



Impact of COVID-19 on Bangladesh Tourism Industry: Assesment and Suggestestion

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Impact of COVID-19 on Bangladesh Tourism Industry: Assesment and Suggestestion

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Abbreviations and Acronyms

APEC	Asia Pacific Economic Cooperation
ATAB	Association of Travel Agents of Bangladesh
BBS	Bangladesh Bureau of Statistics
BIDS	Bangladesh Institute of Development Studies
COVID-19	Coronavirus Disease
EUROSTAT	Statistics Office of European Union
GDP	Gross Domestic Product
GOB	Government of Bangladesh
MICE	Meetings, Incentives, Conferences, and Exhibitions
NGO	Non-government Organization
OECD	Organization of Economic Cooperation and Development
PATA	Pacific Asia Travel Association
PCR	Polymerase Chain Reaction
PPE	Personal Protective Equipment
SARS	Severe Acute Respiratory Syndrome
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
TA	Travel Agent
TO	Tour Operator
TOAB	Tour Operators Association of Bangladesh
TOTA	Tour Operator cum Travel Agent
TSA	Tourism Satellite Account
UN WTO	United Nations World Trade Organization
UNSD	United Nations Statistics Division
VAT	Value Added Tax
WTTC	World Travel and Tourism Council

Executive Summary

The Hospitality and Tourism Sector (HTS) is one of the 15 major sectors that are used to estimate the GDP of the country. However, the COVID-19 pandemic has brought about a ‘new normal’ lifestyle, mostly manifested in restricted mobility, restrained gathering, and dining outside the home. Therefore, the pandemic took its toll on the economic activities that cater to non-essential demands such as the HTS. In this context, it is imperative to have a rigorous assessment of the impact of the pandemic on the HTS. To that end, 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 collecting primary and secondary information to depict the contribution of the HTS to the economy as well as to comprehend the possible multifarious impacts of COVID19 on this sector. After completion of the secondary research, a primary survey 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 have been carried out 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. Among 148 tour operators and travel agencies surveyed, 87 of the enterprises are engaged in only travel agency activities, 38 in only tour operator activities, and 23 of the enterprises are engaged in both activities.

Overview of sample enterprises

The enterprises included in the sample are heterogeneous in terms of various dimensions. As many as 78.6% of hotels and resorts belong to local private ownership followed by government ownership (12%) and joint ownership (9%). Only one (5-star hotel) is under foreign ownership. Among the travel agents and tour operators, 93% (138 out of 158) are operated under local private ownership, 5% are operated by the government, and 2% are jointly owned by local and foreign entities. Similarly, when restaurants, tourism SMEs, transport agencies, and amusement parks are also considered, our sample still exhibits the dominance of local private ownership.

The majority of hotels and resorts are under sole proprietorship (115) followed by joint ownership (63) and private limited company (19). In comparison, 78% of the tour operators and travel agencies are under sole private ownership while another 14% (7%) of these enterprises belong to joint (private limited company) ownership. Around 59% of the restaurants (118 out of 200) are operated under sole private ownership followed by joint ownership (40% of 200 restaurants). This distribution is even more concentrated towards sole private ownership when tourism SMEs and transport agencies are considered. Among the 7 amusement parks surveyed, 2 are under sole private ownership, 3 are under private limited companies, 1 is under joint ownership and 1 is under government ownership.

In the case of hotels and resorts, it appears that the maximum 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 27 are permanent employees and the rest are contractual employees. The average number of employees in the travel agencies and tour operators is 5, mostly with a permanent contract. The average number of employees in restaurants, tourism SMEs, transport agencies, and amusement parks are 13, 2, 35, and 39 respectively. It is found that about 94%-97% of the hotels and resorts, and 92%-97% of the travel agencies and tour operators provide different types of paid leaves entitled to the employees. However, this proportion is lower for restaurants. Although 75%-80% of the restaurants provide different types of paid leaves to their employees, the proportion of restaurants providing “unpaid” leaves is also higher than hotels and resorts, and tour operators and travel agents. However, many of these enterprises appear to grant unpaid but not paid maternity leaves to female employees. In contrast, weekly leave, casual leave, and sick leave are adequately provided.

Enterprises provide various types of benefits to their employees, including bonuses, gratuity, life insurance, health insurance, loan facilities, etc. The results show that 82% of the hotels and resorts, 84% of the tour operators, 86% of the travel agencies, and 91% of both tour operators and travel agencies provided bonuses in 2019. The corresponding proportions as reported by these enterprises dropped to 54%, 19%, 35%, and 36% respectively in 2020.

Impact of COVID-19 on the Enterprises

The HTS is one of the sectors that was hit hard by the pandemic. The adverse impacts of the COVID-19 pandemic on the enterprises could be reflected in terms of various indicators, including changes in the number of days the enterprise operated, sales of goods and services, costs of operations and production, operating surpluses, recruitment and retrenchment of employees, and benefits provided to employees. Besides knowing these indicators, it is equally important to learn how these enterprises absorb the shock of the pandemic. Thus, the study also examines the coping strategies adopted by enterprises in various sub-sectors within the HTS during the COVID-19 pandemic.

Correlated Pattern with Infection: In general, the enterprises were significantly affected during the pandemic, but the intensity of the impact exhibits a correlated pattern with the severity of the pandemic. The first and second waves of COVID-19 exhibit the same seasonal pattern in Bangladesh across the years 2020 and 2021. While the first wave in 2020 spread over April, May, June, and July, the second wave was observed from April to August in 2021, with the peak reached both in the infection and mortality rates during these months in both years. This is the time when mobility restriction was most stringent. Accordingly, the plummet in business indicators coincided with these pandemic waves.

Number of Days Operated: The changes in the average number of days operated during a pandemic reflect the impact of the pandemic at the extensive margin. The number of days operated in a quarter in 2019 was close to 90 suggesting that all the enterprises operated almost every day. But the situation deteriorated after the onslaught of the COVID-19 pandemic. During the first quarter (January–March) of 2020-21, when the infection rate due to COVID-19 was either absent or relatively low, the average number of days operated fell by 11-22% for all hotels and resorts, tour operators, travel agencies and amusement parks. The enterprises in the other sub-sectors viz., restaurants, tourism SMEs, and transport agencies were operational for a longer number of days. However, there was a sharp drop in the number of days operated by the second quarter: the average number of days operated reported to be 31 days by the transport agencies at the maximum and 2 days by amusement parks at the minimum. Even the restaurant services, which are a necessity by characteristics, were open for only 26 days, on average, during the same time, which sheds some light on the dire consequences of the pandemic on the sector.

The government-imposed restrictions, such as lockdown, appear to be the key factor explaining reduced businesses during the COVID-19 pandemic. Apart from that, apprehension of health risk and depressed demand came up as the primary reasons for limited operations during the first quarter of 2021 (January-March, 2021) despite the reduced stringency of “strict lockdown”. During the second quarter (April-June, 2021) with the most strictly enforced lockdown, “strict lockdown” came out as the first reason while concerns about health safety and reduced demand for services came out as the second and third main channels of the reduced business activities as stated by most of the enterprises within the sector.

Sales Volumes: The change in the volume of sales of goods and services during the pandemic is another 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. In contrast, the recovery appears faster for some of the sub-sectors. 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. 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.

Room-Booking Rate in Hotels and Resorts: The impact of the pandemic is also evident when the counts of room days booked 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. The revenue scenario (proceeds from room tariffs) appears to be more dismal, showing a very slow recovery path. 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.

Costs of Production: As the average scale of operations is affected by the pandemic, so do the costs of production of goods and services. It appears that production costs for an average enterprise, especially the operational costs, are higher in 2019 compared to 2020 in each quarter, and the results from the test of difference corroborate that there are significant differences in costs between the periods on a quarter-to-quarter basis. The expenses of hotels and resorts, restaurants, and amusement parks appear to follow an inverted V-shaped trend in 2020 while it follows a secular flat trend in 2019 across quarters. In contrast, the seasonal pattern for expenses observed in the cases of travel agencies, tour operators, both tour operators and travel agents, and tourism SMEs in 2019 is disrupted during the COVID-19 periods, especially during the months of April-June in 2020 and 2021.

Operating Surpluses: It was found 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. All the sub-sectors bore the brunt of the COVID-19 pandemic from the second quarter onward. Most of the sub-sectors, except hotels and resorts, travel agents, and enterprises that act both as tour operators and travel agents, started to gain positive surpluses in the third quarter. The upward trend continues till the fourth quarter of the pandemic year. The negative net operating surpluses reported by hotels and resorts, tour operators, and travel agencies even in the fourth quarter of the pandemic year suggest that these sub-sectors were hit hard within the tourism industry. One of the

plausible reasons for the tour operators 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.

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. The retrenchment, on the other hand, was 317% higher during the 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: Reduction of wages and salaries and other pecuniary benefits is often a widely adopted strategy by enterprises during any shock. 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%).

It may be noted that earnings can decline in various ways: directly through unemployment, through reduced work hours or reduced wages and salaries, or a combination of both. A sizeable number of workers from all three sub-sectors reported a fall in wages and salaries with unchanged working

hours. Another large group of workers in hotels and resorts and those working in enterprises that act both as tour operators and travel agents 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 earnings from bonuses or overtime did not improve much even during the last quarter when approximately one-third of the workers involved in enterprises that act both as tour operators and travel agents or working as tourist guides reported a dent in earnings from bonuses or overtime options.

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.17,000-Tk.20,600). 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. Overall, reported earnings appear to have recovered when the pandemic situation improved.

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 as well as other benefits to employees, and laying off employees during the strict lockdown. The reduction of non-labor maintenance costs is another key mechanism through which a considerable number of hotels and resorts, tourism SMEs, transport agencies, and amusement parks coped with the adversity. Reduced salary payments have been a persistent major strategy adopted by the enterprises across all quarters during the pandemic. Reduction of other non-salary benefits is another strategy adopted by restaurants, transport agencies, tour operators, and hotels and resorts, in the range of 12-32% throughout the year. However, laying off employees appears to be adopted primarily by the tourism SMEs, restaurants, and hotels and resorts, in the range of 10-20% with an upward trend over the season. Finally, borrowing from financial institutions is reported by the tourism-SMEs and transport agencies, in the range of 9-19%, which is persistent across seasons during the pandemic year.

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. This pattern is consistent both across the quarters and the sub-sectors. Support from the government or NGO, either in the form of cash assistance or food, is insignificant. Overall, the debt burden on an average employee in the tourism sector rose during the pandemic.

Health and Safety Measures Adopted by the Enterprises

Hygiene and sanitation are very important in the HTS due to the preponderance of close contact while providing services. The importance of personal hygiene is heightened during the pandemic situation. Besides, the health and safety of the employees are always critical for the smooth functioning of an enterprise. This study puts effort to learn about the hygiene and precautionary practices in the workplace of these enterprises to avoid COVID-19 infection.

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 sub-sectors. 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.

Viewed from within sub-sector perspective, the highest loss was incurred by the travel agents and tour operators to the tune of 76%-82% of other gross value added that would have earned in absence of COVID-19. In contrast, the loss in the transport sub-sector as share of its value added in absence of COVID-19 was about 26%.

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 mobility restrictions curtailed the business of

the transport agencies and health risks of close contacts took their toll on the business of the restaurants.

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. Besides, most of the sub-sectors viewed that ease of lockdown would help them resume business to track the path of recovery.

Most of the entrepreneurs in the sub-sectors realized 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 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 in their sub-sectors and relieve them of unnecessary harassment by the police and other line agencies of the government.

