

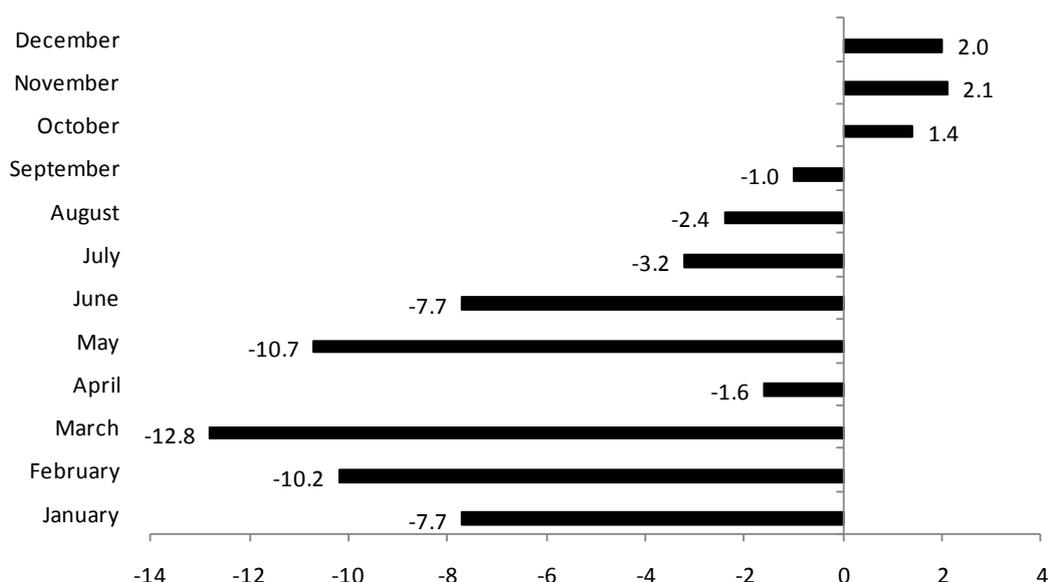
2. The impact of the financial and economic crisis on the HCT industry

The overall impact of the global recession and its effect on employment and recovery, wages and working hours as well as the various stimulus packages implemented to counter these effects will be summarized and considered in this chapter.¹

2.1. The effects of the global recession

The sector is more or less affected by the current economic conditions of developed and emerging countries. In the second half of 2008, a decline in international tourism began and intensified in 2009 after several consecutive years of growth. A sharp decline in tourist flows, length of stay, tourist spending and increased restrictions on business travel expenses led to a significant contraction of HCT economic activity worldwide. These effects resulted from increased unemployment, market volatility, economic and social insecurity, and a significant decline in the average household income.

Figure 7. Monthly international tourist arrivals, 2009, percentage change



Source: Figure prepared by the ILO, based on UNWTO: *World Tourism Barometer*, Vol. 8, UNWTO, Jan. 2010, p. 5.

The first three quarters of 2009 saw a decrease in international arrivals, but the last quarter showed more positive results (see figure 7). Also in 2009, the UNWTO reported that worldwide international tourism arrivals had declined by 4 per cent.² Revenues from international tourism are projected to go down 6 per cent by the end of 2009.³ This

¹ The following chapter includes available data until first quarter 2010. The Office also has country reports for Barbados, Chile, Egypt and Indonesia.

