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The COVID-19 pandemic and guesthouses in South Africa: Economic impacts and recovery measures

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ABSTRACT

The coronavirus (COVID-19) pandemic has rapidly spread throughout the globe, and recovering from the pandemic will be a massive test on economic systems. The pandemic has severely affected the accommodation sector as global travel has come to an almost complete standstill as of April 2020. This paper provides a preliminary assessment of the economic impacts of the pandemic on guesthouses in South Africa and the response measures adopted by this sector. Through online surveys, the empirical results show that guesthouse operations were severely disrupted by the pandemic, leading to a critical decline in revenue and a pronounced threat to job security. Despite implementing various response measures and strategies, guesthouses were somewhat concerned about the future of their businesses due to the uncertainty of the pandemic. This research can assist in developing intervention measures to support guesthouses in addressing the economic challenges brought about by the COVID-19 pandemic.

KEYWORDS

COVID-19; economic impact; guesthouses; recovery strategy

1. Introduction

The COVID-19 pandemic has caused a detrimental impact on the tourism industry in general and the accommodation sector in particular (Gössling et al., 2020; Hofer et al., 2020). As the highly contagious coronavirus continues, its uncertainty induces essential questions about the present and future survival of these sectors, as travel restrictions have again exhibited the vulnerability of the tourism industry (Kaushal & Srivastava, 2020). According to Gössling et al. (2020:7), ‘travel bans, border closures, event cancellations, quarantine requirements and fear of spread, have placed extreme challenges on tourism and hospitality sectors’ and Gallen (2020:7) asserts that ‘there is no light at the end of the tunnel before the end of 2021’. A report on COVID-19 and the tourism industry in South Africa confirms that 98% of responding businesses were affected by the pandemic, with small and medium businesses being slightly more affected in terms of loss of revenue (Department of Tourism South Africa 2020).

Given the rapid advancements of the COVID-19 pandemic, much of the existing research is mainly theoretical and conceptual. There is currently no empirical research

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on the COVID-19 pandemic and the guesthouse sector in South Africa, and this research attempts to fill this gap. Therefore, from an empirical perspective, the study's key objective is to identify the perceived economic impacts, adaptive measures, and response strategies to the COVID-19 pandemic in guesthouses. This paper provides insights that could form the basis for academics and practitioners to navigate guesthouse impacts and recovery measures in a COVID-19 pandemic era. The vulnerability of the guesthouses as an integral accommodation sector for tourists justifies this study and holds relevance as they currently face a critical task of reviving and sustaining their businesses.

1.1. The impact of COVID-19 on the accommodation sector

Global pandemics and their responses directly impact the economy, whereby the stricter the public health measures that disrupt economic activities, the greater the blow to the economy. Tourism is a significant part of many national economies. As governments worldwide introduced extraordinary measures to contain the virus, travel restrictions and physical distancing have brought domestic and international tourism to a standstill, affecting global tourism economic dynamics (OECD 2020). The World Travel and Tourism Council (WTTC) claims that more than 190 million global jobs in the tourism sector, and a projected US\$3.4 trillion in global GDP, could be lost due to COVID-19 before the end of 2020 (WTTC 2020). Other estimates, according to the United Nations World Tourism Organization (UNWTO) (2020), reveal a mammoth global economic impact, with international tourist arrivals dropping to 78% resulting in a loss of US\$ 1.2 trillion in export revenues from tourism and 120 million direct tourism job cuts. According to the American Hotel and Lodging Association (AHLA) (2020), hotels in the US have lost almost 446 billion in room revenue as of 30 July 2020. Thus far, the economic impacts from the COVID-19 pandemic have been brutal, and the WTTC (2020:1) claims that 'hotels and other sectors will all be devastated by the economic domino effect of prolonged restrictions on movement, plunging millions of these businesses and their employees into financial ruin'.

Alonso et al. (2020) undertook a study on the aftermath of COVID-19 on international hospitality firms. They found that financial impacts, the climate of uncertainty, and the disruption to businesses operations due to fear and self-isolation and quarantine requirements, were the critical effects of the COVID-19 pandemic on this sector. Moreover, numerous hospitality businesses acknowledged that the enforced government measures resulted in severe business interruption, causing them to become inoperative (Alonso et al., 2020; Hall et al., 2020). Kaushal & Srivastava (2020) researched the accommodation sector amid the COVID-19 pandemic in India and reported that the sector faced substantial job losses, forced pay cuts, and definite or indefinite no-pay leave. Additionally, the longer-term economic impacts of COVID-19 are likely to be exemplified by the reduced consumer demand for accommodation establishments in the imminent future due to health concerns. Moreover, the operational capacity of this sector is expected to decrease substantially due to social distancing rules, which will reduce the long-term profitability of this sector (Gössling et al., 2020). The OECD projects a prolonged economic recovery from the pandemic and claims that 'the reality is that global tourism will be hard hit throughout 2020 and beyond, even if the spread of the virus is brought under control in the coming months' (OECD 2020:2).

