

THE BOUNDARY BETWEEN TWO DECADES: FROM SUCCESS TO BANKRUPTCY

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Abstract: Although we can not pinpoint the severity of the current pandemic's consequences, comparisons between the last two years show an increase in the unemployment rate as well as a decrease in the number of tourist arrivals. These statistics result in many struggles for various fields of practice (such as HoReCa) and for our Government, whether we talk about legislation or economics. In terms of legislation, changes are the order of the day with more than ten amendments brought upon the Labour Code. Further, we'll notice how funds granted in order to support the Romanian business environment have not been yet allocated, putting businesses in the need to find other sources of assistance.

Key words: *unemployment, HoReCa, tourism, legislation*

INTRODUCTION

When we talk about the separation of powers as a democratic principle, we must divide them in three distinct categories, each being a pillar of the state. The Legislative power is represented by the Parliament (an institution whose main job is to propose laws which are further voted with different majorities, depending on the matter brought upon discussion – Constitution, title Public Authorities, chapter 1). Next we have the Judicial power which consists of the courts and Public Ministry. However, nowadays, the most important power is the Executive one. In this category we must include the President and the Government. These two representatives have been in the spotlight since March 2020 when the first lockdown was established. The Government is the one institution people look for help, to provide them with safety on various matters from business investment, unemployment, health and even legislation (during these hard times, the Government has adopted many O.U.G.s – emergency ordinances – which enter into force three days after being published in the Official Gazette).

Since 2020 the whole world is living her worst nightmare. People are continuously losing their jobs, businesses go bankrupt, the borders are closed, we can barely go outside without fear and tourist arrivals have reached the lowest level.

Regarding Romania, the word which best describes the current situation is insecurity. Here, the number of COVID-19 detected infections have reached 5% of the total population. This degenerates in insecurity, especially for younger people wish to protect their family members. Insecurity is met in regards to unemployment. Due to less funds and profit, companies had to fire people, who after a short period of time, started to wonder if they will be able to provide for the family in the future. Many restaurants and hotels' owners have protested because they are out of business since tighter restrictions have been enforced.

In fact, this is where our problems start. With poor management in time of crisis.

For example, because of the travel conditions, people have chosen not to come in Romania in order to avoid quarantine here or at the return home. Until now, Romanian citizens have been oriented to travel abroad and even though this has changed, tourists still are an important element for HoReCa. They all indirectly invest in Romanian businesses.

The pandemic also generated problems for many of us regarding mental health. Due to its fast spread, feelings of concern, worry and fear sweep among people. Talking about oxymorons: people feel anxious, like they are not protected, but yet, they do not have the responsibility to respect the restrictions. It is crucial to mention the citizens' complaints: not being able to meet with friends and the impossibility to practice sports, both which are considered ways to cope with stress. This, combined with the fact that in Romania it is still a shame to seek the help of a psychologist, has degenerated in mental illness problems and maybe less awareness.

A measure established globally for people in need of moral/physical support is the creation of prevention lines. These can be used at any hour and can easily be accessed by dialing a specific phone number.

Further, we will see that the European Union has released a plan/strategy to overcome the difficulties which surfaced during the pandemic. The aim of the recovery plan is to make Europe greener and more resilient, starting with €1.8 trillion and the help of NextGenerationEU.

MATERIALS AND METHODS

In order to carry out the research, the accumulation of information and its interpretation, we have used the comparative method based on official statistics from before and during the coronavirus pandemic.

We have searched for information separately, one topic at a time: economics, annual budget, tourism, unemployment, the HoReCa industry and legislative changes.

