THE IMPACT OF COVID-19 ON THE BUSINESS SECTOR AND LABOUR MARKET IN SOUTH AFRICA: A FOCUS ON THE HOSPITALITY INDUSTRY

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Abstract. The purpose of this paper is to explore the impact which was by the Covid-19 pandemic in the hospitality industry of South Africa. South Africa has one of the largest and highest developed hospitality industries in the region. The hospitality sector in South Africa employs 5% of the active age group and contributes around 10.3% revenue income to the government of South Africa. Unfortunately, South Africa emerged as one of the hot spots of the Covid-19 virus infections. As a way of controlling the pandemic, hard lockdowns were introduced starting on the 27th of March 2020. The sealing of the country’s port of entries brought the hospitality sector to its knees. This study evaluates impact of Covid-19 on the business sector and the labour market in South Africa, focussing on the hospitality industry. The study used secondary data from survey reports from South Africa’s National Department of Tourism, (Statssa), Google mobility and other authoritative relevant sources. The study concluded that the pandemic had a devastating effect on areas such as labour, the overall business, the labour market, and the hospitality sector. The most affected areas from the hospitality sector were aviation, maritime, special events, accommodation, hotels, restaurants, lodges, recreational parks, and national parks. When COVID-19 came, some businesses in the hospitality sector were servicing loans borrowed from financial institutions. The findings of the study indicated the need for a strong financial backup to cushion business during pandemics for the hospitality sector, tax holidays and adoption of stringent health protocols to assist the industry recovery and make business more profitable. The theoretical implication of the study is that it will expose the impact of COVID-19 on the business sector and the labour market in South Africa with a focus on the hospitality industry, and to map a future mitigatory way to overcome such natural calamities towards the business sector.

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Introduction

The research goal of this paper is to explore the extend at which the pandemic Covid-19 affected the business sector together with fall in demand in the labour market from employers in the hospitality sector in South Africa. The major aim of this paper is to make contingency plans in future in the event the...
same calamity faces the hospitality sector of South Africa and the global world at large. The research period was between the beginning of the pandemic Covid-19 in March 2020 to the end of year 2021 when the lockdowns were eased and normal business activities started in the South Africa tourism industry. Term tourism includes people that travel to various places either locally, nationally or worldwide for leisure and vacation or economic activities. The tourism industry is one of the progressive sectors to a great extent. It is important to note that various post crises troubled global tourism, but COVID-19 confronted this sensitive industry with unprecedented circumstances (Singh et al., 2021). The years 2020-2021 worldwide will be known and associated with COVID-19. COVID-19 is a human crisis that attacked the core principle of human existence (Verma and Gustafsson, 2020). COVID-19 is the biggest growth pole in the field of international hospitality and tourism scholarship (Rogerson and Baum, 2020). According to Olsen and Timothy (2020), observation in the spike of academic publications focussing much on the impact of the pandemic on global travel and how the COVID-19 marks the opportunities to start again from scratch and rejuvenate the tourism and hospitality industry more sustainably. The situation is unremarkable for the hospitality sector, the pandemic is one of the most impactful events of the 21st century. The COVID-19 pandemic led to an unforeseen crisis with the shutdown of tourist flows (Kock et al., 2020, Zenker and Kock, 2020), as it led an unforeseen – the South African government came out with a policy response to the COVID-19 crisis in different sectors which are infrastructure reconstruction, monetary assistance and human resources for tourism and hospitality companies and promotion activities (Li et al., 2021).

