

## THE CHALLENGES OF THE PANDEMIC TO THE TOURIST INDUSTRY ECONOMIC SECURITY (CASE STUDY OF BULGARIA)

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### **Abstract**

*One of the main prerequisites for the development of tourism is the peaceful, secure and safe environment in tourist destinations. However, political and military conflicts, natural disasters and epidemics have always been part of people's lives. The instability in different regions has repeatedly been the reason for long periods of outflow of tourists over the years and their redirection to alternative destinations with similar tourist resources. The purpose of this paper is to present the impact of the pandemic to the economic actors in terms of their economic security. To achieve this goal, an analysis of the employment and unemployment in the tourism industry and of the tourism business revenues, is made. Official statistical data is used.*

**Keywords:** COVID-19 pandemic, economic security, tourism, Bulgaria

**JEL Classification:** L83, Z32, J21

### **INTRODUCTION**

In 2020, humanity is hit by a global pandemic affecting human life and health. In this situation, the challenges in the economy reach serious scale. The lockdown in many countries lead to collapse of industries as tourism, transport, catering and entertainment. The main impact is the rising unemployment and economic insecurity for those who work in the abovementioned sectors. Unfortunately the negative effect of the pandemic is not restricted only to them. The impacts on the individual and business economic security effect indirectly to the financial capacity of the people and their willingness to travel after pandemic.

According to the UN World Tourism Organization, in the first half of 2020, international travel decreased by 65%. The summer season marked a 70% drop in the global tourism industry and a 90% drop in bookings. According to the European Commission, the losses for hoteliers, restaurateurs and tour operators amount to 85%.

Bulgaria also recorded a serious decline after more than two months of ban of the organized tours. Varna and Bourgas airports that serve the Black sea coast resorts reported a double-digit decline in the number of flights. There are only 1.1 million foreign tourists since the beginning of the year. At the same time the crisis has encouraged the domestic tourism. Bulgarians traveling inside the country are over 2.5 million. [8]

COVID-19 pandemic has not only economic impact. It has significant social consequences, which requires decisive coordinated action by world leaders. The spread of the virus is causing problems in global supply chains, financial market instability, shocks in consumer demand and negative impacts in key sectors for the global economy such as travel and tourism. The tourism business is dynamic and comprehensive. That's why it requires to be regulated at all levels of activity. [9]

The purpose of the paper is to present the impact of the COVID-19 pandemic to the economic actors in terms of their economic security. To achieve this goal, an analysis of the employment and unemployment in the tourism industry, the tourism business revenues and the expenditure groups, was made. Official statistical data is used. The main theoretical issues are considered.

### **THEORETICAL ISSUES**

The concept of security is complex and there are many attempts to define it. According to the etymology of the word security, it comes from Latin from the noun "securitas" or the derived adjective "securus", which means fearless, carefree. Till now, the term "security" was considered identical to two other terms - "peace" and "defense". [14] Today, security is defined on a much broader scale than at the end of the 20th century, with both military and non-military (humanitarian) aspects. Modern scientists define it as a complex concept, containing the absence of danger, individual confidence, society and state confidence. Nowadays, if there is security, there is peace, but the opposite is not true. Security is much more than peace. Even if the ongoing conflicts are controlled and peace comes to the planet in an instant, it will not enjoy security, because there are still active problems, the consequences of which can make the days of mankind counted.

According to many authors, security means maintaining a certain equilibrium state, accepted as normal. The ability to balance well between risks, threats and available resources so as to maintain an acceptable normal state is a supreme form of public state administration. Sometimes the whole system of the state and society suffers strong shocks from unexpected or insurmountable threats. This means that a crisis begins. If a system is able to return to its normal state in a relatively short time before the crisis, then this system has security.