A specific case study about tourism in Prahova County illustrates how incomes and local economy have been influenced by the pandemic. It states that in 2018 tourist incomes had increased by 4,4%, reaching \$1,480 billion and globally, tourism exports represented 7% of global trades in goods and services. As a start, three scenarios were established for the current pandemic:

- Moderate: a third of the annual tourism spending is eliminated for each country (80% for five months)
- Intermediate: two thirds of the annual inbound tourism income is eliminated for each country (80% for ten months)
- Dramatic: all annual inbound tourism spending is eliminated for each country (12 months of impasse)

The results of the study are based on the opinions of 16 experts and business owners. Their opinions are determined by a few standard questions such as: "What changes have the businesses you are connected with suffered within the summer of 2020 (hotels, tourism agencies) in terms of indicators, personnel, working points/ units?" [5]

In order to keep companies and households afloat, countries tried to offer financial support accessing emergency funds [6]. Before having access to vaccines, some of the policies for recovery consist of: extended measures to help front line workers and give the necessary equipment, job retention schemes to prevent unemployment, providing job searches and support to low-income employees. These measures aim to build a safer space in the labour market.

There have also been released various instructions for employers regarding social distance measures, personnel training etc.

The European Commission has established a plan for recovery. Its main focus is on rebuilding the economy and on repairing the social damage brought by the coronavirus pandemic. Called "NextGenerationEU", the proposal is worth €750 billion. This amount should motivate and support European citizens and their investments.

RESULTS AND DISCUSSIONS

The study begins with presenting and interpreting the statistics regarding tourism industry, the most vulnerable industry we are going to analyze. It is inevitable to discuss the hospitality industry because they are interdependent.

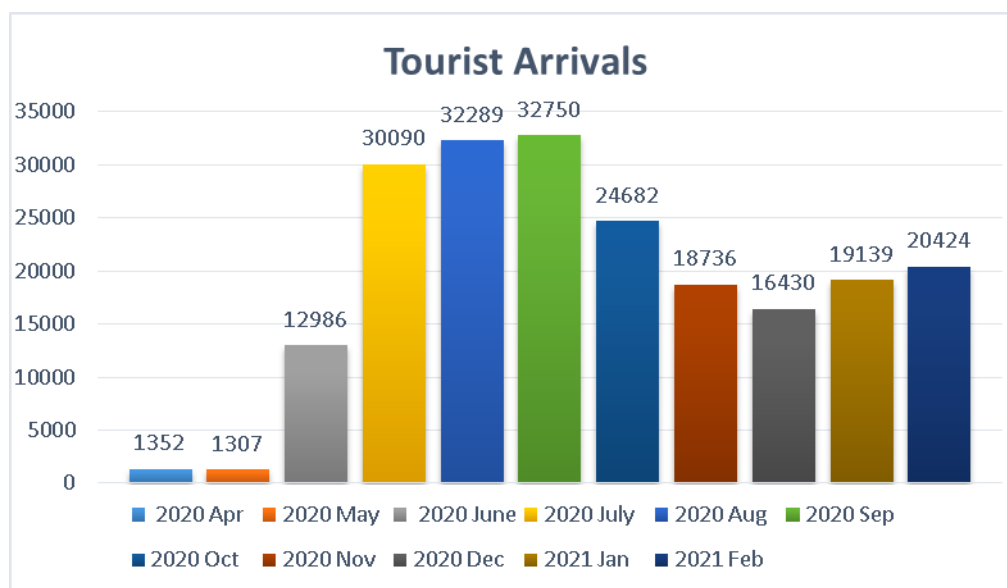


Figure 1. Evolution of tourist arrivals on Romania's territory [11]

This statistic shows the evolution of tourist arrivals on Romania's territory. As we can see, at the beginning of 2020, fear was spread among people and resulted in a positive response to the lockdown and other restrictions. Still, as figure 1 shows, the most tourist arrivals were registered between July-September 2020. During these months, a few countries around Europe tried to relaunch their tourism, attempt which caused an increase in the number of daily COVID-19 cases.

Even though the situation does not look dramatic, the impact of the pandemic can be better *in concreto* appreciated. A case study on Prahova County, Romania [5] shows a collapse in demand from tourists ("Romanian tourism agencies reported that this year their businesses dropped by 80-90% compared to previous years (Biz, 2020)" [5]). It is believed that the industry can overcome this drop as early as 2025.

The study is based on the opinions – about the hospitality industry (HoReCa), tourism businesses and agencies – of sixteen experts. It is approximated that the coronavirus pandemic cost this industry hundreds of billions \$ (European level).

