

Impact of COVID-19 on Tourism Industry in Bangladesh: Analysis of Current Situation and Suggested Strategies for the Future

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Summary

The Hospitality and Tourism Sector (HTS) is one of the 15 major sectors that are used to estimate the GDP of the country. The COVID-19 pandemic took its toll on the economic activities that cater to non-essential demands such as the HTS. This study analyzes the current status of the HTS and identifies the probable impacts in terms of loss of sales and revenues, consequent retrenchment of workers, and/or reduced work hours/day of workers based on a comparison between the pre-COVID-19 and the-COVID-19-pandemic periods. Accordingly, the study attempted to assess the micro and sectoral impacts, albeit differential, of COVID-19 on the sector, from which a set of policy suggestions is derived for recovery of the sector in the post-pandemic environment.

The study was carried out by succinctly reviewing existing literature and conducting primary surveys with enterprises and workers drawn from 201 hotels and resorts (categorized as 5-star, 4-star, 3-star, 2-star, 1-star), 148 travel agencies and tour operators, 200 restaurants, and 63 tourism SMEs across the eight administrative divisional cities and Cox's Bazar. Apart from the quantitative surveys, case studies involving 21 transport owners and operators, and owners and employees of 7 tourist attractions and recreational centers (amusement parks) were also conducted. The survey was carried out during August-September, 2021 and the respondents provided information from January, 2019 to June, 2021.

Impact of COVID-19 on the Enterprises: Key Findings

Sales Volumes:

The change in the volume of sales of goods and services during the pandemic is a direct indicator that helps understand the impact of COVID-19 on the HTS. When monthly sales of goods and services are considered, it is evident that sales revenue from goods and services across months in 2019 was persistently higher than that in the pandemic years 2020-2021. Though the shortfall in revenue during the first quarter of the pandemic was relatively low, there was a sizeable drop from April to the end of the year. For illustration, travel agencies, enterprises operating both as tour operators and travel agents, and amusement parks report a drop of 98-100% in sales revenue during the second quarter of the pandemic period compared to pre-pandemic time. Among all the enterprises, even the least affected sub-sector, the transport sector, reported a 63% fall in revenue during the pandemic-induced trough compared to the pre-pandemic period. Most of the enterprises in sub-sectors started to show improvement in sales revenue from the third quarter. However, this improvement has been slower for hotels and resorts, tour operators, travel agencies, and enterprises working both as tour operators and travel agencies. By the fourth quarter,

restaurants, tourism-SMEs, and transport sectors reported having reached 60%, 67%, and 87% of sales revenue generated during the pre-COVID-19 period.

Room-Booking Rate in Hotels and Resorts:

The impact of the pandemic is also evident when the counts of room days booked (hotel and resorts) in the pandemic and pre-pandemic periods are compared, the fall in both room-booking and tariff revenue in the pandemic years appears sharp and statistically significant. By the last quarter when the pandemic situation is relatively well controlled, the revenue figures from high-tariff rooms reached only 37% of that reported in the pre-COVID-19 period. Overall, the hotels and resorts are on a recovery path in terms of room booking and tariff revenue but are still far from the level observed during the pre-pandemic period.

Labor Turnover:

It appears that employment in the tourism sector shrinks during the pandemic period. The average number of workers hired by the hotels and resorts was 42% lower in the pandemic year compared to the pre-pandemic year. In comparison, hardly was there any hiring and retrenchment by the travel agencies, tour operators, and tourism SMEs, neither in 2019 nor in 2020. The scenario is albeit different in the case of restaurants, 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 have been 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 sub-sectors; the net employment generation in 2020 was low with no hiring but positive retrenchment during this period. In brief, the net employment drops during the pandemic consistently in all of the sub-sectors.

