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## Post-Covid Tourism revealed: Evidence from Malaysia.

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### Introduction

Labour and capital relations in tourism are complex, exemplified by labour precarity, low skilled or unskilled work, poor labour protection and other structural challenges (Baum et al. 2020; Hampton et al. 2018). Pre-Covid, such foundational issues were partially obscured by international tourism's astonishing year-on-year growth since the 1980s and continuing reliance on low paid, precarious labour (Porto and Ines Garcia, 2022). However, Covid 19's unprecedented impact on global tourism and its weak/uneven recovery thus far, reveals structural cracks in the capitalist approach to labour and capital relations. This is beginning to be researched, typically in wealthier economies in Europe, Australasia etc. (see Hemmington & Neill, 2022), however, this Research Note contributes by reporting new data from an emerging economy illustrating processes seen in the literature, but also reflects common structural issues in many Global South destinations. It reports fieldwork from early in a destination's post-Covid recovery and by applying a political economy lens to Penang, Malaysia, the research illustrates how the Covid crisis exposed structural cracks long associated with mass tourism, but also found more fluid relations between capital and labour.

## **Research Context**

Malaysian labour market trends pre-Covid showed a relatively low unemployment rate and a growing service sector (including tourism) within an overall tight labour market and in 2019 tourism and travel employed 23.1% of the labour force (MBLS, 2022). Despite being a booming sector, tourism had challenges recruiting and retaining labour - particularly younger workers who made up a large proportion of the workforce – due to poor employment conditions and limited career advancement, resulting in relatively high turnover rates (Baum et al., 2020). In March 2020 Covid restrictions closed Malaysia's borders, not re-opening until April 2022: considerably later than most South-East Asian destinations. Domestic tourism was similarly halted with strict Movement Control Orders closing state borders until September 2021.

Pre-Covid, Penang - with its UNESCO World Heritage Site in George Town - was a major destination hosting 2.8 million international hotel guests and 3.5 million domestic guests in 2019 (Tourism Malaysia, 2022). George Town has predominantly heritage tourism, comprising traditional Chinese shophouses, colonial architecture, boutique hotels, and hawker stalls/street food. The Penang Tourism Master Plan (PETAC 2020) reported a sizeable shift from traditional economic activities towards tourism/hospitality over 2009-19. Tourism is Penang's second economic sector after the state's leading economic activity - manufacturing - in its free trade zone comprising light industry, engineering, and electronics. This is unlike many coastal, heritage destinations hosting significant annual tourist flows in South-East Asia.

## **Methodology**

The scoping study deployed a qualitative approach, adapting rapid rural appraisal techniques (n=17 semi-structured interviews) with purposive sampling of accommodation providers (luxury, budget); F&B – food and beverage (coffee shop, restaurant); attractions; tour guides; planners (tourism office, planning para-statal); and academics. Interviews had average durations of one hour, were manually coded, and emerging themes analysed over two rounds. The researchers are Malaysian and British, all with extensive South-East Asian fieldwork experience.

## **Emerging trends**

Interview analysis revealed several trends during and post-COVID relating to labour - capital relations. First, the national lockdown resulted in labour-shedding for many tourism businesses. The large manufacturing sector became highly attractive at this point, offering jobs with better terms of employment than the tourism sector, which remained closed for business for longer. This resulted in further competition for scarce labour during the recovery period and this finding supports Jung and Ming (2021) and Baum et al. (2020). Most respondents noted the ongoing challenge of recruiting staff to tourism:

“the biggest challenge now is labour, right. Because you have competition for manufacturing and you have this great realization from younger folks that, you know, it's just not the kind of life they want. And hospitality is demanding. It's like it's a six day week in most cases. And if you have options, why would you? Why would you want to go into hospitality?” (Interview 15)

Second, during lockdown some accommodation providers retained staff on full or half pay and kept a core team on site for maintenance and F&B. However, the interviews revealed changes in labour and capital relations post-lockdown, in three main ways; i) managing with fewer staff post-Covid and working existing staff harder through multi-skilling, as reported by one respondent: “we’re having a bumper year with fewer staff” (Interview 4); ii) employing cheap, unskilled foreign mobile labour (often from Bangladesh and Nepal), as was found in F&B businesses and some smaller hotels, who struggled to recruit local staff; or iii) by accepting smaller profit margins by increasing staff wages as noted by smaller and specialist businesses. As one manager noted: “we have a different mentality post Covid towards staff – they must be happy and enjoy their job” (Interview 9)

Third, the scale of the operations and available funds determined worker retention/loss. Government stimulus packages/financial aid existed, but respondents noted the relatively small amounts available to cover all staff wages. This finding concerning the significance of scale reinforces Jung and Ming’s observation (2021) that nine larger hotels had closed, and Swan et al. (2020) noting that no budget hotels had filed for bankruptcy because government subsidies were sufficient.

