

**ӘЛЕУМЕТТІК ҒЫЛЫМДАР**

---

**SOCIAL SCIENCES**

*IRSTI 06.71.51*

*K. Sarybayeva<sup>1</sup>*

<sup>1</sup>Suleyman Demirel University, Kaskelen, Kazakhstan

**COVID-19 IMPACTS ON EMPLOYMENT RATE IN HOSPITALITY  
INDUSTRY**

**Abstract.** The intention of the article is to present a general review of the extent to which pandemic and confinement endeavours to halt the virus spread have affected the world of work, international economic domains, as well as businesses involving hospitality and tourism sectors. The focus is particularly placed on several countries, namely, Spain, Germany, the USA, and Kazakhstan. In practical application, the article can be beneficial for practitioners as it presents global experiences and feasible strategies to cope with future unforeseen circumstances such as pandemic threat.

**Keywords:** COVID-19, hospitality industry, impacts, economy, employment rate, unemployment rate.

\*\*\*

**Аннотация.** Цель данной статьи представить общий обзор степени влияния пандемии и ограничительных мер, предпринятых для предотвращения распространения вируса на мировой рынок труда, сферы международной экономики, а также на предприятия, относящиеся к гостиничному и туристическому сектору. В частности, основное внимание статьи сосредоточено на нескольких странах, Испании, Германии Соединенных Штатах Америки, и Казахстане. С практической точки зрения, статья может быть полезна для для представителей индустрии, так как она представляет международный опыт и возможные стратегии для противостояния будущим непредвиденным обстоятельствам, такими как угроза пандемии.

**Ключевые слова:** COVID-19, гостиничная индустрия, влияние, экономика, уровень занятости, уровень безработицы.

**Аңдатпа.** Бұл мақаланың мақсаты әлемдік еңбек нарығында, халықаралық экономика саласында, сонымен қатар қонақ үй мен туристік секторға жататын мекемелерді вирустың таралуына алдын алуға бағытталған пандемияның әсер ету деңгейі мен шектеу шаралары туралы жалпылама шолу жасау болып табылады. Мақаланың басты назары негізінен бірнеше мемлекет Испания, Германия, АҚШ және Қазақстан мемлекеттеріне бағытталған.

Практикалық тұрғыдан қарағанда, мақала өндіріс өкілдері үшін пайдалы болуы мүмкін, ол халықаралық тәжірибе және пандемия қатері сияқты болашақта кездесетін күтпеген жағдайларға қарсы тұруға арналған стратегиялар болып табылады.

**Түйін сөздер:** Covid-19, әсер, мейманханалық индустрия, экономика, жұмыспен қамту деңгейі, жұмыссыздық деңгейі.

### *Introduction*

Since the Covid-19 was announced the pandemic the global society has been living in constant and escalating tension. First and foremost, it concerned with population health issues. The newly disease spread exponentially across the globe and eventually overturned the world. For the sake of life saving and in order to curtail the number of contaminated, authorities had to make extreme decisions. Thus, many nations declared about extraordinary situation, sealed off the borders, and suspended nonessential economical activities. Regrettably, these decisive measures whipped up further already existing tension in the world. Health issues were overlapped with economical challenges, namely, income and job losses. The general review presenting coronacrisis repercussions on international labor market, tourism and hospitality is elaborated below.

Even before Covid-19 outbreak the world of work left much to be desired, for instance, only 57 percent of world population were employed, the remaining population had no job or was hired on menial work with low-wages in informal economy [1]. Often these workers did not have rights and were without any social support. It is undeniable that global crisis, induced by the pandemic, dramatically worsened the state of the labor market depriving people of workplaces, sources of income, and some certainty of their future. What is even worse that many workers will lose positions, and in particular lowly paid staff will suffer drastically who are already disadvantaged struggling to survive the pandemic without savings. This is particularly the case in developing countries with fragile contexts where the population experience devastating impact of the pandemic. Global income losses declined by 10.7 percent during the three quarters of 2020 which equals to US\$3.5 trillion. The highest share of 15.1 percent resides in lower-middle and middle-income countries, while 11.4 percent belongs to upper-middle countries [2].