In today's world, we are facing new challenges, such as piracy, global economic crisis, nuclear proliferation, food crises, environmental disasters, etc., and from the beginning of 2020 the coronavirus pandemic. It undermines the global stability and collective and well-coordinated decisions leading to a new security concept are required therefore. This new concept should not be limited territorially to national borders only. Coordinated efforts by the international community are needed in several areas:

- activation and development of partnerships in policy making, knowledge transfer and implementation of these policies;
- comprehensive approach to ensure the greatest possible coordination between all countries, regional stakeholders and international institutions;
- multilateral vision and approach to achieve better coordination for crisis management. [5]

Five levels of security can be defined: individual security; security of a group of individuals; state security; community security by countries; world security. [15]

According to the 1994 UN Human Development Report, one of the founding documents in the field of security, the threats to human security are no longer individual, local or national, they are global. These include drugs, AIDS, terrorism, environmental pollution, nuclear proliferation, and now the COVID-19 pandemic is added to them. It also formulates the threats to human security, which can be summarized in seven directions, respectively:

- Victualing security;
- Environmental security;
- Personal security;
- Community security;

- Political security;
- Economic security
- Health security.

*The victualing security* is related to the unimpeded physical and economic access to food of each person. One of the main problems in providing food could be the lack of equal distribution of food products or low purchasing power of consumers.

*Environmental security* is linked to a clean environment. The main risks to the ecological balance are deforestation, pollution of water sources, the presence of harmful substances in the air. The cleanliness of river and sea basins is a major factor in the development and promotion of tourism. Nitrite pollution, for example, due to its high toxicity poses a direct threat to public health. [7]

Threats to the *personal security* can be grouped into the following categories: physical torture; military actions; terrorism; ethnic tension; street attacks; domestic violence; violence against children; suicide, drug abuse.

The pursuit of *community security* is manifested in the preservation of the physical and spiritual integrity of ethnic groups, their way of life and culture. One of the main threats to this type of security is the ethnic conflict. In addition to numerous victims, inter-ethnic conflicts have led to the destruction of monuments that are part of the world's cultural heritage and have long been anthropogenic tourist resources visited by tourists from around the world.

The human rights and freedoms respect is the base of the *political security*. The main threat is the political repression by governments.

*Economic security* of a country is a state of its economy when threats are absent or there are opportunities to neutralize them when they arise so that the state of dynamic stability is maintained. There can be no security in a weak and inefficient economy, just as there can be no economic security in a society torn apart by social conflicts. [13] According Nocheva [16] economic security can be seen as a set of conditions and factors to ensure the independence, sustainability and stability of the national economy, its sectors and activities, as well as their ability to constant renewal and improvement. Economic security must meet two conditions: First, preserving the economic independence of the country and the ability to make decisions in accordance with their own interests and the ability to maintain the achieved standard of living of the population and subsequently increase it. Second, economic security must be defined as a state of the economic system that persists until the moment when the internal market of a country does not depend on the action of external factors, ie. the negative impact from outside is offset by the reserves of the internal economy. In addition, economic security can be defined as the resilience of the national economic system to endogenous or exogenous shocks of economic or political origin, manifested in its ability to neutralize sources of threat and minimize damage caused by real economic impacts. Nocheva summarizes that *economic security is a system, process, complex of conditions that provide protection of the individual, society and the state while improving the quality and standard of living, social and health insurance, creating conditions and prerequisites for the implementation of various human life activities in various spheres of society: economy, business, transport, tourism, ecology, etc.* Angelov (2015) summarizes that the indicators used to assess the economic security are:

- Growth of the gross domestic product /GDP/;
- Level and quality of life of the population;
- Inflation rate;
- Unemployment rate;
- Structure of the economy;

- Amount of government debt;
- Property stratification of society;
- Criminalization of the economy and society;
- Technical condition of the production, the degree of its automation and computerization;
- Competitiveness;
- Country's dependence on imports of raw materials, energy and products;
- Presence and share of the grey economy;
- Condition of the foreign exchange reserve, etc.

To ensure economic security, it is necessary to have a certain minimum income for each individual to provide her/his basic human needs. It is this kind of security that is a prerequisite for satisfying the need for travel and tourism. The main threats to ensuring the economic stability of the individual can be high unemployment in the country in which he lives, work in the grey economy, unsecure terms for salaries payments or non-payment of wages and/or insurance, etc.