For booked holidays, clients of vast tourism agencies had the option to change travel dates or choose another trip for the upcoming (current) year.

Although people had the possibility to rearrange their holidays, there are some innocent collateral victims. The majority of business owners cut the personnel to half. However, not all of them consider this to be the solution or a good measure. Others have chosen to manage personnel expenses in a different manner in order to not move to unnecessary layoffs.

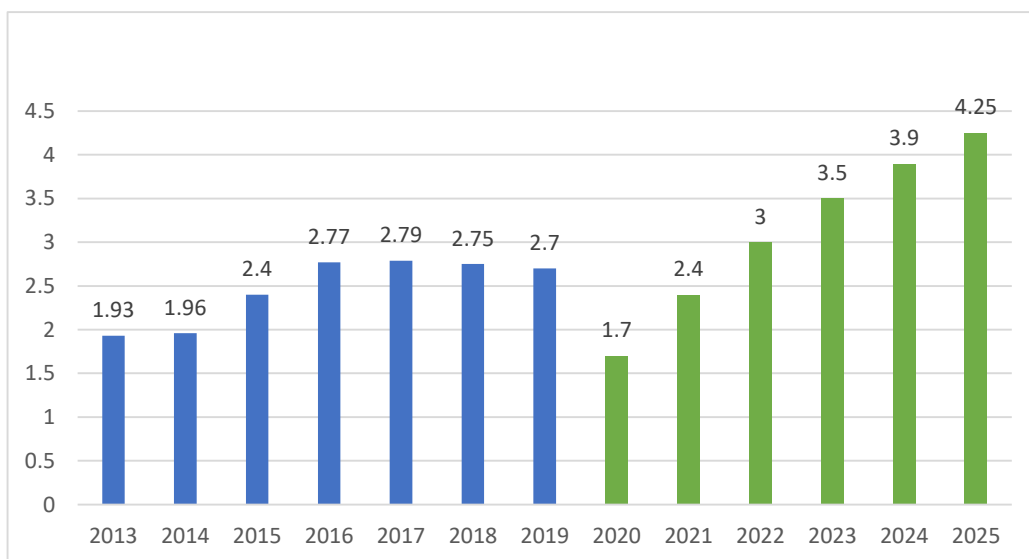


Figure 2. Tourism contribution within the Romanian GDP [10]

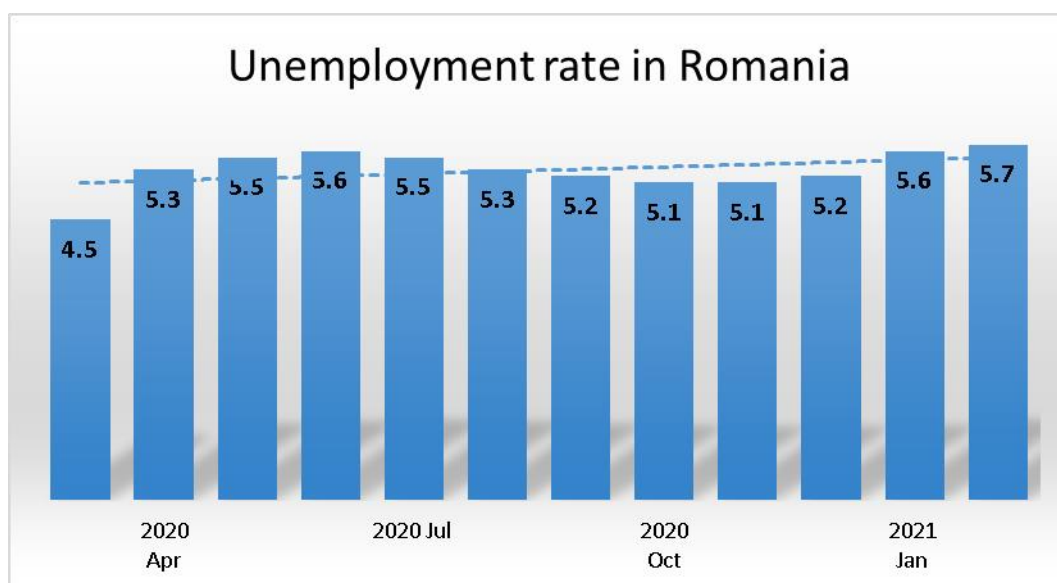


Figure 3. Unemployment rate manifested in Romania [12]

The hospitality industry is one of the most affected ones during the pandemic due to the change in costumers' preferences. People are more oriented towards online shopping in regards of clothing, food, health etc.

