

Skill Gap, Skill Shortage, and the COVID-19 Pandemic: Evidence from the Hospitality and Tourism Sector in Bangladesh

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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. This study attempts to analyze the HTS of Bangladesh from the following perspectives: (i) the structure and contribution of HTS under the current levels and nature of skills composition, (ii) skill gaps, and skill shortages, the mismatch between the actual and desired levels of education and experience, and recruitment difficulties in the HTS together with the proximate causes and consequences, (iii) the future levels of demand for each of the major occupations disaggregated by skill levels, and (iv) the impact of COVID-19 on the enterprises, and the adaptations used to cope with the 'new normal' style of operations.

A primary survey was conducted with enterprises and workers from 115 hotels and resorts (categorized from 5-star to 2-star) as well as 50 travel agencies (that are members of the Association of the Travel Agents of Bangladesh) and 28 tour operators (that are members of the Tour Operator Association of Bangladesh) from Chattogram, Cox's Bazar, Dhaka, and Sylhet. A total of 497 employees from these sample hotels and resorts, 46 from travel agencies, and 17 from tour operators were also interviewed.

Overview of the Sample Enterprises

About 84% of the hotels and resorts belong to private ownership. This percentage is even greater (more than 95%) for travel agencies and tour operators. The maximum number of workers in hotels and resorts are engaged in the production and serving of food and beverages, followed by housekeeping. The average number of employees is 42 while the median number of employees is only 24.

About 91-98% of hotels and resorts, and almost all of the travel agencies and tour operators provide different types of leaves entitled to the employees. However, many of these enterprises do not appear to provide paid maternity leaves to their female employees. The enterprises also provide various types of benefits including bonus, gratuity, provident fund, life insurance, health insurance, loan facilities, etc. It was found that 89% of hotels and resorts, 94% of travel agencies, and 96% of tour operators provided bonus in 2019; whereas this proportion has reduced to only 68%, 12%, and 7% respectively in 2020.

The average number of days operated across the quarters in 2019 was close to 90 (almost every day). But in 2020, the average number of days ranges between 70 and 80 days for all the sub-sectors during the first quarter (January–March) of the year. This proportion ranged between 0.63 and 35 days for hotels and resorts and almost zero throughout for travel agencies

and tour operators in the second quarter of 2020. Test of difference between the average number of days operated in 2019 and 2020 suggest that there were significant differences between the number of days of being operational between the specified timeframe, thereby implying that the differences were not driven by mere chance.

Tests of difference in means reveal that sales revenue from goods and services across months in 2019 was persistently higher than that in the year 2020 due to the COVID-19 pandemic. Average sales revenues, for instance, of travel agencies in 2019 (January-December) ranged from Tk. 22 million to Tk. 28 million compared to Tk. 18 thousand to Tk. 16 million across January-December in 2020. The average production costs, especially operational costs, are higher in 2019 compared to 2020 in each quarter and there are significant differences between the two on a quarter-to-quarter basis. However, when gross and net operating surplus were estimated to elucidate the impact of COVID-19 on the tourism sector, it was found that the adverse impact of the COVID-19 pandemic was minimal during the first quarter of 2020 as the gross and net operating surplus of two (hotels and resorts and travel agencies) of the three sub-sectors were positive.

The average number of workers hired by the hotels and resorts was 6.63 in 2019, which is significantly higher than 4.98 as reported for 2020. In contrast, there was hardly any hiring by the travel agencies and tour operators either in 2019 or in 2020. Conversely, in the case of retrenching employees, hotels and resorts retrenched about 3 workers in 2019 compared to as many as 10 workers in 2020. The estimates show that per enterprise employment in the hotels and resorts increased by about 4 workers in 2019 but declined by about 5 workers in 2020.