*Health security* is expressed in unimpeded access to health care and adequate measures to prevent epidemics or other health threatening factors, such as polluted water, poor quality food, etc. In the last two decades, diseases such as Bovine Spongiform Encephalopathy (BSE) or “mad cow” disease and its human equivalent, Creutzfeldt-Jakob disease, bird flu, SARS, Zika virus and others have also affected tourist destination preferences. [18] The world is currently in the second wave of the COVID-19 pandemic. It is still difficult to determine the time and exact location of the pandemic. The first officially announced cases are from the last days of 2019 from the city of Wuhan in China. COVID-19 entered Bulgaria gradually, but the "explosion" occurred after a celebration in the village of Vasilovtsi (Montana province) on February 29, 2020. As of this date (February 29), no case of COVID-19 has been announced in Bulgaria. The first registered case of coronavirus was on March 8, 2020. Of the 24 people who participated in the celebration, 11 were infected with coronavirus. Among them are two children aged 4 and 11 - grandchildren of the celebrant. This is nearly 50% of those present guests at the celebration. [12] Bulgaria is one of the first countries to introduce strict measures - closing the borders, a ban on organizing trips by tour operators, closing restaurants. All this restrictions lead to a collapse in tourism. The government immediately took action by proposing the 60:40 measure. It assure 60% of the salaries of the affected travel companies to be assured by the country's budget, and the remaining 40% are payable by the employers.

### **IMPACT OF PANDEMIC ON THE TOURIST SECTOR**

When assessing the economic security in tourism, several main indicators are monitored, which create the share of GDP in the sector. These are:

- Revenues from nights spent by foreigners and Bulgarians;
- Expenditure on tourist trips of the population;
- Number of employees in the tourism industry.

The tourists outflow, mainly caused by the restrictions imposed by the governments for abolition of pandemic of COVID-19 spread, is the main reason for reducing the activity or bankrupt of many tourist companies in Bulgaria. Table 1 represents the data published by the National Statistical Institute of Republic of Bulgaria on the revenues from nights spent in the accommodation establishments in the period March - August 2020 compared the same months of 2019.

**Table 1. Revenues from nights spent in accommodation establishments in Republic of Bulgaria in the period March-August 2020 compared to the same months of 2019**

MONTH	REVENUES FROM NIGHTS SPENT /IN EURO/					
	Total		Decrease in %	By foreigners		Decrease in %
	2019	2020		2019	2020	
MARCH	24 965 111	10 826 640	57	12 090 735	5 092 593	58
APRIL	26 527 994	1 202 197	95	13 926 879	502 404	96
MAY	39 069 343	2 759 963	93	25 876 833	886 663	97
JUNE	104 324 380	11 826 204	89	84 841 749	3 680 621	96
JULY	177 331 808	62 756 049	65	143 619 279	32 945 256	77
AUGUST	193 769 094	101 907 045	47	153 953 759	53 641 682	65

Source: National Statistical Institute of Republic of Bulgaria

The data shows that the decrease in the revenues at the hospitality industry is significant. In April and May 2020 is over 90% compared to the same period of 2019. In Bulgaria there is a well established summer season covering the months from June to September with a peak season in July and August. Our country is a traditional sea destination for tourists from Germany, Great Britain, Russia, Israel, etc. Because of the restrictive measures, the decline in revenues from foreign tourists for the peak season /July and August/ is above the average compared to the total revenues for the study period. The average decrease in revenues from overnight stays for the period March - August 2020 compared to the previous year is 74%.

Table 2 presents the data on the amount of expenditures by groups (excluding tourist packages) for tourist trips of persons aged 15 and over for the first half of 2019 and 2020.

**Table 2. Expenditure on tourist trips of the Bulgarian population /Excluding tourist packages/ for the first half of 2019 and 2020 /in Euro/**

Expenditure groups	January – June 2019	January – June 2020	Decrease in %
Food	64 850	38 148	41
Accommodation	36 465	18 366	50
Transport	43 306	23 036	47
<b>Total</b>	<b>144 622</b>	<b>79 551</b>	<b>45</b>

Source: National Statistical Institute of Republic of Bulgaria

According to the data the decrease in the three main tourist activities is over 40%. The most noticeable is accommodation with 50% and the smallest in meals with 41%. The average decrease in these services in 2020 compared to 2019 is nearly 45%.