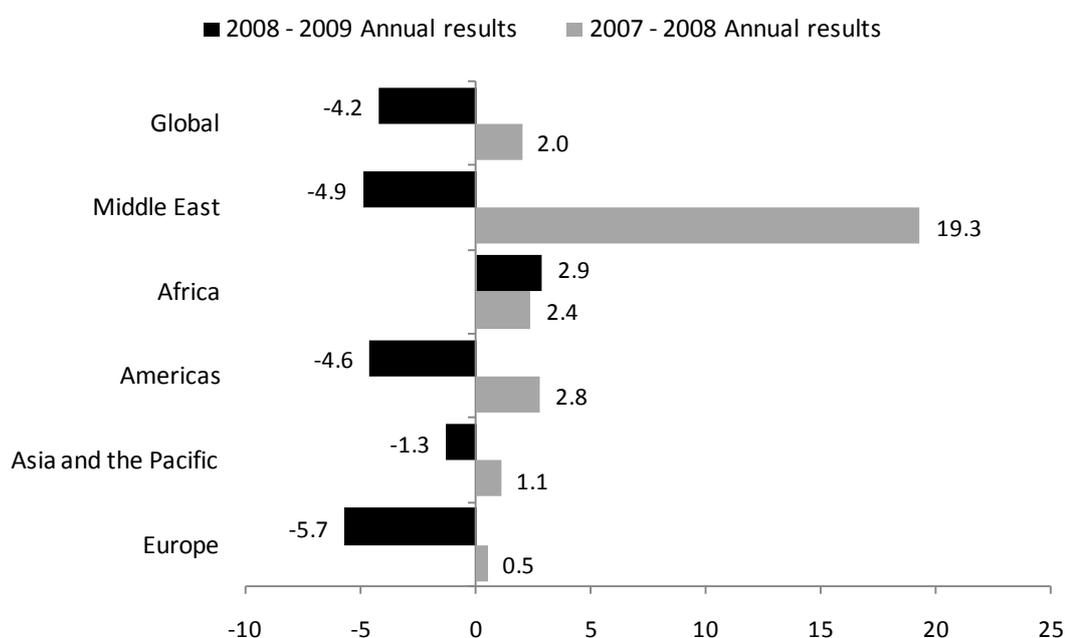
² UNWTO: *World Tourism Barometer*, Vol. 8, Jan. 2010, UNWTO, Madrid, 2010, p. 5.

³ *ibid*, p. 3.

projection can be seen in hotels within the United States which faced an average decline of 35.5 per cent in net income for 2009. Some 95 per cent of hotel properties suffered a downturn in room revenue and in total hotel revenue from 2008 to 2009. On average a 7.5 per cent decline in occupancy and a 12.1 per cent decrease in average daily rate were observed.⁴

In the period 2008–09, the regions hit hardest by the decrease in worldwide international tourism were the Middle East (-4.9 per cent), Europe (-5.7 per cent), and the Americas (-4.6 per cent). Only Africa showed constant growth (+2.9 per cent), based on a comparatively lower travel volume (see figure 8).⁵ China also continued to see an increase in outbound tourism but this perhaps masked the results of declining tourism elsewhere in East and South-East Asia. The outbreak of the influenza pandemic, various natural disasters and regional conflicts also affected international tourism performance but nonetheless, numbers show a significant negative impact on the tourism sector as a result of the global recession. During the first quarter 2010, growth in tourism arrivals was shown in all regions with a global increase of 8 per cent. Particularly, the Middle East and Asia and the Pacific showed tremendous growth, resulting in percentage changes of 34.2 per cent and 12.9 per cent. Projections for 2010 show continued growth for all regions.⁶

Figure 8. International tourist arrivals – Regions, percentage change from the previous year



Source: Figure prepared by the ILO, based on UNWTO: *World Tourism Barometer*, Vol. 8, UNWTO, June 2010, p. 16.

⁴ *Bottoms Down: New PKF Survey Results Show Hotel Profits Declined a Record 35.4 Percent in 2009. Greatest Annual Decline Since tracking Began in the 1930s*, Hotel Online, 3 May 2010.

⁵ More detailed studies on the impact of the crisis on Australia, Barbados, Chile, Egypt and Indonesia are available by request at the ILO secretariat.

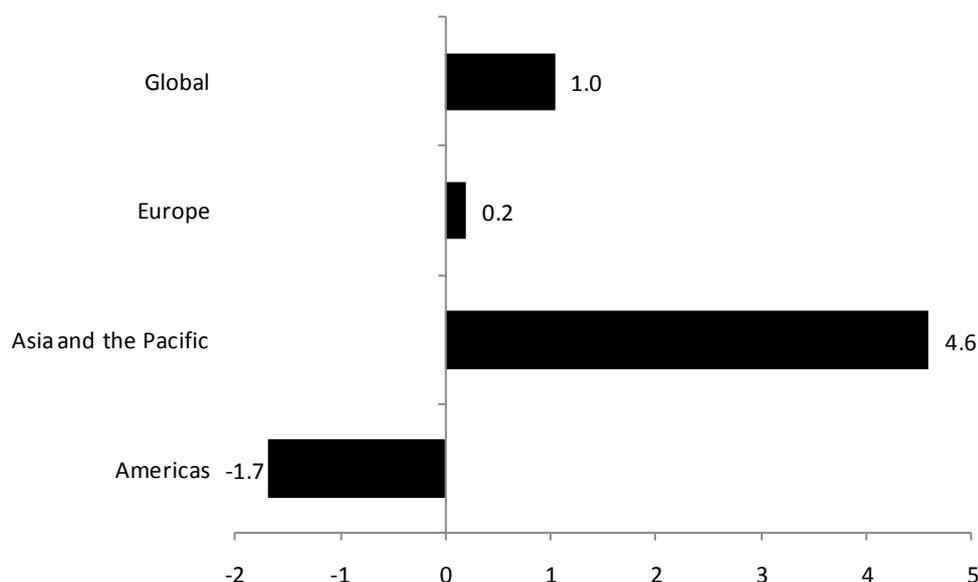
⁶ UNWTO: *World Tourism Barometer*, Vol. 8, UNWTO, June 2010, p. 16.

