the adversity.

The situation changed with the easing of stringency of lockdown due to a fall in infection rate that started from the middle of the third quarter onward. The proportion of enterprises that went for complete shutdown exhibits a downward trend (67 per cent of travel agencies and tour operators shut down their business in July-September vis-à-vis 44 per cent in October-December). In contrast, reduced salary payments have been a persistent major strategy adopted by enterprises over time. For illustration, 23 per cent of the travel agencies and tour operators during the July-September period and another 31 per cent during the October-December period reduced salary payments to their employees. The corresponding figures for restaurants, hotels and resorts, and transport agencies are 40 per cent, 21 per cent, and 29 per cent,

respectively, during the later period when enforcement of the lockdown was lackadaisical. Reduction of other non-salary benefits as a strategy to adapt to the recession is mainly adopted by restaurants, transport agencies, and hotels and resorts, in the range of 17-32 per cent throughout the year. Notably, laying off employees also appears to be adopted primarily by tourism SMEs, restaurants, and hotels and resorts, in the range of 10-20 per cent with an upward trend over the season. Finally, borrowing from financial institutions is reported by tourism-SMEs and transport agencies in the range of 9-19 per cent, which is persistent across seasons during the pandemic year.

Table 6.1: Coping Strategies to Plummeting Revenue due to COVID-19 Pandemic

	Strategies	Apr-June	Jul-Sep	Oct-Dec
Hotel and Resort	Shut down the enterprise	20.60	18.20	10.80
	Reduced salary payments for employees	23.20	21.90	21.20
	Reduced other benefits for employees	14.80	15.60	17.40
	Laid off employees	13.70	14.40	17.50
	Reduced work hours for employees	3.60	2.10	9.70
	Reduced non-labour maintenance costs	14.70	13.70	20.10
	Others	9.60	11.30	8.80
Restaurant	Shut down the enterprise	19.20	10.10	5.20
	Reduced salary payments for employees	36.70	41.50	40.40
	Reduced other benefits for employees	26.90	31.50	31.60
	Laid off employees	6.10	7.60	11.50
	Reduced work hours for employees	2.30	1.20	1.50
	Reduced other benefits for employees	4.80	4.70	6.40
	Selling assets of the enterprise	0.50	0.40	0.70
Travel Agent and Tour Operator	Shut down the enterprise	67.30	61.20	43.90
	Reduced salary payments for employees	22.60	23.30	31.00
	Reduced other benefits for employees	2.60	4.90	6.90
	Laid off employees	2.60	4.30	4.90
	Reduced non-labour maintenance costs	2.60	3.80	8.00
	Loan from relatives	0.50	0.60	2.70
	Others	1.50	2.20	4.40
Tourism SME	Shut down the enterprise	23.50	23.20	11.60
	Reduced salary payments for employees	12.10	11.90	5.50
	Reduced other benefits for employees	12.00	14.50	0.00
	Laid off employees	13.90	9.20	20.30
	Reduced work hours for employees	2.60	4.50	1.80
	Reduced non-labour maintenance costs	8.40	7.00	11.10
	Assistance from NGO	17.40	0.00	17.30
	Loan from financial institutions	15.60	0.00	19.20
	Loan from relatives	11.80	0.00	13.50
	Others	1.60	0.00	1.90
Transport	Shut down the enterprise	6.80	6.10	6.30
	Reduced salary payments for employees	28.00	24.50	29.20
	Reduced other benefits for employees	20.50	21.40	19.80
	Laid off employees	3.20	3.10	3.10
	Reduced non-labour maintenance costs	18.40	18.40	18.80
	Assistance from NGO	3.90	4.60	3.10
	Loan from financial institutions	9.20	9.20	9.40
	Loan from relatives	3.10	3.10	3.10
	Others	10.20	11.20	9.40
Amusement Park	Shut down the enterprise	39.80	37.10	31.60
	Reduced salary payments for employees	13.70	14.40	13.70
	Laid off employees	9.40	9.10	0.00
	Reduced work hours for employees	12.40	11.40	13.70
	Reduced non-labour maintenance costs	12.30	10.80	13.70
	Selling assets of the enterprise	12.90	0.00	14.30

Notes: Data for the second quarter is averages across 2020 and 2021, and those for the last two quarters are taken from 2020.
Source: BIDS Survey 2020-2021.

