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COVID-19, GOVERNMENT'S DECISIONS AND IMPACTS ON TOURISM BUSINESSES**Covid-19, vládní rozhodnutí a dopady na podnikatele v cestovním ruchu****ANDREA HOLEŠINSKÁ¹****MARTIN ZÁBOJ²**

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Annotation

The impact of the COVID-19 pandemic on tourism is a widely discussed topic nowadays. However, this article does not address the global impact of the pandemic. The focus is on government's decisions, which to some extent may be the cause of the impact on tourism. The government is responsible for setting specific measures to prevent the spread of the disease and is also responsible for implementing tools in order to eliminate the effects of the crisis and stimulate an economic and social activity. The aim of this article is to present an evaluation of government's measures from the perspective of tourism entrepreneurs. The research focuses on the first wave of the COVID-19 pandemic in the Czech Republic, which hit the country in the spring of 2020. The respondents of the research were entrepreneurs in the catering and accommodation sector with their premises in Mikulov. Data were collected using electronic questionnaires. Their return rate was 27%. To complement the qualitative data of the research, an interview was conducted with a destination coordinator. The findings reveal that overall, entrepreneurs rated government's measures as negative in the context of their business. Their economic result fell by more than 75% and they also recorded a significant loss of clientele. Entrepreneurs were very critical of the overall actions of the government, which according to them, created confusion. On the contrary, they assessed the government's support positively.

Key words

government's decisions, tourism business, pandemic COVID-19

Anotace

Dopady pandemie COVID-19 na cestovní ruch jsou velmi diskutovaným tématem. Tento článek se však nezabývá globálními dopady pandemie. Středem pozornosti jsou vládní rozhodnutí, která do jisté míry mohou být samotnou příčinou dopadů v cestovním ruchu. Vláda je zodpovědná za nastavení konkrétních opatření zamezujících šíření nákazy a současně zodpovídá za implementaci nástrojů, které mají eliminovat dopady krize a stimulovat ekonomickou i sociální aktivitu. Snahou tohoto článku je předložit hodnocení vládních opatření pohledem podnikatelů cestovního ruchu. Výzkum je zaměřen na první vlnou pandemie COVID-19 v České republice, která proběhla na jaře 2020. Respondenty výzkumu byli podnikatelé v odvětví stravování a ubytování mající svoji provozovnu v destinaci Mikulov. Data byla sesbírána pomocí elektronických dotazníků. Jejich návratnost byla 27 %. Pro doplnění kvalitativní stránky výzkumu byl realizován osobní rozhovor s koordinátorkou destinace. V souhrnu podnikatelé hodnotili vládní opatření jako negativní v kontextu jejich podnikání. Jejich hospodářský výsledek se propadl o více než 75 % a zaznamenali také výraznou ztrátu klientely. Velmi kriticky hodnotili podnikatelé celkové jednání vlády, které podle nich vytvářelo zmatek. Vládní podporu však hodnotili kladně.

Klíčová slova

vládní rozhodnutí, podnikatelé v cestovním ruchu, pandemie COVID-19

JEL classification: Z38, M21

1. Introduction

There is no doubt that pandemic COVID-19 has the negative reflection on the development of tourism. Many authors have already evidenced the impact on tourism: Richards (2020) comes with the first assessment by entrepreneurs; Keller (2020) writes about the adaptation of demand behavior to the given situation; Hall, Scott and Gössling (2020) provide an extensive study on the overall transformation of tourism; a sophisticated model estimating the impacts of COVID-19 is described by Škare, Sariano and Porada-Rochoń (2021). The effects of the COVID-19 pandemic on international tourism (Gössling, Scott & Hall, 2021) and its tourist flows (Holešinská, 2020) have been widely published. However, few publications have focused on the effects of government's decisions taken as a result of the corona crisis. This paper provides an overview of the reactions to the government's decisions (specifically, government's measures and support programs/incentives) from the perspective of tourism businesses.

The COVID-19 pandemic in the Czech Republic started in the spring of 2020. During the spring holidays, there was an intense mobility in outbound tourism. The disease spread to the Czech Republic directly from its European epicenter, i.e. from the Italian regions, especially Lombardy, where the Czechs went skiing. In response to the spread of the virus, the Czech government declared a state of emergency on 12 March 2020, with some government's measures expiring at the end of June 2020. Specifically, the government restricted the movement of people across borders; movement of persons in public; closed schools; closed restaurants and shops with the exception of food, drugstores and pharmacies; restricted the organization of events (gathering of people); ordered the obligation to wear mouth and nose protection.

