

Supporting Enterprises and Maintaining Employment in the Tourism Sector: A Case Study of Barbados

Summary

Tourism and related services are a major source of revenue and employment in Barbados. The ongoing global recession has had adverse impacts on this sector as tourist arrivals have declined significantly since the start of the financial crisis in 2008. As a consequence of the slowdown in tourism and in response to a request for support by the Barbados Hotel and Tourism Association (BHTA), the Government of Barbados created a special Fund in February, 2009. It is aimed at assisting the tourism sector and ancillary services. The Fund is assisting the operators in the hotel accommodation and ancillary services sectors, including taxi operators, beach vendors, water-sports operators and other related entities, to remain in business and maintain employment levels during the global economic recession.

Introduction

Barbados achieved independence in 1966. It is a small open economy that has transformed itself from a low-income economy dependent upon sugar production into an upper-middle-income economy based on tourism and the offshore sector in a relatively short span of time. Tourism and ancillary services are now a major source of revenue and employment. Barbados earned BDS\$¹ 2.4 billion in tourism revenues in the year 2008/2009.² The tourism industry employs approximately 13.2% of the total labour force in Barbados.³

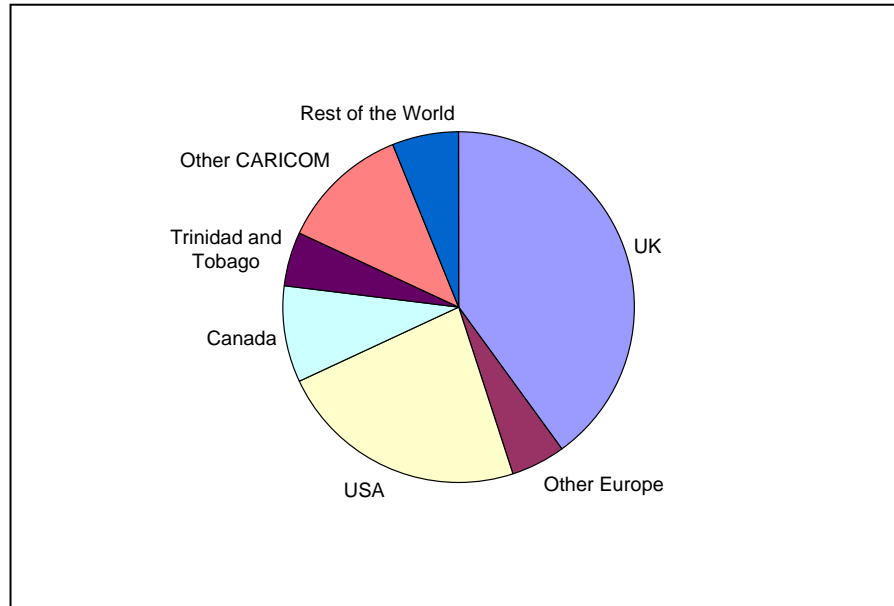
The following figure shows the composition of tourist arrivals in Barbados by main markets. It is evident from the pie chart that the United Kingdom (UK) and the United States of America (USA) are the two main source markets. Together they comprise 63% of the total tourist arrivals in Barbados.

¹ The Barbados dollar is pegged to the US dollar since 1975 as following. US\$1 = BDS\$ 2

² <http://www.gowebnow.net/epress/2009/03/changes-to-barbados-tourism-sector/>

³ Barbados Statistical Service (2009), "Labour Force Survey", 3rd Quarter 2009

Fig.1: Tourist Arrivals in Barbados by Main Source Market⁴



Effect of the Ongoing Global Recession on the Tourism Sector

Economic recession in the key source markets, such as the UK and the USA has had adverse effects on the tourism and ancillary services sector in Barbados since the start of the financial crisis in late 2008.

Visitor arrivals from the U.K and the U.S. fell by 7.4% and 19.7%, respectively, while those from Trinidad and Tobago and other Caribbean Community (CARICOM) countries declined by 17.2% and 18.8%, respectively. Additionally, long-stay arrivals from all other countries and other European countries dropped by 13.6% and 3.9%, respectively.⁵ A report released by the Caribbean Tourism Organization (CTO) indicates that the tourist arrivals declined by 11.1 % in the first eight months of 2009 as compared to the previous year.⁶

The performance of the cruise industry was not as buoyant when compared to that of the previous year, reflecting a fall-off in demand. For the first quarter of 2009, cruise passenger arrivals fell by 3.7%, in contrast to the growth rate of 26.8% in the corresponding period one year earlier.⁷

The decline in tourist arrivals is having a negative effect on the gross domestic product (GDP) as well as employment levels. Real tourism value-added recorded an estimated decline of 1.7% in 2008 after expanding by 3.2% in 2007 and 1.6% in 2006.⁸ A recently released report of the Central Bank of Barbados notes that real GDP in the first nine

⁴ CTO (2007), "Country Statistics", Caribbean Tourism Organization, Barbados

⁵ Central Bank of Barbados Annual Report, 2008

⁶ CTO (2009), "Latest Tourism Statistics as of September 18, 2009", Caribbean Tourism Organization, Barbados

⁷ Central Bank of Barbados, "Economic Review" Vol. 36(1), 2009

⁸ Central Bank of Barbados Annual Report, 2008

months of 2009 declined by 4.4%. The unemployment level rose to 9.9% at the end of June 2009 up from 8.6% at the end of June 2008.⁹ Another report indicates that the number of persons employed by the tourism industry declined by 4.8% in the second quarter of 2009.¹⁰

The aforementioned reports of the Central Bank predict that negative trends in growth and employment in the tourism and ancillary services sector will continue in 2009 with possibilities of recovery in 2010.

Special Programme for the Tourism and Ancillary Services Sector

On 12 December, 2008 the BHTA submitted a request for support to the Government of Barbados. They asked the Government to consider some financial relief measures to the tourism sector and related businesses (hotel, other accommodation and ancillary) in the tourism industry.

On 19 February 2009, the Government of Barbados announced the creation of a BDS\$15.0 million fund called the Tourism Industry Relief Fund (TIRF). The purpose of the Fund is to support the tourism accommodation and ancillary services sub-sectors to remain in business and maintain employment levels during the global economic recession.

The Fund, which is administered by Enterprise Growth Fund Limited (EGFL),¹¹ is providing relief in two phases to tourism accommodation and ancillary services that are registered with the Barbados Tourism Authority (BTA), the BHTA or the Small Hotels of Barbados Inc. (SHBI). A Committee has also been established to facilitate the implementation of this financial support.

The enterprises that wish to benefit from this Fund have to submit applications on a prescribed application form based on prescribed "Guidelines and Application Procedures". The completed application forms are required together with an independent "Accountant's Report" and a fully executed "Declaration Statement". A help desk has been set up to respond to queries and provide support to facilitate the application process.¹²

TIRF is now in its second phase. The Government of Barbados provided a further BDS \$10.0 million to the Fund in March 2009.

In an effort to contribute to increasing hotel occupancy rates and thus saving jobs, the Barbados Hotel and Tourism Association launched "Staycation Barbados" to encourage Barbadians and CARICOM nationals to vacation at home or in the region.

⁹ Central bank of Barbados (2009), "Review of the Economy for the First 9 Months of 2009", Central Bank of Barbados, Bridgetown

¹⁰ Central Bank of Barbados, "Economic Review" Vol. 36(2), 2009

¹¹ EGFL is a limited liability company which commenced operations on January 2, 1998. It provides venture capital to the SME sector.

¹² <http://www.businessbarbados.com/wordpress/?p=32>