After ravaging the public health facilities, the pandemic has restructured the business environment with some businesses retrenching or completely closing (Bartik, 2020). The pandemic spread was associated with movement, and tourists’ perceptions of risk resulted in changes of patterns in terms of mobility and radical shifts resulting in changes to consumer demands where the business has to adapt (Korinth, 2020; Kowalska and Niezgoda, 2020; Neuburgee and Egger, 2020; Sanchez – Canizares et al., 2020; Godovyykh et al., 2021; Rogerson and Rogerson; 2021). The tourism and hospitality business sectors are differently responding to the debilitating effects of the COVID-19 pandemic as indicated by the eight-country study which was carried out by Alonso et al. (2021). The objective of this paper is to evaluate the impact of COVID-19 on the business sector and the labour market in South Africa with a major focus on the hospitality industry. South Africa was the worst affected on the African continent economical wise by the COVID-19 crisis (Rogerson and
Rogerson, 2020). More precisely, the study evaluates the impact of the pandemic on the business, labour market and hospitality industry. COVID-19 brought about a flurry of worldwide challenges. The pandemic’s ramifications have been devastating and are yet to be quantified. The pandemic brought unprecedented economic disruption never seen since the Second World War (Gossling et al., 2020). The tourism and hospitality industry which is the mainstay in developed and developing countries was shaken, as it relies on mobility and interaction which was left disturbed leading to a collapse in some sectors (Nicola et al., 2020).

**Literature review and conceptual framework**

The COVID-19 pandemic has transformed the trajectory of all types of business worldwide (Kvirkvelia and Tsitsagi, 2021). Due to the challenges caused by the pandemic, it is now extremely difficult for businesses in all sectors to keep their financial wheels running, as revenues dwindled and the uncertainty costs skyrocketed (Verma and Gustafsson, 2020). Looking into the tourism business, the observations which were made were that COVID-19 has been one of the most impactful and problematic pandemics of the modern era (Assaf and Scuderi, 2020). According to records, no pandemic has been so disastrous on the hospitality and tourism sector than the COVID-19 virus (Hall et al., 2020). As it stands, there will be no more going back to the conditions the industry used to operate on (Brouder, et al., 2020). The pandemic is different from other disasters which had befall humankind and affected tourism and its value chain business (Hall et al., 2020).

**The impact of COVID-19 in the future of the hospitality industry**

Calls have been raised on the impact of the pandemic to have reimagined the future of tourism and hospitality. According to Zenker and Kock (2020), there is a need for in-depth research on how the tourism industry will affect the hospitality industry, tourism behaviour, destination image and how the government can chop on to support the sector as a way of avoiding it to collapse totally. According to a report which was released by the World Economic Forum, South Africa is ranked number 61 on the Travel and Tourism Competitive Report (World Economic Forum, 2019). Before the pandemic, South Africa’s robust air system was excellent as per the diagram on the next page, and the middle combined with its upper class had an impact on the regional and domestic tourism front. Estimation is also made that 30% of
tourists who came to South Africa visit other destinations in the region (Mhlanga et al., 2018).

With the children and young people being challenged on their mental well-being, the COVID-19 brought an opportunity to learn more about mental health among people (Fore, 2021). COVID-19 created a fertile breeding ground for novel solutions and approaches to problems affecting the world (Ramalingham and Prabhu, 2020). COVID-19 created some opportunities, for example, school and university closing are leading to increased methods for online learning and distance education (Seshaiyer and McNeely, 2020). Organisations suffer from procedures and rigid hierarchies making organisational life less pleasant. COVID-19 has forced organisations to break their old models and act instantly. Currently, procedures can be skipped and decisions can be made autonomously without approvals. Employees can now work from home with minimum supervision (Kraaijenbring, 2020).

Tourists from the whole world fall to 86% on a year-to-year basis with a devastating impact on hotel bookings, air reservations being the most affected. The intention to travel by tourists was negatively affected as observed in the diagram above (Luo and Lam, 2020). The second quarter of 2020 was the worst in the tourism industry and business was very low. In July there were some improvements under the developed and safety protocols. By the end of 2020, the hotel industry was hit hard, as it was operating at a negative 78% with air tender travel subdued at a negative of 72% (Dube, 2021). UNWTO (2021) reports indicated that the travel and hospitality sector could not offset the losses made during 2020. Sun International which owns Hilton Hotel in South Africa closed its hotels and casino resorts in the country which included luxury hotels at Sandton, Joburg, Victoria and Alfred and Cape Town.

