

Covid-19: Impact of Lockdown on Tourism & Hospitality Industry

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Abstract

As countries are separating themselves from the rest of the World to overcome the pandemic COVID 2019, it is definite that it will have a cascading thwack on the world economies. As the Indian government imposes a three-week lockdown, it is paramount to understand which companies are predominantly influenced and how those companies are managing their human resource. The authors initiate to divulge the economic impact of lockdown due to COVID 19 on the Tourism and Hospitality Industry in India. The article not only embraces on economic impact but also enlarge on how the lockdown will have an unpropitious impact on employees of these sectors and how the organizations are contriving their practices to face the challenges that are imposed. The article also poses some propositions that may be followed so that the addressed sectors may reduce the perplexities of COVID19. The core of the article is the economic impact of the COVID19 epidemic on the Tourism and Hospitality Industry in India and the measures adopted by the companies to facilitate the employees. The article is important as it gives an understanding of the unique HR policies that are being adopted by the companies in dire circumstances to assist and facilitate their employees. The article also, put forward certain propositions that may be adopted by the government to support the Tourism and Hospitality Industry for managing the financial loss and reduce mass unemployment for better sustainability during the critical situation of COVID-19.

Keywords: Covid-19, Lockdown, Tourism Industry, Hospitality Industry, Employees

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Introduction:

With the number of COVID-19 cases leaning dangerously more than 2954222 and the worldwide death toll crossing more than 202597 [1], the World Health Organization (WHO) declared the virus outbreak a pandemic in the second week of March 2020, four months after the novel virus first made headlines. The number of cases in India saw a dramatic increase in across states and union territories. India. Most cases in India are due to local transmission of people who had a travel history to coronavirus infected countries. As per the Ministry of Health and Family Welfare on 29 April 2020, there are 22982 active infected cases and 1008 people have died across India [2]. On 25.03.2020, prime minister of India took a severe step against COVID-19 and announced 21 days complete lockdown for 1.3 billion Indians which means no one could leave their home for 21 days. The lockdown includes schools, offices, factories, parks, temples, railway stations, and even the airspace.in a recent column for the Hindu, Jean Dreze, a prominent Belgian-Indian economist said "almost everybody in India's informal economy-a huge share of the country's work force-has been hit by an economic tsunami". With the world economy badly hit, the Indian economy is bracing for the fallout of COVID-19. India's private sector accounts for 57% of its total GDP [3], one of the four sectors of an economy, the manufacturing sector of non-essential items is badly hit, resulting in less production which in turn will result in fall in the employment, the companies will reduce the workforce and will not hire new employee, which will result in less disposable income as people will tend to save in the situation of crisis and will save for the unexpected which means leakage from the economy which will make the situation more difficult as Demand will fall, the Indian economy will move towards a situation of recession. As per the Asia Development Bank report, the Covid-19 outbreak could cost the Indian economy between \$387 million and \$29.9 billion in personal consumption losses [4]. ADB's scenarios were based on the fact that the outbreak is still concentrated in China, which accounts for 97% of fatalities and 93% of total cases [5] But in the present scenario, USA Italy has already surpassed the China and India's scenario is becoming critical day by day, with the infected people raising it may have an adverse catastrophic impact on the Indian economy. According to Dun & Bradstreet's latest Economy Forecast, the probability of countries entering into recession and companies going bankrupt has increased and India is not likely to "remain decoupled" from the global meltdown [6]. The lockdown till 3rd May, 2020 in India is a viable measure to control coronavirus COVID-19, but as apprehended it may be extended in spite of Indian economy may reach doldrums and struck by poverty and unemployment. One of the most important industry for the Indian economy is tourism and hospitality Industry. It contributes significantly to the economy and generates huge employment directly and indirectly. During the last three decades, this sector has seen a change in the trend, with increase in the numbers of national and international tourists. Tourism & Hospitality Industry got hit hard by COVID-19.

Impact on Tourism & Hospitality Industry

According to the report of the UN Conference on Trade and Development estimated that India could lose \$348 million and declared it among the top 15 most-affected economies, after the EU, the [8] US, Japan, and South Korea [7]. Some of the worst-hit sectors in India include the tourism and hospitality industry. The world travel and tourism calculated that tourism generated 9.2% of India's GDP in 2018 and supported 8.15% of its total employment [8]. Tourism is an important sector in India, attracting domestic and foreign nationals throughout the year. It does not come as a surprise that a large number of confirmed COVID-19 cases in India include foreign tourists. To restraint the outbreak of epizootic disease Indian government has suspended the Visas, grounded all the flights and tourist attractions are shut indefinitely, thus imposing a stricture on the tourism value chain, including hotels, restaurants, tour operators and agents are expected to face huge losses worth billions. The tourism industry is likely to take a massive hit and it could end up crippling the industry for the anticipated ensuing days. During the month of January 2020, the threat of COVID19 was spreading; the tourism industry was the first to bear the brunt with reservation of hotels and Airline being cancelled. The situation became vexatious for the industry when the whole country was put to a standstill and the cascading effect of the coronavirus incapacitated the Indian tourism and hospitality industry. During the year 2019, 4.2 crore jobs were created in the tourism sector which now is on the edge of facing mass unemployment due to the COVID-19 pandemic [9]. The Federation of Associations in Indian Tourism & Hospitality (FAITH) predicated that due to lockdown, 38 million jobs could be lost in the tourism and hospitality sector alone [10]. During these difficult times, many companies have taken some good initiative to curb the mass unemployment which may occur during the next six months, but the question remains whether the industry will be able to sustain the present situation in the long run. The tourism and hospitality sector depends on travel, trade, and tourism for its business and sustenance. The rapidly falling occupancy rates will have a devastating impact on jobs. The sector is facing decline revenues but expenditure almost remains the same. Companies need to bear the fixed cost and with the additional responsibility of paying staff salaries.