Undoubtedly, the coronavirus has affected the international economy and the labor market worldwide. Millions of people have been left jobless and many people are going to lose their livelihoods in the near future. Dozens of gigantic companies have already announced the massive termination of staff or given employees an indefinite leave, not to mention small and medium sized enterprises where the situation is worse. Some people are still employed with reduced income and little engagement. At the same time, there are those who are considered employed, but receiving nothing for living. Others, having lost one stable highly paid job are forced to scratch a living with temporal earnings working as taxi drivers, tutors, and dispatch staff.

Labor shedding inevitably triggers knock-on-effects, namely, it leads to declining income of population, in turn, low-income results in low level of expenditure, thus, the consumption being the economy engine starts cutting out. Governments' revenues are diminishing in size as well, as a result of reduced tax payments from workers, whereas, expenses of government coffers are increasing as unemployed population demands social assistance by means of welfare and accommodation.

#### *Literature review*

The hospitality industry is the service industry which includes food and drink service, event planning, theme parks, transportation, hotels, restaurants and bars. The hospitality industry plays an essential role in the economy and labor market [3]. For instance, as International Trade Administration reports the hospital industry supplied around 20% of the U.S. GDP and employed about 30% of the U.S. labor force. Therefore, the loss of jobs and income due to the pandemic is a problem not only for individuals or countries, but it is the damage to the world economy. Quarantine measures led to an outflow of tourists. The World Travel and Tourism Council considers that approximately 98 to almost 200 million workplaces of travel and tourism are at risk all over the world [4]. Along with that, McKinsey and Company (2020) report that pandemic will influence on 44–57 million US jobs, however the most noticeably it will affect food services and accommodation [5]. S. Amangeldinova states that in the period of global pandemic the local business faces 2 main challenges: preventing a reduction in the workforce (personnel) and the problem of devastation (reduction in cash flows) [6].

#### *Methodology*

Search strategy and content analysis method were employed in the process of preparing the present article.

#### *Search strategy*

Electronic search was performed through Google Scholar (2019-2021) and Web of Science (2019-2021). The main search strategies include the *Covid-19 impact on the tourism* or *tourism after pandemic* or *employment problems during global pandemic* or *hospitality industry problems during pandemic*. Also, the search

was done on the reference list of the articles being reviewed. Searches were collected and sorted by the authors.

*Conceptual content analysis method*

After the search, the conceptual content analysis was performed. The focus is particularly placed on the data of several countries, namely, Spain, Germany, the USA, and Kazakhstan.

The results of the analysis are described below.

*Main findings*

*Impacts of Covid-19 on global employment*

In terms of countries, the pandemic crisis sent shock wave through the world economy and work environment across the globe. For example, Spain, the one of the largest economies in Europe, where unemployment rate has reached 20% and it is predicted to remain for at least 2 years. The economy of this country has been hit harder by both the virus itself and lockdown measures, comparing with neighboring European countries, as it is more contingent on restaurant and hospitality businesses. The share of tourism contribution to country's annual revenue was considerably high, being 14,6% in 2018 [7].

Germany, as any other European countries has encountered severe challenges in labor market brought about by corona crisis. According to analysis conducted by Bauer and Weber, (2020) [8] the number of unemployed, due to lockdown interventions, had growth reaching 117,000 persons in April 2020. On the other hand, some sectors are experiencing severe deficiencies and desperately looking for labor force. Mainly the shortage is in agriculture and service sectors. Every spring agriculture employs migrant workers to perform seasonal farm work, for example from Romania and EU countries, to reap the harvest of various seasonal crops. In this context, the Skilled Workers Immigration Law was enacted on 1<sup>st</sup> March 2020 to attract migrant work force [9]. However, worldwide border closure put farms in a difficult situation leaving them without help of thousands of harvesters.

Covid-19 has disrupted the US work market severely. To be more precise, by December 2020, 15.8 million of Americans were without workplaces, due to the fact that their employers had lost or closed companies.