Because the infection rate was continuously increasing, restaurants have been forced to close and so, their business went down by approximately 80%. The possibility to keep restaurants open outdoors was no help either. They functioned to minimum capacity, respecting the social distancing rules, which made it almost impossible to make profit. At this point, most restaurants have concluded agreements with delivery apps in order to keep the business going.

Hotels' situation is no different. Between February-May 2020, there have been only a few reservation and money were refunded for cancelled services (around \$55 million). According to Romania's National Institute of Statistics, there is a 97% difference between May 2019 and May 2020. To sum up, regarding hotels, 2020's loss is estimated around \$1.15 billion.

Hospitality businesses have turned to digital platforms. In the absence of events, conferences, their direct orders through websites went down. Webinars have helped them adapt to this transformation, to another type of marketing.

The common solution they found was a delivery app. Restaurants and bars have each paired with one (or more) delivery apps. Right now, these apps are a trend and they offer complex services such as pharmacies, local shops, groceries. As example: Foodpanda, Uber eats, Glovo, Bingo. Each of them promises fast delivery from markets as Cora, Carrefour, Dm and even pet shops.

Because of low incomes, Romanians have chosen to stick to essential foods and to shop local instead of visiting every supermarket. 25% of them think that their shopping habits will stay the same in the future and 86% of them say that they will be choosing online shopping even after the restrictions will be removed.

The Romanian Black Sea coast area [1] was quite a spotlight for tourists. According to the National Institute of Statistics, in this area, the Danube Delta was quite a spotlight for tourists and this made the number of tourist arrivals increase by 10% compared to 2019. Here, the tourism industry is deeply linked with hospitality and they, together, offer many leisure activities, tours and guidance throughout the year.

During the previous year, in this area, different rates have been registered. There was a decrease of 80% in the total number of overnight stays of foreign tourist in the accommodation units.

Analyzing the data, we'll see that Romanian tourists have kept businesses going. 96.7% of tourist arrivals are represented by Romanians and the average length of the stay is three days. Through COVID-19, citizens have rediscovered the country which resulted in the exploitation of tourism potential.

Compared to 2019, the summer season at the Black Sea started later and lasted throughout July, August and September (the occupancy rate registered for this month is 80%). HoReCa confirms a decrease of around 30-35% in the number of tourist arrivals.

In 2020, Romania had 160 million RON to help affected business with rents up to three months. Also, there is a plan to reduce food waste which consists of tax incentives for companies which donate food near the expiration date.

Further, the European Council and the Council of the European Union have adopted a long-term budget and a plan for recovery. It has been estimated at around €1 074.3 billion. The plan, "Multiannual Financial Framework", inclined towards new priorities, views a digital transition as necessary. The EU will invest in safer borders, immigration and security, as they think of these as vital key factors to our welfare.

When other industries collapse, legislation must be a safety net which catches all the victims. During 2020 there have been major changes regarding the Labour Code, the major ones consisting in:

- the collective agreements of employment shall be extended during the state of alert and for a period of ninety days after
- members of the public systems shall be available during the lockdown, but the number of working hours must be limited to 54 (extra hours included)
- during the lockdown, employers from the private system, central/local authorities and institutions and companies in which the registered capital is owned (partially or fully) by more than 50 employees can establish individual work schedules WITHOUT the prior consent of the employee
- during the lockdown, people in leading positions who do not carry out their duties can be suspended from their duties

Romania has received funds from the European Union which must be used to support local businesses and to invest in them. The money have not been yet allocated even though the Ministry has received a handful of requests.