Clear changes in demand pattern can also be discerned from analysis of recent trend data notably towards shorter trips and in increasing tendency to holiday domestically.⁷

2.2. Employment impact and recovery

The crisis had a significant, regionally distinctive impact on global employment in hotels and restaurants (see figure 9). On a global level, employment grew by about 1 per cent between 2008 and 2009. The Americas faced a major downturn of employment throughout the crisis period. By contrast, the most resilient region appears to be Asia and the Pacific. Its positive development in employment terms seems to have led to an increase in employment at the global level between 2008 and 2009.

Figure 9. Regional percentage change from 2008 to 2009 in employment in hotels and restaurants (selected economies)⁸



Source: Figure prepared by ILO, based on national labour force surveys and official estimate of each country and Eurostat.

During the first quarter of 2010,⁹ employment increased by 1.9 per cent globally, though distinctive regional effects were still evident. Compared to the same quarter in 2009, employment levels rose by 5.4 per cent in Asia and the Pacific and 2.7 per cent in Europe. Employment levels declined, however, in the Americas by 0.8 per cent during the same period.

The high employment rates in Asia and the Pacific and recent European employment increases are likely to have resulted from temporary, casual, seasonal or part-time contracts

⁷ Eurostat: “Tourism in Europe: First results for 2009”, 2010.

⁸ Selected economies include: Australia, Austria, Barbados, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong (China), Hungary, Iceland, Ireland, Italy, Jamaica, Japan, Latvia, Lithuania, Luxembourg, Macau (China), Malaysia, Malta, Mexico, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Romania, Russian Federation, Singapore, Slovakia, Slovenia, Spain, Sri Lanka, Sweden, Switzerland, Taiwan (China), Thailand, United Kingdom, United States.

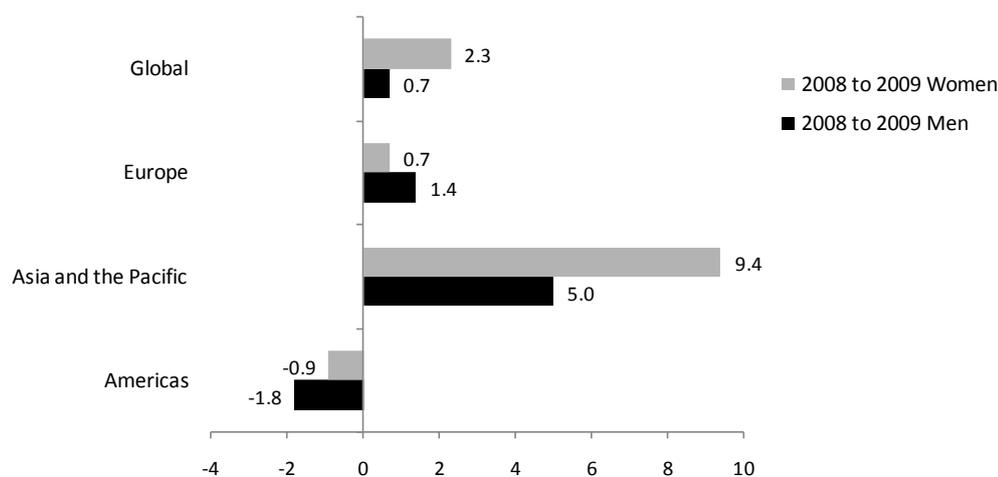
⁹ Selected countries were the same as those used for figure 9 without Jamaica.