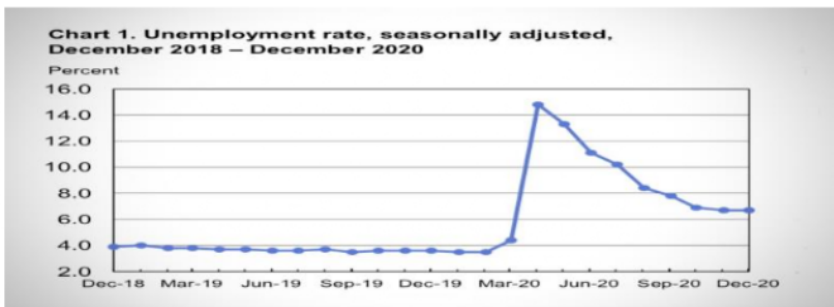
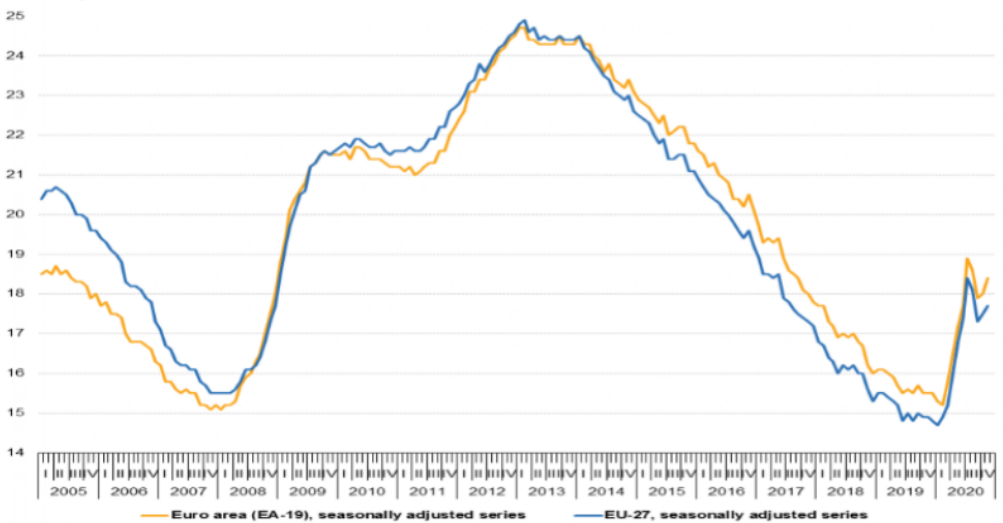


Figure 1. Unemployment rate

The chart reveals unemployment rate data throughout the period from December 2018 to December 2021, retrieved from US Bureau of labor statistics released on 8<sup>th</sup> January 2021. The main feature is that during the first year of the given period the percentage of unemployed Americans was almost steady ,4%, with marginal decline at the end of the 2019, before the pandemic hit. However, starting from February 2020, the quantity of jobless exponentially accrued reaching the peak of 15% in March-April 2020. Despite the fact that for the rest of the second year the number plunged steadily being approximately 7% in December 2020, it was still twice as high as in the previous year. Overall, comparing the trend it can be seen that the pandemic drastically increased the quantity of unemployed persons in the USA [10].

Particularly the Covid-19 has most affected young population, especially those who were planning to start a career path after graduation. Presently they are made redundant fearing that shift to the distance learning has malevolently impacted the quality of education which in turn can hinder their future employment. Being at risk to become a “lockdown generation” youngsters reckon that effects of the pandemic will accompany them for quite some time. Prior to pandemic, 267 millions of youngsters were already jobless and without engagement in education or training activities [11]. Obviously, the crisis has worsened that situation and increased the initial number.

**Youth unemployment rates, EU-27 and EA-19, seasonally adjusted, January 2005 - November 2020**



Source: Eurostat (online data code: une\_rt\_m)

eurostat

Figure 2. Youth unemployment rates

The results shown in Statistics Explained [12] underpin that fact, in November 2020, in the EU alone 3.171 million and in Euro area 2.629 million

of youngsters were out of job. Comparing with November 2019, the number accrued by 456 000 and 398 000 in the EU and Euro area respectively.