Guesthouses form an integral part of the accommodation sector and essentially offer food, beverage, and accommodation in a small family-style environment, with an average of between twenty to fifty rooms (Moswete et al., 2019). The Tourism Grading Council of South Africa (TGCSA) (2019:4) defines a guesthouse as ‘accommodation provided in a house, renovated house or a specifically designed building and includes the provision of breakfast, and has public areas for the exclusive use of guests. This type of accommodation offers a homely environment where guests may share facilities and meals with the hosts (Ramukumba & Ferreira, 2016). Wang & Hung (2015) concur that guesthouses are typically converted from original and traditional residences, which provide temporary accommodation to tourists, and are usually recognised as a type of small-scale accommodation dissimilar to conventional hotels.

Over the years, guesthouses have evolved as a new dimension of tourism. Romania experienced an 86% increase in the growth of guesthouses between 2007 and 2017, with 69.7% of accommodation establishments being guesthouses (Grigoras et al., 2018). The growth of guesthouses is also evident in Portugal, and according to Ferreira et al. (2020), Lisbon’s guesthouse supply increased more than 30-fold between 2010 and 2017 and continues to increase. The authors claim that guesthouses in Lisbon improved the nation’s GDP by €860 million. Similarly, Moswete et al. (2019) found that regarding the socio-economic impacts of guesthouses in Botswana, almost all these businesses derived financial benefits and recognition by the community regarding income and employment.

Guesthouses are small businesses that can be severely affected by significant disruptions, requiring a high degree of resilience. Brown et al. (2017:368) examined various types of resilience that affected the accommodation sector and stressed the importance of ‘adapt, innovate, assess, and ultimately overcome potential disruptions’. Several accommodation establishments were caught unprepared for the Severe Acute Respiratory Syndrome (SARS) epidemic in 2003. The common strategies implemented during this period were cutting costs, laying off workers, and closing facilities and floors/wings of accommodation establishments (Tew et al., 2008). Although tourism is a highly vulnerable industry to various risks and disasters, the sector has become resilient and bounced back from various crises and outbreaks (Novelli et al., 2018). However, the COVID-19 pandemic differs in its nature, unprecedented circumstances, and impacts, resulting in profound and long-term socio-economic changes. The primary concerns for the hospitality sector are financial issues and the uncertainty related to the COVID-19 pandemic duration. Therefore, Rodríguez-Antón & Alonso-Almeida (2020) maintain that recovery and response strategies should address changes in revenue generation and a post-lockdown plan that aims to restore confidence among tourists.

Several authors have reported on COVID recovery measures for the hospitality sector which generally include economic-financial initiatives and sanitary protection measures and protocols (Alonso et al., 2020; Rodríguez-Antón & Alonso-Almeida, 2020; Rogerson & Rogerson, 2020; Gerwe, 2021). Garrido-Moreno et al. (2021) contend that these strategic recovery measures, by and large, relate to technology and collaboration, organisational and human resources, marketing, service provision, healthcare and cancellation management, and flexibility. Sigala (2020) believes that the tourism industry can use the COVID-19 pandemic as a transformative opportunity, focusing on recovery and

reform. Crises such as the COVID-19 pandemic will undoubtedly force tourism businesses to alter their operating strategies, as the pandemic has created high levels of uncertainty, which requires a quick and immediate response. The COVID-19 pandemic has also created an opportunity for hospitality operations to explore ‘... whether certain aspects of your operation should resemble their pre-disaster state, or merit transformation and reinvention to a new or more effective form’ (Enz & Thompson, 2020:1).

2. Materials and methods

South Africa went into level 5 lockdown from 26 March to 20 April and level 4 lockdown from 1 May to 31 May 2020. Data was collected from respondents for this study during June and July 2020, during the level 3 lockdown stage. This exploratory study has two specific objectives. First, it seeks to identify the economic impacts of the COVID-19 pandemic on guesthouses in South Africa; and secondly, it explores recovery measures and approaches used to respond and adapt to the pandemic. The data for this paper is based on the guesthouse sector specifically and was extracted from the dataset of a more extensive study. Online, web-based surveys were administered to implore views and perceptions on the economic impact of the COVID-19 pandemic and response and recovery strategies of all accommodation establishments throughout South Africa. The guesthouse details were identified through databases obtained from South African Tourism and the Tourism Grading Council of South Africa.