and from increases in domestic and regional tourism.¹⁰ According to the Indonesian hotel union, FSPM, it was estimated that one permanent job was replaced by three temporary jobs.¹¹

Although it varies from one location to another, within OECD's subregions, the tourism sector has been severely affected by the global economic crisis and associated fluctuations in exchange rates. In terms of international tourist arrivals and employment, there are dissimilarities between countries (i.e. important declines of 2 per cent and over were registered in Czech Republic, Iceland, Ireland, Japan, Netherlands and New Zealand and while significant increases of 2 per cent or more were reported in Finland, Germany, Italy, Mexico, Portugal, Slovakia, Sweden and Switzerland).¹²

There is an obvious gap between employed men and women that could be due to typically high levels of female part-time, temporary, casual and seasonal occupations in the sector, especially in times of recession. The significant employment increase in Asia and the Pacific may also be explained due to a rapid increase of female employment. The average employment rate of women increased from 4,751,000 to 5,197,900 between 2008 and 2009, while male employment grew from 3,127,600 to 3,282,700 during the same period (see figure 10). Although this trend has been observed, research should be conducted to determine the quality of work, contracts and worker employment status within these workplaces.

Figure 10. Percentage change in employment by sex in the hotels and restaurants sector (selected economies)¹³



Source: Figure prepared by ILO, based on national labour force surveys and official estimate of each country and Eurostat (Geneva, ILO, Working Paper No. 274, 2010).

¹⁰ Especially in China and India, having a core and expanding domestic market.

¹¹ ACTRAV–IUF: *Workshop on social dialogue in HCT sector*, Turin, 2009.

¹² OECD: “Tourism trends in the OECD area and beyond”, in *Tourism Trends and Policies 2010*, 2010, p. 14.

¹³ National labour force surveys, official estimates of each country and Eurostat. Selected economies include: Australia, Austria, Barbados, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong (China), Hungary, Iceland, Ireland, Italy, Jamaica, Japan, Latvia, Luxembourg, Macau (China), Malaysia, Malta, Mexico, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Romania, Singapore, Slovakia, Slovenia, Spain, Sri Lanka, Sweden, Taiwan (China), Thailand, United Kingdom, United States.

Global unemployment has risen by 12.1 per cent between August 2008 and 2009. It hit its peak for 2009 in May with a percentage change of 17.5 compared to May 2008 and reduced to 9.5 per cent at the end of December 2009.¹⁴

Tourism rates in Europe and the Americas are expected to recover slowly and Asia will probably show the strongest recovery. The Middle East is also expecting an increase and Africa is projected to keep growing with an additional boost from the FIFA World Cup. Nevertheless, full recovery to the pre-crisis level is not predicted to take place before 2013 where emerging economies will play a key role in the recovery.¹⁵ What inhibits projections of short and long-run development in the tourism industry and its effect on employment is uncertainty – the majority of the consumers are deferring decisions with respect to their holiday bookings because of their personal economic situation. The government deficits and the austerity policies (such as the reforms on pensions and public service salaries) will have an effect on consumer income and retirement age, and might impact tourism consumption and products in the medium and long term. Also natural events like the recent volcanic eruptions in Iceland or the major oil spill in the Gulf of Mexico can strongly influence the tourism industry. It is expected that once the recession is over, tourism is likely to return to an annual growth rate in excess of 4 per cent.