**The impact of Covid-19 on the labour market in the tourism sector**

The travel and tourism industry are labour intensive identified by the government as one of the pillars for the country’s development. Records show that there are 700 000 employees in the sector (Department of Tourism, 2020). Due to COVID-19, the sector’s contribution to the country’s gross domestic product was low, and there were severe job losses in the industry. According to the World Travel and Tourism Council (WTTC), the African continent lost about 8 million jobs due to the pandemic (City Press, 2020). According to surveys carried out in April and June 2020, 99% of the business were negatively affected, 75% closed their business after revenue falling and 67% were
optimistic that the business was going to survive (Department of Tourism, 2020).

The travel and tourism sector is a labour intensive sector that was identified by the state as an important driver of the economy. In 2018 the industry contributed R425 billion to the economy and generated spending of R82.5 billion (Department of Tourism, 2020). More than 700 000 are employed in the sector (Department of Tourism, 2020). Due to COVID-19, the tourism sector’s contribution to the nation’s gross domestic product was very small and job losses have been witnessed in the sector. The World Travel and Tourism Council in Africa estimated that 8 million jobs were lost due to the pandemic (City Press, 2020). The Department of Tourism carried out two surveys in April and June 2020 concerning the hospitality performance during the COVID-19. The research showed that 99% of the business were negatively affected, 75% closed their entity after revenue fall and 67% were optimistic about the survival of the business (Department of Tourism, 2020). The pandemic led to the complete collapse of markets and different products and their models will leave the market coupled with changes in consumer behaviours (Rogerson and Rogerson, 2021). Sub-Saharan governments have high levels of informal workers, and this constitutes a large proportion of the workforce and furloughing is also a challenge (Addinson et al., 2020). As of May 2020, according to the United States Bureau of Labour Statistics (BLS), 5.5 million people were employed in the leisure and hospitality sector (BLS, 2020). Due to COVID-19, the highest unemployment levels were recorded with revealing rates of about 39% and 36% between 2010-2020 at approximately 14% (US Bureau of Labour Statistics, 2020).

**COVID-19 effects on the financial inflows of South Africa**

The biggest challenge faced by business owners during the peak periods of COVID-19 was to keep business open and survive financially by being liquid. The government tried to give minimal support, but it was the honour of the business to devise ways to survive. During December 2020 and January 2021 when alcohol and beaches were banned, this strained the business which was struggling (Rogerson and Rogerson, 2020). Urban accommodation facilities were banned after being forced to stop their business activity of accommodations for several months (Anderson, 2020). The pandemic poses challenges not only for the health of the citizens but the economy of a country as well.
The Capital group approached the Department of Health to only accommodate travellers from countries who will be in quarantine for 14 days. Some hotels partnered with South Africa’s private sector health provider to offer sanitised isolation hotels (Discovery Health, 2020). The Capital group came up with a survival group of having clients using their hotel rooms as working from home whilst under isolation. In May 2020 the repositioning strategy had attained 80 per cent occupancy levels in Johannesburg and Pretoria albeit only at one-third of the budgeted revenue because of discounted rates (Anderson, 2020). The selection of quarantine centres was affected by political patronage and to mention, Emalahleni local municipality as one lodge owned by a politically connected daughter was too expensive at a public expense footing with big benefits for the lodge owners (Jacob, 2020).

In Mpumalanga the Zithabiseni Resort and Conference Centre was used to accommodate Mozambicans, but the resort was rundown due to negligence of basic maintenance. In May 2020 the quarantined people threatened to take the government to court due to poor conditions which were detailed as unbearable and unhygienic (Yende, 2020). Informal business tourism is an important aspect of the informal economy across the South African region (Benjamin and Mbaye, 2014). The badly thumped sector was tourism. Restrictions on public gatherings and flight suspensions negatively affected the industry. Tourism and allied industries received the same level of stress, and many companies located in tourism hot spots were forced to shut down to try to contain the virus which was spreading like fire.