Utilising a survey research approach, respondents were contacted by e-mail and provided with a participant information document highlighting the purpose of the study, with a link to an online survey. The content of the online questionnaire was based on work carried out by various researchers (AlBattat & Som, 2015; Hung et al., 2018). However, this research survey is unprecedented and was used in its current format for the first time. Questions focused on the characteristics of accommodation establishments, the economic impacts of COVID-19, and the preparedness and response measures adopted by the sector. The open-ended questions also elicited some very noteworthy and informative responses, which are incorporated in this paper. Due to the travel restrictions and social distancing protocols in place during the time of the data collection, the online survey was most suitable, as it ensured the safety of participants and enabled the collection of data over a wide geographical area. Approximately 3000 accommodation establishments were targeted, and 482 responded, of which 181 were guesthouses. The sample size was suitable given that for a population of 3 000, with a margin error of 5% and a 95% confidence interval, the minimum sample size is 341.

Regarding ethical research procedures, this survey did not elicit any identifier information from the respondents. Informed consent was provided in a concise way in the introductory screen of the Internet survey. The key elements of informed consent for this study included an explanation of the purpose of the study, the approximate amount of time it will take to complete the online survey, a description of what the respondents will be asked, the benefits of the study, a statement describing the anonymity and confidentiality of the responses obtained, and a statement of the voluntary nature of participation.

The survey data was analyzed using the Statistical Package for Social Scientists (SPSS). The questionnaire contained multiple item scales focusing on key content areas such as

business concerns and response measures. The internal reliability of the measurement scales was measured using the Cronbach Alpha coefficient (α). The scale for business concerns consisted of ten items, and the scale for the importance of economic response measures comprised nine items. Both measuring scales showed high internal reliability and consistency, having a value above the acceptable limit of 0.7, with the α Cronbach being .867 and .876, respectively. Descriptive statistics such as frequencies, percentages, mean values, and standard deviations were used to describe and summarise the data. Moreover, inferential statistics were used to make inferences and draw conclusions, using Pearson's r correlation tests and chi-square analyses. Constructive qualitative feedback was obtained from respondents and has been integrated into the study results through verbatim quotes.

3. Results

The data on the characteristics of guesthouses are depicted in Table 1. More than half (50.8%) of guesthouses in the study were four-star, and 32.6% were three-star. The provincial location of guesthouses indicated that most establishments (29.8%) were from the Western Cape, 17.1% from Gauteng, and 15.5% from KwaZulu-Natal. The data confirms that many guesthouses (32%) were in operation for 11–15 years, and most of them (82.3%) had less than ten employees.

Respondents were asked to indicate their operational status during the lockdown. At the time of the study (June/July 2020), more than half of the guesthouses (53.6%) confirmed that they were closed during the initial stages of lockdown but were partially operating at the time of the study. The remainder of the guesthouses denoted that they were not currently operating but will re-open (21.5%); they were partially operating during lockdown (15.5%) or were being used as a permitted facility/site for COVID-19 purposes (6.1%). A few of the guesthouses (3.3%) stated that they were no longer operating and were permanently closed, with Respondent 168 declaring that 'due to COVID-19 and having no income, I have had to close my business altogether use savings to survive'.

The pandemic has undeniably resulted in largescale business disruptions in this sector, as confirmed by 96% of guesthouses in the study. Additionally, 49.2% of respondents

Table 1. Guesthouse characteristics ($N=181$).

	Characteristics	Frequency	Percentage
	Two-star	3	1.7
	Three-star	59	32.6
	Four-star	92	50.8
	Five star	10	5.5
	Ungraded	17	9.4
Years in operation	Less than five years	27	14.9
	5–10 years	26	14.4
	11–15 years	58	32.0
	16–20 years	32	17.7
	21–25 years	27	14.9
	More than 25 years	11	6.1
Number of employees	Less than ten employees	149	82.3
	11–30 employees	27	14.9
	31–60 employees	5	2.8

claimed that they received no income at all during the lockdown period, and 48.1% indicated a significant decrease in income during this period. Compared to the percentage decline in revenue for the same period last year, most guesthouses (74.6%) confirmed experiencing more than 75% decline in income. The monthly carrying costs of guesthouses in the study varied from between R50 000 to R10 000 per month (40.3%), to less than R50 000 per month (27.6%), and between R100 000 to R300 000 per month (27.6%). More than half of the guesthouses (51.9%) claimed that they could not service their debts at the time of the study, while 27.7% stated that they could partially service their debts (Table 2). Respondent 131 highlighted that ‘as the guesthouse is also our residence it will be difficult to keep going as we need the income from the guest house to pay our fixed costs but no way of selling either as who is going to buy

Table 2. The economic effect of COVID-19 on guesthouses (N=181).