Chapter 1 Introduction

1.1 The Context

Bangladesh is a signatory of the Sustainable Development Goals (SDGs) of the United Nations, which consist of 17 goals, 169 targets, and 230 indicators. Parts of SDG8 and SDG 12 are particularly important for the growth and development as well as sustainability of the hospitality and tourism sector (HTS). As part of sustained and inclusive growth and employment (SDG 8), the country needs to devise and implement policies 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 and (Indicator 8.9.1) as well share of tourism employment to total employment (Indicator 8.9.2) Further for ensuring sustainable consumption and production patterns (SDG 12), Bangladesh needs to develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes 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 has committed to focusing on the sector because the share of the tourism sector's gross value added was about 3% of the total gross value added in the economy in 2018-19. Besides, about 5 million people were directly and indirectly employed in the HTS in the same year which was about 8% 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) has reported that the sub-sector alone has 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 situation has been haunting the country for around two years to date, and the future is still uncertain. While most of the sectors experienced mild contraction to a varying degree, not surprisingly, the tourism sector is severely affected by the pandemic. As the consumption of tourism services requires both income and time spent outside, the pandemic ultimately affects both components negatively. 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 traveling cause a reduced demand for the HTS. Besides, the supply side may be affected in several ways as well. The direct effect of economywide lockdown entails high overhead costs for the 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 the exposure to tourists and others in the workplace, 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 exposures to infection is likely to entail a rise in the costs for the enterprises, which, in turn, results 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 business due to 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? What are the coping strategies the enterprises adopt to mitigate the crisis? These are critical issues to make informed policymaking to ensure the survival if not thriving of the sector. Before looking into these issues, it is worth summing up the perils of the HTS amidst the COVID-19 pandemic across the other countries.

1.2 Review of Literature

The nexus between COVID-19 and tourism have been approached from different perspectives. While a group of studies is oriented toward the estimation of the effects of the pandemic on HTS, a few of them came up with discussions on tourism and sustainable development through the lens of any exogenous shock such as the COVID-19 pandemic. Despite different methodologies and empirical strategies; almost all of the studies corroborate the negative impact of COVID-19 on HTS, albeit to 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 percent of GDP as well as required government expenditure of at least \$300 billion to offset the shocks to the labor market, consumption and investment. Mariolis, Rodousakis, and Soklis (2021) estimate the multiplier effects of COVID-19 on tourism, national income, employment, and trade of the Greek economy and conclude that an unanticipated decline in international travel receipts in the range of 3.5 to 10.5 billion euros would lead to a decrease in GDP of about 2.0% to 6.0%; a decrease in the levels of employment of about 2.1% to 6.4% and an increase in the trade balance deficit of about 2.4 to 7.1 billion euros, respectively.

Fotiadis et al (2021) attempted to forecast international tourism demand, in light of the COVID-19 pandemic and forecasted that the decrease in tourist arrivals could range between 30.8% and 76.3% and would persist at least until June 2021. Iacus et al (2020) examined the effects of the air travel ban

on aviation and in turn its socio-economic impact by constructing several scenarios on past pandemic crises and the observed flight volumes. The findings reveal that under the hypothetical scenarios, the impact of aviation losses could have negatively reduced World GDP by 0.02% to 0.12% in the first quarter of 2020 according to the observed data and in the worst scenarios, the loss could be as high as 1.41–1.67% and job losses might have reached the value of 25–30 million at the end of 2020. Skare, Soriano, and Rochon (2021) discussed the different nature of COVID-19 on the tourism industry in comparison with the past pandemics considering the length of recovery than the average expected recovery period of 10 months. The study emphasized the coordination of private and public policy support to ensure capacity building and operational sustainability of the travel tourism sector.

Even though the impact of COVID-19 on travel and tourism is found to be negative; the impact seems to be stronger for the economies with prior experiences of the pandemic in comparison with the economies without any experience of the pandemic in past. Tran et al. (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 much stronger than for economies with 2003 SARS experiences. Tran et al. also find that “the effect of the number of domestic cases on international tourism is found lower than the effect caused by global COVID-19 mortality for the economies with 2003 SARS experiences”. On the other hand, tourist arrivals are substantially affected by the number of confirmed cases in economies without 2003 SARS experiences.

Apart from estimating the impact of COVID-19 on the tourism industry; adequate preparations to address the aftereffects came up as a crucial concern. Kaushal and Srivastava (2021) developed 27 sub-themes condensed into 4 major themes as coping strategies based on qualitative analyses. The dominant sub-themes that emerged are the need for multiskilling 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 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. Khalid, Okafor, and Burzynska (2021) in their cross-country analyses of 136 countries find that countries with larger tourism sectors adopted more aggressive economic stimulus packages to mitigate the impact of the COVID-19 pandemic. This report will add to the existing literature on the impact of COVID-19 that ravaged the HTS in Bangladesh.

1.3 Objectives

With insights from the other countries, this report addresses the questions posed before based on surveys and case studies on major sub-sectors of the HTS. The primary objectives of the study are to conduct an analysis of 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 COVID-19 pandemic and post-pandemic economy. Accordingly, the study attempted to assess the micro and sectoral impacts, albeit differential, of the COVID-19 on the sector along with policy suggestions for recovery in a post-COVID-19 environment. The specific objectives include:

- i. To assess the loss and damage of the hospitality and tourism sub-sectors of Bangladesh due to the COVID-19 pandemic by comparing the current performance of the enterprises with ‘normal period;
- ii. To assess the number of persons employed in the hospitality and tourism sub-sectors who lost their jobs or experienced reduced working period, which in turn led to reduced welfare;
- iii. To assess the needs of the hospitality and tourism sector and find out sustainable ways to fulfill the needs to cope with and recover from the current crisis; and
- iv. To suggest policy options to revamp the hospitality and tourism sector paralyzed by the COVID-19 pandemic.

The report is organized as follows. After this Introduction that delineates the context, a succinct review of relevant literature in other countries, and the objectives, Section 2 describes the survey design and methodology, which also includes sample design and estimation of the sample size of the sub-sectors under consideration. Section 3 covers the basic characteristics of the sample enterprises including the structure and legal status of ownership, the number of room and guest capacity, the number of employees, and the types and intensity of leaves granted to them both in 2019 and 2020. Section 4 assesses the impacts of the COVID-19 across the sub-sectors in terms of the number of days operated and associated causes, sales of goods and services and the associated costs, the gross and net operating surpluses, and the labor turnover, and workers’ benefits. By comparing the sales, costs, and employment between 2019 and 2020, this section as such covers the direct adverse financial impacts of COVID-19 on the sector. Section 5 highlights the adverse impacts of the COVID-19 pandemic on the well-being of the employees who were hitherto fortunate not to lose their jobs. Section 6 assesses the coping strategies of the enterprises and workers to adapt to the ‘new normal’ situation. Section 7 provides 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 as well as from the government to make the HTS sustainable beyond the COVID-19 pandemic to fulfill the

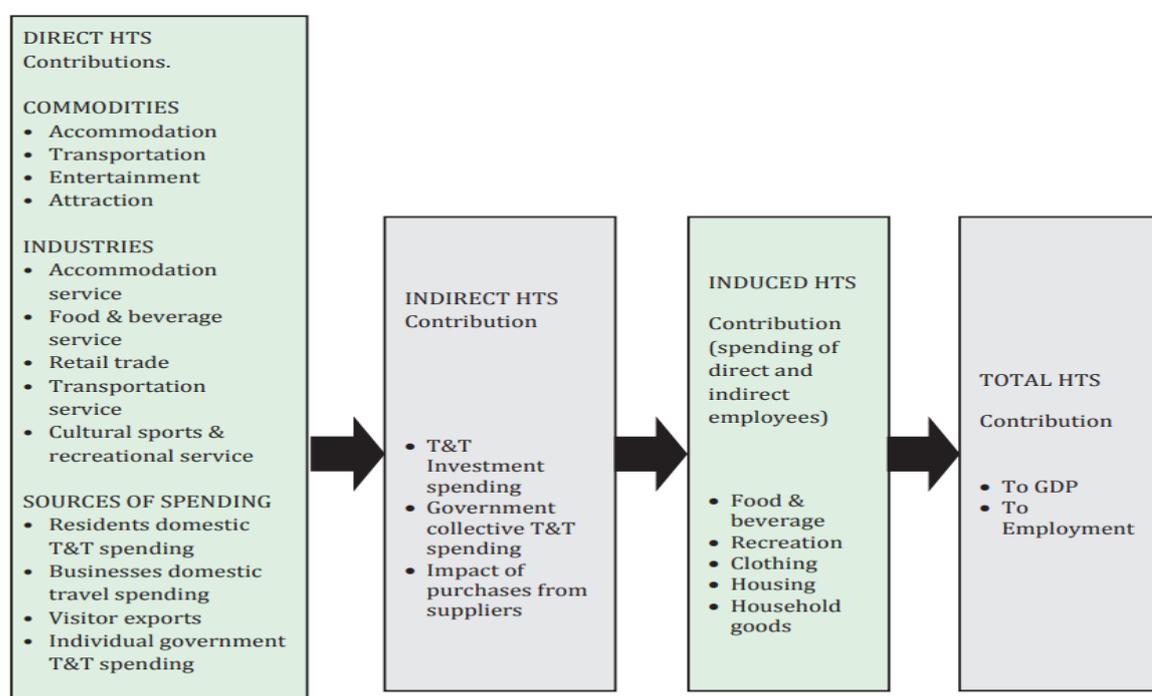
country's commitment toward the achievement of the SDGs Section 8 concludes the report with a few observations.

Chapter 2 Methodology and Survey Design

2.1 Approaches and Methodology

Standard accounting frameworks posit that the total contribution of the hospitality and tourism sector is composed of direct, indirect, and induced contributions to the economy (UNSD, EUROSTAT, OECD, and UNWTO, 2008; WTTC and 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 are directly or indirectly employed by the HTS. Figure 2.1 shows the schematic flows of the contribution of the hospitality and tourism sector to the economy.

Figure 2.1: Contribution of 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 to the economy was analyzed from its contribution to (i) GDP, (ii) employment generation, and (iii) capital Investment. The direct, indirect, and induced impacts were assessed by 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,

while the World Travel and Tourism Council (WTTC), an organization of the global business in the sector expands it to indirect and induced effects (WTTC and Oxford Economics, 2021). Assessment of these later effects, albeit important in their own right, 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 direct contributions of the HTS to the economy the study focused on the following components:

- 1) Accommodation (Hotel and Resort);
- 2) Food and Beverage (Restaurant);
- 3) Travel Agent, Tour Operator, and Tour Guide;
- 4) Tourism SME (Small and Medium Enterprise);
- 5) Transport Services;
- 6) Places of Tourist Attractions/Recreation Centers; and
- 7) MICE (Meetings, Incentives, Conferences, and Exhibitions)

2.2 Methodology

The study was carried out by reviewing existing literature and primary and secondary information to comprehend the multifarious impacts of COVID-19 on the HTS. Enterprise surveys involving the major four components viz., accommodation, restaurants, tour operators and tour guides and travel agents, and tourism SMEs were carried out to generate credible data on a few vital parameters. Apart from the enterprise surveys on all these sub-sectors, selected employees of hotels and 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 both enterprises and employees in these sub-sectors, case studies involving transport owners and operators as well as owners of tourist attractions and recreational centers (amusement parks and archaeological sites) from all of the 8 administrative divisional cities and Cox's Bazar were also conducted. 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 copy strategies and 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 as well as the current situation. 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. Where the underlying population is not precise, the case study method was applied. The sample size of this survey has been constructed as the best possible number of sampling units that are needed to build sound statistical conclusions 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:

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

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, $1-\alpha$. 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. The case study method has been applied insofar as the list frames for other universes are not available. The survey employed a mixed-method approach, combining the collection and analysis of both quantitative and qualitative data. The two main data collection methods were employed: (i) quantitative survey, and (ii) case study. The sets of survey instruments were developed and utilized for collecting the quantitative data. These quantitative data and information were 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 a short-time accommodation constitutes 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, $\alpha=0.10$, 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 “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), $P=0.5$, $k=0.056$, $\alpha=0.10$, and $z=1.645$, the optimum sample size for the “Restaurant and Fast-Food Component” becomes 200.