In order to balance the effects of the above restrictive measures, the government approved the following subsidy programs and incentives aimed at supporting employment (Antivirus Program), helping to reduce fixed costs for entrepreneurs (COVID-Rent Program), compensating individuals for lost profits (self-employed compensation bonus), providing available loans (COVID III), or reducing the tax burden (reduction of the VAT rate for selected commodities). To activate the demand side, the Lex Voucher Act was approved and the "Holidays in the Czech Republic" campaign was launched. The regional governments then added support in the form of a subsidy for accommodation in the framework of enhancing domestic tourism.

2. Theoretical framework

State/government interventions in people's lives have been a widely discussed topic for generations. This is because the freedoms of individuals are being curtailed. The degree of a given restriction is determined by the political regime, which influences the overall conception of the state's politics (Hall and Jenkins, 1995). Much has already been written about the state's legitimacy to interfere in the market mechanism. Samuelson and Nordhaus (1991) summarize the arguments associated with ensuring efficiency, fairness, and stability, thereby defining the economic role of government. In the field of tourism, the Swiss authors Keller (1999) and Greuter (2000) define four roles of the state, which are related to the stimulation or regulation of tourism activities. One of them is the role of the producer, where the state provides public goods in the field of tourism. This includes, for example, the transport system or safety.

In the context of the COVID-19 pandemic, the role of government is to eliminate exogenous shocks (Keller, 2020) to ensure the safety of both citizens and visitors. The SARS-CoV-2 viral disease, spread uncontrollably on a massive scale, poses a natural threat. Such a mass threat requires crisis management by the government. The main role here is played by the decision-making process based on current demands and/or outcomes. Expert groups and crisis management command centers as a part of the policy arena play an important role here (Hall and Jenkins, 1995). The task of the government is to set such measures that will prevent the spread of the disease (even at the expense of restrictions on freedom). At the same time, to design and implement such tools that will eliminate the negative effects of the crisis (compensate for restrictions on freedom) and stimulate the re-start not only of the economy, but also of the way of life of citizens. The authors (Hálek, 2008; Ritchie and Crouch, 2006; Ritchie, 2009) agree that crisis communication is a key tool in crisis management.

The aim of this paper is to evaluate the government's decision in the first wave of the COVID-19 pandemic from the perspective of entrepreneurs in tourism.

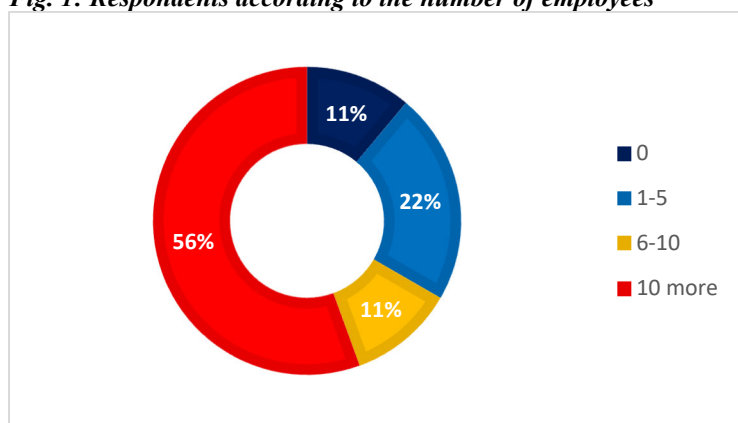
3. Methodology

This article presents the results of a pilot survey examining the effects of the corona crisis in the destination. Mikulov was chosen as the researched area as a destination with significant tourism potential in South Moravia. As part of the pilot survey, 33 subjects, which are registered on the official website of Mikulov, were contacted.

Business entities that fall into the economic activity sector CZ-NACE catering and hospitality were deliberately selected, as their establishments were closed by the government. Another activity was found in 39% of subjects, specifically, accommodation (i.e. a hotel with a restaurant). The original intention was to conduct qualitative research based on direct questioning. Due to the deteriorating situation with COVID-19 in autumn 2020, this method of data collection was replaced by an electronic questionnaire, which was sent by email. In response to the growing number of infected by COVID-19, the government again decided to close gastronomic establishments and accommodation facilities. This step resulted in the respondents not being willing to answer the questionnaire. For this reason, a direct interview (by phone) was conducted with the destination coordinator of Mikulov, who helped to complete the qualitative aspect of the answers from the questionnaire.

The overall return rate 27%. The respondents also include four hotel operators. In terms of the size of the company, the vast majority of small entrepreneurs (10 and more employees) are represented in the sample, and the remaining part consists of family businesses (0 to 5 employees), see Fig. 1. This composition corresponds to the nature of the destination. Mikulov, although the city, is part of the wine region. Thus, rural tourism dominates here.