2.3. Crisis impact on wages and working hours

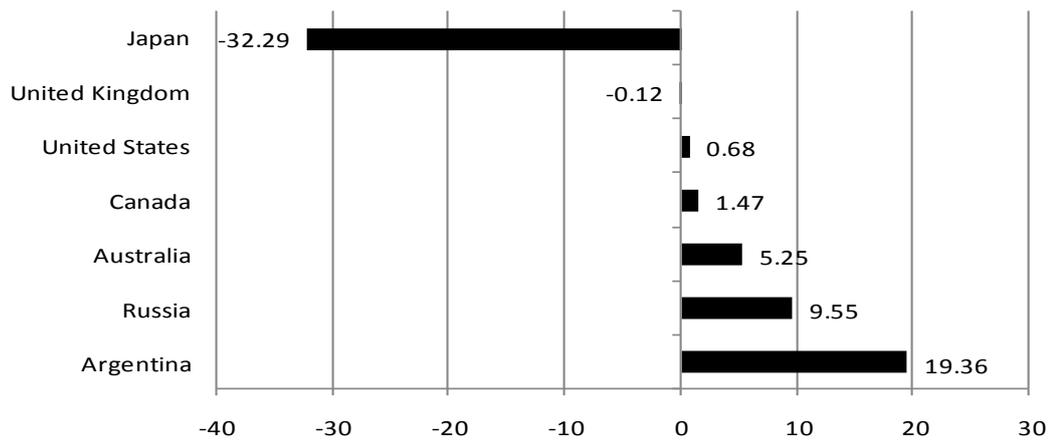
The global economic crisis has had repercussions on the average monthly earnings of hotels and restaurants. Average monthly earnings fell between the first quarter 2008 and that of 2009, in Japan (-31.5 per cent), Singapore (-6.1 per cent), Thailand (-3.7 per cent) and the United Kingdom (-1.9 per cent). However, the comparison between the third quarters of 2008 and 2009 showed renewed decline in all countries: Japan (-17.5 per cent), Thailand (-7.4 per cent), Singapore (-2.9 per cent) and the United Kingdom (-0.7 per cent). Figure 11 outlines the average wage changes in the hotel and restaurant sector from 2008 to 2009 in selected countries and shows that with the exception of Japan and the United Kingdom, average wages increased again in 2009 and the rise was particularly strong in Argentina, followed by the Russian Federation. On the other hand, these wage increases are due to higher inflation rates. For example, in 2009 the Russian Federation had an inflation rate of 8.8 per cent, Argentina had 7.7 per cent inflation and Australia, 2.1 per cent.¹⁶ Such changes highlight the vulnerability of HCT workers to external change, exacerbated by the high levels of part-time, casual and flexible working positions within the sector.

¹⁴ See: www.ilo.org/public/libdoc/jobcrisis/download/statistics/GLOBAL_EN.pdf (accessed 20 May 2010).

¹⁵ UNWTO: *World Tourism Barometer*, Vol. 7, June 2009, UNWTO, Madrid, 2009; UNWTO: *World Tourism Barometer*, Interim Update, Sep. 2009, UNWTO, Madrid, 2009; UNWTO: *Perspectives and Responses for Stimulating Recovery*, UNWTO, Madrid, 2010.

¹⁶ IMF: *Rebalancing Growth*, World Economic Outlook, Apr. 2010, International Monetary Fund, Washington, DC, 2010, pp. 164, 165, 168.

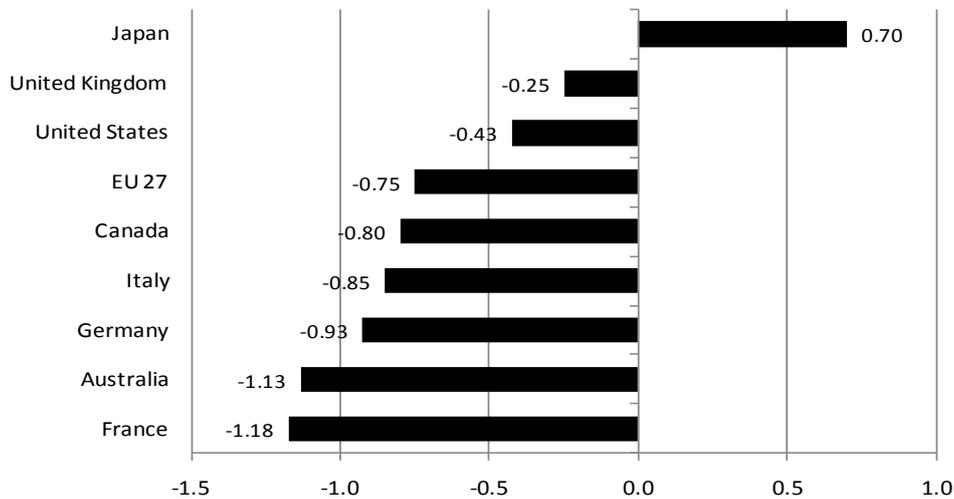
Figure 11. Percent change in average wage from 2008 to 2009 in hotels and restaurants



Source: Figure prepared by ILO, based on national labour force surveys and official estimate of each country and Eurostat, (Geneva, ILO, Working Paper No. 274, 2010).