Variables	Percentage	
Current status of guesthouse during lockdown	Partially operating since lockdown	15.5
	It was closed but now partially operating	53.6
	Not currently operating but will re-open	21.5
	No longer operating and will be permanently closed	3.3
	Permitted site to be used for COVID-19 purposes	6.1
Level of disruption	Somewhat disruptive	1.7
	Unsure	2.2
	Very disruptive	96.1
Impact on income	Moderate decrease in income	2.8
	A significant decrease in income	48.1
	No income at all	49.2
Percentage decline in revenue for the same period last year	Up to 10% decline	0.6
	11% to 25% decline	1.1
	26% to 50% decline	3.9
	51% to 75% decline	14.4
	More than 75% decline	74.6
	Unsure	5.0
	Not applicable	0.6
Monthly carrying costs of the establishment	Less than R50 000	27.6
	Between R50 000 and R100 000	40.3
	Between 100 001 and R300 000	27.6
	More than R300 000	4.4
The ability of the establishment to currently service its debts	Yes, fully	9.4
	Yes, partially	28.7
	No	51.9
	Don't know	2.8
	Not applicable	7.2
Risk of bankruptcy due to the COVID-19 pandemic	Likely	61.9
	Unlikely	12.7
	Unsure	25.4
Duration of remaining a viable business under current COVID-19 situation	Impossible to say	33.1
	Less than one month	9.9
	1–3 months	32.0
	4–6 months	16.0
	More than six months	8.8
Possible duration for recovery from COVID-19	Less than one year	6.1
	1–2 years	45.9
	3–5 years	34.3
	6–10 years	6.1
	More than ten years	0.6
	Unable to recover	7.2

into the accommodation sector now. We are pensioners supplementing our pension with the guesthouse income and face losing everything’.

Many guesthouses (61.9%) asserted that they face the risk of bankruptcy due to the COVID-19 pandemic, with one respondent affirming that ‘COVID-19 brought poverty and bankruptcy to our businesses’. Overall, 33.1% of guesthouses stated they were unsure how much longer they could remain a viable business, with 32% confirming that they can only remain viable for another 1–3 months. Respondent 47 emphasised that:

We are struggling to stay afloat and keep staff employed and above the starvation line. The owner has put what he could into the business, but he has had to close his other business, cash in insurance policies, kids’ wedding funds, etc. I do not know how long we as owners can keep emotionally and financially strong to keep the establishment running.

Respondent 50 mentioned that:

We have only had two paying guests since March. All our guests have cancelled or moved their bookings to 2021, which means we get no money when they take up the booking next year. So there will be a knock-on effect as we need to honor these bookings as we cannot refund deposits due to cash flow problems. We get no inquiries, and guests want to pay 50% of what our standard rate is when we do get an inquiry. It is a total disaster. Many guesthouses will not be able to hold on and will have to close.

Respondents were asked to rate their level of concern with specific business-related issues on a 5-point Likert scale, where ‘1’ indicated ‘least concerned’ and ‘5’ indicated ‘most concerned’. According to the calculated means, presented in [Table 3](#), the business issues that guesthouses were most concerned with was cash flow (mean=4.77), followed by the travel restrictions (mean=4.75), the uncertainty around the COVID-19 pandemic (mean=4.71), the overall long-term impact of the pandemic on the economy (mean=4.70), economic uncertainty (mean=4.59) and booking cancellations (mean=4.57). Guesthouses were also somewhat concerned with lower consumer spending (mean=4.51), limited capital (mean=4.43), securing additional funding (mean=4.16), and guest confidence (mean=4.08) ([Table 4](#)). Correspondingly, similar research affirms that tourism businesses are generally concerned with insufficient demand to break-even and to make a profit due to the COVID-19 pandemic (Department of Tourism South Africa, 2020).

Table 3. Business concerns due to COVID-19 pandemic ($N=181$).

	Mean	SD	Cronbach α	
Cash flow	4.77	.668	.850	.867
Secure additional funding	4.16	1.252	.864	
Limited capital	4.43	.984	.851	
Lower consumer spending	4.51	.917	.847	
Overall long term impact on the economy	4.70	.683	.853	
Economic uncertainty	4.59	.767	.856	
Booking cancellations	4.57	.864	.855	
Travel restrictions	4.75	.724	.857	
Guest confidence	4.08	1.162	.867	
Uncertainty around COVID-19	4.71	.697	.850	

SD = Standard Deviation.