The data gathered by the US department of Labor Statistics reflected that in December 2020 the rate of unemployed youngsters peaked at 16 percent, while the percentage of adults in total was 12.7 percent, being 6.4 for men and 6.3 for women respectively [13].

Kazakhstan's economy has the largest shock for the last two decades. Necessary efforts to contain the pandemic spread resulted in economic slump accompanied by decreasing demand on oil, as country's oil reliance is particularly high. To mitigate pandemic devastating consequences and to alleviate household expenditure authorities implemented a wide variety of strategies, among them a scheme with KZT 300 billion for maintenance services on infrastructure facilities. However, the poverty rate is suggested to rise from 8.3 to 12.7 percent, which may add 800 000 residents to people living poorly [14].

Analysis carried out by Workforce Development Centre for the 3<sup>rd</sup> quarter of 2020, marked the reduction of labor force quantity in almost all regions. Partially prolonged quarantine restrictions continued affecting the labor market in the country. Thus, the cutback of 0.7 percent in employment and negative impact on particular industries could be observed.

Benchmark analysis by industry depicted the largest contraction in hospitality (-8.3%) and entertainment and leisure (-7.8%). In the context of employment reduction, the average rate of unemployed grew in number by 2.9 percent comparing with the same period of the previous year. As a result, the level of unemployment in 3<sup>rd</sup> quarter 2020 accounted for 5% [15].

Last but not least, apart from economic damage caused by the pandemic the society experiences another issue stemming from growing unemployment level. It is widely recognized that increasing unemployment rate, especially in countries with weak economic background, leads to poverty and triggers rise in crime. In this sense, estimation by UN report depicts bleak and gloomy perspectives suggesting that number of people living in poverty could soar by 420-580 million, and about 70-100 million people are more likely to return to robbery poverty [16]. Palomino et al. (2020) [17] support by findings that crisis is responsible for increasing rate of poverty and inequalities in all European nations. The gap between wealthier and poorer layers of society becomes wider and more evident generating inequality and discontent and anxiety amongst population. Eventually the inequality can be accompanied by social disparity and political tension on national and on international level, between wealthier and poorer countries.

#### *Impacts on tourism*

The global hospitality and tourism industries are undergoing a precarious period and bearing tremendous losses due to the pandemic. The assessed damage

of tourism market revenues resulting from COVID -19 crisis presented in the UN report ranges from \$910 billion to \$1.2 trillion, with 100 to 120 billion job losses. In this regard, not only small and medium sized guest houses have been subjected to distress but also large hotels and hotel resorts, which usually host the main stream of foreign guests. Vast majority of hotels, 95%, in Italy, Spain, and Turkey have come to a halt while remaining are trying to operate. In order to reduce expenditure during the recession, hoteliers were forced to decrease fixed costs which in turn led to laying off the personnel size.

Before the advent of the pandemic, tourism was considered to be as one of the most thriving and potential sectors in the globe. As such, the sector was a source of livelihood for 10.3 percent of global work force, which mainly consisted of women and youngsters, and about 330 million jobs were engaged (directly or indirectly) in the tourism industry [18]. In some developing countries GDP reached 20% through the income generated by the sector. However, health care emergency situation paralyzed the whole supply chain cutting back the contribution. Adverse effects of corona virus on tourism and workers involved are immense. Especially for countries which economic systems are primarily based on tourism activity.

Results of the establishment survey conducted by the US department of Labor Statistics, revealed a distressing reality in hospitality and leisure. By December 2020 employment in these sectors dropped by 498000, and as it was estimated since February 2020 it decreased by 23.2 percent, or by 3.9 million. Next comes the government sector with reduction of 1.3 million.