Hotel Sector

The hotel sector is also an important value chain of the tourism and hospitality industry. The hotel industry also is witnessing a huge dip in occupancies, revenues, trip cancellations for the current quarter and future bookings are also getting stalled due to Coronavirus effect. The customer base of hotels in India includes domestic travelers 76-77%, foreigners' share close to 23-24% [11]. Following the outbreak occupancy at hotels across the country has seen a 40% drop year on year for March [12]. The credit rating agency has downgraded the outlook on the hospitality sector to negative from stable. Many hotels both luxury and budget are running at just 10 percent of occupancy levels as thousands of people have canceled their trips. This may further worsen in the times to come at least till the end of this year. The situation looks grim and if the situation continues the hotel industry will take a massive job loss hit. Industry working on cost-cutting by laying off the temporary and contractual workers but are continuing with the employees. Few employees have been asked to go on paid leaves while remaining are still working in the hotels, thus the operational cost is reduced. Understanding the situations, hotels are converting the room into isolation wards thus keeping the staff engaged and generating revenue. Many hotels have spread their help in this pandemic situation. Lemon tree, Radisson hotels, Taj group of hotels and international hotel groups have collectively offered 392 rooms as paid quarantine facilities in India. This step will not only strengthen the country to fight the epidemic but also keeps the workers employed. The Hotel Industry is expecting that the effect of lock down will continue for a long period of time and is gearing up to create the belief among the customers and return back into the business.

Aviation sector

The Aviation sector is an important value chain of the tourism industry, which has also been largely affected by COVID-19 and facing major financial loss and massive unemployment. According to the Centre for Aviation (CAPA), the Indian aviation sector may incur \$3.3-3.6 bn loss in June quarter if flight services remain grounded till June end [13]. The coronavirus situation will only exacerbate unemployment; Adecco estimated that around 600,000 ground jobs and support roles in the aviation industry are at risk [14]. The aviation sector is under a lot of pressure to sustain themselves in this difficult situation by taking appropriate measures for managing its employees. Recently Go-Air has initiated a short term and temporary rotational leave without pay program for helping the company to counter the short term reduction in employee's capacity to ensure business continuity. Similarly, Vistara has announced a top-down 1-3 day compulsory no-pay leave for 30% of its 4,000 employees in a bid to cut costs [15]. IndiGo's CEO Ronojoy Dutta announced a "pay cut for all employees" where top management will take a 20 percent pay cut, cockpit crew members will be taking a 15 percent pay cut and crew members will be taking a 15 percent pay cut and added that he too will take a pay cut of 25 percent due to the ongoing turmoil in the aviation industry, triggered by the global novel coronavirus outbreak [16]. Ailing Air India has also announced a pay cut of 5 % for its employees due to mounting financial losses as a result of restrictions and has imposed a

30-40% cut in cabin crew members will receive revised layover allowances of \$100 for 30 Hours and thereafter \$4 for every additional hour[17]. Airlines are planning to keep 35 percent of its workforce on leave without pay for a month and proposal to for 20 percent pay cut for staff in a staggered manner to help the airline sustain till normalcy in passenger traffic returns [18].

Conclusion

The tourism and hospitality industry has come to a standstill; travel, hotel, and aviation are bleeding in this challenging scenario. Even if the Covid-19 cases decline, the recovery will still take at least 8-10 months. Private companies alone will not be able to recover without financial relief from the government. Several tourism, hospitality, and aviation industry bodies have written to the government for interim relief to pay installments, taxes, and salaries to employees. The road to recovery for the industry is surely difficult for the next fiscal year. In the times to come government needs to take some constructive measures, though the government is already providing monetary support to daily wage earners, the same may be advanced to staff working in the hospitality and aviation industry as they are the driving force of the tourism industries. The government may implement tax abatement to boost the aviation and hotel industry, a cut in the Goods and Service tax will augurs well for the tourism and in turn, will benefit the entire value chain. It will have a cascading impact and will increase employment. Government may permit few hotels may become functional, but they cannot expect huge turnover of tourists. So they have to reduce their cost by providing simple menu, using machines to clean rather than human force, mandatory digital payments, closing restaurant and use of room service, strictly follow the literature for sanitization and other measures that my minimize the human contact and imbibe faith of safety among the customers. Airlines may prioritize profitable routes over increasing market share, giving more pricing power to airlines and providing fuel at a subsidized rate will reduce the operational cost and will motivate the industry. The whole process is a vicious circle where the government financially supports the tourism industry which in turn keeps the employment of their employee intact. The security provided by the Employers during this time of crisis will generate a sense of belongingness to the employees, thus having a positive employer-employee relationship. Some other measures that may be considered are cancellation of equated monthly installments for loans, deferment of all statutory dues, increase in provident fund, slacking customs duties, waiver in state government-level excise fees, taxes, the abolition of power and water charges. With a bailout package in place by the government, it can be expected that both the sectors will come out with favorable market policies which will create a vicious circle of growth in the tourism sector and will benefit the Indian economy as a whole. One positive impact on either of the industry will have repercussions on the other industries and will again bring India back to the growth trajectory.

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