2.4.3 Travel Agency

The number of permanent establishments of the travel agents has been considered as the sampling frame of the “Travel Agency Component”. According to Economic Census 2013 (BBS, 2016), the number of permanent establishments of travel agents is 1,808. Given this population size (N), $P=0.5$, $k=0.056$, $\alpha=0.10$, and $z=1.645$, the optimum sample size for the “Travel Agency Component” becomes 100.

2.4.4 Tour Operator

The number of permanent establishments of the tour operators has been considered as the sampling frame of the “Tour Operators Component”. According to Economic Census 2013 (BBS, 2016), the number of permanent establishments of Travel Agent is 777. Given this population size (N), $P=0.5$, $k=0.056$, $\alpha=0.10$, and $z=1.645$, the optimum sample size for the “Tour Operator Component” becomes 52.

Table 2.1 shows the spatial distribution of the samples of 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 of the enterprise owners were either not available or refused to participate in the interview. Consequently, data could be collected from 201 hotels and resorts, 87 travel agencies performing the activities of travel agents only (TA); 38 tour operators performing the activities of operating tours (TO); 23 enterprises that are engaged in performing the tasks of both travels agents and tour operators (TOTA) together with 643, 86, 30, and 17 employees respectively from these sub-sectors. Besides, data on 200 restaurants were also collected as part of the enterprise survey.

Because of the high concentration of these enterprises, data were collected from Barishal, Chattogram, Cox’s Bazar, Dhaka, Khulna, Mymensingh, Rajshahi, Rangpur, and Sylhet. In the case of optimum sample sizes as described above simple random sampling methods could not be used because it would lead to inaccurate inferences about the universe. Instead, 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 transport owners and operators as well as tourism SMEs the purposive sampling method was used. These include 63 tourism SMEs, 21 transport owners/operators, and 7 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 Hotels & Resorts	30	41	50	20	10	10	10	15	15	201
Tour Operator	4		22	6	0	2	1	3	0	38
Travel Agency	15		44	10	2	4	4	4	4	87
TOTA	1		12	1	5	1	1	1	1	23
All (TOTA)	20		78	17	7	7	6	8	5	148
Restaurant (Food & Beverage)	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
Tour Operator	4		14	6	0	2	1	3	0	30
Travel Agency	14		40	10	3	5	4	5	5	86
TOTA	2		9	1	4	0	1	0	0	17
All (TOTA)	20		63	17	7	7	6	8	5	133

Source: BIDS HTS COVID-19 Impact Survey, 2021.

Chapter 3 Some Basic Features of Sample

This chapter characterizes the sample enterprises and a sub-set of employees who work in them. For enterprises, the characteristics include size, ownership, total persons engaged, annual turnover, whereas the workers' characteristics include their main socio-demographic attributes such as age, sex, education, household size and, 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 the 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 – hotels and resorts, tour operators and travel agents, restaurants, tourism SMEs, transports, and amusement parks are presented in Table 3.1. As mentioned earlier, a total of 201 hotels and resorts were surveyed, of which 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 158 (78%) of the hotels and resorts belong to local private ownership followed by government ownership 24 (12%) and joint ownership 18 (10%). Only one (5-star hotel) is under foreign ownership.

The prevalence of local private ownership is dominant among travel agents and tour operators; 93% (138 out of 158) of travel agents and tour operators surveyed are operated under local private ownership, while 7 enterprises are operated by the relevant government agencies and 3 are jointly owned by local and foreign entities. 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% of the enterprises are engaged in both types of activities. In contrast, about 58.8% of the enterprises are engaged in only travel agency activities and about 25.8% in only tour operator activities. The dominance of local private ownership is still evident at a more disaggregated level; more than 95% of the enterprises, which operate as travel agents (TA) or tour operators (TO), 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 a dominant factor in most of the sub-sectors under the HTS in Bangladesh. While this is beneficial for other sub-sectors under the HTS, it is certainly a cause of concern for the hotels and resorts as there are only a few international chains of luxury hotels and resorts operating in the country - which does 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 Hotels and Resorts	24	158	19*	201*
Tour Operator (TO)	0	37	1	38
Travel Agency (TA)	7	80	0	87
Tour Operator and Travel Agency (TOTA)	0	21	2	23
All (TOTA)	7	138	3	148
Restaurant (Food & Beverage)	44	132	24	200
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 HTS COVID-19 Impact 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. The majority of hotels and resorts are under sole proprietorship (115) followed by joint ownership (63) and private limited company (19). Only 3 hotels and resorts are under public limited companies (one 2-star and two 5-star) and one 5-star hotel is under government ownership.

The distribution is more skewed in the case of tour operators and travel agents: about 78% of the tour operators and travel agencies are under sole proprietorship; while 14% and 7% of these enterprises belong to joint and private limited company ownership, respectively. Interestingly, there is only one tour operator under the public limited company. However, it appears that none of these public and private limited companies are enlisted in the local capital market.

About 59% of surveyed restaurants (118 out of 200) are operated under sole private ownership followed by joint ownership (40% 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 of the 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 7 amusement parks surveyed, 2 are under sole private ownership, 3 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 Hotels and Resorts	115	63	19	4*	201*
Tour Operator	26	7	4	1	38
Travel Agency	71	12	4	0	87
TOTA	18	2	3	0	23
All (TOTA)	115	21	11	1	148
Restaurant (Food & Beverage)	118	80	2		200
Tourism SME	59	4			63
Transport	14	6	1		21
Amusement Park	2	1	3		7

Note: Figures with an asterisk include one government/nationalized unit.

Source: BIDS HTS COVID-19 Impact Survey, 2021.

3.3 Number of Rooms and Guests Capacity

Table 3.3 presents the average capacity of hotels and resorts in terms of the number of rooms and the maximum number of guests they can accommodate at a point in time. Rooms are classified into high-, medium-, and low-tariff ranges across the star rank of hotels and resorts. The price effect 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 more guests. For instance, the number of low-tariff range rooms in a 5-star hotel is 102 with a guest capacity of 169, the numbers of medium-tariff range rooms are 52 with a guest capacity of 101, and the numbers of high-tariff range rooms are 20 with a guest capacity of 42. It is not surprising that the number of rooms available depends on the hotel rank; the higher the rank, 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
All Hotels and Resorts	High tariff range rooms	9.51	22.34
	Medium tariff range rooms	16.65	34.10
	Low tariff range rooms	22.88	36.16
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

Source: BIDS HTS COVID-19 Impact Survey, 2021.

3.4 Number of Employees

Average employment sizes across enterprises would characterize the surveyed enterprises in terms of labor 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, and service of food and beverage, housekeeping, and maintenance. On the other hand, the levels of employment in travel agencies and tour operators are depicted across the three categories specified: travel agent only (TA), tour operator only (TO), and both travel and tour operator (TOTA). To delve into the nature of employment, the employees were split by the nature of contract-permanent vs. casual workers. In the case of hotels and resorts, it appears that the maximum 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 27 are permanent employees and the rest are contractual employees. Given the small sample, we provided the median number of employees along with the mean. It seems that the distribution of employees across hotels and resorts is skewed to the right, i.e., the estimates of the mean are driven by the ‘large’ enterprises as the median number of employees is only 13. This caveat should be kept in mind while interpreting the results. Unlike in other countries, the presence of female

employment is minimal in the hotels and resorts in Bangladesh. Further, 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 5 whereas the median number of employees is 4. Almost all of the workers employed in travel agencies and tour operators are permanent workers as the mean number of contractual employees appears trivial across all of the three categories- travel agents only, tour operator only, and both tour operator and travel agent.

The average number of employees in restaurants, amusement parks, tourism SMEs, and transport agencies are 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 of 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
Tour Operator and Travel Agent (TOTA)						
Tour Operator	5.71	4.50	5.21	3.50	0.24	0.00
Travel Agency	4.22	3.00	4.08	3.00	0.18	0.00
Tour Operator and Travel Agency	6.26	4.00	6.13	2.00	0.22	0.00
All TOTA	4.92	4.00	4.69	3.00	0.20	0.00
Restaurant (Food & Beverage)	13.29	12.00				
Tourism SME	2.31	2.00				
Transport	34.57	33.00				
Amusement Park	39.43	23.00				

Source: BIDS HTS COVID-19 Impact Survey, 2021.

3.5 Types of Leaves Granted to Employees

The right to leave is an important component of any formal job contract, as stipulated in the Labour Act, 2006 and Labour Rules, 2015 that the country promulgated. 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 the employees in the hotels and resorts, tour operating agencies, travel agencies, and restaurants. It is found that about 94%-97% of the hotels and resorts, and 92%-97% 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% 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 compared to 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 labor act and labor laws in terms of granting leaves to their employees.

However, many of these enterprises do not appear to grant paid maternity leaves, a gross violation of the existing labor act and rules of the country. Instead, many female employees are granted unpaid maternity leaves. In contrast, the situation is not that gloomy for weekly leave, casual leave, and sick leave. Despite being smaller enterprises, the performance of the travel agencies and tour operators appears to be better than that of the hotels and resorts.

Table 3.5: Incidence of Different Leaves by Pay Status

Types of Leaves	Percent of Enterprise that Provides		Number of Enterprise
	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
Tour Operator			
Weekly	97.06	2.94	34
Casual	100.00		16
Sickness	97.30	2.70	37
Maternity	96.97	3.03	33
Travel Agency			
Weekly	92.50	7.50	80
Casual	100.00		30
Sickness	92.94	7.06	85
Maternity	94.12	5.88	85
Tour Operator and Travel Agent			
Weekly	95.45	4.55	22
Casual	70.00	30.00	10
Sickness	95.83	4.17	23
Maternity	95.83	4.17	23
Restaurant (Food and Beverage)			
Weekly	76.39	23.61	72
Casual	67.39	32.61	92
Sickness	80.81	19.19	198
Maternity	88.24	11.76	85

Source: BIDS HTS COVID-19 Impact Survey, 2021.

Chapter 4 Impact of COVID-19 Pandemic on the Enterprises

Being continually ravaged by the pandemic for almost two years, most of the enterprises experienced some degree of 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 traveling 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 the supply side may also be severely affected in several ways as well. One of the direct impacts of a countrywide lockdown is a temporary shutdown of businesses despite it entails high overhead costs for businesses. Moreover, the supply and logistics chains could be jeopardized, 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 the exposure to tourists and others in the workplace. All these factors indicate a rise in costs of operations. Hygiene and sanitation are important for the HTS even in normal times. The stringency of hygiene requirements to curb the exposure to infection may imply a rise in the costs for the enterprises, which, in turn, results in a price hike for tourism services.

With depressed demand and increased costs of production, 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 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 (ii) 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. This 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, which suggests that all the enterprises were operational almost every business day available within the quarter. 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. 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 70 and 80 for all hotels and resorts, tour operators, travel agencies, and amusement parks. In contrast, the average number of days operated for restaurants, tourism SMEs, and transport agencies ranged between 80 and 90. This is consistent given that the country was not hit by the pandemic until the first quarter of 2020, and thus the averages are deviated from the normal time due to lower counts of operational days during the first quarter of 2021 when there was a gradual rise in the COVID-19 infection rate.