Skill Compositions, Gaps, and Shortage

The study describes the existing skill gap perceived and the skill shortage experienced by employers of the enterprises. The employers of hotels and resorts perceived the level of different skills of their employees (each of the four departments) as “proficient”. These findings are also evident when the analyses are carried out at the disaggregate level across different ranks. In contrast, the employers reported the level of skill of their employees at the time of joining as “neither proficient nor incompetent” across the four departments of all the four categories with star-ranks. The difference in the level of skills at present and at the time of joining implies that employees enhanced their efficiency and skills after joining their respective enterprises.

The employers in travel agencies perceive the level of skill of their employees as “proficient” and seem to be “satisfied” with the level of some skills of their employees (ability to work as Travel Advisor, passenger routing skills, etc.). In contrast, the employees are perceived as “somewhat proficient” when skills such as geographical knowledge, fluency in English in dealing with foreigners, etc. are considered. The employers in tour operators seem to be “somewhat satisfied” over the level of different skills of their employees at present. However, neither the employers in the travel agencies nor those in the tour operators were much satisfied with the employees with no experience. The differences between the level of skill at present and at the time of joining imply that employees enhanced their efficiency and skill after joining their respective workplaces as found in the case of hotels and restaurants.

The Mismatch between Actual and Desired Level of Education and Experience

The actual level of education of employees in different departments within hotels and resorts varies between 10 to 13 years, while those in travel agencies and tour operators are about 14 years. Even though the magnitudes of difference between actual and desired levels are ‘small’, they are nevertheless significant. For the production of food and beverages as well as housekeeping, the actual level of education is about 1-year below what the employers desired. In contrast, the gaps are higher in the case of travel agencies and tour operators. It is found that employees have on average 3-4 years of experience in similar occupations across all the sub-sectors. However, the actual level of experience appears to be higher than the desired levels across all departments of hotels and resorts; only tour operators appear to be content with about 1-year of shortage of experience of their employees.

Existence of Skill Gaps and Effectiveness of Training in Mitigating Skill Gaps

The percentage of hotels and resorts stating the existence of skill gaps is lowest among 5-star hotels in each of the four departments. In contrast, hotels and resorts with 2-star rank stated about skill gap in food and beverage service (41%) and housekeeping (47%) while those with 3-star and 4-star ranks face skill gap substantially at food and beverage production. More than 50% of the hotels and resorts reported that skill gaps exist in all four departments due to a lack of training of employees. More than 55% of them reported that training will be “most effective” to mitigate skill gaps both in the production and services of food and beverage, housekeeping, and front office. About 47% of travel agencies and 10% of tour operators reported that “lack of training of employees” is the major reason behind the existing skill gaps. Almost all of these enterprises reported that training will be “most effective” to mitigate skill gaps.

Skill Shortage

About 98% of hotels and resorts reported unfilled vacancies in their enterprises. The average number of vacancies per enterprise was only one in the front office and housekeeping while on average two vacancies existed in food and beverage production and service. Similarly, 96% of travel agencies and tour operators reported unfilled vacancies, which vary between 2-3 posts.

For hotels and resorts “not enough applicants with required skill” came up as the major reason for “hard-to-fill-vacancies” across all the four departments. However, “not enough applicants with the work experience the enterprise demands” (front office and housekeeping only) and “not enough applicants with qualifications/right attitudes/motivations the enterprise demands” (food and beverage production and services) came up as the corresponding second reason.

“Inadequate supply of applicants with required skills and qualifications” came up as one of the major reasons for “hard-to-fill-vacancies” as reported by the majority (more than 40%) of travel agencies and tour operators. “Not enough supply of applicants with required attitude, motivation or personality” (30% of respondents) and “lack of work experience” (20% of respondents) have been reported as the other two main causes by travel agencies and tour operators.