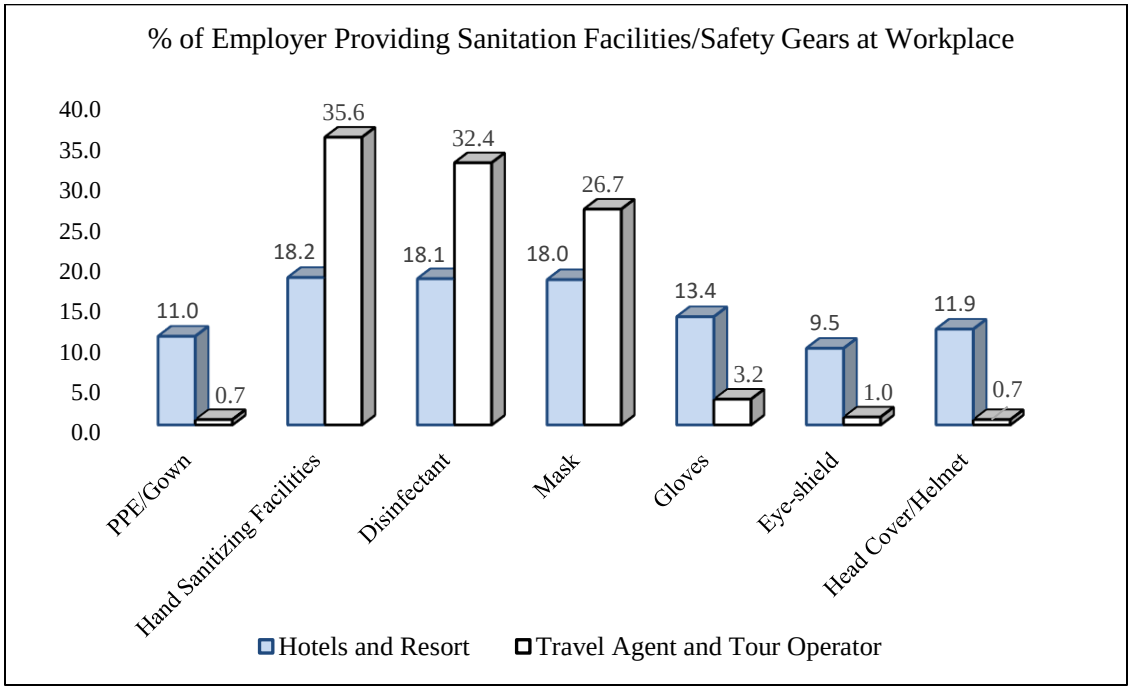
Thus, it appears that all the enterprises except those working as tour operators or/and travel agencies adopted a wide spectrum of strategies instead of a complete shutdown or an extensive retrenchment of employees to cope with the pandemic-induced adverse business situation. It could be credited to the inherent structure of service demand and the unobservable hiring costs involved in these sets of sub-sectors.

6.2 Health and Safety Measures Adopted by the Enterprises

Hygiene and sanitation is very important in the HTS due to the preponderance of close contact while providing services. Proper hygiene and sanitation ensure both tourists' and employees' health safety from cross-contamination of germs and pathogens. The importance of personal hygiene is heightened during the pandemic situation. The previous discussion reveals that despite the high risks involved, many of the enterprises continued their businesses even at the height of the pandemic. The hygiene and precautionary practices in the workplace of the enterprises to avoid COVID-19 infection were analysed through interviews with the employees. The health safety of the employees is always critical for the smooth functioning of an enterprise. Considering the heightened health concerns due to the continual ravaging of the pandemic, the importance of protection gears and safety measures for healthy employees was intensified.

It appears that a set of precautionary and safety practices was adopted by employers in the hotels and resorts to avoid the infection and spread of the virus (Figure 6.1). Due to the distinct nature and characteristics of job responsibilities across occupations, the adoption of precautionary measures exhibits variations across the sub-sectors. For example, wearing a cap/headcover or PPE/gown may be more important for workers working in hotels and resorts compared to those working in travel agencies. Sanitising hands with sanitiser or soap– a strong recommendation by epidemiologists and health experts to avoid infection - is only adequately practiced by a few of the employees in the hotels and resorts (18 per cent) and travel agencies and tour operators (36 per cent).

Figure 6.1: Workplace-Precautionary Measures during the COVID-19 Pandemic



Source: BIDS Survey, 2021.

Although approximately all enterprises recommend workers put on facemasks at work, 18 per cent and 26.7 per cent of the employees working respectively in hotels and resorts, and travel agencies and/or tour operators reported it to be adequately provided in their workplace. Wearing PPE/gown was mostly practised by employees in hotels and resorts (11 per cent) and almost none in the travel agencies and tour operators. Usage of disinfectants to clean surfaces to avoid infection was used by only approximately 18 per cent of employees in hotels and resorts, and 32 per cent of the employees in travel agencies and tour operators. Overall, these findings suggest that the adoption of the practices inside the workplaces is weak and inadequate, even at the extensive margin.