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 9 days for tour operators (TO), 12 days for travel agents (TA), 19 days for tour operators and travel agents (TOTA), and only 2 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. To assess if the differences were not driven by mere chances, a set of t-tests were conducted between the average number of days operated in pre-COVID-19 and COVID-19 periods. The last column of Table 4.1 reveals that all the t-values are highly significant, which implies that there was a statistically significant drop in 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 continues to rise in the fourth quarter. Interestingly, restaurants, tourism-SMEs, and the transport sector reach 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 & 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	91.6	75.07	16.53*** (1.86)
Tour Operator			
January-March	89.58	75.41	14.17*** (1.99)
April-June	88.2	9.02	79.17*** (2.88)
July-September	91.37	19.76	71.61*** (5.72)
October-December	91.53	58.76	32.76*** (6.01)
Travel Agent			
January-March	90.01	74.26	15.76*** (1.6)
April-June	89.97	12.57	77.39*** (1.81)
July-September	91.46	37.97	53.49*** (4.08)
October-December	92	66.14	25.86*** (4.19)
Tour Operator and Travel Agent (TOTA)			
January-March	89.91	78.72	11.19*** (2.21)
April-June	90.78	19.29	71.49*** (4.98)
July-September	91.83	38.83	53.00*** (8.61)
October-December	91.74	64.00	27.74*** (8.43)
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	89.7	90.21	-0.51 (1.02)
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	88.05	1.95*** (0.23)
April-June	91	31.62	59.38*** (3.79)
July-September	92	83.24	8.76 (6.04)
October-December	92	92	-
Amusement Park			
January-March	90	72.64	17.36* (8.25)
April-June	91	2.22	88.79*** (2.22)
July-September	92	33.86	58.14** (15.69)
October-December	92	61.29	30.71 (16.39)

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

Source: BIDS HTS COVID-19 Impact Survey, 2021.

4.1.1 Factors Contributed to Limited Scale of Operations

The government-imposed restrictions, such as lockdown, to curb infection at times during the pandemic, appears to be a key factor contributing to the reduced business during the COVID-19 pandemic. However, the challenges faced by the enterprises whilst 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 although the infection rate was low and the lockdown was not strictly enforced. The trend of attributing falling demand to lockdown is more prominent among tour operators or/and travel agencies, and tourism SMEs.

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	4.4	65.0	36.5	2.9
Enterprise operated on a limited scale due to health risk	4.4	11.2	14.7	8.8
Enterprise projected reduced demand for their service	53.8	13.1	31.9	52.5
Activity resumed after the lockdown was over but closed later due to inadequate demand	35.8	5.1	9.9	35.5
Supply chain is disrupted/affected	4.5	3.5	5.1	5.6
Labor shortage		0.7	1.8	4.2
Tour Operator				
Lockdown imposed by the government	60.0	75.2	30.3	70.2
Enterprise operated on a limited scale due to health risk	10.0	41.3	60.3	78.6
Enterprise projected reduced demand for their service		8.6	6.3	7.1
Travel Agent				
Lockdown imposed by the government	65.3	73.9	43.4	50.4
Enterprise operated on a limited scale due to health risk		11.2	39.5	34.5
Enterprise projected reduced demand for their service	19.2	14.3	12.7	10.0
Activity resumed after the lockdown was over but closed later due to inadequate demand	11.8	1.2	2.0	2.6
Tour Operator & Travel Agent				
Lockdown imposed by the government	50.0	50.0	50.0	50.0
Enterprise operated on a limited scale due to health risk	32.5	32.5	32.5	32.5
Enterprise projected reduced demand for their service	17.5	17.5	17.5	17.5
Restaurant				
Lockdown imposed by the government	53.1	77.4	75.6	36.9
Enterprise operated on a limited scale due to health risk	11.8	6.2	14.5	15.4
Enterprise projected reduced demand for their service	9.2	3.1	6.3	32.7
Activity resumed after the lockdown was over but closed later due to inadequate demand	5.2	2.9	14.3	24.4
Supply chain is disrupted/affected	23.4	4.3	2.9	12.7
Tourism SME				
Lockdown imposed by the government	91.7	81.4	52.9	76.9
Enterprise operated on a limited scale due to health risk		11.9	26.9	30.8
Enterprise projected reduced demand for their service	12.5	3.7	9.0	15.4
Transport				
Lockdown imposed by the government	100.0	72.5	100.0	100.0
Enterprise operated on a limited scale due to health risk		25.7		
Amusement Park				
Lockdown imposed by the government		90.5	20	
Enterprise operated on a limited scale due to health risk	100	28.6	73.33	100

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

Source: BIDS HTS COVID-19 Impact Survey, 2021.

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% of the hotels and resorts, 50-75% of all the travel

agencies and tour operators, 77% of restaurants, 80-90% of amusement parks and tourism SMEs, and 73% of the transport agencies attributed the reduced business activities to the lockdown imposed to curb the COVID-19 infection rate. All the enterprises across the sub-sectors except those from hotels and resorts and travel agents 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.

During the third quarter (July-September), when infection curbed well and the lockdown was not very stringent, the proportion of enterprises attributing lockdown imposed by the government to limited business operations went down while the proportion of the enterprises reporting apprehension about health risks and reduced demand for businesses trended upward. This 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 the 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 imposition of lockdown appear to be the major reasons for operating the enterprises on a limited scale. Approximately 36% of hotels and resorts and 24% of restaurants reported being compelled to close the 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 the enterprises would be reflected in their volume of goods and services. Average quarterly sales of goods and services in hotels and resorts, tour operators and travel agents, 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-test was conducted to see 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 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 due to the COVID-19 pandemic that wreaked havoc on the HTS, as much as in the other sectors of the economy. Though the drop in revenue between January and March in 2020-2021 was relatively low, there was a significant drop during the months 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 April, May, June, and July, the second wave was observed from April to August in 2021, with the peak reached both in the infection and mortality rates during these months in both years. This is the time when mobility restriction was

most stringent. Accordingly, the plummet in sales revenue coincided with these pandemic waves. For illustration, travel agencies, enterprises operating 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 years compared to pre-pandemic time. Among all the enterprises, the least affected is the transport sub-sector, with a 63% 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, tour operators, and travel agencies with those enterprises that work as tour operators as well, with revenue generation hovering around 8-19% of that reported in the corresponding pre-COVID-19 quarter. The rise in sales revenue continues during the fourth quarter as well, 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 respectively 60%, 67%, and 87% of sales revenue 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 Pandemic

(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)
Tour Operator			
January – March	10240.44	4115.62	6124.82*** (2055.02)
April – June	9709.67	1011.38	8698.29*** (2582.04)
July – September	7156.61	750.00	6406.61*** (1523.88)
October – December	9009.22	1847.91	7161.31*** (1799.52)
Travel Agency			
January – March	15463.93	12159.66	3304.26 (3614.93)
April – June	18515.17	11.15	18504.02*** (2839.99)
July – September	16617.54	2335.67	14281.87*** (3166.45)
October – December	14688.78	3977.18	10711.60*** (2705.65)
Tour Operator and Travel Agency			
January – March	14426.31	8422.87	6003.43 (6562.18)
April – June	15474.67	196.29	15278.38** (5791.15)
July – September	13619.57	970.65	12648.92** (5101.89)
October – December	13817.69	2173.89	11643.79** (5048.03)
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)

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 the 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.

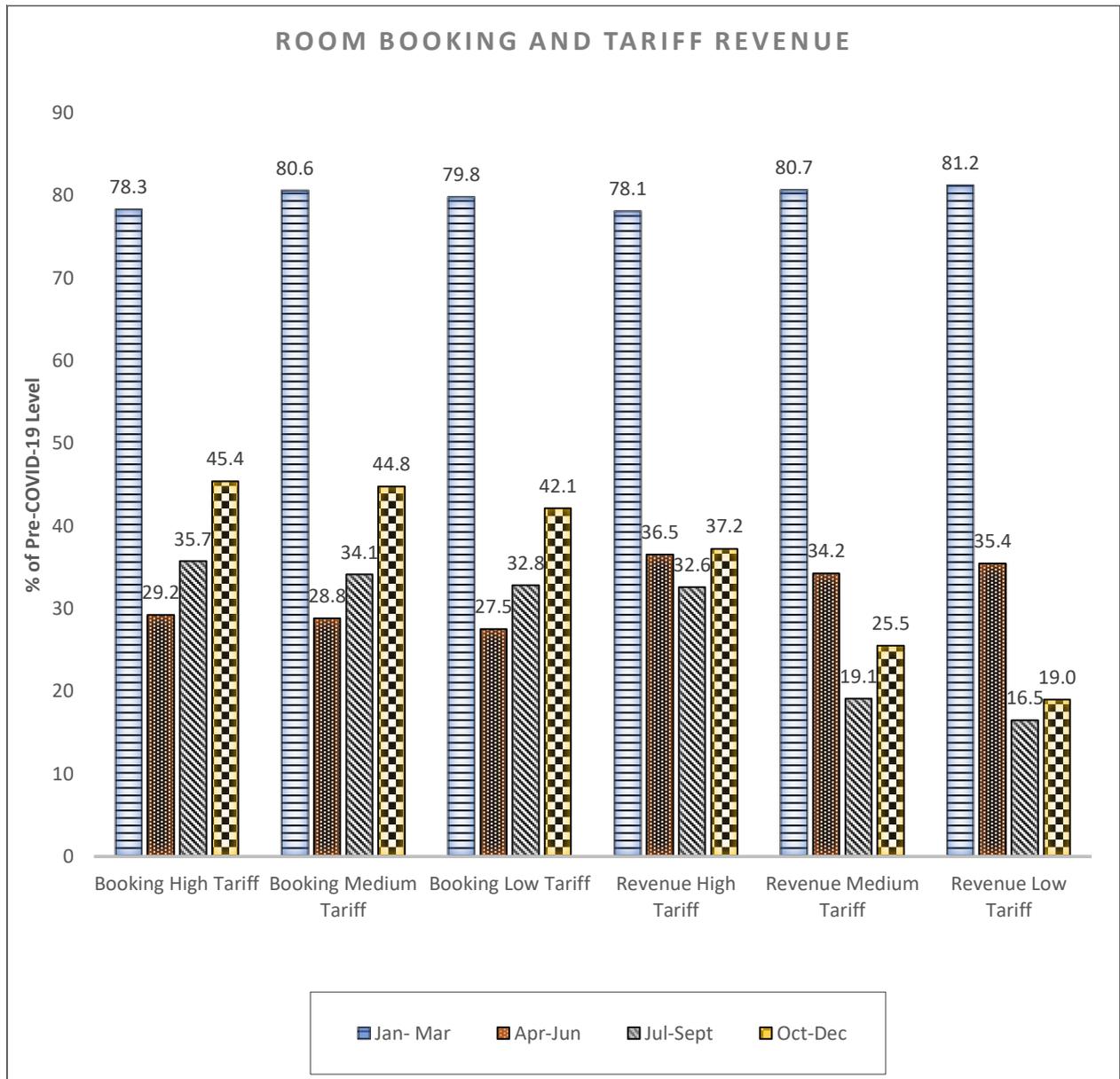
4.2.1 Reduced Room Booking and Drop in the Room Tariffs for Hotels and Resorts

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 booking and tariff revenue appears sharp and statistically significant for all the cases.

During the peak season of the year in 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% of that reported in the pre-pandemic year with least variation across room tariff range noted. The room booking exhibited a sharp decline of 71% for rooms in the high-tariff range and 71-73% 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 reached at 36% of pre-pandemic levels while that for medium-and-low tariff range rooms reached 33-34%.

Figure 4.1: Room-Days Booking and Tariff Revenue during the Pandemic

(% of pre-COVID-19 Level)



Source: BIDS HTS COVID-19 Impact Survey, 2021.