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<tr>
<th>Table 1 How the financial inflows depleted during lockdowns in South Africa (South Africa Department of Tourism, 2020)</th>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
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<td><strong>Debt service</strong></td>
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<td><strong>Occupancy/Custom use</strong></td>
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<td><strong>Forward bookings</strong></td>
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<td><strong>Size of firm</strong></td>
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<td><strong>Sub-sector of firm</strong></td>
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Methodology

The research adopted a secondary method approach which is also known as the desktop approach. According to Clark et al. (1998), the desktop research approach involves activities where there is no need for primary or original data to be gathered. As a result, the paper is going to use secondary sources of data. The researcher will analyse, evaluate and review the literature on the topic under investigation to illuminate the specific themes. Primarily the researcher has used google scholar as the source of information for the research to get more insights on the impact of COVID-19 on labour and business with a specific focus on the tourism and hospitality sector in South Africa.

The literature consisted of journal articles, book chapters, conference papers, the government published reports and published records from the tourism and hospitality industry such as the World Tourism Organisation. The researcher also employed snowballing where the researcher would review the reference of relevant research items to identify further sources applicable to the study. This paper sought to analyse and evaluate the impact of COVID-19 on the business sector and the labour market in South Africa with a focus on the hospitality industry. The data generated during desktop analysis was evaluated through a thematic analysis where the categorising and conceptualisation of the variables explored about the subject under investigation was done.

The four determinants that formed the basis of the discussion in this paper were,

- H1: How Covid-19 impacted the operations of the tourism and hospitality business in South Africa
- H2: The effects of COVID-19 and the labour market in the hospitality sector of South Africa
- H3: The impact of the tourism and hospitality sector in the development of the South African economy
- H4: The effects of lockdowns and movement restrictions of hospitality workers due to COVID-19 in the hospitality industry of South Africa.

**H1: How Covid-19 impacted the operations of the tourism and hospitality business in South Africa**

The COVID-19 pandemic decimated the international tourism economy, as mobility and restrictions in the tourism industry left the sector in a precarious situation (Makoni and Tichaawa, 2021). The announcement of prolonged international travel bans and local movements have been regarded as the
widely pandemic mitigation measures (Das and Tiwari, 2020). COVID-19 is a
game-changer in global tourism and offers a chance to turn away from the
hegemony asserted by forces operating in the market for the return of tourism
as a force to reckon in the economy (Desboilles, 2020).

The South African tourism sector experienced debilitating impacts of the
pandemic. The pandemic represented a crisis event that transformed the
tourism and hospitality sector as well as the parameters in which it functions
(Rogerson and Rogerson, 2020). Besides its public health effects, COVID-19 has
restructured the business environment with many companies closing either on
a permanent or short-term basis (Bartik, 2020).
The impact of COVID-19 made the government chart new initiatives to pave the
way for a recovery plan. The pandemic accompanied devastating effects not
only from the financial perspective but also in the conservation of the tourism
and hospitality sector. The COVID-19 resulted in global challenges, economic
and health care crises and posed spill over to tourism. The tourism and
hospitality industry faced COVID-19 tourism effects and was one of the hardest-
hit globally (Abbas et al., 2021).

**H2: The effects of COVID-19 and the labour market in the hospitality sector
of South Africa**

According to the International Labour Organisation (2020), the dream of
the right to decent work for every employee (Baum and Nguyen, 2019) has been
challenged by the effects of Covid-19 induced economic turmoil which resulted
in the widespread retrenchment of tourism workers with minimal or no
compensation. The International Labour Organisation (2020) explained the
negative consequences of the pandemic on work and employment with a major
focus on the informal sector of the global south. Employees were denied the
right to work due to the collapse of the tourism and hospitality sector.

**H3: The impact of the tourism and hospitality sector in the development of
the South African economy**

The tourism sector has shown its ability to adapt to the needs and
modifications of the international markets, contributing to the creation of jobs
and a vital economic factor at the global level. The tourism industry and
hospitality 's gross product is more than 3% of the worldwide gross domestic
product, and in 2014 the share was 2.4 trillion dollars and bigger than the
automotive manufacturing sectors (Machiarelli, 2021)

In South Africa, Spain, Malaysia, South Africa, Jamaica and Peru half of all
service export comes from the tourism and hospitality industry (World Travel
and Tourism Council, 2015). The hospitality sector plays a pivotal role in the food and beverage industry, accommodation, which forms the national strategy (StasSA, 2004). The hospitality industry is a service industry which is labour intensive, and employee management is an important function (Grobler and Diedericks, 2009). Due to these factors, relevant education and training is important for the success of the industry (Kay and Russette, 2000).