Prior to the COVID-19 pandemic, the tourism industry created the most jobs in the EU. According to the latest data they reach 27.3 million, mainly in small and medium-sized enterprises. The direct and indirect share of the industry in the GDP of the 28 EU member states is 10.3%, and in the Bulgarian economy it forms nearly 12% of GDP. 11% of employment in Bulgaria is in the tourism sector. During the pandemic, according to the Bulgarian National Bank data, in the second quarter of 2020 Bulgaria's GDP decreased by



9.8% compared to the first quarter of the year. 8.2% is the drop compared to the same quarter of the 2019. [2; 3]

For the purposes of the present study an analysis of the impacts of the global pandemic on the economic security of the people employed in tourism has to be done. The hotel and restaurant subsectors have the greatest economic importance for tourism, therefore the number of employees in these economic activities will be analyzed. Table 3 shows the data on the employment in the hotel and restaurant industry for the first halves of 2019 and 2020 /ie. before and during pandemic/. The data show the first two quarters of both years because the lockdown and the emergency situation in Bulgaria cover partially the first and totally the second quarters of 2020.

**Table 3. Number of employees by labor and official legal contracts in the hotel and restaurant industry for the first quarter of 2019 and 2020**

<i>YEAR</i>	<i>January – March</i>	<i>April – June</i>
2019	106 753	137 367
2020	81 864	88 891
<b>Decrease</b>	<b>23%</b>	<b>35%</b>

*Source: National Statistical Institute of Republic of Bulgaria*

The negative trend in the first half of 2020 is logical. In the first quarter of 2020 there is a decrease of 24 889 employees or about 23 % compared to 2019. In the second quarter the difference is even more noticeable and amounts to 48 476 fewer employees. It represents a decrease of about 35%. These data form an average percentage reduction of labor and official legal contracted employees in the hospitality and restaurant industry in the last two years of about 29%.

According to the Ministry of Finance, salaries in the hospitality sector decreased by more than 17% in June 2020, compared to the same in 2019 because of the lockdown the losses of the industry and the late start of the summer season.

The negative effect is not only on Bulgarian economy but on the global one. The losses of the tourism business continue and its future scale is unpredictable. A second wave of COVID-19 is currently underway and the term of restoring economic stability and security is difficult to be pointed out.

### **STRATEGIES FOR ENSURING ECONOMIC SECURITY**

In the current situation, two main strategies to ensure the economic security of the state are applied: [17]

- strategy for economic security through isolation and lockdown;
- economic security strategy through adaptation and opening up.

The strategy of economic security **through isolation** is possible in a short period of time and any attempts at long-term lockdown can lead to the collapse of the economy and mandatory reopening at a later stage. This process is objective and is based on the natural scarcity of the resources. It leads to a limitation of production and consumption, respectively of the economic growth, with all the consequences for the society. The impact of the restrictions does not create economic stability and conditions for economic growth.

The strategy for economic security **through adaptation and opening up** is one of the biggest challenges of the modern world, because together with the mutually beneficial exchange there is a transfer of negative trends, increasing uncertainty, instability and dependence of the economy on external factors. The globalization of the world economy is a prerequisite for the opening of national economies and their inclusion in the system of international trade. Sometimes, instead of achieving economic growth, the system is

subject of strong external factor pressure, governance is deformed and the performance of the national economy deteriorates sharply. Because of this the level of economic security becomes lower. The strategy of the economic security through opening and adaptation is an expression of the policy of liberalism in international economic relations. Sometimes global liberalism is not the best solution in current situation, as it removes all kinds of protections against foreign economic entities, which sharply increases the degree of economic dependence. In practice, economic activity in the country is subject to international control through a huge number of rules imposed by international organizations. In modern conditions, states manage to compensate these negative impacts in two ways: by concluding bilateral agreements and/or by being actively involved in international organizations and alliances. The participation in such agreements and organizations is dictated by both economic interests and national security interests.