The situation recovered to some extent by the last quarter when the pandemic situation improved, as 42% (low tariff range) to 46% (high tariff range) of the room-booking level recorded in pre-pandemic level is reached by then. In contrast, the revenue scenario (proceeds from room tariffs) appears worse compared to the pre-pandemic level, showing a very slow recovery path. By the last quarter when the pandemic situation is well under control, sales revenue from high tariff rooms reached only 37% of that reported in the pre-COVID-19 time. The corresponding figures from low tariff rooms were reported to be only 19%. Although not reported in Table 4.4, 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.

Table 4.4: Room Booking 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>(i) High Tariff Range</i>			
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)
<i>(ii) Medium Tariff Range</i>			
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)
<i>(iii) Low Tariff Range</i>			
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	430.9	591.99*** (115.65)
(b) Tariff Revenue Generated			
<i>(i) High Tariff Range</i>			
January-March	1112.81	868.89	243.92 (156.13)
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)
<i>(ii) Medium Tariff Range</i>			
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)
<i>(iii) Low Tariff Range</i>			
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 5 rooms in the medium tariff range. For any specific month, if 3 of those rooms were booked for 15 days, 1 was booked for 20 days, and another was not booked at all then total room-days booked in the medium range for that hotel would be calculated as 65 (3x15 + 1x20 + 1X0) hotel-days. 2. The 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 HTS COVID-19 Impact Survey, 2021.

4.3 Average Costs of Production in Pandemic

The operational and capital costs of all enterprises in 2019 and 2020-2021 are lumped together as total expenses and are presented in Table 4.5. The quarterly estimates are constructed from the available data for January to June in 2019, 2020, and 2021 and from July to December in 2019 and 2020 only.

Similar to the number of operational days as well as proceeds from sales of goods and services, these estimates are also presented in quarterly averages. The results are broadly consistent with the results found for the number of operational days as well as the sales proceeds. Despite that many of the enterprises experienced hardly 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 pandemic years. Across all of 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 tour operators, travel agents, and both travel agents as well as tour operators were most drastic- a fall of 90% 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%. The least affected sector appears to be the transport sector, with a drop of 33% in average costs. This is not surprising as all of 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)
Tour Operator			
January – March	7723.97	3700.71	4023.27*** (1113.69)
April – June	7043.17	441.54	6601.63*** (1486.67)
July – September	5484.74	895.18	4589.56*** (847.42)
October – December	7011.21	1528.64	5482.57*** (1077.37)
Travel Agency			
January – March	9542.7	7825.29	1717.42*** (626.95)
April – June	11572.68	221.76	11350.92*** (2522.06)
July – September	10718.96	3151.91	7567.05*** (1520.61)
October – December	9502.91	5643.87	3859.04*** (699.34)
Tour Operator and Travel Agency			
January – March	12059.25	6561.51	5497.74 (3371.85)
April – June	12360.41	1012.14	11348.27** (4800.53)
July – September	11287.88	1758.79	9529.08** (4174.56)
October – December	11358.47	2823.74	8534.74** (4164.92)
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)
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 the parentheses. 2. Figures with one, two, and three asterisks imply significance at 10%, 5%, and 1% error probability levels respectively.

Source: BIDS HTS COVID-19 Impact 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 got momentum during the fourth quarter for most of the sub-sectors when the transport agencies incurred costs at the pre-pandemic level. To confirm that these differences do not show up as sampling anomalies, the test of difference was performed, and the differences turn out to be statistically significant in all cases on a quarter-to-quarter basis.

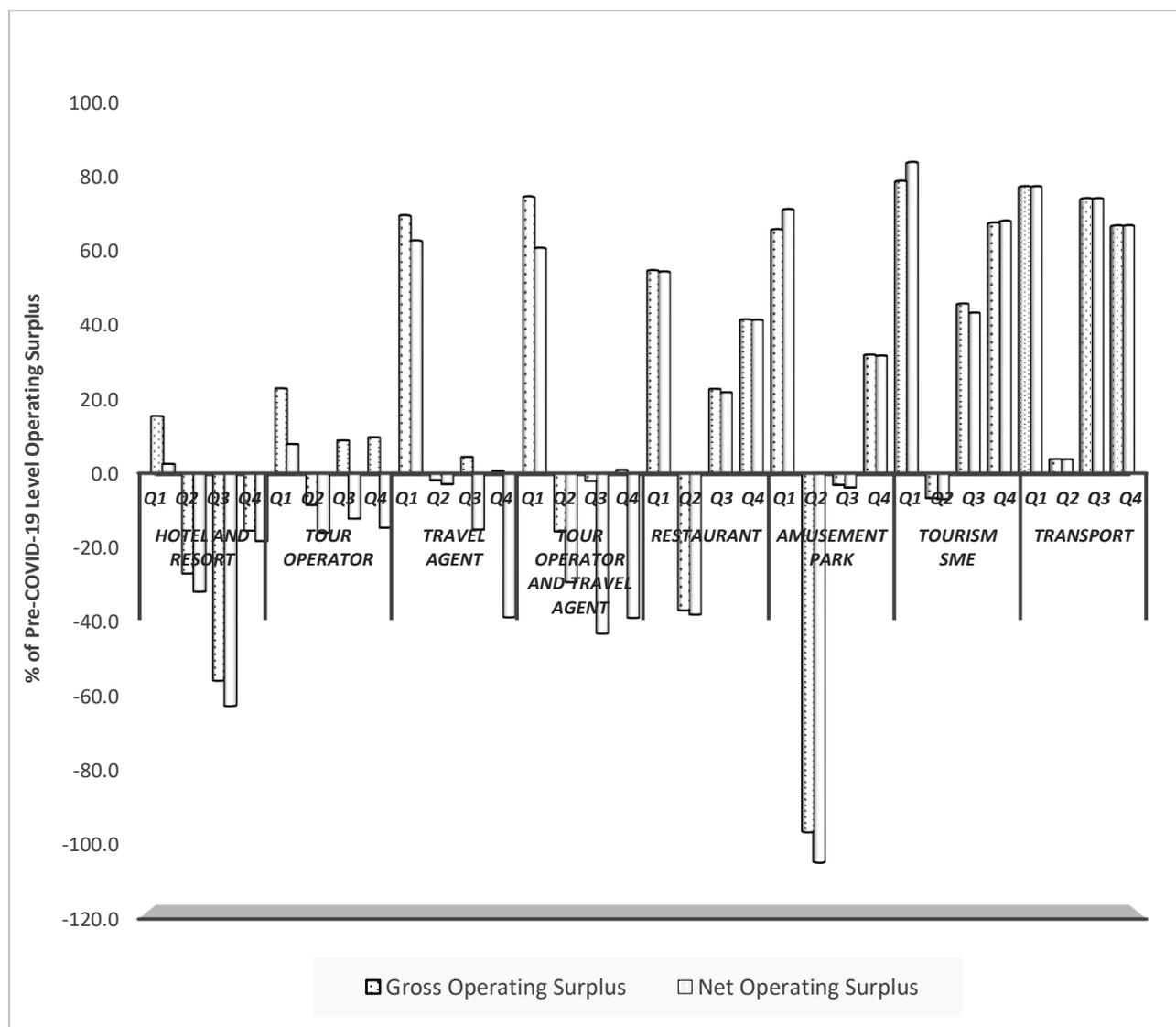
4.4 Gross and Net Operating Surplus during pre-COVID-19 and COVID-19 Period

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 the fall in the average costs is lower 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, travel agents, and tour operators and travel agents, started to gain positive surpluses from the third quarter and the upward trend continues till the fourth quarter of the pandemic year. The negative net operating surpluses reported by hotels and resorts, tour operators, and travel agencies even in the fourth quarter of the pandemic suggest that these sub-sectors are hit hard within the HTS. One of the plausible

reasons for the tour operators 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 HTS COVID-19 Impact Survey, 2021.

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

Tour Operator						
Jan – Mar	5001	1165	3835.47*** (806.41)	2931	238	2692.98*** (834.49)
Apr – Jun	4330	-367	4697.21*** (1380.64)	2522	-405	2926.55** (1255.12)
Jul – Sept	3749	341	3407.32*** (996.88)	2020	-247	2266.48** (964.55)
Oct – Dec	4163	415	3747.60*** (1066.65)	2377	-350	2726.66** (1020.74)
Travel Agent						
Jan – Mar	8965	6323	2641.94 (2729.46)	6152	3915	2237.24 (2735.79)
Apr – Jun	9743	-165	9908.05*** (2445.68)	6815	-191	7005.29** (2680.29)
Jul – Sept	9586	441	9145.08*** (2901.8)	6720	-1022	7741.52** (2969.73)
Oct – Dec	8215	69	8146.34*** (2099.9)	5446	-2132	7577.81*** (2132.77)
Tour Operator and Travel Agent						
Jan – Mar	3192	2414	777.95 (900.99)	2068	1275	793.49 (803.56)
Apr – Jun	3699	-580	4279.37 (2939.74)	2708	-800	3508.28 (3009.45)
Jul – Sept	2955	-57	3012.02 (2757.11)	1953	-851	2804.40 (2771.95)
Oct – Dec	3091	33	3057.66 (2482.20)	2067	-812	2879.01 (2494.47)
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)
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 the parentheses. 2. Figures with one, two, and three asterisks imply significance at 10%, 5%, and 1% error probability levels respectively.

Source: BIDS HTS COVID-19 Impact Survey, 2021.

4.5 Labor Turnover during Pandemic

The incidence of hiring and retrenching/leaving jobs in the tourism sub-sectors is presented in Table 4.7. One usually expects an increased incidence of hiring when the sector experiences boom than when the sector is in a slump. 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 the COVID-19 pandemic that rubbed the entire tourism industry.

In contrast, there is hardly any hiring and retrenchment by the travel agencies, tour operators, and tourism SMEs either in 2019 or 2020. The scenario is albeit 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 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 sectors; the net employment generation in 2020 was low with almost no hiring of employees whereas two employees were retrenched during this period. There is hardly any recruitment or retrenchment in the transport sector in 2019; although; the average number of workers hired and retrenched in 2020 is almost the same (only two workers).

Table 4.7: Average Labor 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	6.4	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	0.1	0.41	-0.31*** (0.07)
Total	1.84	7.68	-5.85*** (0.69)
Tour Operator			
Workers Hired	0.61	0.11	0.50 (0.43)
Workers Retrenched/Left	0.13	1.29	-1.16 (0.70)
Travel Agencies			
Workers Hired	0.25	0.08	0.17 (0.11)
Workers Retrenched/Left	0.02	0.56	-0.54*** (0.13)
Tour Operator and Travel Agent			
Workers Hired	0.91	0.44	0.48 (0.30)
Workers Retrenched/Left	0.04	0.61	-0.57 (0.48)
Restaurant			
Workers Hired	2.55	2.43	0.12 (0.53)
Workers Retrenched/Left	0.52	4.67	-4.16*** (0.41)
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 the parentheses. 2. Figures with one, two, and three asterisks imply significance at 10%, 5%, and 1% error probability levels respectively.