- Micro-grants: 29.250 requests, 17.222 agreements signed and 16.940 paid, in a total amount of 163.962.260 RON
- Grants for the working capital: 22.226 requests, 3.105 agreements signed, 2.937 paid, in a total amount of 1.028.728.340 RON
- Investment grants: 27.736 requests, none addressed

Romanian employers are binded, by law, to ensure the health, safety and welfare of their staff. Public Authorities suggest revisiting existing agreements in order to check if they are in accordance with the existing risk. They also advice contacting the Ministry of Health, Foreign Affairs and the World Health Organisation for any emerging issues.

For people who are unwilling or can not work due to medical reasons, the country grants a statutory indemnity representing 75% of the base level. The sum is calculated based on the average monthly salary received the last six months.

CONCLUSIONS

COVID-19 is a globally wide crisis which changed our perspective on life. It created the need to gain knowledge fast and to use it through specific situations. It emphasized the lack of administrative organization and mandatory training. It discovered the gaps in policy and strategies, all which must have been paid attention to during the last year and a half.

The experience we gained during the pandemic must not transform in scars, but in a lesson, a need for reorientation for individuals and society. What is important is to acknowledge that COVID-19 had both positive and negative consequences. It raised awareness across domains such as health, family and education. It has isolated us and still created a special bond, a sense of solidarity and responsibility.

Observing the past, we'll see the different approaches individuals manifest regarding the coronavirus and how their behaviour changed. Also, due to the considerations related to the virus, personal experiences have long and short-term consequences on economies.

At European level, the loss of profit and income is around 85% for restaurants, hotels, tourism agencies and 90% for airlines and cruises.

Globally, the pandemic results in more pressure on Governments, a tight grip on economy, factors which make us react impulsively. The European Central Bank is trying to increase long-term interests rather than short-termed through its "Pandemic Emergency Purchasing Programme". This came as Germany, the number one economy in the European Union, started to close gyms, restaurants and hotels.

It is estimated that the effects on economy are somewhere between 45% and 70% depending on the length of the pandemic. This could result in a similar economic crisis with the 2008 one, but as most industries collapse and our economy is in a direct fall, we have access to funds and strategies to relaunch the hospitality, tourism industries in tight collaboration with the western countries in Europe, all in hope that bankruptcy can be avoided.

Fortunately, the European Union elaborated a proposal for recovery called "NextGenerationEU" which is based on the collaboration of member states. The institutions have released a statement regarding their forecast for the upcoming year. It is expected that euro area economy will grow by 3.7% in 2021 and 3.9% in 2022. Because the consequences of the pandemic are not even, this growth may differ for each country. It

is speculated that Romania's economy in 2021 will grow by more than 3% of the GDP. In 2022 its level reaches 4% of the GDP.

Besides making Europe greener and resilient, this proposal refers to restarting tourism. An example of a project which is going to help this start is DiscoverEU.

DiscoverEU is a project whose aim is to make youngsters feel fully integrated in Europe and help them identify with the main principles of the European Union and their homeland. It takes place in two rounds each year, one in spring and one in autumn, and offers free train tickets across the continent for a month. Teenagers are encouraged to learn about history, visit every country they are interested in and to share their travel stories with others.

In order to gradually open tourism, some measures include EU funding, to support business and prevent bankruptcy, and flexibility in rules so that states introduce schemes such as guarantee schemes for vouchers and liquidity schemes.

If we aim to keep businesses afloat, we must be aware of the risks that need to be taken. The vaccination campaign must continue so that the majority of European citizens are immune to the virus. The second aspect which deserves to be discussed is the attitude. Once the frontiers open, we can expect COVID-19 cases to rise, but we must not introduce new restrictions. We must let people travel freely, as their spending is indirectly invested in the certain country's economy.

The third aspect which comes to mind is agglomeration. Obviously, everyone is going to organize holidays abroad. Airlines will have to take the same routes more often, businessmen in hospitality industry will have to hire more staff to keep up with daily tasks and the number of tourists.

This is a small step to prevent another economic crisis. There is no doubt this are hard times. Until now businesses and policies were oriented to profit, but when the borders open, besides profit, the key word will be responsibility, developing a good management that is people oriented.

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