Table 6.2: Adequacy of Hygiene Practices at Workplace during the COVID-19 Pandemic

Workplace Protocols	No Arrangement, everything is as before	Adequate facilities available but not strictly followed	Adequate facilities available and strictly followed
Hotel and Resort			
Putting on masks at the workplace	1.40	93.60	5.00
Using PPE/Gown	35.90	46.00	18.00
Using hand gloves	39.70	39.80	20.50
Using eye shield	20.50	62.50	17.00
Using helmets/head cover	28.90	54.40	16.50
Frequent hand washing or hand sanitising	1.90	88.20	10.00
Maintaining a safe distance between persons while in dining or workstations	20.50	55.70	23.80
Maintaining a safe distance between workstations	11.40	64.20	24.40
Travel Agent and Tour Operator			
Putting on masks at the workplace	0.80	86.50	12.80
Using PPE/gown	76.70	1.50	21.80
Using hand gloves	78.20	0.80	21.10
Using eye shield	72.20	3.80	24.10
Using helmets/head cover	74.40	3.00	22.60
Frequent hand washing or hand sanitising	1.50	76.70	21.80
Maintaining a safe distance between persons while in dining or workstations	48.10	11.30	40.60
Maintaining a safe distance between workstations	42.90	15.00	42.10

Source: BIDS Survey, 2021.

Although enterprises adopt several precautionary measures for employees' safety at an extensive margin, the adequacies of the protection measures are still important to learn. The extent of the adoption of practices at the intensive margin is reported in Table 6.2. The lack of adequacy of safety measures informs employees' risk exposure and susceptibility to infection in a particular enterprise. Among the workers in hotels and resorts, approximately one-fifth to one-third of the employees reported inadequate provision of safety gear, sanitation practices, and social distancing at the workplace. Only 10 per cent of employees reported that adequate measures on handwashing at the workplace were strictly followed. Among the workers in travel agencies and tour operators, around 50-75 per cent of employees mentioned a complete lack of protective gears, sanitation practices, and safe social distancing at the workplace. The attitude of employers towards adopting strict precautionary measures in those entities appeared reluctant as if the pandemic was absent. Overall, the adequacy of protective measures for workers in the workplace of the tourism industry appears unsatisfactory, with scope for significant improvement.

6.3 Employees' Coping Strategies during the COVID-19 Pandemic

Given the considerable fall in income of the employees, a corollary question that arises is: how did the employees cope with the situation? There is wide variation in the set of coping strategies adopted by the employees in various sub-sectors, as presented in Table 6.3. The majority of the employees adopted dissaving, borrowing from family or friends, and reduced

household expenditure as coping strategies to mitigate the adversities arising from income shock during the pandemic. This pattern is consistent across the quarters and subsectors. The support from the government or NGOs was insignificant, neither in the form of cash assistance nor food. Overall, the debt burden of an average employee in the tourism sector rose during the pandemic.

Table 6.3: Coping Strategy Adopted by Employees during the COVID-19 Pandemic

(in per cent)

Coping Strategies	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Hotel and Resort				
Received cash assistance from the government	-	2.01	0.76	2.07
Received cash assistance from NGOs	-	0.97	0.44	0.52
Received food distribution from the government	-	1.74	4.71	6.53
Received rations from the company/employer	-	1.03	1.15	0.24
Borrowed from friends or family	26.92	17.84	20.19	16.00
Borrowed from microfinance institutions	0.48	0.67	0.71	1.12
Borrowed from non-institutional sources	-	0.82	2.03	1.99
Sold assets/valuables	1.92	1.00	1.08	2.50
Dissaving	14.42	24.19	18.65	18.43
Reduced household expenditure	51.92	44.92	44.44	45.82
Other	3.37	5.65	5.82	4.87
Travel Agent and Tour Operator				
Received cash assistance from NGOs	-	-	0.53	-
Received food assistance from the government	-	0.79	2.11	-
Received rations from the company/employer	-	2.37	0.55	-
Borrowed from friends or family	4.17	9.59	8.13	5.20
Borrowed from microfinance institutions	-	1.26	1.17	-
Borrowed from non-institutional sources	-	1.08	2.65	1.73
Sold assets/valuables	-	0.73	1.80	4.90
Dissaving	25.0	41.47	36.84	39.55
Reduced household expenditure	54.17	35.03	38.40	44.34
Other	8.33	7.64	8.13	2.26

Source: BIDS Survey, 2021.

CHAPTER 7

SUSTAINABILITY OF THE HTS AMIDST THE COVID-19 PANDEMIC AND BEYOND

7.1 Estimates of Loss of Gross Value Added and Jobs in the HTS

The foregoing analyses covered the micro and meso impacts of the COVID-19 pandemic both on the enterprises and average workers in the sub-sectors. While these analyses are useful in their own right, they do not paint a comprehensive picture of the HTS as a whole. Hence, these analyses warrant a macro analysis of the adverse impacts on the economy both in terms of the loss in output and employment. These estimates, however modest the estimates are, would nevertheless shed light on the phases the sub-sectors underwent and the types of intervention that would be required to address the malaises of these sub-sectors through overhauling both internally and in the policy space. Table 7.1 presents the approximate loss in gross value added by the sub-sectors and the number of workers who lost their jobs due to the COVID-19 pandemic.