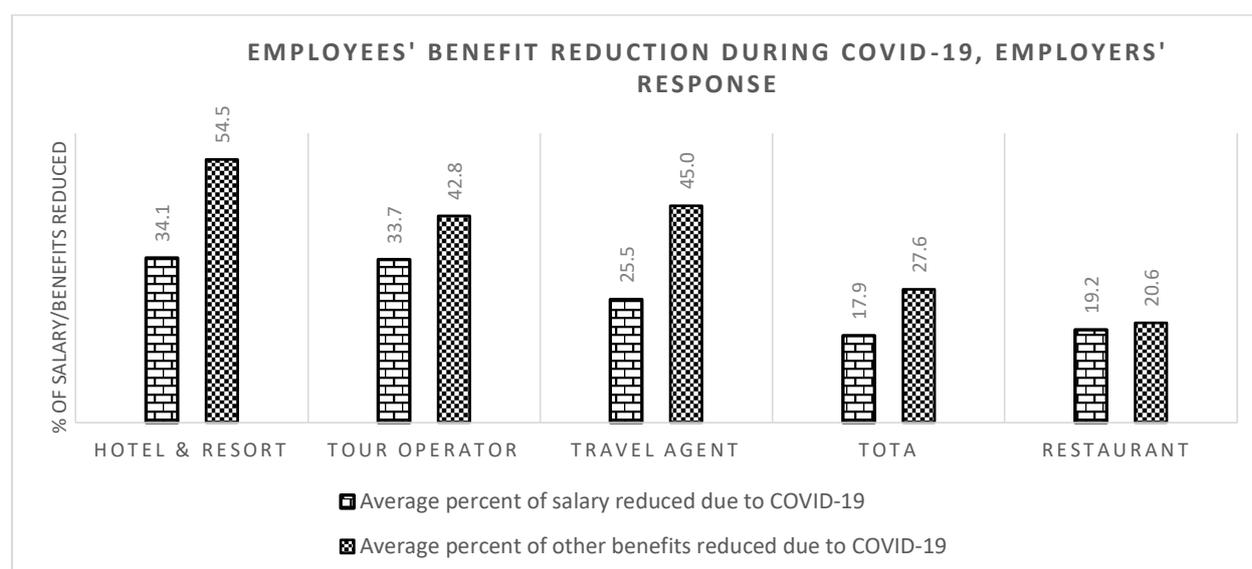
Source: BIDS Survey, 2020-2021.

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 year (Table 4.7). The first type of outcome is akin to the fate of the bare-foot hedge fund managers as illustrated 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. Of course, a small fraction of the workers leave their jobs voluntarily for numerous other reasons. While hotels and resorts retrenched about 2 workers in 2019, the process precipitated when as many as 08 workers were retrenched during the pandemic year. Even smaller enterprises such as travel agencies and tour operators retrenched at least one worker 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 the hotels and resorts increased by about 5 workers in 2019 but declined by about 4 workers during the pandemic. In the case of restaurants, employment per enterprise increased by about 2 workers in 2019 but decreased by 2 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 2 persons in 2020-2021. In brief, the net employment drops during the pandemic consistently in all of the sub-sectors.

4.6 Workers' Benefits during COVID-19 Pandemic

Enterprises are supposed to provide various types of benefits to their employees. While some of these benefits are mandated by the concerned rules and regulations of the country, others are provided as incentives to retain the employees in the enterprises. Some of the major benefits include bonuses, gratuity, provident fund, life insurance, health insurance, loan facilities, etc. While enterprises are required to provide the mandatory benefits as per existing rules and regulations, the optional benefits are crucially dependent on the business cycles of the sector and the employer's attitudes toward 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 often a widely adopted strategy by enterprises. As Figure 4.3 presents, adoption of such practices during the pandemic by enterprises in the HTS also appears common. As reported by enterprises, average salary reduction is quite substantive among hotels and resorts (34%), tour operators (34%), and travel agents (26%). In comparison, benefits were reduced by about 50% for employees in the above-mentioned sub-sectors. The average employee working in restaurants was drawing 80% of salaries and benefits relative to normal time.

Table 4.8: Benefits Provided to the Employees

(percent)

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)
Tour Operator			
Bonus	83.80	18.90	64.80*** (8.90)
Gratuity	2.70	2.70	0.00 (3.80)
Provident Fund	2.70	2.70	0.00 (3.80)
Life Insurance	5.40	5.40	0.00 (5.30)
Health Insurance	8.10	8.10	0.00 (6.50)
Loan Facilities	24.30	13.90	10.50 (9.20)
Travel Agent			
Bonus	86.20	34.50	51.70*** (6.40)
Loan Facilities	17.30	13.80	3.50 (5.50)

Tour Operator and Travel Agent			
Bonus	90.90	36.30	54.50*** (12.30)
Health Insurance	4.50	4.50	0.00 (6.50)
Loan Facilities	18.20	13.70	4.50 (11.30)

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

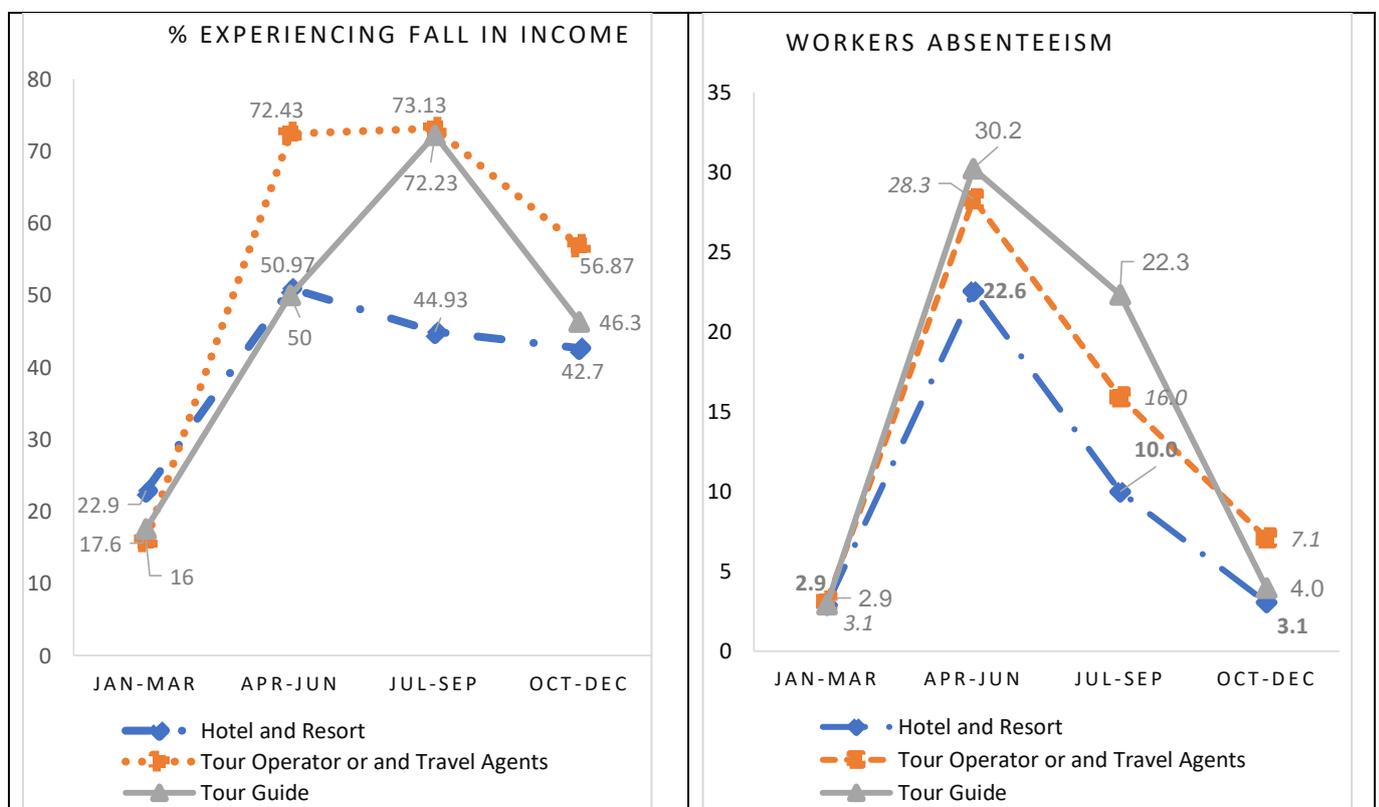
Source: BIDS HTS COVID-19 Impact Survey, 2021.

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 during the pandemic periods of 2020 and 2021. Hence, a statistical test was conducted to check if there exist any significant differences 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% of hotels and resorts, 83% of tour operators, 86% of travel agencies, and 91% of tour operators and travel agencies provided bonuses in 2019, only 54% of hotels and resorts 19% of tour operators, 35% travel agencies, and 36% of tour operators and travel agencies provided bonuses to their employees during 2020-2021. Despite 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 the employees: 33% of hotels and resorts, 14% of the enterprises from each group of travel agents, tour operators, and tour operators and travel agencies 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 highest is reported by the tour operators with 8% of them providing health insurance coverage to their employees during the pre-pandemic period. The incidence of health insurance provision among enterprises in the hotels and resorts exhibits a slightly upward trend during the pandemic (5% in pre-COVID-19 vs. 8% 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 as well as tour agencies in which the enterprise surveys were conducted. For analytical convenience, employees working in tour agencies for salaries vis-à-vis free-lancing are considered as two separate groups here: (i) tour operators and/or travel agencies, and (ii) tour guides based on the responses gathered from the employees. The following analysis would shed light on workers' absenteeism, changes in income, the type of unemployment they suffered, and coping mechanisms during the crisis period. Workers' absenteeism is measured by the count of days the workers self-reported being absent from work during a quarter. In contrast to the analyses in the foregoing sections, the analysis in this section is based on employees' responses, which allow one to dig deep into the employees' issues with a wider perspective. Figure 5.1 shows how earned income of the employees and their absenteeism change throughout the pandemic period.

Figure 5.1: Workers' Absenteeism and Reduction in Income



Source: BIDS HTS COVID-19 Impact Survey, 2021.

Both the 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, 23% of employees in hotels and resorts and 16-18% in tour operators and travel agencies report a fall in income. The percentage of employees

reporting falling income rose by 56 percentage points among the tour operators and travel agencies, 55.4 percentage points among the tour guides, and 28 percent 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% reporting falling income. However, the earnings scenario improves during the last quarter when a lesser number of workers from all three sub-sectors report a shrink in income (43-57%).

The pattern is similar in the case of workers' absenteeism. While the average number of days absent was reported to be 2-3 days during the first quarter, the counts rose by 675-932% (23-30 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 all three sub-sectors; this improvement (fall in absenteeism) is more pronounced for workers in the hotels and resorts as well as those working as tour guides. The main reason for remaining absent from work could be due to unemployment, sickness, restriction, mobility, or a combination of some of these factors. The employees mention a spectrum of factors that attributed to their absenteeism is reported in Table 5.1.

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

(in percent)

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
Tour Operator and Travel Agent			
Workplace/enterprise was not in operations	51.51	53.54	67.97
Did not go to work considering the risk of infection		2.30	
Self /one or more family members were sick			
Could not go due to government restrictions owing to COVID-19	47.21	34.82	10.27
Other	0.96	3.98	7.30
Tour Guide			
Could not go due to government restrictions owing to COVID-19	18.18	16.24	

Note: Only responses received from the respondents are recorded.

Source: BIDS Survey 2020-2021.

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% for hotels & resorts, and 52% for tour operators and travel agents). The situation improved by 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 lockdown. Absenteeism from the workplace due to sickness or being infected by COVID-19 is reported by 2-3% of workers in hotels and resorts.

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 the COVID-19 were absent. The latter assumes that employees have the richest set of information to assess their earnings if there was no pandemic shock. The trend of income across quarters of the calendar year supports that the magnitude of 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% 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% during the third quarter and by 28-33% 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	15917.9	8076.8	11173.0	11474.6
Income in Absence of COVID-19 Pandemic		17039.6	17923.4	16220.5
Tour Operator and Travel Agent (TOTA)				
Average take home income	19857.4	10925.9	12879.8	14145.8
Income in Absence of COVID-19 Pandemic		20633.1	20631.4	17574.7
Tour Guide				
Average take home income	17481.5	9564.8	10900.0	15459.3
Income in Absence of COVID-19 Pandemic		17898.2	17759.3	23111.1

Note: Since the onset of COVID-19 in Bangladesh took place after March 2020, no counterfactual income for the January-March period is reported.