On the contrary, corona crisis effects on other industries showed opposite upward trend in December 2020. Largely, it is associated with computer services and IT technology where 20000 additional workplaces were added, followed by technical and management positions with equal number of 11000 additional jobs [19]. IT technology and activities related to it are considered to be the occupations that were in high demand before and have remained their position [20]. On top of that, the role of IT departments sharply soared and became of great importance. This fact can be attributed to unprecedented approaches taken to constrain the further viral spread which were quite decisive and differed substantially from approaches of previous disease outbreaks. As measures to ensure smooth and effective business transition to remote work places, providing data security, required more technological competencies.

Being the engine of the global economy small and medium-sized organizations are suffering dramatically. Unfortunately, many of them may not recover. For most businesses returning to the previous operational pace will not be easy and may take some time, which implies that they will halt the hiring process leaving millions of people without livelihoods. As noted by Guy Ryder, ILO Director general at extraordinary meeting on 24<sup>th</sup> April, 2020, the tourism and people involved into related sectors are in desperate need for large-scale

public aid for survival otherwise they can disappear without income or protection, even before the pandemic [21]. In this regard, for the purposes of supporting tourism and hospitality enterprises governments of various nations implemented a wide range of strategies, such as, tax suspension policies, leniency of debt payment, subsidized worker's wage. Somewhere, targeted enterprises are provided with access to credit line, stimulus and incentive packages, free programs to retrain and develop staff professional skills.

#### *Limitations*

Despite the results of the analysis of the reviewed articles, there are some limitations of the study. Most of the articles do not consider the all possible illnesses of children in the inclusive classroom. Also, there is a limited availability of research data on the Covid -19 impact on Kazakhstan's hospitality industry. Data validity of this work can only apply to the included countries. Moreover, it should be highlighted that authorities and economists confess that official data does not reflect the actual state of affairs due to disguised forms of employment. Additionally, retired and disabled residents, students, and those who are despaired of finding jobs and abandoned the search are not considered as economically active population, therefore, they are not taken into account. According to default definition used by International Labor Organization a person is deemed as unemployed for several criteria, such as, a person has no job, has been in active job search for the last four weeks, and is able to take one within two sequent weeks [22]. At the same time, the proportion of people, registered but not considered as unemployed, has sharply rocketed as people of various professions soberly evaluated perspectives witnessing nationwide businesses closure. In reality, if they are not looking for a job they are not considered as unemployed. This fact may blur the real picture and distort the unemployment data.

#### *Conclusion*

Having analyzed the mentioned above it can be deduced that in general, vast majority of countries have experienced adverse effects associated with unprecedented situation and the policies to retain employment rate and sustain businesses worldwide are similar by nature. Though, these policies have huge impact on countries their outcomes can differ for several reasons. The first reason is the specific nature of confinement measures taken in some nations, while the second is the structure and design organizations of employment and economy. All these aspects lead to unequal implications on overall picture of employment and economy. At the same time the most economically affected sectors are tourism and hospitality. To rescue these sectors from a scrape, government authorities have elaborated recovery policies and rendered all possible assistance for the enterprises. Obviously, the very nature of work itself and the labor market have been changed inevitably and will never be the same again. Crisis has shown the imperfections and weaknesses of some systems

which were neglected before and should be tackled as soon as possible. On the other hand, it accelerated the anticipated transition to digitalization and robotization in many sectors. Despite the fact that future uncertainty causes anxiety and frustration for both employees and employers across the globe, the possible exit out of this crisis is coordinated and elaborated action involving all levels which enables humanity to overcome the hardships and eventually create better job opportunities with more prosperous future. To achieve this more than 170 countries have already poured cash into plans designed to fiscal impulse. [23].