Table 7.1: Approximate Loss in Gross Value Added and Employment in the HTS

Gross Value Added and Employment	Hotel & Resort [1]	Restaurant [2]	Travel Agent and Tour Operator [3]	Transport Agency [4]	Total
Gross Value Added at Current Prices (Tk. Billion)					
2019-20	252.31	272.61	31.84	855.92	1412.68
2020-21 (Normal)	259.90	294.50	37.26	958.98	1550.64
2020-21 (COVID-19)	86.86	142.79	7.86	713.26	950.77
COVID-19 loss	173.04	151.71	29.40	245.72	599.87
Number of Employees (in Thousand)					
2019-20	51.63	2283.53	22.65	785.98	3143.79
2020-21 (Normal)	53.18	2495.19	23.27	785.98	3357.62
2020-21 (COVID-19)	44.76	2417.61	21.42	732.62	3216.41
COVID-19 loss	8.42	77.58	1.85	53.35	141.20

Sources: 1. Estimates based on BBS (2007; 2015; 2021) and Table 3.4, Table 4.3, and Table 4.7; .2. Estimates based on BBS (2020) and Table 3.4, Table 4.3, and Table 4.7; 3. Estimates based on BBS (2019) and Table 3.4, Table 4.3, and Table 4.7; and 4. Estimates based on BBS (2007; 2015; 2021) and Table 3.4, Table 4.3, and Table 4.7.

Three caveats need to be kept in mind while interpreting the results. *First*, the study covered only the major sub-sectors for which relevant macro data are available. Macro estimates for two sub-sectors, the tourism SMEs and amusement parks, could not be aggregated due to the lack of relevant macroeconomic data. Besides, many other smaller sub-sectors were not even included due to time and resource constraints. Hence, these estimates constitute lower bounds of the estimated loss in both the gross value added and the number of jobs. *Second*, given the quick recovery of the HTS along with the other sectors, a part of the loss both in the gross value added and the number of jobs might have recovered, which could

not be estimated given the scope of the study. *Third*, the estimates of the transport agency are based on a small sample, which may mask errors in the estimates of the sub-sectors and transcend into the total estimates.

Be that as it may, it is evident from the estimates that about Tk. 600 million was lost in gross value added in the HTS due to the COVID-19 pandemic. While the HTS would have contributed to about Tk. 1.5 trillion in terms of gross value added in the absence of the pandemic, the contribution was reduced to around Tk. 950 billion. The transport sub-sector appears to have borne the brunt of the heat as it endures more than 40 per cent of the loss. The hotels & resorts and restaurants accounted for 29 per cent and 25 per cent of the loss in gross value added, respectively. The scenario does not change much when one looks at the job loss in the HTS: as many as more than 140 thousand workers lost their jobs during the COVID-19 pandemic. The restaurants and transport agencies accounted for more than 90 per cent of the job loss as mobility restrictions curtailed the business of the transport agencies, and health risks of close contact took their toll on the business of the restaurants.

The foregoing analysis documents what has happened with the business situations of the enterprises under consideration and the consequent well-being implications for the employees that work in these sub-sectors. It is equally important to assess how the HTS that the COVID-19 pandemic has ravaged can be made sustainable with or without any external assistance from the government or the respective associations. As discussed before, the enterprises adopted different strategies and newly developed business practices against the losses and damages incurred during the COVID-19 pandemic. These coping mechanisms include a set of strategies and practices that do not facilitate the overall development of the HTS. Some of the outcomes of the coping strategies include increased dependence on borrowing, sales of assets, and depletion of savings to remain viable during the pandemic. Some of the enterprises for which data could not be collected had to either shut down or invest in new businesses that could withstand the ravages of the COVID-19 pandemic. Apart from these negative coping mechanisms, enterprises also undertook several prudent measures embracing the "new normal" through maintaining hygiene protocols at the workplace, initiating online service, improving service quality, etc. Despite these efforts, it is also evident that the sub-sectors could do little to revamp the business and hence make a dent in the impaired well-being of their employees in the forms of reduced income and employment. It may also be recalled that sustaining and enhancing the contribution of the HTS underlie the government's commitment to the SDGs, as mentioned before. This predicament calls for some kind of affirmative action from the government. To facilitate informed policymaking, the entrepreneurs were asked about the type of intervention they expect from the government to cope with the COVID-19 pandemic.

7.2 Government Assistance Needed to the HTS to Cope with the COVID-19 Pandemic

The enterprises under the HTS perceive that recovery of losses due to the COVID-19 pandemic is almost impossible without assistance from the government. The sub-sectors mainly charted out two major types of support: (a) fiscal stimulus and (b) access to credit at low-interest rates. The provision of fiscal stimulus by the government came out as the principal mechanism for the recovery of losses in the HTS (Table 7.2). For hotels and resorts, travel agents and tour operators, transport agencies, and amusement parks, the intensity of the fiscal stimulus needs ranges between 52 per cent and 61 per cent. The requirement is a little bit muted for restaurant and tourism SMEs at 17 per cent and 15 per cent, respectively. The second important type of assistance the entrepreneurs require is institutional credit at low-interest rates: a significant proportion of enterprises elicit their demand for such incentive, ranging from as low as 18 per cent of hotels and resorts to as high as 85 per cent of tourism SMEs. The wide variation is not surprising as hotels and resorts have access to credits, but the tourism SMEs like usual SMEs, face severe credit constraints due to numerous factors (Ahmed, 2014). Besides fiscal stimulus and access to institutional credit at low-interest rates, a few of the enterprises need exemption of VAT and taxes and rebates on utility bills from the government.