Table 4. Correlation analysis: Business concerns during the COVID-19 pandemic ($N=181$).

		Y	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10
Y	Correlation Coefficient	1.00										
	Sig. (2-tailed)											
	N	181										
X1	Correlation Coefficient	1.000	1.000									
	Sig. (2-tailed)	.	.									
	N	181	181									
X2	Correlation Coefficient	.383**	.383**	1.000								
	Sig. (2-tailed)	.000	.000	.								
	N	181	181	181								
X3	Correlation Coefficient	.532**	.532**	.682**	1.000							
	Sig. (2-tailed)	.000	.000	.000	.							
	N	181	181	181	181							
X4	Correlation Coefficient	.415**	.415**	.470**	.460**	1.000						
	Sig. (2-tailed)	.000	.000	.000	.000	.						
	N	181	181	181	181	181						
X5	Correlation Coefficient	.379**	.379**	.338**	.405**	.548**	1.000					
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.					
	N	181	181	181	181	181	181					
X6	Correlation Coefficient	.349**	.349**	.420**	.379**	.532**	.427**	1.000				
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.				
	N	181	181	181	181	181	181	181				
X7	Correlation Coefficient	.369**	.369**	.350**	.327**	.418**	.278**	.391**	1.000			
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.			
	N	181	181	181	181	181	181	181	181			
X8	Correlation Coefficient	.502**	.502**	.303**	.442**	.353**	.353**	.370**	.392**	1.000		
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.		
	N	181	181	181	181	181	181	181	181	181		
X9	Correlation Coefficient	.334**	.334**	.323**	.321**	.368**	.277**	.357**	.410**	.343**	1.000	
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.	
	N	181	181	181	181	181	181	181	181	181	181	
X10	Correlation Coefficient	.428**	.428**	.355**	.332**	.404**	.390**	.405**	.444**	.399**	.465**	1.000
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.
	N	181	181	181	181	181	181	181	181	181	181	181

**Correlation is significant at the 0.01 level (2-tailed).

X1 Cash flow, X2 Securing additional funding, X3 Limited capital, X4 Lower consumer spending, X5 Long term impact on the economy, X6 Economic uncertainty, X7 Booking cancellations, X8 Travel restrictions, X9 Guest confidence, X10 COVID uncertainty.

Table 3 presents the data on the correlation analysis of business concerns which denotes a strong correlation between the variables. The correlation between Y and X2 is $r(179) = .38, p = .00$, and confirms a positive correlation between Y and X2. Similarly, the data confirms that there exists a positive correlation between the variables (Y, X3), (Y, X4), (Y, X5) (Y, X6), (Y, X7), (Y, X8), (Y, X9) and (Y, X10). The results of the correlation analysis communicate valuable insights to guesthouse owners and imply that the economic impact of COVID-19 on guesthouses in South Africa is correlated to various business concerns.

A Chi-square analyses was undertaken to determine the association between the economic impact of the COVID-19 pandemic and the various characteristics of guesthouses and their business concerns. As depicted in Table 5, a significant association was noted between the economic impact of COVID-19 and the number of guestrooms in the establishment, where $X^2(4, n=181) = 20.9, p = .000$. Further significant associations were noted between the economic impact of the COVID-19 pandemic and revenue decline [$X^2(12, n=181) = 27.6, p = .006$], the ability to cover fixed costs [$X^2(4, n=181) = 21.9, p = .000$], the risk of bankruptcy [$X^2(4, n=181) = 10.3, p = .036$], cash flow [$X^2(6, n=181) = 72.9, p = .000$], securing additional funding [$X^2(8, n=181) = 30.6, p = .000$], limited capital [$X^2(8, n=181) = 34.2, p = .000$], lower consumer spending [$X^2(8, n=181) = 32.2, p = .000$], overall impact on the economy [$X^2(6, n=181) = 32.2, p = .000$], economic uncertainty [$X^2(6, n=181) = 14.6, p = .023$], and travel restrictions [$X^2(8, n=181) = 29.9, p = .000$]. There were no significant associations between the economic impact of guesthouses and star grading, duration of operation, concern over booking cancellations, and concern over guest confidence.

During the COVID-19 recovery period, a business's measures can set the foundation for sustained growth and performance long after the pandemic is over. Respondents were asked to indicate the level of importance of various economic measures in response to the COVID-19 pandemic on a 5-point Likert scale, where '1' specified 'very important' and '5' specified 'very unimportant'. Table 6 verifies, through the calculated means, that the

Table 5. Chi-square analysis (N=181).