Fig. 1: Respondents according to the number of employees



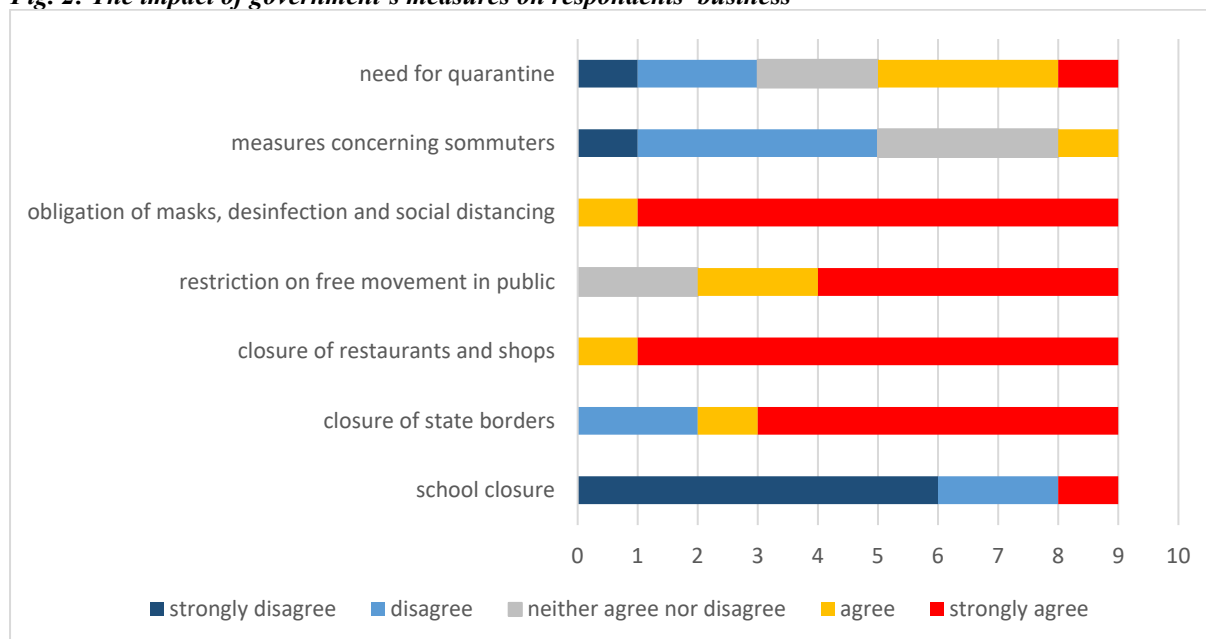
Source: own processing

From a methodological point of view, this is mixed research. The questionnaire was used to collect the data, which included closed and open questions. In the case of closed questions, a Likert-scale or grading scale was offered for evaluation (1 = excellent; 5 = insufficient). The research also included an interview, which provided insight into the situation in the destination. Mathematical-statistical methods were used to process the data from the questionnaires, and the indexing method and partly descriptive statistics in the form of the frequency of occurrence of the given statements were used to process the results of the interview and open-ended questions.

4. Results

4.1 Policy evaluation

Out of the government's measures implemented in the spring of 2020, respondents (tourism entrepreneurs) were logically most affected by the *closure of restaurants and shops*, with the exception of groceries, and at the same time, by the obligation of "*masks, disinfection and social distancing*". Everyone agreed on this, see Fig. 2. Respondents further agreed that their business had been significantly affected by the *restriction of free movement in public* and the *closure of state borders*. The government's measures concerning *the need for quarantine* ($\sigma = 1.19$) and *measures concerning commuters* ($\sigma = 0.83$) recorded a great variability in the respondents' answers. This evaluation can be attributed to the individual experience of individual respondents. On the contrary, according to the vast majority of respondents (89%), *school closure* measures did not affect their business at all.

Fig. 2: The impact of government's measures on respondents' business

Source: own processing

All respondents perceived the government's measures as negative. Measures dismantling the activities of catering and hospitality in the form of *servicing hatch* or *closing of operations in the evening* were evaluated positively. It was a restrictive measure, but it was an opportunity to work. Entrepreneurs operating accommodation services also had a different perception. The reason was that their catering services are used primarily by their accommodated guests. It was therefore not worthwhile for a closed hotel to operate a serving hatch or to have a restaurant with limited opening hours.

