

Economic Consequences of the Impact of War on Labor Resources and Tourism in Terms of Ensuring Economic Security

Oksana Krupa [†], Volodymyr Krupa^{††}, Iryna Dydiv ^{†††}, Olha Horpynchenko ^{††††}, Snizhana Kovalenko ^{†††††}

[†] Lviv National Environmental University, Lviv, Ukraine

^{††} Lviv National Environmental University, Lviv, Ukraine

^{†††} Lviv National Environmental University, Ukraine

^{††††} Central Ukrainian National Technical University, Kropyvnytskyi, Ukraine

^{†††††} Central Ukrainian National Technical University, Kropyvnytskyi, Ukraine

Abstract

The main purpose of the article is to determine the economic consequences of the impact of war on labor resources and tourism in terms of ensuring economic security. Today, in the context of Russia's invasion of the territory of Ukraine, an important aspect of people's lives is confidence in their safety. But no less important is the provision of economic security, its impact on the labor and tourism aspects of this type of security, the negative impact on which is carried out under the influence of war. Modern society is faced with the same problems that were a hundred years ago: technological progress, the balance of power in the world community, social problems, military conflicts. In the modern development of society, no one can deny the amazing scientific progress in new technologies and communications. That is why it is important to understand how dangerous war is not only for human life, but also for the economy of the state, its labor and tourism aspects.

Keywords:

labor resources, the impact of war, technological development, economic security, military conflicts

1. Introduction

In the classic discussion about what is more important in government - politics or economics - one more question of causality can be distinguished: does the war affect the economic state or, first, the economic state - to decide the war? Based on this thesis, it is still necessary to determine whether such a state should be negative or positive in order to be more likely to be considered a prerequisite [1].

Undoubtedly, a high level of economic and technological development is a fairly reliable guarantee of non-aggression by less or slightly more developed states. However, does this not mean that economic centers of power, having such guarantees, will be more inclined to enter into armed conflicts on the territory of third countries? It can be argued that

weak states, a priori subject to internal instability, really become attractive for explosive actions from outside, so we often hear - not without reason - about formal or informal support for local forces. In addition, large states are the leading arms exporters, which increases their interest in fueling military conflicts. It is also necessary to recognize the exceptional ability of economically powerful subjects of international relations to influence the decisions of international organizations (not least thanks to the system of financial incentives), in particular, in the matter of legitimizing the use of armed forces [2-3].

War reduces income by reducing total factor productivity due to the destruction of physical and human capital. War slows down economic growth by limiting the contribution of domestic and foreign trade, and virtually destroys the level of tourism activity. Moreover, the impact of the war on the population is depressing further growth. A faster end to the war in Ukraine should minimize further population losses caused by the migration crisis, as well as overcome the negative consequences of the tourism sector. Mitigation of demographic losses for the Ukrainian economy will require additional measures.

2. Methodology

To achieve the goals set in the study, we applied the following methods: induction and deduction, comparison and systematization; synthesis and analysis; abstract-logical - for theoretical generalizations and conclusions of the study.

3. Research Results and Discussions

Today, the country is in conditions that it has never experienced before. On the one hand, this is a deep economic crisis and the need to reform key government institutions. On the other hand, military operations throughout the country, requiring resources and the mobilization of the forces of the whole society. The consequences of the armed conflict taking place in Ukraine are felt in various spheres of the life of the individual, the functioning of enterprises, society and the state as a whole. There are already attempts to assess the consequences of the hostilities that took place directly during the conflict and were felt by all actors, but, unfortunately, the consequences of this conflict will manifest themselves in the future. Preliminary estimates of direct damage are constantly updated and revised upwards. It is even more difficult to quantify the indirect losses from the suspension of economic activity in the territories not controlled by Ukraine, including in the context of the tourism and labor sectors [4].

The main losses caused by hostilities are associated with the destruction of housing and communal facilities; destruction of transport infrastructure (roads, railways, airports, power lines); destruction of industrial facilities, some of which are either physically destroyed, or cannot be restored due to the peculiarities of technological processes, or nationalized; providing housing conditions, social assistance and jobs for internally displaced persons from the zone of military conflict. In addition, it is the damage caused by the cessation of economic activity in the affected territories; damage caused by disruption of production chains; loss of investment attractiveness of the region in particular and the country as a whole [5].