Table 7.2: Required Assistance from the Government

Types of Incentives	Hotel & Resort	Travel Agent and Tour Operator	Restaurant	Tourism SME	Transport Agency	Amusement Park
Fiscal Stimulus	60.81	56.17	16.76	14.81	52.00	55.56
Low-interest loan	17.57	35.47	83.24	85.19	48.00	44.44
Exemption of VAT, tax, and utility bills	21.62	3.34	-	-	-	-
PCR test at the Airport	-	5.02	-	-	-	-

Source: BIDS Survey, 2021.

It may be noted that the government has announced many forms of liquidity support for producers, exporters, and small, medium, and large business enterprises to boost the domestic economy as well as provide a fiscal stimulus for poor and vulnerable groups to cope with the evolving COVID-19 scenario. The twin objectives of the liquidity supports and stimulus packages and inoculation of aged and vulnerable citizens residing especially in large cities and towns were to combat the economic downturn and minimise the adverse health impact. The government action plans to combat the COVID-19 economic crisis broadly are to (a) increase government spending, giving priority to job creation, (b) introduce low-interest credit facilities through the banking system to revive economic activities and increase the competitiveness of entrepreneurs, (c) increase the coverage of social safety net activities to protect the poor and unemployed low-income people and people engaged in informal activities, and (d) increase the money supply in the market while keeping in mind the negative effects of inflation. With these objectives, the government initially allocated about Tk. 1,214 billion for a total of 21 packages, which is more than 4 per cent of the country's GDP.[2] As many as 15 of the government support packages were expected to arrest plummeting production processes, and

[2] See Yunus (2021) for detail.

the rest were expected to increase the aggregate demand by enhancing the purchasing power of the poor and vulnerable groups. Further, about 81 per cent of the fund was allocated across ten packages to provide liquidity support, leaving only 19 per cent (0.83 per cent of GDP) as a fiscal stimulus spread over 11 packages. While most of the major sub-sectors received fiscal incentives in the form of a stimulus package of liquidity support, the sub-sectors under the HTS were deprived of such support to cope with, if not thrive, the COVID-19 pandemic.

7.3 Views on Ways to Make the HTS Sustainable in the Medium Term

Economic rationality dictates that the sub-sectors under the HTS need to stand on their feet. However, Bangladesh's commitment to achieving the SDG targets demands the HTS not only survive but thrive in terms of its share of the country's GDP and total employment. Achievement of the twin objectives requires comprehensive plans and visions, at least in the medium term. When these issues were posed to them, the major sub-sectors provided diverse views on different aspects of the sustainability of the HTS. While several factors are internal to the industry, other factors fall under the jurisdiction of the relevant government agencies. These views have been arranged on (i) how to expedite the recovery process of the HTS from the ravages of the COVID-19 pandemic and (ii) how to make the HTS sustainable in the medium term.

Table 7.3 presents the entrepreneurs' views on the short- and medium-term measures. In the short term, most of the sub-sectors viewed that ease of lockdown would help them resume business to track the path of recovery. For instance, about one-third of the hotels and resorts emphasised the continuation of operational activities with proper arrangements for ensuring safety to make this sector sustainable during the COVID-19 pandemic. Similar voices prevail across the other sub-sectors, albeit in muted form. As a prerequisite to the ease of lockdown, entrepreneurs, especially restaurants, tourism SMEs, transport agencies, and amusement parks, suggest mass inoculation of vaccines at an expedited rate that is likely to curb the spread of the COVID-19 pandemic. Even beyond the ravage of the COVID-19 pandemic, the entrepreneurs suggest an injection of fiscal stimulus and credit facilities at easy terms and conditions to enhance the likelihood of achieving the SDG targets in time.

Table 7.3: Sustainability of the HTS as Perceived by the Sub-sectors

Views	Hotel and Resort	Restaurant	Travel Agent and Tour Operator	Tourism SME	Transport Agency	Amusement Park
Short-term Measures						
Ease lockdown	32.91	17.02	9.58	15.88	17.37	-
Expedited vaccination	3.80	16.49	1.74	39.66	17.37	20.00
Credit facilities at easy terms	11.39	12.23	6.75	-	21.76	-
Fiscal Stimulus	15.19	22.87	7.40	-	-	20.00
Medium-term Measures						
Tourism development (industry)	16.46	7.98	12.20	26.97	-	-
Tourism development (GOB)	8.86	4.79	41.61	17.48	-	-
Stop corruption/harassment	10.13	18.62	15.47	-	43.51	-

Source: BIDS Survey, 2021.