During the global recession, working hours declined in an effort to cut costs and reduce the level of lay-offs. In selected economies, the average actual weekly working hours in 2009 declined by -1.2 in France and -0.3 in the United Kingdom compared to 2008, enabling firms to reduce lay-offs in the sector. Figure 12 offers a profile of the change of average weekly working hours from 2008 to 2009 and illustrates that, with the exception of Japan, weekly working hours have decreased.¹⁷

Figure 12. Average actual weekly working hours in hotels and restaurants in selected economies, change 2008–09



Source: Figure prepared by the ILO, based on national labour force surveys and official estimate of each country and Eurostat (Geneva, ILO, Working Paper No. 274, 2010).

¹⁷ National labour force surveys, official estimates of each country and Eurostat. Selected economies include: Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Macau (Cfigure 12

hina), Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom, United States.

2.4. Stimulus packages to limit the effects of the crisis

The global economic crisis has had an impact on employment in many countries, developed and developing. The working conditions include inadequate pay, job insecurity, and vulnerability.¹⁸ They can be found in developing countries in which most occupations are categorized under the informal employment category where regulation, enforcement and organization of labour are problematic if not impossible.

Fortunately, the sector is in a position where it can take advantage of the current crisis as an opportunity to implement proactive measures to reduce the lack of social dialogue and skills development within the sector, ultimately with the goal of limiting the impact of the crisis and finding ways to reduce possible redundancies. For example, upon signing the collective agreements in February 2010, Italy's tourism industry has proved its willingness to improve employment conditions for employees and seasonal workers of subcontractor companies by providing for moderate pay increases until April 2013.¹⁹

The sector has the capacity to be a key driver through the economic recovery, especially with its supply–demand links to other economic sectors. Sustainable tourism over the past few years has become synonymous with opportunities for growth, employment and the reduction of sales costs. It could become a way to innovate, and create competitive advantages for local companies and communities that are able to transform the concept into new productive modes of operation and management.²⁰ Furthermore, “green tourism” requires the formation of private–public partnerships, not just funding and regulatory frameworks. This transformation also requires workers who possess decent working conditions, are motivated, skilled and have access to supportive labour relations at all levels.

Developing countries affected by a decline in tourist arrivals and expenditures have been active in implementing response measures to strengthen aggregate demand and to support the travel and tourism industry.²¹ Since the beginning of 2009, the majority of countries have developed measures in the field of marketing, directed toward the domestic market and public–private partnerships.

¹⁸ ITUC, CSI, IGB, TUAC, Global Unions: *Global Unions statement to the G20 Employment and Labour Ministers' Meeting*, “Beating the job crisis”, Apr. 2010, p. 2.

¹⁹ See: European Employment Review: “Tourism sector agreement signed”, 21 Apr. 2010, www.xperthr.co.uk/article/101679/.aspx (accessed 23 Apr. 2010).

²⁰ World Economic Forum: *The Travel & Tourism Competitiveness Report 2009*.

²¹ “Committed to Tourism, Travel and the Millennium Development Goals, Tourism & the G20”, in *UNWTO NEWS, Magazine of the World Tourism Organization*, Year XXIII, Issue 2/2009. A complete database on national stimulus measures for the tourism sector is available at the UNTWO web site.

Some tourism recovery measures have been adopted by a variety of countries aiming to facilitate the improvement of training activities or to provide financial support to enterprises in an attempt to preserve jobs.²² In September 2009, the ILO and UNWTO initiated a joint statement on employment and tourism (see full text in Appendix III) in response to the ILO Global Jobs Pact that encouraged responses to the needs of the economy and readiness for recovery. A similar statement was also issued by the ILO and the International Hotel and Restaurant Association (IHRA) in January 2010 (see Appendix IV). These statements aim to help alleviate the effects of the global economic crisis and to promote job creation and decent, productive employment in the tourism industry.

²² UNWTO: *Roadmap for Recovery, Tourism & Travel*, UNWTO, Madrid, Sep. 2009, a complete database on national stimulus measures for the tourism sector is available at UNWTO's web site at www.unwto.org/trc; ILO: *Review of sector-specific stimulus packages and policy responses to the global economic crisis*, ILO Sectoral Activities Programme, Geneva 2009; ILO: *Employers' organizations responding to the impact of the crisis*, Working Paper No. 2, ILO Bureau for Employers' Activities, Geneva, 2010.