

## LABOR COSTS, NUMBER OF PERSONNEL AND TOTAL REVENUE OF THE TOURISM INDUSTRY IN ROMANIA IN THE PERIOD OF 2019-2021

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*Abstract: This paper provides an analysis and overview of how total labor costs and changes in the number of personnel in the tourism industry have correlated with total revenues from tourism in Romania, from 2019 to 2021. Throughout this analysis, information regarding the evolution of the tourism industry of Romania is highlighted in accordance with overall revenues, salary expenses and number of people working in this sector, with an emphasis on the effects of the COVID-19 pandemic on the industry.*

**Key words:** *personnel number, salary expenses, revenues*

### INTRODUCTION

Throughout 2019 all the way to 2021, the tourism sector of Romania has gone through significant changes in terms of overall revenues, people employed and expenditures on personnel. This change was brought on by global events such as the COVID-19 pandemic, inflation as well as changing global attitudes in terms of safe tourism locations, but also by local events and changing perceptions of Romanians in terms of desired travel locations. As such, this paper provides insight into significant changes regarding tourism in Romania, by analyzing the industry's standing in 2019, its change as the pandemic began in 2020 and how recovery efforts influenced the sector in the year of 2021.

### MATERIALS AND METHODS

Realizing this article involved choosing the variables we want to analyze (revenues, people employed, labor expenses), establishing the search for primary data, evaluating the quality of data discovered, interpreting the data, and drawing meaningful conclusions as well as providing refined data that can be used for further research.

The authors of this article employed statistical observation, univariate descriptive analysis as research techniques and graphical interpretations and evaluations as tools to carry out the stated purpose of the paper.

### RESEARCH RESULTS

Throughout our research we have obtained data on what percentage of Romania's Gross Domestic Product was represented by the tourism sector, calculated as Total Gross Value Added from Tourism Goods & Services plus Taxes added to them, minus Subventions provided by the Government, then divided by Yearly GDP, from 2019 through 2021 [10]. Following are the figures of tourism's role in Romania's GDP. In 2019, tourism was directly responsible for 2.981% (31.564 billion RON) of the country's GDP [14], while in 2020, as the pandemic started and halted entire industries across the globe, tourism represented only 1.596% (16.758 billion RON) of Romania's GDP [8], so, the impact of the COVID-19 pandemic and the following restrictions resulted in revenues in tourism being 22.435 billion RON lower in 2020 (35.560 billion RON) as compared to 2019 (57.995 billion RON), meaning a 38.68% decrease. The following year of 2021 proved tourism could recover from the harsh restrictions imposed throughout 2020, with the sector representing 1.741% of the country's GDP in the respective year [13]. Romania's tourism sector is a cornerstone of its economy, providing jobs, promoting cultural

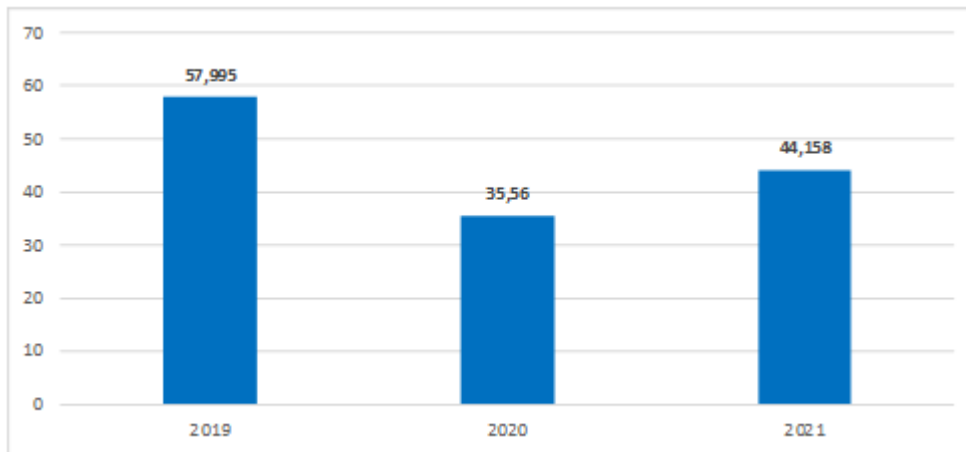
exchanges and generating significant income. The period 2019-2021 marked a pivotal moment for this industry, characterized by both remarkable growth and unprecedented challenges due to the COVID-19 pandemic. This analysis will delve into several aspects of labor costs, employment trends and revenue generation during these years. In 2019, Romania's economy was on an upward trajectory, supported by economic reforms and increased foreign investment. The tourism sector has reflected this growth, showcasing Romania's rich cultural heritage, natural landscapes and emerging reputation as a travel destination. The government has actively promoted tourism through campaigns highlighting historical sites, festivals and natural attractions.