Most of the entrepreneurs in the sub-sectors realised that the current state of business is untenable in the medium term as consumers' tastes and preferences change over time. To that end, entrepreneurs in hotels and resorts thought they needed a major overhauling of business

(17 per cent) with well-trained and skilled human resources that would require wages and salaries commensurate with the market. Besides, most of the enterprises, especially those at the lower end of tariff ranges, need to renovate structures with modern interior and exterior designs and decorations. Travel agents and tour operators need both linguistic and trade-specific training of staff (12 per cent) to deal with clients, especially foreign tourists. Restaurants (8 per cent), tourism SMEs (27 per cent), and amusement parks (60 per cent) need to improve the quality of services following the tastes and preferences of the clients for improved and better services. For instance, restaurant service should be improved with quality food assurance and improved customer service at an affordable price, and amusement parks should be upgraded with modern rides, equipment, etc. The soft and hard skills of the employees are overarching issues as the major sub-sectors experience serious skill gaps and skill shortages, especially at the mid-and upper- levels (Yunus, Hoque, & Chowdhury, 2021).

Concomitantly, the entrepreneurs in the sub-sectors realised that their efforts alone would not result in a change in the trajectory of the HTS in its contribution to GDP and employment. As complementary measures, they pointed out several issues that the government needs to address. For instance, the hotels and resorts viewed that government needs to be developed modern infrastructures compatible with the environment. While the tour operators and travel agents agreed that the tourist sites need to be improved, they also emphasised that the diplomatic missions abroad need to strengthen the relationship with the respective foreign country to help increase the number of inbound tourists, improve services of the ground-level staff at the Department of Tourism in order to attract more local and international tourists, and repeal rules that restrict the tour packages to be executed with 50 per cent tourist capacities. The other sub-sectors emphasised ensuring a healthy business environment. Besides these positive actions, most of the entrepreneurs urged the government to combat corruption in their sub-sectors and relieve them of unnecessary harassment by the police and other line agencies of the government.

CHAPTER 8

CONCLUSIONS AND RECOMMENDATIONS

The hospitality and tourism sector was hit hard by the COVID-19 pandemic. This study attempted to assess the impacts of the COVID-19 pandemic on the sector in terms of economic losses incurred by the enterprises and welfare losses by the employees in selected sub-sectors. The impacts were assessed through various indicators: the changes in the number of days the enterprises operated by the enterprises, sales of goods and services, costs incurred in operations and production, operating surpluses, recruitment and retrenchment of employees, and benefits provided to employees both before and during the COVID-19 pandemic.

The impacts appear to follow a correlated pattern with the pandemic, moving with the severity of the pandemic as well as contingent upon the stringency of restrictions on mobility imposed by the government. The pattern is evident in the number of days operated, volumes of sales, room booking rates, costs of production of goods and services, etc. The adverse impact of the COVID-19 pandemic was minimal during the first quarter of 2020 when both the gross and net operating surpluses of the sub-sectors were positive. However, all the sub-sectors, albeit at varying degrees, bore the brunt of the COVID-19 pandemic from the second quarter onward. Employment in the tourism sector shrank during the pandemic period both at the extensive and intensive margins. While many of the employees lost their jobs, those who were still employed had to be content with lower pecuniary and non-pecuniary benefits.

The situation of these enterprises gradually improved in the following quarters when flexibility on movements was increased. However, this improved performance of enterprises in the subsequent periods (with lesser restrictions on movement) also varies across the sub-sectors. A few sub-sectors could revive their operations to a greater extent than other sub-sectors. Specifically, the improvement has been slower for hotels and resorts and travel agencies and tour operators but faster for other sub-sectors, with restaurants, tourism-SMEs, and transport sectors.

Workers in the sub-sectors appear to be particularly vulnerable during the COVID-19 pandemic. While a sizeable number of workers from three sub-sectors reported a fall in wages and salaries with unchanged working hours, a large group of workers working in hotels and resorts and those working in travel agencies and tour operators reported both a fall in wages and salaries as well as reduced work hours. The fall in earnings is also attributed to reduced tips/gifts, bonuses, and overtime allowances.

The major coping mechanisms adopted by the enterprises include temporarily shutting down the business, reducing wages and salaries, and other employee benefits, and laying off employees during the strict lockdown. Reduction of non-labour maintenance costs is another

key mechanism through which a considerable number of enterprises coped with the adversity. Laying off employees appears to be adopted primarily by tourism SMEs, restaurants, and hotels and resorts. In contrast, the tourism SMEs and transport agencies report borrowings from financial institutions across seasons during the pandemic years.

Most of the employees reported dissaving, borrowing from family or friends, and reducing household expenditure as coping strategies adapted to mitigate the adversities arising from income shock during the COVID-19 pandemic. The pattern is consistent both across the quarters and the sub-sectors.

Facing the pandemic, employers adopted a set of precautionary and safety practices to avoid the infection and spread of the virus. However, the efforts were heterogeneous across the sub-sectors. The adequacy of protective measures for workers in the workplace of the tourism industry appears unsatisfactory, with scope for significant improvement.