Hard-to-Fill Vacancies

“Hard-to-fill vacancies” impede the process of introducing modern and new working practices in culinary, resulting in adverse effects in the “production and service of food and beverages” of hotels and resorts. In contrast, vacancies in housekeeping, front office, and food and beverage (service) result in revenue losses due to the reduced number of guests as reported by the majority of enterprises. The majority of travel agencies and tour operators report that “hard-to-fill vacancies” lead to difficulties in maintaining the standard quality of service in the forms of “forgoing the provision of offering certain products to customers due to lack of workforce” and “facing difficulties in meeting certain customer service objectives owing to shortage of employees”.

“Increasing salaries” and “increasing the skill level of the existing workforce through providing training” came up as the major two actions to mitigate the adverse effects of “hard-to-fill vacancies” as stated by employers of hotels and resorts. Increasing advertisements and redesigning the recruitment process came up as another suggested action by them. Similarly, “increasing the provision of training for employees” came up as the most effective action to fill up hard-to-fill vacancies, followed by “increasing salaries”, as stated by the majority of travel agencies and tour operators.

Insights from Consultation with the Stakeholders

The panelists in the consultation workshop organized on 31st December 2020 at BIDS also echoed similar opinions about the existing scenario of skill gaps and skill shortage in this sector. They mentioned the “inertia of graduates to serve in the HTS”, “existence of huge skill mismatch (graduating in this discipline and serving in another sector)” as the main reasons for the existing “shortage in worker supply” in this sector. This skill gap leads to the outsourcing of people from abroad at senior positions in this sector, especially in hotels and resorts.

The stakeholders lamented about the poor quality of training provided by academic and training Institutions. The current infrastructure in most colleges and universities providing training on hospitality and tourism management are not equipped in providing the facilities and scope to trainees to develop into professionals. The stakeholders stressed that the people with an interest to work in this sector also need to align their expectations. The bachelor’s degree holders from public or private universities should accept the scope of starting their career at junior positions instead of searching for employment in higher positions with an “expected salary”.

Projected Total Employment in the Sub-sectors

The projected number of enterprises for hotels and resorts came up as 1230, 1568, 1997 in the year 2025, 2030, and 2035 respectively. For tour operators, these counts stand as 641, 910, and 1292 in the year 2025, 2030, 2035. Travel Agencies are expected to operate in 2025, 2030, 2035 with a total of 2385, 3115, 4069 enterprises whereas these numbers are 1355, 1819, 2442 for both travel agencies and tour operators.

The growth negative growth rates of workers employed in each sector/department by skill classification between 2019-2020 are predominantly due to the ongoing COVID-19 pandemic. Labor shedding comes up as an obvious outcome of the effect of the pandemic; workers at the high-skill occupation are affected less compared to the semi-skilled and unskilled workers in hotels and resorts, travel agencies, and tour operators. Interestingly, the agencies operating both as travel agents and tour operators did not register any labor-shedding on average at any skill level between 2019 and 2020. The estimates show that it would take on average 2 years for a hotel and resort, 4 years for a travel agency, and 3 years for a tour operator, to reach the employment level of 2019 from the current level.

The projection on labor demand reveals that demand for workforce in the hotels and resorts would grow by 34% in 2025, 89% by 2030, and 144% by 2035 compared to the level of 2019.

The corresponding numbers for the travel agencies are 19%, 58%, and 97%. Compared to the 2019 level, the potential workforce in the enterprises operating both as travel agencies and tour operators may grow by 46% in 2025 and 104% in 2030.

Considering the projected growth rate of skilled and semi-skilled workers in the next 5-15 years, the areas of high potential for skilled workers are food and beverage production, food and beverage services, and housekeeping in the hotels and resorts. While the former two departments in hotels and resorts would observe an explosion for both skilled and semi-skilled workers, the latter would largely demand more semi-skilled workers.