Labor costs in 2019 reflected the competitive nature of the tourism sector [7]. With the increase in demand, wages have increased for hospitality, travel and entertainment workers. The average salary in the tourism industry has been increasing, driven by the need to attract skilled labor in a growing market. In addition, many businesses have invested in training programs to improve service quality, further contributing to overall labor costs. The number of personnel employed in tourism reached an all-time high, with estimates indicating that nearly 400,000 people were directly employed in the sector. This figure included a diverse workforce, from hotel staff and tour guides to restaurant employees and transportation providers. Seasonal occupancy also increased during peak tourist months, especially in coastal and mountainous regions. In addition, the sector supported many indirect jobs in areas such as agriculture, crafts and local services, demonstrating the extensive economic impact of tourism [2]. Labor costs in the tourism sector generally include wages, benefits and any additional expenses related to employment. Here is how they evolved in Romania:

- 2019- Before the pandemic, labor costs were rising due to a growing demand for services in tourism, with wage increases driven by a tight labor market and a competitive hospitality sector.
- 2020- The pandemic has led to lockdowns and travel restrictions, reducing the operational scale of many businesses. To support companies, the Romanian government introduced wage subsidy programs and leave schemes to maintain jobs. As a result, direct labor costs for businesses may have fallen, although companies still faced pressure from fixed personnel costs.
- 2021- Labor costs began to recover as restrictions were lifted and travel resumed, but with uncertainty due to the ongoing nature of the pandemic.

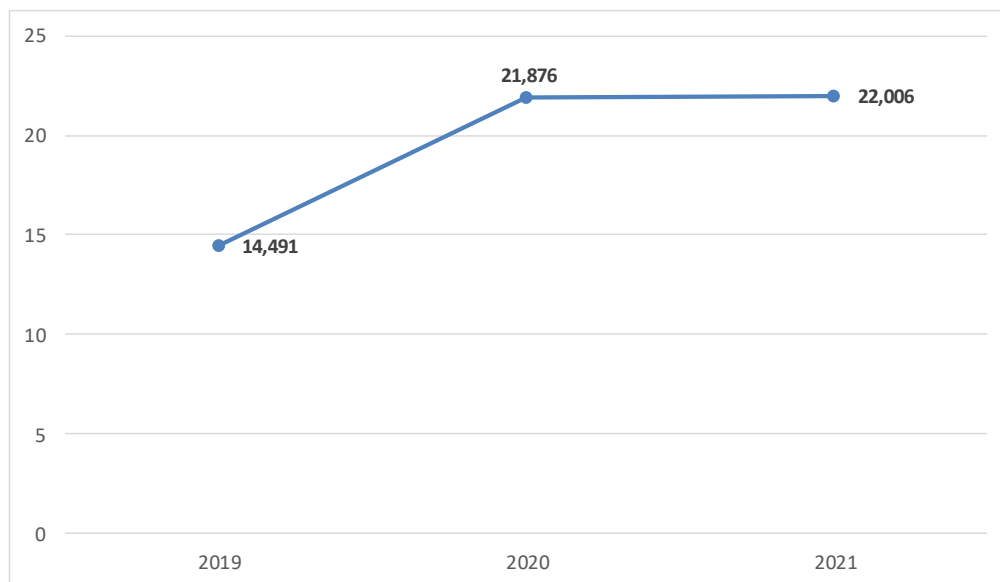
The drastic decrease of revenue in 2020 was caused by the sudden travelling restrictions imposed during the pandemic. As such, in 2020, the number of foreign tourists visiting Romania decreased by over 80% as compared with 2019 [7,11]. To visualize the changes in revenue throughout these 3 years, is illustrated the data in Figure 1.

As the pandemic unfolded, labor costs plummeted. Many companies, facing severe declines in revenue, have implemented cost-cutting measures. This included reducing staff hours, laying off employees and, in some cases, closing businesses permanently. Government support programs such as wage subsidies were introduced to help ease the impact on workers, but many tourism workers still faced uncertainty and job loss.