It is estimated that about Tk. 600 million was lost in gross value added in the HTS due to the COVID-19 pandemic; the transport sub-sector appears to have borne the brunt of the heat. The scenario does not change much when one looks at the job loss in the HTS. As many as 140 thousand workers lost their jobs during the COVID-19 pandemic, the restaurants and transport agencies accounting for more than 90 per cent of the job loss.

As a short-term measure, the sub-sectors charted out two major types of support: fiscal stimulus and access to credit at low-interest rates to recover from loss from the ravages of the COVID-19 pandemic. Most of the entrepreneurs in the sub-sectors also realised that the current state of business is untenable in the medium term as consumers' tastes and preferences change over time and hence need major overhauling in terms of infrastructures and services with skilled human resources.

As complementary measures, they pointed out several issues that the government needs to address, including developing tourist sites and relieving them of unnecessary harassment by the police and other line agencies of the government, thereby combating corruption in their sub-sectors. Given the intensified malaise of the HTS in the wake of the COVID-19 pandemic and the country's commitment to achieving the related SDGs, several short- and medium-term measures are in order. Some of these measures include:

a. The stakeholders perceive fiscal stimulus and access to credit at low-interest rates as the two major types of support to recover the losses caused by COVID-19. Therefore, fiscal incentives and/or credit facilities at easy terms and conditions can be considered the major coping mechanisms that would save enterprises in the future from any unanticipated closures of business or allow the sub-sectors to recover from the staggering adverse impacts of the pandemic fully.

b. Gradual ease of lockdown through restricted mobility during the 1st wave of the COVID-19 pandemic in 2020 also showed that hospitality and tourism enterprises could be operated by ensuring hygiene and safety measures. The Maldives is an example of the spectacular recovery from the losses and damages caused by the

pandemic in 2020; the country undertook a concerted effort to reopen its border to tourists as early as July 2020 but implemented strict hygiene protocols for tourists, including one of the fastest COVID-19 vaccination campaigns in the world. It has improved traveller's confidence and attracted high-value consumers (World Bank Blogs, 2022).[3] The Maldives came up with a unique marketing campaign with the tagline "Isolation never looked this good" that facilitated the dissemination of its unique reputation of being a niche destination while emphasising environmentally sustainable tourism. The HTS in Bangladesh should also look forward to developing innovative strategies to capture the pent-up global demand for tourism before it depletes.

c. Initiatives should be taken to invest in digital technology in the HTS, considering the rising demand for high-speed internet and contactless services due to the pandemic. "In Maldives, more than 60 per cent of the population has access to broadband internet—with relatively high bandwidth speed—while other tourism-dependent South Asian countries are still lagging, limiting the possibilities to meet travellers' need for working remotely." (World Bank Blogs, 2022).[4] Therefore, the provision of proper digitisation in HTS is a prerequisite to attract tourists with the assurance of minimising physical interaction when traveling.

d. There is ample scope to attract tourists from all over the world. Bangladesh has the longest sea beach in the world, which can be fully utilised to attract international tourists. On the other hand, the Padma Bridge has unleashed the opportunity to explore the South; Kuakata should be considered the next branding to promote tourism. However, infrastructural development stands as a necessity. With an assurance of a proper foundation of infrastructure and security, the tourism industry will have a boom within a few years. Development of public infrastructures at the tourist sites and the neighbourhoods to ensure the safety and security of the tourists and facilitation of the private sector to do their business should be the priority in the reform agenda of HTS.

e. Coordination among the government agencies should be well-established so that both tourists and private agencies involved can avoid unnecessary hassles and harassment. There are around 113 sub-sectors in the hospitality and tourism sector. Thus, a separate ministry for the tourism sector is needed as the sector consists of several inter-sectoral components. Moreover, the tourism industry must be prioritised in the National Five-Year Plans.

f. Most of the tour operators did not appear to lay off tour guides and staff, albeit costly to them in the long run, as hiring a new employee with the expected skills is both challenging and expensive. As a result, the majority of the tour operators incurred

[3]https://blogs.worldbank.org/endpovertyinsouthasia/changing-face-tourism-and-work-how-maldives-successfully-adapting-pandemic.
[4]https://blogs.worldbank.org/endpovertyinsouthasia/changing-face-tourism-and-work-how-maldives-successfully-adapting-pandemic.

huge losses through retaining employees, although sometimes with a reduced salary. It should be ensured that employees 'just' wages and salaries are commensurate with the market signals and that they do not fall prey to exploitative entrepreneurs.

g. The skill gap is likely to increase as many workers have switched to different jobs in other industries after being unemployed during the COVID-19 pandemic. Entrepreneurs are afraid they will not return to this industry once the recovery starts. Therefore, necessary steps should be taken to impart technical skills to the employees, especially those working in the middle and upper echelons.

h. The scope of tourism with tourists from neighboring countries, e.g., India and Nepal, must be explored. Travel policy and design can be formulated accordingly with the targeted countries. Currently, tourists from western countries are facilitated with "on-arrival" visas. This system should be improved with the provision of pre-arrival e-visa. Further, local/domestic tourism should be emphasised and promoted. Demand for local tourism builds up the foundation for the development of the tourism sector. It will further boost international tourism. Investment in the sector may come from revenue generated through local tourism.