Respondents also commented on government's support. These were generally evaluated very positively. Entrepreneurs appreciated most *the reduction of the VAT rate*, the "*shutdown*" of *EET*, and *the compensation bonus for the self-employed*. The positive evaluation is also evidenced by the respondents' answers to the question exploring which of the government's support/subsidies they personally used. Except for one respondent, they all "*turned off*" *EET*. As an argument for the registration of sales, the entrepreneur stated that his records were connected to accounting and at the same time, thus protects against possible control in the future. The vast majority of entrepreneurs *reduced VAT rates*. It was difficult to administer, but it meant savings for entrepreneurs. Half of entrepreneurs used *the compensation bonus for self-employed* and/or support for *Antivirus* and/or support for *COVID-Rent*. Only one respondent used all three subsidies. The others were always a combination of two of the above. Entrepreneurs with 10 or more employees most often used *Antivirus* support. None of the respondents used the preferential loan in the form of *COVID III* support. One of the entrepreneurs (hotelier) used *Subsidy for One/Two Member/s Ltd.*, as well as only one joined *the Holiday in the Czech Republic* project, which was aimed at supporting the demand for tourism. This support was the only one guaranteed by the Ministry for Regional Development, which is responsible for tourism.

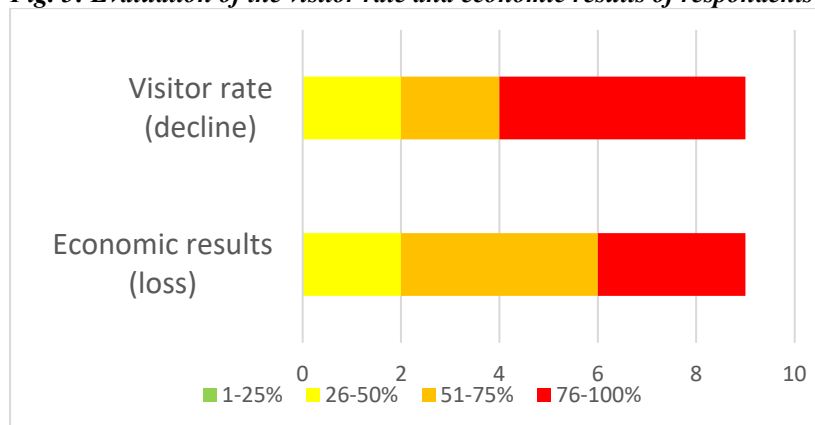
Entrepreneurs were asked to rate the activities of the Ministry for Regional Development with a grade (as in school). The rating was very variable ($\sigma = 0.99$). The result was an average grade, i.e. 3. The most critical evaluation was made by an entrepreneur who had personal experience with the Ministry and stated that there had been no "promised compensations". It is true that the Ministry did not address the public much during the spring wave, despite the fact that the COVID-19 pandemic affected tourism the most. The destination coordinator herself confirmed in the interview that communication with the Ministry or the CzechTourism agency regarding the support of the destination had been minimal. Minimal help was also provided at the regional level.

The government received a negative rating from entrepreneurs, and received grade 4. Among the most frequent comments, entrepreneurs mentioned chaos; confusion; frequent change of decision; little time to adapt to change; incompetence. These statements are also confirmed by the destination coordinator, who was in constant contact with the entrepreneurs concerned.

4.2 Evaluation of impacts

All respondents unanimously agreed that they had lost their business income due to the corona crisis. This is also confirmed by the question on evaluating the economic result of entrepreneurs. All entrepreneurs stated that they had been loss-making, which was estimated at 75%, compared to the pre-crisis situation. It was therefore no surprise that entrepreneurs mentioned the *decline in sales* and, logically connected, the *decline in customers* as one of the other negative impacts on their business. The highest decrease of the visitor rate in the range of 76 - 100% was recorded by hotel operators. Other entrepreneurs offering only catering services evaluated the decrease in visitor rate by an average of 50%, compared to the situation before the pandemic.