**H4: The effects of lockdowns and movement restrictions of hospitality workers due to COVID-19 in the hospitality industry of South Africa.**

The economic risks associated with COVID-19 are regarded highest in the poorest parts of the third world countries with the greatest region to feel the heat being sub-Saharan Africa. COVID-19 long term effects will be to reverse the gains made in the tourism sector in the last number of years, and this will deepen the continent’s poverty problems (Buheji et al., 2020). South Africa, the problems of COVID-19 in tourism and hospitality were scrutinised with extant literature. Contributions have been evaluated on the hotel sector according to (Sucheron, 2021), the hosting of economic events (Bartis et al., 2021), surf tourism (Martin et al., 2021).

**Discussions and Conclusion**

The pandemic stifled economic activities, and the social distancing measures led to shut down of financial markets, corporate offices and events. The rate at which the virus was spreading and the uncertainty of how bad the situation could get resulted in flight safety in consumption. COVID-19 led to social distancing, people movement restrictions, forced wearing of masks. The pandemic has the potential of being the largest macro-economic shock of the last 100 years (Hevia and Neumeyer, 2020). The pandemic has decimated the international tourism economy, as people feared contracting the virus through mobility (Rogerson et al., 2020). The pandemic that spreads to 35 states in Nigeria as a health crisis resulted in an economic dilemma affecting the whole sector of the Nigerian economy and brought the whole country to its knees.

The global lockdown and restrictions in movement during the COVID-19 impacted the tourism and hospitality industry being negatively affected and ultimately affecting the trading of travel and tourism shares worldwide. According to Baker et al. (2000), the increase in the number of lockdowns, travel restrictions and monetary policies during the pandemic affected the opening, lowest and highest prices of the stock market in the United States (Ozili and Arun, 2020). The pandemic also resulted in a contraction in the gross domestic
product from the fall in tourism, hospitality and recreation sectors. A reduction in travelling and business meetings resulted in a loss of tax related to these activities with the government losing (Chowdhury et al., 2021). The pandemic affected many businesses worldwide. This was worsened by lockdowns and movement restrictions imposed by governments. The measures were meant to put all economic activities on hold until the outbreak is contained. The decisions by governments varied according to the financial stability of the country (Menhat et al., 2021). Maritime tourism refers to activities comprising of sea transportation, cruising, beach activities, scuba diving, snorkelling and other recreational activities that take place in the marine environment (Kizielewic, 2012). In Malaysia, islands are the most popular tourist spots (Mapjabil et al., 2015). About 40% of tourists that visit Redang Island marine park are foreigners with the rest being locals (Marine Park of Malaysia, 2017).

The study focused on the COVID-19 pandemic effects towards the tourism and hospitality sector (Hall et al., 2020; Sigala, 2020) both on the business model to the country of South Africa and the impact it caused to the hospitality industry. Like any other country, the tourism industry in South Africa suffered the negative consequences of COVID-19. The pandemic is set to change the operations of the tourism and hospitality sector and how it functions in the country. COVID-19 will reshape tourism patterns, accommodation services and commercial aviation flows in the country. The events of 2020 took place at an accelerating pace with the small and micro enterprises affected severely. Several conflicts occur between stakeholders in the hotel and tourism sector, which negatively affected business due to policy regulations and failure by the government to bail out the industry. The government of South Africa showed an uncaring attitude towards the crippling consequences of its intervention in the tourism and hospitality industry. Business lost a lot to COVID-19. The lockdown and restrictions meant that no one was allowed to travel, and revenue was lost. The debts being serviced could not be paid. The taxes being paid to the government could not be paid. All growth strategies were put on hold, as the business was fighting for its survival. Retrenchments became the order of the day in the tourism and hospitality industry. Labour disputes became the order of the day, as the business could not pay their employees due to poor business.

References