### References

- 1 Policy Brief: The World of Work and COVID -19. *United Nations*, (June 2020): p. 5.
- 2 ILO Monitor: Covid-19 and the world of work. Updated estimates and analysis. *International Labour Organization, Sixth edition, Updated estimates and analysis*, 6. (September 2020). p-1.
- 3 Huang, A., Makridis, C., Baker, M., Medeiros, M., & Guo, Z. Understanding the Impact of COVID-19 Intervention Policies on the Hospitality Labor Market. *International Journal of Hospitality Management journal* 91, (2020): pp.1-9.
- 4 WTTC, 2020. Research Note: Travel & Tourism Recovery Scenarios 2020 and Economic Impact From COVID-19. Retrieved from. <https://wttc.org/Research/Economic-Impact/Recovery-Scenarios-2020-Economic-Impact-from-COVID-19>
- 5 McKinsey and Company, 2020. The Near-term Impact of Coronavirus on Workers. Retrieved June 16, 2020, URL: <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/lives-and-livelihoods-assessing-the-near-term-impact-of-covid-19-on-us-workers#>.
- 6 Амангельдинова, С.Е., Протасова, О.В., Горковенко, Л.А. Казахстан в новых жизненных реалиях в период пандемии коронавируса. *Инновационная экономика: перспективы развития и совершенствования*, 3 (45), (2020): С.13-19.
- 7 Akbulaev, N., Mammadov, I., & Aliyev, V. (2020). The effect of the covid-19 pandemic on tourism (Spain, Italy and Turkey). *Scientific Works of the Free Economic Society of Russia*, 223 (3), pp. 380–390. URL: <https://doi.org/10.38197/2072-2060-2020-223-3-380-390>.
- 8 Bauer, A., Weber, E. The Unemployment Impact of the COVID-19 Shutdown Measures in Germany. Institute for Employment Research of the Federal Employment Agency, *IAB Discussion Paper*, 16 (2020): p.6.

- 9 Duell, N., Vetter, T. The employment and social situation in Germany. *Policy Department for Economic, Scientific and Quality of Life Policies*. (May, 2020): p. 9.
- 10 News release. *Bureau of labor statistics US department of labor*, (USDL-21-0002). January, 2021: p.-1. URL: <https://www.bls.gov/news.release/pdf/empsit.pdf>
- 11 Policy Brief: The World of Work and COVID -19. *United Nations*, (June, 2020): p. 5.
- 12 Unemployment Statistics. *Statistics Explained*, (November 2020): p.3. URL:<https://ec.europa.eu/eurostat/statistics-explained/pdfscache/1163.pdf>
- 13 News release. *Bureau of labor statistics US department of labor*, (USDL-21-0002). (January, 2021): p. 8. URL: <https://www.bls.gov/news.release/pdf/empsit.pdf>
- 14 Navigating the crisis. *World Bank Group, Macroeconomics, Trade & Investment*, The Kazakhstan Economic Update. (2020): p. 23.
- 15 Workforce Development Centre. Demographical and labor market analysis for 3<sup>rd</sup> quarter 2020. (2020). Accessed January 20, 2021. URL: <https://iac.enbek.kz/ru/node/997>).
- 16 United Nations Comprehensive respond to COVID-19. Saving lives, Protecting Societies, Recovering better. *United Nations*, (September, 2020): p. 27.
- 17 Palomino, J.C., Rodríguez, J.G., & Sebastian, R.S. Wage inequality and poverty effects of lockdown and social distancing in Europe. *European Economic Review*, INET Oxford Working Paper, (August, 2020): pp. 22–23.
- 18 ILO Sectorial Brief. The impact of COVID-19 on the tourism sector. *International Labour Organization*, (May, 2020): p. 1.
- 19 News release. *Bureau of labor statistics US department of labor*, (USDL-21-0002). (January, 2021): pp. 3-4. URL: <https://www.bls.gov/news.release/pdf/empsit.pdf>
- 20 Barrot, J.N., Grassi, B., Sauvagnat, J. Sectoral Effects of Social Distancing. *Elsvier.com. SSRN Electronic Journal* April 15, (2020): pp. 5–21. URL: <https://doi.org/10.2139/ssrn.3569446>
- 21 ILO Sectorial Brief. The impact of COVID-19 on the tourism sector. *International Labour Organization*, (May, 2020). p. 1.
- 22 Unemployment Statistics. *Statistics Explained*, (November 2020): pp. 1–5. URL: <https://ec.europa.eu/eurostat/statistics-explained/pdfscache/1163.pdf>
- 23 Policy Brief: The World of Work and COVID -19. *United Nations*, (June 2020): p. 3.