Source: BIDS HTS COVID-19 Impact Survey, 2021.

The employees reported different factors that contributed to the fall in their income/earnings (Table 5.3). It may be noted that income/earning can decline in various ways: directly through unemployment, through reduced work hours or reduced wage, or a combination of both. In the case of hotels and resorts, 35% of the employees became unemployed during the second quarter gradually declined across quarters and reached at 9. by the last quarter. However, the situation is diametrically opposite among tour operators and travel agents, and tour guides, 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 percent)

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 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/bonus like pre-COVID-19 time	21.31	24.87	20.74	17.47
Other	5.46	5.48	8.19	8.21
Tour Operator and Travel Agent (TOA)				
Was unemployed	41.18	44.82	41.16	42.78
Daily work hours or workdays were cut	5.88			
Work hours unchanged, but wage/salary was cut	5.88	2.33	6.62	11.42
Both work hours and the salary were reduced	5.88	3.11	3.43	6.65
Earnings from tips/gifts from tourists/guests fell	5.88	2.33	1.38	1.14
No option to work overtime		0.78	0.86	1.47
No allowances/bonus like pre-COVID-19 time	23.53	44.56	42.66	33.98
Tour Guide				
Was unemployed	50.00	51.93	33.79	56.57
Work hours unchanged, but wage/salary was cut			17.66	18.18
Both work hours and the salary were reduced		2.86		
Earnings from tips/gifts from tourists/guests fell	16.67	5.77	5.83	9.09
No option to work overtime	33.33	39.41	39.80	34.34

Source: BIDS HTS COVID-19 Impact Survey, 2021.

A sizeable number of workers from all three sub-sectors report a fall in wages with unchanged work hours. Another significant group of workers from hotels and resorts and tour operators and travel agents 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 as tour operators and travel agents or working as tourist guides reported a shrink in income from bonuses or overtime options.

Chapter 6 Coping and Adaptation Strategies by Employers and Employees

Both Enterprises and workers usually adopt various strategies and mechanisms to cope with and adapt to any 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 analyzed 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 program 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 adopted by the enterprises across sub-sectors: the major coping mechanisms adopted by the enterprises were temporarily shutting down the business (approximately 58% the travel agencies and tour operators, 40% of amusement parks, 24% of tourism SMEs, 21% of hotels and resorts, and 20% of restaurants), reduced salary payments (37% of restaurants, 28% of transport agencies, 30% of tour operators, 27% of travel agents, and 23% of the hotels and resorts) as well as reduction of other benefits to employees (27% of restaurants, 21% of transport agencies, and 15% of hotels and resorts), and laying off employees (14% of tourism SMEs and hotels and resorts). Reducing non-labor 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 (66% of travel agencies and 63% of tour operators shut down their business in July-September vis-à-vis 51% and 48% respectively in October-December). In contrast, reduced salary payments have been a persistent major strategy adopted by the enterprises over time. For illustration, 27% of the travel agencies during the Jul-September period and another 33% during the October-December period reduced salary payments to their employees. The corresponding figure for restaurants, hotels and resorts, tour operators, and transport agencies are respectively 40%, 21%, and 29% 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 the restaurants, transport agencies, tour operators, and hotels and resorts, in the range of 12-32% throughout the year. Notably, laying off employees also appears to be adopted primarily by

the tourism SMEs, restaurants, and hotels and resorts, in the range of 10-20% 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% that is persistent across seasons during the pandemic year.

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

	Strategies	Apr-June	Jul-Sep	Oct-Dec
Hotel and Resort	Shut down the enterprise	20.6	18.2	10.8
	Reduced salary payments of employees	23.2	21.9	21.2
	Reduced other benefits for employees	14.8	15.6	17.4
	Laid off employees	13.7	14.4	17.5
	Reduced work hours for employees	3.6	2.1	9.7
	Reduced non-labor maintenance costs	14.7	13.7	20.1
	Others	9.6	11.3	8.8
Tour Operator	Shut down the enterprise	57.4	62.8	48.3
	Reduced salary payments of employees	30.1	27.8	28.6
	Reduced other benefits for employees	9.3	7.3	11.8
	Laid off employees	4.6	2.2	9.7
Travel Agent	Shut down the enterprise	56.9	65.8	50.6
	Reduced salary payments of employees	27.1	22.7	33.3
	Reduced other benefits for employees	2.7	2.7	2.9
	Laid off employees	3.4	5.2	3.8
	Others	12.0	0.0	0.0
Tour Operator and Travel Agent	Shut down the enterprise	37.2	46.8	30.3
	Reduced salary payments of employees	19.0	18.2	28.1
	Reduced other benefits for employees	8.3	8.6	9.3
	Laid off employees	8.2	7.2	6.5
	Reduced non-labor maintenance costs	21.1	14.5	20.7
	Others	4.8	0.0	0.0
Restaurant	Shut down the enterprise	19.2	10.1	5.2
	Reduced salary payments of employees	36.7	41.5	40.4
	Reduced other benefits for employees	26.9	31.5	31.6
	Laid off employees	6.1	7.6	11.5
	Reduced work hours for employees	2.3	1.2	1.5
	Reduced non-labor maintenance costs	4.8	4.7	6.4
	Selling assets of the enterprise	0.5	0.4	0.7
Tourism SME	Shut down the enterprise	23.5	23.2	11.6
	Reduced salary payments of employees	12.1	11.9	5.5
	Reduced other benefits for employees	12.0	14.5	0.0
	Laid off employees	13.9	9.2	20.3
	Reduced work hours for employees	2.6	4.5	1.8
	Reduced non-labor maintenance costs	8.4	7.0	11.1
	Assistance from NGO	17.4	0.0	17.3
	Loan from financial institutions	15.6	0.0	19.2
	Loan from relatives	11.8	0.0	13.5
	Others	1.6	0.0	1.9
Transport	Shut down the enterprise	6.8	6.1	6.3
	Reduced salary payments of employees	28.0	24.5	29.2
	Reduced other benefits for employees	20.5	21.4	19.8
	Laid off employees	3.2	3.1	3.1
	Reduced non-labor maintenance costs	18.4	18.4	18.8
	Assistance from NGO	3.9	4.6	3.1
	Loan from financial institutions	9.2	9.2	9.4
	Loan from relatives	3.1	3.1	3.1
	Others	10.2	11.2	9.4
Amusement	Shut down the enterprise	39.8	37.1	31.6

Park	Reduced salary payments of employees	13.7	14.4	13.7
	Laid off employees	9.4	9.1	0.0
	Reduced work hours for employees	12.4	11.4	13.7
	Reduced non-labor maintenance costs	12.3	10.8	13.7
	Selling assets of the enterprise	12.9	0.0	14.3

Notes: Data for the second quarter is average across 2020 and 2021, and those for the last two quarters are taken from 2020.

Source: BIDS Survey 2020-2021

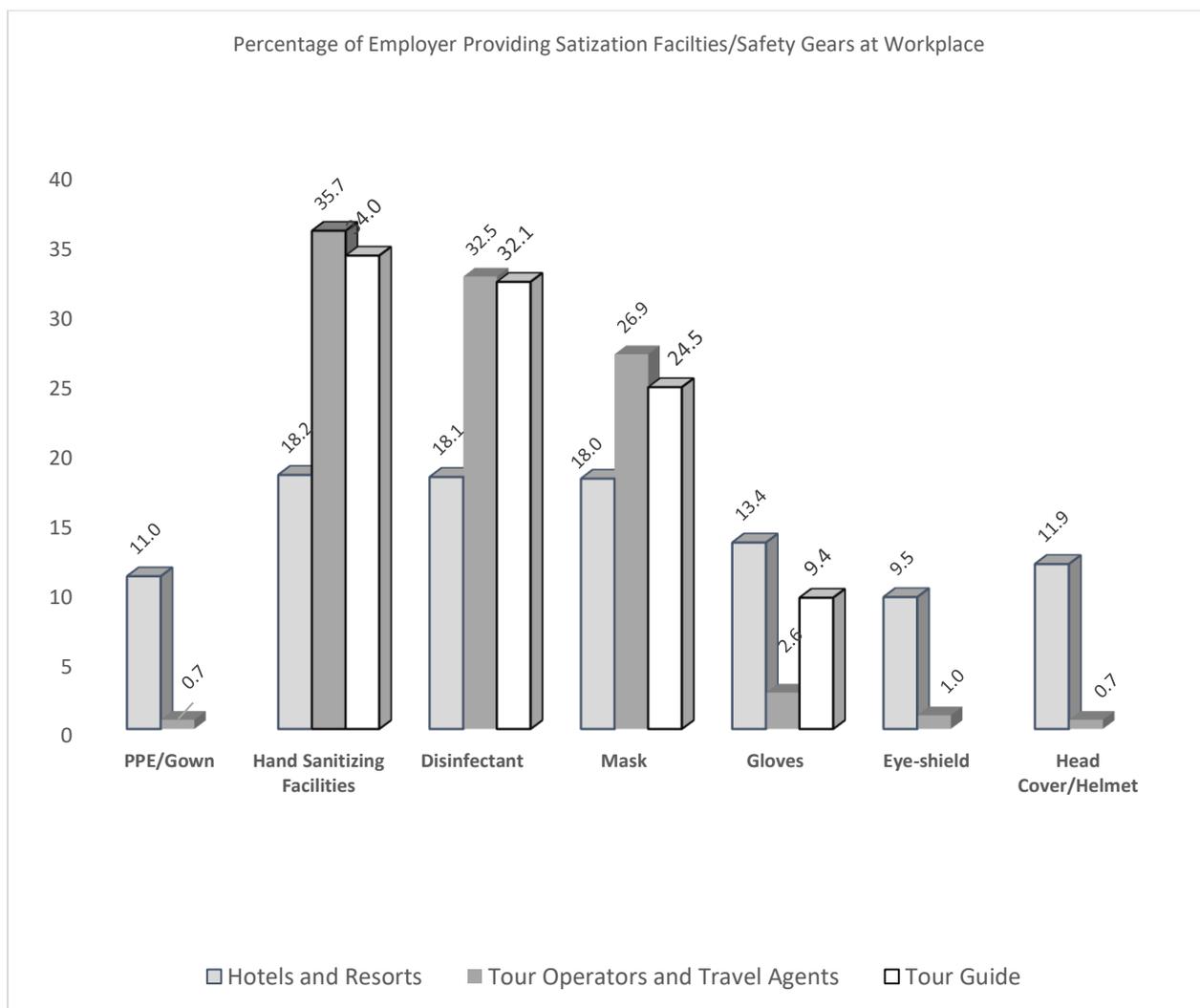
Thus, it appears that all the enterprises except those working as tour operators or/and travel agencies adopted a wide spectrum of strategies instead of a complete shutdown or an extensive retrenchment of employees to cope with the pandemic-induced adverse business situation. This could be credited to the inherent structure of demand for services 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 are 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 analyzed through interviews with the employees. The health and safety of the employees are 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 protective gear and safety measures for healthy employees are intensified.

It appears that a set of precautionary and safety practices are 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 in hotels and resorts compared to those working in travel agencies. 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%).

Figure 6.1: Workplace Precautionary Measures during COVID-19 Pandemic



Source: BIDS HTS COVID-19 Impact Survey, 2021.

Although approximately all enterprises recommend workers to put on facemask at work, 18%, 26.9%, and 24.5% of the employees working respectively in the hotels and resorts, travel agencies and/or tour operators, and working as tour guides report it to be adequately provided in their workplace. Wearing PPE/gown is mostly practiced by employees in the hotels and resorts (11%) and almost none in the travel agencies. 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. Overall, these findings suggest that the adoption of the practices inside the workplace is weak and inadequate, even at the extensive margin.