Short of these measures in the short- and medium-terms, the current malaise of the sub-sectors under the HTS would continue, and the dream of achieving the relevant targets and indicators of the SDGs will remain a fleeting mirage.

REFERENCES

Ahmed, M. U. (2014). *Role of institutional financing in the development of small and medium enterprises (SMEs) in Bangladesh*. SME Foundation, Dhaka.

Banerjee, A., & Duflo, E. (2011). *Poor economics*. London: Penguin Books.

BBS. (2007). *Economic census 2001 & 2003*. Dhaka: Bangladesh Bureau of Statistics.

BBS. (2015). *Economic census 2013*. Dhaka: Bangladesh Bureau of Statistics.

BBS. (2016). *Economic census 2013*. Dhaka: Bangladesh Bureau of Statistics.

BBS. (2019). *Report on survey of travel, tour operator and clearing & forwarding agent 2019*. Dhaka: Bangladesh Bureau of Statistics.

BBS. (2020). *Hotel and restaurant survey 2020.* Dhaka: Bangladesh Bureau of Statistics.

BBS. (2021). *Tourism satellite account 2020*. Dhaka: Bangladesh Bureau of Statistics.

Fotiadis, A., Polyzos, S., & Huan, T.-C. (2021). The good, the bad and the ugly on COVID-19 tourism recovery. *Annals of Tourism Research, 87*.

GoB. (2021). *Bangladesh economic review 2021*. Dhaka: Finance Division, Ministry of Finance, Government of Bangladesh.

Hoque, M. M., Herriges, J. A., and Kling, C. L. 2020. The response of recreation demand to recessionary forces: evidence from local lake usage. *Land Economics* 96 (2), 225-243.

Iacus, S. M., Natale, F., Santamaria, C., Spyratos, S., & Vespe, M. (2020). Estimating and projecting air passenger traffic during the COVID-19 coronavirus outbreak and its socio-economic impact. *Safety Science 129,* 104791.

Kaushal, V., & Srivastava, S. (2021). Hospitality and tourism industry amid COVID-19 pandemic: Perspectives on challenges and learnings from India. *International Journal of Hospitality Management 92(1),*102707.

Khalid, U., Okafor, L. E., & Burzynska, K. (2021). Does the size of the tourism sector influence the economic policy response to the COVID-19 pandemic? *Current Issues in Tourism,* 1-20.

Khatun, F. A., Rahman, M., Moazzem, K. G., & Khan, T. I. (2020). Responding to COVID-19: A rapid assessment of stimulus packages and relief measures: Will the target groups get the benefits? Dhaka: Centre for Policy Dialogue.

Mariolis, T., Rodousakis, N., & Soklis, G. (2021). The COVID-19 multiplier effects of tourism on the Greek economy. *Tourism Economics, 27(8),* 1848-1855.

PATA. (2020). *PATA Bangladesh chapter: COVID-19 impact on the tourism industry in Bangladesh*. Pacific Asia Travel Association.

Romano, F. (2020). An estimate of the economic impact of COVID-19 on Australia. University of New South Wales. Sydney: SSRN.

Škare, M., Soriano, D. R., & Porada-Rochoń, M. (2021). Impact of COVID-19 on the travel and tourism industry. *Technological Forecasting and Social Change, 63*.

TOAB. (2020). Impacts on Bangladesh tourism and TOAB due to COVID-19. Tour Operators Association of Bangladesh.

Tran, B.-L., Chen, C.-C., Tseng, W.-C., & Liao, S.-Y. (2020). Tourism under the early phase of COVID-19 in four APEC economies: An estimation with special focus on SARS experiences. *International Journal of Environmental Research and Public Health*, *17*(20).

UNSD, EUROSTAT, OECD, & UNWTO. (2008). *Tourism satellite account: Recommended methodological framework 2008.* New York: United Nations Statistics Division, Commission of the European Communities, Organisation for Economic Co-operation and Development, and World Tourism Organization.

WTTC, & Oxford Economics. (2021). *Travel & tourism economic impact research methodology*. London: Oxford Economics.

Yunus, M. (2021). *Social protection to achieve social development goals in Bangladesh*. Asian Development Bank, Manila.

Yunus, M., Hoque, M. M., & Chowdhury, T. T. (2021). Skill gap, skill shortage, and the covid-19 pandemic: Evidence from the hospitality and tourism sector in Bangladesh. Bangladesh Institute of Development Studies, Dhaka.

Bangladesh Institute of Development Studies
E-17, Agargaon, Sher-e-Bangla Nagar, Dhaka-1207, Bangladesh
Tel: 88 02 58160430-37, Email: info@bids.org.bd, Web: www.bids.org.bd