**Figure 1. Total revenue of the tourism industry in Romania, by year, in billions of lei**

Salary expenses play a big role in providing good livelihoods to the employees working in the sector, and information regarding these figures helps us understand how much of the overall tourism revenue goes into wages for personnel. In 2019, wages paid to tourism and tourism related personnel (e.g., drivers of tour buses) amounted to 14.491 billion lei [6], while in 2020, this figure stood at 21.876 billion lei [7], a surprising increase in a period where overall touristic activity decreased due to pandemic restrictions. Then, in 2021, salaries paid to personnel working in the tourism industry amounted to 22.006 billion lei [3], a small uptick compared to the previous year. We illustrate this data using a line chart to emphasize the increase of total salary expenses from 2019 to 2020 (Figure 2).



**Figure 2. Total wages paid to personnel working in the tourism and tourism related sectors in Romania, by year, in billions of lei**

In order to observe whether this change in expenses represents an increase in salaries or an increase in the number of workers in the industry, we will look at the primary data regarding personnel employed in the tourism sector and industries related to tourism. In 2019, these enterprises in Romania had a total of 450,580 employees [4], this number decreased to 426,403 employees in 2020 [6], and decreased once more in 2021, to 415,603 total employees [1]. This means that the increase in salary expenses from 2019 to 2020 was

represented by wage hikes, while the number of employees went down for 2 years in a row. As such, the pandemic negatively affected the overall livelihood of tourism and tourism related personnel, with an overall decrease in the number of workers when compared with pre-pandemic levels.

Tourism revenue, which comprises revenue from hospitality, travel services and attractions, has also changed significantly. In 2019 total revenue from the tourism industry was strong, driven by an influx of domestic and international tourists. This was a peak period for the Romanian tourism sector in terms of financial performance [16]. In 2020 revenues have seen a drastic reduction. The sharp drop in international arrivals, grounding of flights and closure of non-essential services, especially in the spring and early summer of 2020, caused tourism revenues to decline. In some areas, the decline exceeded 50% from 2019 levels. In 2021 tourism revenues began to recover as borders reopened and travel restrictions eased, although they remained below 2019 levels. Domestic tourism played a key role in revenue recovery as international travel was still disrupted.

**Table 1.****Tourism industry: 2019-2021**

Period	Labour costs	Number of personnel	Total revenue
2019	increasing	high	high (pre-pandemic peak)
2020	decreasing (Government subsidies)	dropped suddenly	sudden drop (due to restrictions)
2021	partial recovery	recovering slowly	recovery (domestic tourism boost)

When looking strictly at employees working in accommodation offering jobs (stays at hotels, hostels, etc.), the situation looks better, with a total number of employees of 40,945 in 2019 and a total of 44,889 employees in 2021 [4], emphasizing a meaningful increase in personnel. However, the situation doesn't look good for employees working in providing food and drinks services (waiters, cooks, etc.), with an employee count of 164,589 in 2019 [15], but only 132,835 employees in 2021 [1], meaning a reduction of over 31 thousand personnel.

Another factor that played an important role in the tourism industry in Romania during the analyzed period was aid provided by the European Union, as well as by the Romanian Government, both in the forms of direct financial help, with an aid package of 500 million EUR aimed at mitigating the negative effects of the pandemic, as well as through financial schemes aimed at easing the tax burden on these economic enterprises. The bulk of this aid was communicated through the Emergency Order of the Romanian Government no. 224/2020 regarding certain measures in terms of financial help offered to enterprises activating in the tourism industry, whose activity was affected or completely interrupted by the COVID-19 pandemic [12]. On top of that, the economic incentives provided to enterprises such as those activating in the tourism industry were aimed at sustaining the companies' liquidity during the crisis period brought about by the COVID-19 pandemic [11].

## CONCLUSIONS

Overall, the evolution of the tourism sector in Romania within the period of 2019-2021 has been heavily influenced by the COVID-19 pandemic, with effects most noticeable in the drastic drop in revenue from 2019 to 2020, while salary expenditure has kept increasing throughout the period, and overall employment in the sector and directly

adjacent sectors has decreased slightly. While the pandemic itself could have led to a complete breakdown of the touristic sector, timely aid and financial incentives from the Romanian Government as well as from the European Union have worked effectively at keeping the industry afloat and helped it recover while minimizing the negative effects felt by employees. As such, the sector is poised for growth in the future, while appetite for travelling is on the rise, thanks to the elimination of travel restrictions from the pandemic era.

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