Table 6.2: Hygiene Practices in the 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	1.4	93.6	5.0
Using PPE/Gown	35.9	46.0	18.0
Using hand gloves	39.7	39.8	20.5
Using eye shield	20.5	62.5	17.0
Using helmets/headcovers	28.9	54.4	16.5
Frequent hand washing or hand sanitizing	1.9	88.2	10.0

Maintaining a safe distance between persons while in dining or workstations	20.5	55.7	23.8
Maintaining a safe distance between workstations	11.4	64.2	24.4
Tour Operator and Travel Agent			
Putting on masks at the workplace	0.9	84.4	14.8
Using PPE/Gown	79.1	1.7	19.1
Using hand gloves	80.0	0.9	19.1
Using eye shield	75.7	4.4	20.0
Using helmets/headcovers	79.1	2.6	18.3
Frequent hand washing or hand sanitizing	1.7	73.9	24.4
Maintaining a safe distance between persons while in dining or workstations	55.7	11.3	33.0
Maintaining a safe distance between workstations	49.6	11.3	39.1
Tour Guide			
Putting on masks at the workplace		100.0	
Using PPE/Gown	61.1		38.9
Using hand gloves	66.7		33.3
Using eye shield	50.0		50.0
Using helmets/headcovers	44.4	5.6	50.0
Frequent hand washing or hand sanitizing		94.4	5.6
Maintaining a safe distance between persons while in dining or workstations		11.1	88.9
Maintaining a safe distance between workstations		38.9	61.1

Source: BIDS HTS COVID-19 Impact Survey, 2021.

Although enterprises adopt several precautionary measures for employees' safety at the 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, half of the employees report inadequate provision of safe transport from home to 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 workers in travel agencies, around 80% of employees mentioned the lack of safe transport services, and almost all (94%) report the uncleanliness of washrooms in the workplace. In comparison, all workers in tour operators mentioned the inadequacy of lack of safe transport to and from work while a significant share of them are moderately exposed to the risk of infection due to unclean washroom (71%) and inadequate arrangement with proper handwash facilities at workplace (47%). 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-sector 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 NGO, neither in the form of

cash assistance nor food, is insignificant. Overall, the debt burden on an average employee in the tourism sector rose during the pandemic.

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

(in percent)

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
Tour Operator and Travel Agent				
Received cash assistance from NGOs			0.63	
Received food distribution from the government			0.63	
Received rations from the company/employer		0.63		
Borrowed from friends or family	5.00	11.03	9.17	5.67
Borrowed from microfinance institutions		1.11	1.43	
Borrowed from non-institutional sources		1.32	1.87	2.09
Sold assets/valuables		0.89	2.22	5.98
Dissaving	22.22	43.94	40.08	39.29
Reduced household expenditure	55.56	34.87	37.61	44.02
Other	11.11	6.23	5.90	1.74
Tour Guide				
Borrowed from friends or family		4.02	4.57	
Borrowed from microfinance institutions		3.03		
Borrowed from non-institutional sources			4.33	
Sold assets/valuables				
Dissaving	33.33	30.30	22.36	40.29
Reduced household expenditure	50.00	35.35	41.60	46.64
Other		14.14	18.06	14.29

Source: BIDS HTS COVID-19 Impact Survey, 2021.

Chapter 7 Sustainability of the HTS Amidst COVID-19 Pandemic and Beyond

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

The foregoing analyses covered the micro 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 sectoral analysis of the adverse impacts on the economy both in terms of the loss in output and employment. These estimates, however modest they 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	Travel Agent ²	Tour Operator ³	Tour Operator and Travel Agency ⁴	Restaurant ⁵	Transport Agency ⁶	Total
Gross Value Added at Current Prices (Tk. Billion)							
2019-20	252.31	16.83	2.71	12.30	272.61	855.92	1412.68
2020-21 (Normal)	259.90	19.95	3.02	14.29	294.50	958.98	1550.64
2020-21 (COVID-19)	86.86	4.76	0.58	2.52	142.79	713.26	950.77
2020-21 COVID-19 Loss	173.04	15.19	2.44	11.77	151.71	245.72	599.87
Number of Employees (in Thousand)							
2019-20	51.63	12.09	2.71	7.85	2283.53	785.98	3143.79
2020-21 (Normal)	53.18	12.31	2.74	8.22	2495.19	785.98	3357.62
2020-21 (COVID-19)	44.76	11.28	2.11	8.03	2417.61	732.62	3216.41
2020-21 COVID-19 Loss	8.42	1.03	0.63	0.19	77.58	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 (2019) 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. 4. Estimates based on BBS (2019) and Table 3.4, Table 4.3, and Table 4.7. 5. Estimates based on BBS (2020) and Table 3.4, Table 4.3, and Table 4.7. 6. Estimates based on BBS (2007; 2015; 2021) and Table 3.4, Table 4.3, and Table 4.7.

The figures for 2019-20 were extracted from difference publications of BBS as indicated in Table 7.1. The 2020-21 (normal) figures were extrapolated from the relevant historical data available using

the trend growth to gauge the ‘counterfactual value’ in absence of COVID-19 pandemic. Correspondingly the 2020-21 (COVID-19) figures were estimated based on the *average decline* in output and net employment of the enterprises surveyed. The consequent difference is attributed as 2020-21 COVID-19 loss endured by the sub-sectors.

21-Three caveats need to be kept in mind while interpreting the results. *First*, the study covered only the major sub-sectors for which relevant sectoral data are available. Sectoral estimates for two sub-sectors viz., the tourism SMEs and amusement parks could not be aggregated due to the lack of relevant sectoral 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-sector and transcend into the total estimates.

Be that as it may, it is evident from the estimates that about Tk.600 billion 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 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 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. However, the shares of loss across the sub-sectors need to be interpreted against their shares of gross value added. Viewed from this perspective, the highest loss was incurred by the travel agents and tour operators to the tune of 76%-82% of other gross value added that would have earned in absence of COVID-19. In contrast, the loss in the transport sub-sector as share of its value added in absence of COVID-19 was about 26%. So, the highest share of the loss in value added of the sub-sector is due to its larger share in the total. 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 mobility restrictions curtailed the business of the transport agencies and health risks of close contacts 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 has been ravaged by the COVID-19 pandemic 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 can 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 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 the hotels and resorts, tour operators, travel agencies, transport agencies, and amusement parks the intensity of the fiscal stimulus needs range between 48% and 74%. The requirement is a little bit muted for restaurant and tourism SMEs at 17% and 15% respectively. The second important type of assistance the entrepreneurs require is institutional credit at low interest rates, which range from as low as 18% for hotels and resorts to as high as 85% for 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, the enterprises need an exemption from 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	Tour Operator	Restaurant	Tourism SME	Transport Agency	Amusement Park
Fiscal Stimulus	60.81	47.50	73.68	16.76	14.81	52.00	55.56
Low interest loan	17.57	40.00	26.32	83.24	85.19	48.00	44.44
Exemption of VAT, tax, and utility bills	21.62	5.00	-	-	-	-	-
PCR test at the Airport	-	7.50	-	-	-	-	-

Source: BIDS HTS COVID-19 Impact Survey, 2021.

It may be noted that the government has announced many forms of liquidity support for producers, exporters as well as 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 as well as inoculation of aged and vulnerable citizens residing especially in large cities and towns were to combat the economic downturn and to minimize 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. 1214 billion for a total of 21 packages, which is more than 4% of the country's GDP.¹ As many as 15 of the government support packages were expected to arrest plummeting production processes and the rest were expected to increase the aggregate demand by enhancing the purchasing power of the poor and vulnerable groups. Further, about 81% of the fund was allocated across 10 packages to provide liquidity support, leaving only 19% (0.83% 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 on the COVID-19 pandemic.

¹ See Yunus (2021) for detail.

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. 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 emphasized 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 the 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 the achievement of the SDG targets in time.

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

Views	Hotel and Resort	Travel Agent	Tour Operator	Restaurant	Tourism SME	Transport Agency	Amusement Park
Short-term Measures							
Ease lockdown	32.91	7.89	12.90	17.02	15.88	17.37	
Expedited Vaccination	3.80	2.63		16.49	39.66	17.37	20.00
Credit Facilities at Easy Terms	11.39	5.26	9.68	12.23		21.76	
Fiscal Stimulus	15.19	7.89	6.45	22.87			20.00
Medium-term Measures							
Tourism Development (Industry)	16.46	18.42		7.98	26.97		
Tourism Development (GOB)	8.86	44.74	35.48	4.79	17.48		
Stop Corruption/Harassment	10.13	5.26	35.48	18.62		43.51	

Source: BIDS HTS COVID-19 Impact Survey, 2021.

Most of the entrepreneurs in the sub-sectors realized 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 that they need a major overhauling of business (17%) with well-trained and

skilled human resources that would require wages and salaries commensurate with the market. Besides, most enterprises, especially those at the lower end of tariff ranges, need to renovate structures with modern interior and exterior designs and decorations. The tour operators and travel agents need both linguistic and trade-specific training of staff (18%) to deal with clients, especially the foreign tourists. Restaurants (8%), tourism SMEs (27%), and amusement parks (60%) 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, improved customer service at an affordable price and amusement parks should be upgraded with modern rides and 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 realized that their efforts alone will 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 with modern infrastructures compatible with the environment. While the tour operators and travel agents agreed that the tourist sites need to be improved, they also emphasized that the diplomatic missions abroad need to strengthen the relationship with the respective foreign country to help increase the inbound tourists, improve services of the ground level staff at the Department of Forests to attract more local and international tourists, and repeal rules that restrict the tour packages to executed with 50% tourist capacities. The other sub-sectors emphasized 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 COVID-19 pandemic hit hard the hospitality and tourism sector of the country. 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 adverse impacts were assessed through various indicators, such as 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, 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 of 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 in movements was increased. However, this improved performance of enterprises in the following periods (with lesser restrictions on movement) also varies across the sub-sectors, with a few sub-sectors could revive their operations to a greater extent compared to other sub-sectors. Specifically, the improvement has been slower for hotels and resorts, tour operators, and travel agencies but faster for some of the 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 in hotels and resorts and those working in enterprises that act both as tour operators and travel agents 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 temporary shutting down of the business, reducing wages and salaries as well as other benefits to employees, and laying off employees during the strict lockdown. The reduction of non-labor 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 the tourism SMEs, restaurants, and hotels and resorts,

while borrowings from financial institutions are reported by the tourism SMEs and transport agencies across seasons during the pandemic year.

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 COVID-19 pandemic. The pattern is consistent both across the quarters and the sub-sectors.

Facing the pandemic, the 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 billion was lost in gross value added in the HTS due to the COVID-19 pandemic and 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 with the restaurants and transport agencies accounting 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. Most of the entrepreneurs in the sub-sectors also realized 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 the development of 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 malaise of the HTS in the wake of the COVID-19 pandemic and even before its onset and the country's commitment to achieving the related SDGs several short- and medium-term measures are in order. These include but are not limited to

- a. Fiscal incentives and/or credit facilities at easy terms and conditions to allow the sub-sectors to fully recover from the staggering adverse impacts of the COVID-19 pandemic;
- b. development of public infrastructures at the tourist sites and the neighborhoods to ensure the safety and security of the tourists and facilitate the private sector to do their business;
- c. Coordination among the government agencies so that both tourists and the private agencies involved can avoid unnecessary hassles and harassment;
- d. Ensuring that employees 'just' wages and salaries are commensurate with the market signals and do not fall prey to the exploitative entrepreneurs; and

- e. Imparting technical skills to the employees, especially those working at the middle and upper echelons.

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.

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