Guesthouse characteristics and concerns	Economic impact
Star grading	.424
Number of guestrooms	.000*
Duration of operation	.366
Negatively affected by COVID-19	.007*
Start of disruptions	.261
Start of cancellations/postponements	.876
Revenue decline	.006*
Ability to cover fixed costs	.000*
Risk of bankruptcy	.036*
Concern: Cash flow	.000*
Concern: securing additional funding	.000*
Concern: Limited capital	.000*
Concern: Lower consumer spending	.000*
Concern: Overall impact on the economy	.000*
Concern: Economic uncertainty	.023*
Concern: Booking postponement/cancellation	.155
Concern: travel restrictions	.000*
Concern: guest confidence	.072

*Significant values ($p < 0.05$).

Table 6. Importance of economic response measures to the COVID-19 pandemic (N=181).

Economic measures	Median	Mean	SD	Cronbach α
Income tax relief	1.00	1.61	1.072	.860
Regulatory relief	1.00	1.50	.970	.860
Line of credit	2.00	1.97	1.093	.859
Defer/exempt tax payments	1.00	1.75	1.149	.846
Rebate on utility bills for a certain period	1.00	1.38	.858	.859
More flexibility from banks on existing loans	1.00	1.89	1.220	.857
Modify booking and cancellation policies	2.00	2.04	1.102	.870
Review and modify insurance policies	1.00	1.63	.978	.866
Eliminate/diversify certain products and services	2.00	2.38	1.253	.885

highest level of importance in terms of economic response measures was a rebate on utility bills for a certain period (mean=1.38), followed by regulatory relief (mean=1.50), income tax relief (mean=1.61), the review and modification of insurance policies (mean=1.63), deferment or exempt on tax payments (mean=1.75), more flexibility from banks on existing loans (mean=1.89) and a line of credit (mean=1.97). The modification of booking and cancellation policies (mean=2.04) and the elimination of certain products and services (mean=2.38) were less important to respondents. Concurring with these findings, the study undertaken by the Department of Tourism South Africa (2020) revealed that the most important recovery needs for all tourism businesses in October 2020 were financial support for recovery, cash flow, tax relief, debt repayment support, and expert advice on business recovery.

Regarding insurance policies, Respondent 3 stated that they 'would appreciate government intervention on the refusal of insurance companies to honour business interruption claims', while Respondent 117 mentioned that they 'need payouts from insurance companies for business interruption'. While respondents confirmed that regulatory relief was an important economic measure, they expressed significant apprehensions with regulatory relief and government support, and some critical verbatim reflections are noted. In terms of the government's Black Economic Empowerment (BEE) policy. Respondent 92 mentioned that:

Our guesthouse is a family-owned business that provides payouts to about 38 employees, of which 80% are black. About 60% of our guests are overseas tourists. Although we pay more than R2 million p.a. in taxes, we are discriminated against because of the Tourism Relief Fund and the Solidarity Fund, which does not like our skin color and because our family-owned business does not qualify for BEE. This is a disgrace because our poor black staff are the biggest losers because of these racist rules that are applied. The fact that we are not getting help from the government might lead to the closing down. The present government has often made statements that they want to create employment, but I am afraid their actions result in the opposite. We are not the only guesthouse affected in this way; there are many others, some of which already had to close their doors resulting in permanent unemployment of thousands of staff members, of which the vast majority is black.

Respondent 148 further affirmed:

While my staff was able to receive Temporary Employer-Employee Relief Scheme (TERS) assistance, I, as a business owner, did not receive any relief during this time and did not qualify for relief. My business also does not qualify for any of the SMME, DTI, Department of Tourism, Solidarity fund, or private relief funds, as it is registered as a private company

owned by a white South African with an annual turnover of over R2.5million. Furthermore, I will never consider a bank or other loan in these highly uncertain times.

Respondents were frustrated with the restrictive criteria and conditions on allocating relief funding during the pandemic, which greatly affected guesthouses' sustainability. Dissatisfaction with the government's Temporary Employer-Employee Relief Scheme (TERS) was also evident. Respondent 7 stated that 'UIF staff payments helped them, but NOTHING for business owners – even municipal relief had so many conditions attached I feel like just closing- down. I cannot believe how the government has just allowed businesses to collapse with this insane economic lockdown, and I have just had enough'.

Additionally, Respondent 93 asserted:

SMME fund and Tourism fund were oversubscribed. Banks refused to provide any relief or loans to the tourism sector stating we are too risky. Temporary Employer-Employee Relief Scheme (TERS) was too short and did not allow for a more extended period for most affected sectors. They are still paying for people in sectors who could operate normally, which is unfair that money could have been diverted.