Fourth, the lockdown’s uneven socio-economic impact was noticeable across different sectors and workers. For accommodation, most hotels closed, employing only a few essential workers for maintenance and take-away F&B services. Existing tourism F&B could pivot

from in-house dining to local deliveries and adapt quickly to digitising their services, thus retaining a core staff. For local ‘tourist’ transportation, the informal yet vital cycle trishaw operators, a shortfall in actual cash and government support led to local civil society support from NGOs and charities for food donations.

Fifth, the political economy of Penang state is unique in Malaysia and has led to a somewhat unclear strategic direction of the destination in recovery; possibly exacerbated by the lack of a single coordinating authority. Despite the ongoing labour shortage experienced by tourism businesses generally, findings revealed a tension between the drive to maximise visitor numbers by expanding the cruise ship sector, and the opposing voices calling for Penang to host fewer, but higher spending tourists (Interviews 3, 2). This supports Baum’s (2022) observation that resolving the labour issues ‘requires more than a quick fix’.

## **Discussion**

Our findings reveal two structural cracks in relations between labour and capital. First, the tourism industry’s recovery period is weaker and slower than other economic sectors in Penang. It is labour intensive and requires a complex supply chain and mobile labour markets to operate fully. This places tourism at a severe disadvantage and uncovers labour precarity within the sector. In Penang, the island’s manufacturing sector was able to continue to operate within (and despite) the confines of the strict Movement Control Orders and increase its workforce. The accommodation sector by comparison shrunk its workforce to cope with an extended closure of business and now struggle to fill vacancies (Goh, 2023).

The workforce recovery strategies deployed by tourism businesses ranged from a ‘business as usual’ mindset by intensifying labour precarity in two ways: i) increasing workloads across fewer staff or ii) employing cheap and often unskilled foreign labour, to an ‘enlightened’ mindset, by rejecting labour exploitation for profit maximisation and opting for collaborative and sustainable relations between labour and capital. The few businesses representing the second strategy are exemplars and replication of this model is unlikely to gain traction while the strategic direction of tourism in Penang remains contested.

We would argue that the Covid crisis and recovery clearly reveal mechanisms and dynamics that are normally obscured in tourism, especially when times are good, tourist numbers are increasing, and capital enjoys healthy profits. The Covid crisis exacerbated the structural problem of tourism labour precarity and changing (or modified) relations between labour and capital. The pause in operations and employment for an extended period has

strengthened workers' resolve to disengage completely with the sector, by leaving for less precarious working conditions and higher pay elsewhere such as in manufacturing.

## **Conclusion**

Evidence from this scoping study early in a destination's post-Covid recovery, confirms that the crisis exposed tourism's structural weaknesses in Penang, and "amplify[ed] the precarity of tourism work" (Solnet et al. 2022, p2). The light shone by the crisis onto these - sometimes indistinct - processes suggests lessons for destinations elsewhere. Global tourism faces significant post-Covid challenges with capital and labour relations being exposed and undergoing restructuring challenges. However, this disruption of the *status quo* could provide opportunities for tourism labour to renegotiate better working conditions and wages, reinforcing the need for a 'just and sustainable vision' for tourism work (Baum et al. 2016). It could also begin to challenge the uneven, fluid power relations between labour and capital and perhaps also start to address SDG 8 for tourism - the need for decent work (Robinson et al., 2019). Our study also reveals the perhaps surprising vulnerability of the tourism sector in regions with a diverse economy, like Penang, where the local workforce can choose to engage in less precarious employment. Crucially, this is unlike many other coastal destinations that lack alternative employment options. For such destinations, the opportunities for labour to use this reset to start renegotiating with capital to reduce their precarity appears less obvious.

More empirical research is needed on the shifting dynamics between capital and labour during the post-Covid tourism recovery. This has some urgency and is particularly significant for Global South countries partially or wholly dependent on tourism, and especially in deciding which recovery pathway they take (Jeyacheya & Hampton, 2022). More critical research is also required on the role of inclusive growth in tourism's recovery from this crisis, given that tourism's role in inclusive growth is increasingly emphasised by many international agencies (UNWTO 2021, World Bank 2022).

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