Fig. 3: Evaluation of the visitor rate and economic results of respondents



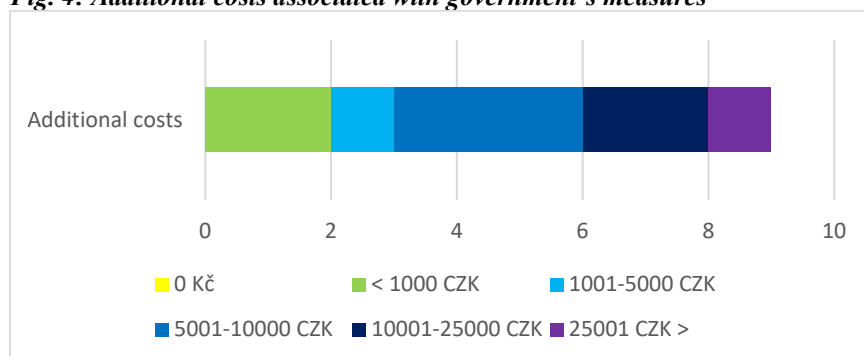
Source: own processing

In relation to the visitor rate, respondents had to express whether, for example, due to the closure of the border, they observed a change in their permanent clientele. More than half of them did not notice this change, which may be related to the fact that their main clientele are residents. According to the destination coordinator, however, the number of domestic visitors in Mikulov increased significantly compared to foreign ones.

A positive aspect, in terms of assessing the impact of the corona crisis on the respondents' business, was the finding that *none of the respondents ended their business* in the spring wave. Only two entities, operators of accommodation services with more than 10 employees, recorded *redundancies* or *departures*. Only one respondent stated that he had been in debt. It was a hotelier. Half of the entrepreneurs said that they would survive another government decision to close the establishments. 1/3 did not know and only one subject stated that the next lockdown would not survive.

As a result of the introduction of government's measures, entrepreneurs incurred *additional costs* associated with, for example, the purchase of protective equipment, or disinfection. The variability in the answers to this question was very high ($\sigma = 1.28$). In summary, the costs ranged from 1 thousand to 25 thousand CZK. For the operators of serving hatch, the costs were higher than 5 thousand.

Fig. 4: Additional costs associated with government's measures



Source: own processing

The irritation of the respondents associated with the development of the situation and their business was reflected not only in the reluctance to answer the questionnaire, but also in the reluctance to perceive any positive change

that the situation brought. When asked whether the corona crisis brought any positive change to their business, they did not answer at all. This is despite the fact that they were offered options, such as *the introduction of a new service* in the form of food delivery or a serving hatch. At the same time, everyone assessed this government measure as positive. It is possible that the positive effects of the corona crisis will be apparent in the longer term. According to the destination coordinator, it was evident that the great effort of entrepreneurs was to look for savings. It often happened that people "without work" had helped, for example, with food delivery or as salesmen in a supermarket.

5. Conclusion

The COVID-19 pandemic represents a crisis situation where the safety of people (whether citizens or visitors) is at stake. The government is therefore obliged to act and issue such decisions that are not only to solve the situation, but also to eliminate its effects on the public. It should be noted that the Czech government was not prepared for such a situation. But that is no excuse! Crisis management principles, such as a crisis plan or crisis communication, should be paramount in such situations. Government's decisions, and thus the priority of the introduced measures, are largely influenced by the political regime. This has been clearly demonstrated in the case of the Czech Republic.

The absence of crisis management by the government is evidenced by the critical evaluation of the entrepreneurs themselves in tourism. They complained about the poor communication of the Ministry for Regional Development and the chaotic steps of the government, which were reflected in the frequent changes in their decisions. The result was a short time to adapt to the changes that entrepreneurs had to adapt to.

The research confirmed that entrepreneurs had reacted sensitively to government's measures that directly affected their business (see the lockdown of the catering and accommodation services sector). This led explicitly to a loss of business income and to a more than 75% drop in their economic result compared to the pre-coronary period. Entrepreneurs operating accommodation were more sensitive to the effects of government's measures and the manifestations of the corona crisis. Furthermore, the findings show that tourism entrepreneurs were willing to pay additional costs (in the amount of up to tens of thousands CZK), just to be able to comply with the restrictive measures and (re)open their establishments.

As far as the government's support is concerned, respondents rated it quite positively. In the vast majority of cases, everyone benefited from a reduction in the VAT rate (which affected demand), the abolition of the EET obligation (this reduced administration) and a compensatory bonus for the self-employed (relatively simple fixed "compensation" of income). The evaluation showed that small entrepreneurs did not take the risk, albeit soft loans, and this tool to eliminate the effects of the corona crisis was not used by any of the respondents.

In summary, the research pointed out two facts concerning the behavior of subjects in a crisis situation. The first is the government's shortcomings in crisis management, which deepen (deepened - at the time of the research) the instability of the whole situation. The second fact is that entrepreneurs do not see (did not see - at the time of the research) in the corona-crisis a challenge to reorient their business. There is a lack of willingness to change (innovate), as evidenced by the unanswered question of what positive the crisis has brought to entrepreneurs. As a recommendation for the future, for the restart of the economy, and thus also for the tourism sector, the need to change the behavior of both the government and entrepreneurs in tourism is required.

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