Respondent 118 concurred:

My livelihood and of my team has been severely affected; the government has said a lot about their willingness to assist but have done very little to make this happen, from difficulties in claiming TERS, SARS (they want their money regardless of all the talk in the media about giving employers an extended payment plan) the complicated process of applying for rates rebates from municipalities- all this shows the lack of will from government to assist businesses at their most time of need.

Overall, respondents were highly dissatisfied with the government's general commitment to assisting small businesses during the lockdown stages, and Respondent 128 stated:

The entire industry has completely lost confidence in the government's ability to solve this crisis appropriately. We have NEVER seen such a lousy performance before - and it seems like SA will become a benchmark for the entire world, how the economy can be killed in the shortest possible time. We are finished and not sure what criteria the government used to help SMME as I comply with all that's required and did not receive any assistance.

Respondents were asked to confirm the current implementation status of economic measures in response to the COVID-19 pandemic. The research sought to highlight response measures that have already been implemented and those that guesthouses did not implement but were planning to, and those measures that guesthouses had no intention of implementing. The standard response measures implemented by guesthouses were the use of business reserves/savings during the pandemic (82.9%), the reduction of wages and salaries (60.8%), and obtaining relief funding from government sources (58.6%). Additionally, respondents accentuated the impact of the COVID-19 pandemic on employees. Respondents provided an array of statements such as 'we are paying staff from our own savings' and 'of my 23 employees only two are regularly working and two others as and when the need arises. The rest are sitting at home, as occupancy rate does not warrant more to work'. Respondent 37 indicated that 'we have adhered to all the rules of the lockdown I have had to retrench 77% of staff in May, and we are not making enough turnover to cover the costs of those remaining.

Things are dire! Tourism is one of the biggest employers in South Africa it needs support’.

Respondent 22 stated that:

Our guesthouse mainly accommodated business people, international and local. We have been severely affected. Luckily, we do not have loans, but the municipality bills (estimated still with no discount on business rates and charges), insurances, security all need to be paid. The little business we do have coming in is not enough to cover our outgoings. Luckily, we did have some savings, but this is being depleted. Our staff TERS ends this month, and then they will be temporarily laid off. If nothing changes soon, we will be forced to sell.

Regarding response measures that guesthouses did not implement but were planning to do, many respondents (40.9%) confirmed that they intended to retrench staff. Respondents were also planning to sell/close down the guesthouse (32.0%) and obtain relief funding from the government (25.4%). Widespread recovery measures that guesthouses had no intention of implementing included the selling/closure of the guesthouse (60.8%), the reduction of employment benefits (59.7%), applying for a new loan (49.2%), and terminating the employment of short-term staff (40.3%) (Table 7).

4. Discussion

One of the most immediate impacts of the COVID-19 pandemic on guesthouses in South Africa is reflected in the interrupted cash flow, which sudden business closures have prompted following governmental lockdown regulations and social distancing protocols. Respondents reflected on the immediate challenge of managing fixed costs while losing business. Albeit temporary but uncertain, such lockdown closures have threatened the longevity of many guesthouses. Moreover, given that the sector has high fixed costs, respondents highlighted concerns about managing fixed costs when the enterprises continue to lose business. The findings of this study concur with that of the research undertaken by the Department of Tourism South Africa (2020), which reports that in March 2020, 58% of tourism businesses were unable to service their debts, and 61% were struggling to cover fixed costs in October 2020 in South Africa. What is also likely to be exemplified soon is the reduced consumer demand for accommodation products due to COVID-19 related health and hygiene precautions. Guesthouses will have to decrease their operational capacity to conform to social distancing rules, which will further reduce the long-term profitability and viability of such establishments. Travel restrictions

Table 7. Current status on economic measures (N=181).

	Have done	I have not done, but plan to do	Do not plan to do
Reduced salaries/wages	60.8	16.6	22.7
Retrenchment of staff	29.8	40.9	29.3
Terminate the employment of short-term staff	42.0	17.7	40.3
Reduce employment benefits	18.2	22.1	59.7
Use business reserves/savings during the pandemic	82.9	6.6	10.5
Apply for a new loan or existing current loan	27.1	23.8	49.2
Obtain relief funding from government sources	58.6	25.4	16.0
Cancel contracts with suppliers	48.1	17.1	34.8
Suspend business activities not to incur costs	54.7	18.8	26.5
Closure of certain facilities and services	54.7	11.6	33.7
Sell/close down the guesthouse	7.2	32.0	60.8

have led to the dramatic decline in the occupancy rates of guesthouses, and Respondent 8 stated that ‘unless lockdown levels change soon, many tourism businesses are going to close. This will have a devastating impact on all sectors, particularly the people who staff this industry’. Consequently, many guesthouse owners are faced with a challenging decision of whether to remain in operation during the current pandemic or not, with Respondent 62 asserting that ‘a reliable date for opening borders and end of travel restrictions is needed as soon as possible in order to be able to plan accordingly’.