Workers' Benefit:

There are variations in provisions of benefits (both mandatory and optional) provided to employees between the pre-COVID-19 period in 2019 and the COVID-19 pandemic period of 2020 and 2021. The average reduction in wages and salaries is quite substantial among the hotels and resorts (34%), tour operators (34%), and travel agents (26%). In comparison, benefits were reduced by about 50% for employees in these sub-sectors. The average employee working in restaurants was drawing 80% of salaries and benefits relative to a normal period. Although 82% of hotels and resorts, 83% of tour operators, 86% of travel agencies, and 91% of enterprises that act both as tour operators and travel agencies provided bonuses to their employees in 2019, the incidence reduced to only 54% in hotels and resorts 19% in tour operators, 35% in travel agencies, and 36% in enterprises that act both as tour operators and travel agencies during 2020-2021.

The well-being of Employees during the COVID-19 Pandemic

Workers in the HTS appear to be particularly vulnerable during the pandemic. The percent of employees reporting a fall in earnings is sizeable among the tour operators and travel agencies (72%), the tour guides (50%), and hotels and resorts (50%) during the second quarter of the year when the strict lockdown was in effect. The situation remained almost the same during the third quarter except for employees working in hotels and resorts, with 45% reporting falling earnings. However, the scenario improved during the last quarter when a lesser number of workers from all three sub-sectors report a depletion in earnings between 43-57%).

When the magnitudes of the fall in earnings of the employees are considered, it appears that during the second quarter (strict lockdown), the earnings of an average employee fell by roughly 50% compared to their first-quarter or counterfactual earnings (Tk.17000-Tk.20600). The counterfactual earnings reflect the amount that the employee could have earned in absence of the pandemic situation. Compared to their counterfactual levels, employees in all sub-sectors report a fall in earnings by 38-39% during the third quarter and by 28-33% during the last quarter.

Coping and Adaptation Strategies by Employers and Employees

Enterprises in the HTS adopted various measures to cope with the pandemic-induced recession. The major coping mechanisms adopted by the enterprises were temporarily shutting down the business, reducing wages and salaries and other benefits to employees, and laying off employees during the strict lockdown. Similarly, there is wide variation in the set of coping strategies adopted by the employees. Most of the employees reported dissaving, borrowing from family or friends, and reduced household expenditure as coping strategies adapted to mitigate the adversities arising from income shock during the pandemic.

Health and Safety Measures Adopted by the Enterprises

Facing the pandemic, employers adopt a set of precautionary and safety practices to avoid the infection and spread of the virus. However, the efforts are heterogeneous across the subsectors. Sanitizing hands with sanitizer 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%), travel agencies and tour operators (36%), and tour guides (34%). Although approximately all enterprises recommend workers to put on facemask at work, 18%, 26.9%, and 24.5% of the employees working respectively in hotels and resorts, travel agencies and/or tour operators, and working as tour guides report it to be adequately provided in their workplace. Usage of disinfectants to clean surfaces to avoid infection is used by only approximately 18% of employees in the hotels and resorts, 32-33% of the employees in the travel agencies and tour guides. Among the hotels and resort workers, half of the employees report inadequate provision of safe transport to and from work, another quarter of them report inadequate handwash facilities with soap at work and uncleanliness of washrooms, while approximately 42% report using shared work equipment that may increase infection risks. Among the travel agencies, almost all (94%) report the uncleanliness of washrooms in the workplace. Overall, the adequacy of protective measures for workers in the workplace of the tourism industry appears unsatisfactory with scope for significant improvement.

Sustainability of the HTS Amidst COVID-19 Pandemic and Beyond

It is estimated that about Tk.600 billion 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 as it endured more than 40% of the loss. The hotels and resorts and restaurants respectively accounted for 29% and 25% of the loss in gross value added. 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 accounted for more than 90% of the job loss.

As a short-term measure, the sub-sectors charted out two major types of support viz., fiscal stimulus and access to credit at low interest rates to recover from loss from the ravages of the COVID-19 pandemic. Even though the government initially allocated about Tk. 1214 billion in terms of fiscal stimulus and

liquidity support for a total of 21 packages, the sub-sectors under the HTS were deprived of such support to cope with if not thrive on the COVID-19 pandemic. Most of the entrepreneurs pointed out 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 domestic and foreign tourists are attracted to visit. Besides, most of the entrepreneurs urged the government to combat corruption and relieve them of unnecessary harassment by the police and other line agencies of the government.