Direct and Indirect Impacts of COVID-19 Pandemic

The HTS has severely been affected by the pandemic-induced economic recession that transpired through a fall in enterprise income and the concomitant rise in retrenchment and/or reduced working hours. Further, strict health warnings due to the high risk of exposure to infection from staying outside the home or traveling cause a reduced demand for tourism and vacation. In absence of any restriction on visits to tourist sites and attractions, the demand can still be depressed due to the health risks involved. The supply chain and logistics can be disrupted, as production, transportation, and distribution are affected in almost every sector of the economy. Despite the huge financial loss, many of the enterprises in the HTS are unable to go out of business due to the sizeable sunk costs involved. The financial distress would not be similar as firms are heterogenous in terms of the scale of operation, capacity, efficiency, location, reputation, and resilience to shocks. The impacts have been analyzed from these perspectives.

Overall Business Situation of the Enterprises

Almost all the enterprises incurred huge financial losses. All of the travel agencies and tour operators, and 60% of the hotels and resorts expressed apprehension that they might have to sell their business if the pandemic situation prolongs. Even if they continue their business, operating at reduced capacity and laying off employees will possibly be the direction of adjustment in the future (50% of the hotels and resorts, 90% of the travel agencies, and all tour operators,). Given the precariousness, almost all enterprises reported that they would ask for financial assistance or loan to support the survival of their business.

Depressing Financial Situation

The total number of operating days for the hotels and resorts, travel agencies, and tour operators are 63%, 42%, and 45%, respectively compared to that in the pre-pandemic year. Total sales for the hotels and resorts, travel agencies, and tour operators are only 35%, 21%, and 13% of that reported in the pre-pandemic year. However, corresponding total expenses incurred by the three sub-sectors are also lower by 43%, 71%, and 86% during the pandemic year.

Reduced Room Booking and Fall in Room Tariffs

The room-booking counts exhibit a sharp decline by the second quarter when the country-wide strict lock-down was observed, a fall of 88% for rooms in the high-tariff range while 91-92% for rooms in the medium or low tariff range was noted. As expected, the revenue shrank by 90-94% compared to the similar season in the pre-pandemic year. The situation slightly improved by the third quarter, when the lock-down was partially lifted, but improved significantly by the last quarter, when the infection rate drastically fell across the country; 50% (low tariff range) to 61% (high tariff range) of the room-booking level recorded in pre-pandemic level is recovered by then.

Challenges to Operations during Pandemic

The hotels and resorts mentioned reduced demand for services (22%-42%), disrupted supply chain (8%-10%), and concern about employees' health safety (8.4%-23%) that appear to be major channels through which business operations were affected. In comparison, 64% and 86% of the travel agencies and tour operators mentioned depressed demand due to lockdown and almost all the enterprises (91-100%) expressed concern about employee's health safety as the reason for reduced business.

Coping Mechanisms Adopted by the Enterprises

Initially, the majority of the enterprises were temporarily shut down in response to the pandemic shock. The proportion of enterprises that went for complete shutdown exhibit a downward trend with the reduction in the stringency of lockdown. However, reduced salary payments appear to be a major coping strategy: 35% of the travel agencies during the July-August period while another 59% during the September-October period reduced salary payment for employees. Reduction of other non-salary benefits as a coping strategy is mainly played by the hotels and resorts, in the range of 16-18%. Comparing the average employment at base i.e., pre-COVID-19 counts of employees in March 2020, to that in the last quarter of 2020 suggests that the

average laid-off is 9.7% in the hotels and resorts, 5.9%, and 16.5% in the travel agencies and tour operators, respectively.

Health Safety and Precautionary Measures

Although approximately all enterprises recommend workers to put on facemask at work, only 5% of employees in the hotels and resorts, 76.5% in travel agencies, and 2.2% in tour operations report it to be required or strictly followed in their workplace. Among the hotels and resort workers, 50% of the employees report inadequate provision of safe transport from home to work, another one-quarter report about inadequate handwash facilities with soap at work and uncleanliness of washrooms, while approximately 42% report about using shared work equipment that may increase infection risks. Among the tour operators, 47% mentioned about lack of handwash facilities at the workplace. Overall, the findings suggest that strict adoption of the practices inside the workplaces is weak.