A significant long-term implication of the COVID-19 disease for the accommodation sector is possibly in the reduced attractiveness of hospitality jobs (Baum & Hai, 2020). Consequently, this sector’s uncertainty may induce a qualified workforce to seek employment in other economic sectors. The insecurity and fragility of jobs in this sector result from the layoff of employees and making them redundant due to the pandemic. Regarding the impact of SARS on hotel employment in Singapore, Henderson & Ng (2004) concurs with the findings of this study which revealed that the services of some contract workers were terminated, salaries were reduced, and some employees were asked to take unpaid leave. Lo et al. (2006) also found that due to the 9/11 attacks in the US, hotels resorted to reducing employees’ working hours, asking employees to clear vacation leave, take no-pay leave, and even resorted to laying off employees.

Colossal job losses and a massive reduction in revenue are imminent for guesthouses, and calls for a bailout are growing. The national government in South Africa made available numerous relief measures to cushion the harsh effects of the pandemic. One specific support intervention for the tourism sector was the R200 million Tourism Relief Fund, which is administered following the government’s objectives of economic transformation, guided by the Tourism Broad-based Black Economic Empowerment (B-BBEE) in support of Black-owned small, medium, or micro-tourism enterprises (SMMEs). The study revealed high levels of dissatisfaction and frustrations with the government’s regulatory relief. Respondents felt that the Tourism Relief Fund and other regulatory relief were highly inadequate to the needs of financially distressed businesses. Given the highly possible renewed outbreak of the pandemic, it is recommended that government increase the Covid-19 Tourism Relief Fund and extend it well into 2021 to support the recovery of the tourism sector. Furthermore, the red tape and bureaucratic regulatory burdens must be reduced for all entrepreneurs and enterprises to access regulatory relief.

The study affirms that the COVID-19 pandemic has gravely challenged the traditional business model of guesthouses, which focuses mainly on accommodation and catering. This study endorses that guesthouses face the prospect of a long recovery. Guesthouses and other accommodation establishments will have to be proactive in restructuring and developing a more diversified business model by deconstructing and reconstructing existing products and adopting innovative and creative approaches to generate new business opportunities. Contrary to the findings in this study, Henderson & Ng (2004) found that many accommodation establishments reduced their operating costs by closing down floors in an attempt to survive the SARS epidemic. Lo et al. (2006) also reported the same measures for hotels in the US due to the 9/11 attacks. The struggle against the virus and its aftermaths uncovers the importance of being prepared and of devising strategies to provide guidance and limit any damage. Given the complexity of the COVID-19 pandemic, it is evident that the recovery phase will require unparalleled levels of planning and coordination during a challenging and potentially prolonged

recovery period. Guesthouses must also consider utilising self-save strategies to revitalise their cash flow, reduce their non-essential costs, enhance their operating capabilities, and make dynamic modifications promptly based on the fluctuating pandemic situation. Moreover, the sector should focus on building trust in tourists, reinforcing and their brand, redirecting their promotional packages, and being more innovative by adapting their operations to the so-called 'new normal'. Essentially, all stakeholders of this sector must work collaboratively to alleviate the effects of this uncertain and perilous pandemic and formulate short-term, mid-term, and long-term plans to ease the recovery. In particular, the tourism industry and governments should continue to reinforce their coordination with businesses and to give attention to sensitive/vulnerable destinations and enterprises in the recovery phase. Despite many challenges to rejuvenate this sector in the current uncertain circumstances, this study confirms that the sector shows some level of optimism and resilience to bounce back. The findings yield significant insights to guide guesthouse managers in responding to the current crisis and preparing for the future.

A limitation of this study was the use of Internet-based surveys. Numerous e-mails did not reach the intended recipients, and some e-mails may have ended up as junk e-mail. Moreover, given that this study recruited respondents through accommodation databases, there was a probability that it did not reach those guesthouses whose online presence was restricted during the study. The pandemic situation is still evolving, and the apparent issues weeks ago may not be as influential now. Future research can focus on longitudinal investigations to assess the economic performance of guesthouses and the effectiveness of response measures, recovery strategies and empirically investigate the operation of guesthouses during various stages of the pandemic and in a post-pandemic period.

Disclosure statement

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