World practice does not give an unambiguous answer for choosing an economic strategy. The choice is determined by the duration of the impact of the destabilizing factors, the level of competitiveness of the national economy and its degree of dependence. The solution is not only an economic but also a political issue and depends on the analysis of the internal and external environment.

In the analysis of the two main strategies for economic security of the state prevails in the opinion of using the strategy by adapting and opening up the economy, despite some of its weaknesses. This is necessary due to the dynamic changes in the environment and the impossibility of using the lockdown model to achieve economic security of the countries in the long run. However, the two types of strategies can be modified and combined according to the goals set by the state [10].

To overcome the pandemic in Bulgaria, the first method with complete lockdown of the economy has not been applied yet. Two types of measures have been applied:

1/ Declaring a state of emergency - On 13 March 2020, after 16 confirmed cases in one day, the government declared a state of emergency throughout the country for a period of one month, which was extended until 13 May 2020. Measures include closing schools and distance learning for students; closure of entertainment establishments: bars, restaurants, discos, etc.; full closure for two weeks of the winter resort of Bansko and partial closure of the capital Sofia for a few days; closing borders and airports; organized trips are prohibited. As a result of these bans and restrictions, tourism has been nullified.

2/ Announcement of an emergency epidemiological situation - It was declared on May 14, 2020 and is valid until now (mid-November). Restrictive measures and bans are lighter. During the summer, Bulgarians spent their vacations mainly in the country on the Black Sea coast, and a significantly smaller part compared to previous years in Greece. The measures included wearing masks in closed public places and transport, up to 30% occupancy in restaurants and entertainment establishments, keeping a distance between people of 1.5 m. At the same time, customers had higher sanitary and hygienic requirements in the accommodation establishments and restaurants and led to additional costs for hoteliers and restaurateurs. [11] Many businesses have suffered and unemployment in the tourism sector has risen. Revenues in tourism fell compared to previous years, as did travel expenses of the people.

## CONCLUSION

The economic insecurity of business and tourists in the context of the global COVID-19 pandemic is an indisputable fact. Data on income and employment in tourism are alarming and require attention at national and international level. Bulgarian tourism

marks a huge decline in hospitality, restaurants, transport industry, tour operators and travel agents activities. This raises the need to rethink the follow-up actions that will lead to a change in the economic model by creating effective policies and institutions, redirecting funds and investing in new industries, technologies and markets. [Byanova N, 2020]

EU countries are adopting or are in the process of adopting budgetary and liquidity measures to increase the capacity of their health systems and to help citizens and economic activities particularly affected by the pandemic to sustain the pandemic. Strict restrictions on traffic and travel have been introduced, and on 13 May 2020 the European Commission proposed a number of measures to allow a gradual and coordinated renewal of tourism activities, as well as specific assistance to businesses in this industry. Bulgaria, as European Union member elaborated strategies and required permission for state aid measures to support the most affected industries. [European Commission, 2020] Regarding the liquidity of the small tourism enterprises in the European Union member states, the European Commission implements flexible state aid schemes, as well as EU financial assistance through the European Investment Fund. In terms of job creation, the SURE program helps EU countries to cover the expenditures of the closed business provoked by the reduced working hours or the closure because of the pandemic. This is just an example of the measures to keep the jobs of a number of employees.

The Bulgarian government is considering a package of measures to overcome the crisis with the outbreak of the pandemic in the country and the declaration of a state of emergency in March. According to the business, the initial measures are not sufficient and timely and the Bulgarian government is late in implementing them in practice. At a time when these measures were further developed after numerous bilateral meetings between the government and the affected business, including representatives of the tourism industry, they reached a compromise option for both sides.

Due to the serious scale of the pandemic and the difficult health situation in Bulgaria with daily increase in the number of patients, the increasing restrictions by the state on business, make the tourism industry has an unpredictable future. The positive trends in tourism development in Bulgaria are not valid yet. The insecurity about the temporal horizon of the pandemic makes any strategies of reopening the country economies absolutely theoretical and unsure. The introduction of adequate measures to combat the pandemic and preserve life, health and economic security of the people must be a top priority of the state.

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