A necessary condition for the formation of sustainable economic growth is the solution of the problem of the effective use of the most important component of national wealth - labor resources. In modern conditions of the negative consequences of hostilities, the role of the factor of deployment of labor resources in the socio-economic development of both the country's economy as a whole and individual regions is growing. The need to modernize the economy deepens the relationship between the deployment of labor resources and the social processes of the country's development, especially

social infrastructure [6]. The high qualification and educational level of labor resources, the degree of their adequacy to modern organizational and innovative requirements are the most important prerequisites for increasing the competitiveness of domestic enterprises, and as a result, a significant factor in the improvement of the national economy. As world experience shows, economic goals can be achieved not only by increasing investments in production technology. They are achieved much faster through the development of fundamentally new approaches to the use of the country's human capital, which, above all, contributes to highly productive and high-quality labor. Therefore, in the context of the search for ways out of the financial and economic crisis, investments in human resources are becoming one of the most important long-term development factors [7]. Business and production, everyday needs and the greatest discoveries - in all areas, new methods are being applied

The outbreak of full-scale war on February 24 led to the displacement of the population both within the country and abroad. During the 4 months of the war, the UN recorded 8 million border crossings, almost 95% of them were people who remained abroad; 3.5 million Ukrainians applied for temporary asylum in various European countries [8].

The number of movements within the country and abroad is significant, but those who remain in their own homes are much higher (64%). Despite all the risks, 15% of people who changed their place of residence within the country noted that they plan to return to their homes within the next 2 weeks [9].

A labor crisis can be understood as a large-scale departure from one country in which there is a war and an influx of migrants in a relatively short period of time to a fairly limited territory. Of course, the labor crisis is provoked, as a rule, by extraordinary events: civil war, external invasion, armed conflict, ethnic cleansing (Fig.1). At the same time, in such large-scale migration flows, it is rather difficult to single out clearly the traditional categories of migrants (forced, labor, family, etc.). Many people are beginning to use the migration channel to solve life issues and implement life strategies.

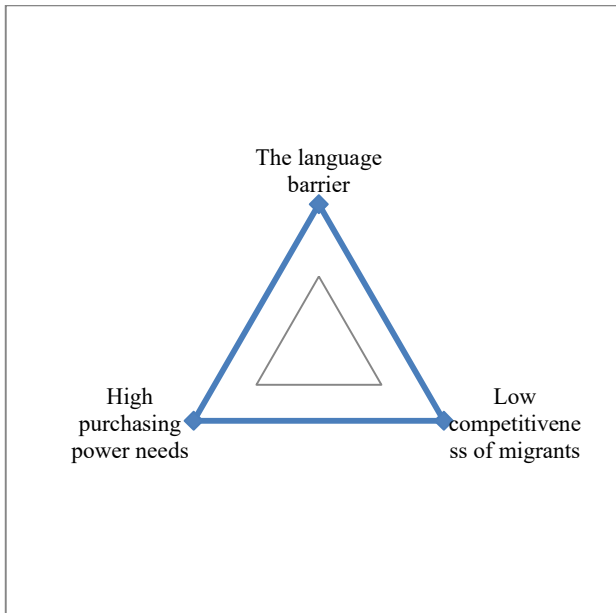


Fig.1. The main problems of labor migration during the war

All these changes have affected the world in which we live, affecting the social, economic and political aspects of modern life. In the modern world, the main indicator is the speed of reaction to changes in the external environment. If we consider the issue of the consequences of hostilities in the field of tourism and hospitality, then, like any kind of life, it is affected by crisis phenomena, as a result of hostilities. Much of this crisis is affecting tourism and hospitality on a global scale. All this is a consequence of internal agreements and internal contradictions between countries. And it is very difficult to predict how events will develop further. Despite the measures taken at the state level to urgently reorganize the tourism industry, the crisis in the travel market has not ended, but is just beginning. Tourism is an international industry that has recently been increasingly affected by terrorist attacks and armed conflicts (attacks at airports, hotels, public transport, etc.) [10]. Since 2014, Ukraine has experienced a significant decline in inbound tourist flows, which has had a negative impact on the socio-economic development of the country as a whole. This drop in the development of the Ukrainian tourism industry should be linked purely to the deterioration of the image of Ukraine in the world, in particular, the image of tourism associated with a sense of danger due to the armed conflict. The

modern negative effects of hostilities have further damaged the tourism industry [11].

Thus, in order to restore the tourist and investment attractiveness of Ukraine, it is necessary, first of all, to develop effective tools for managing the tourism sector in the context of armed conflicts. To date, Ukraine lacks a systematic (ideally, annual) study of the features of the formation of state policy in the field of tourism in the context of armed conflicts. All this complicates the process of making managerial decisions and assessing the economic effect of improving the domestic tourism industry as a whole.

Terrorism and any armed conflicts are a serious problem for international tourism. In particular, the terrorist attacks that took place in different cities of the world provoked fears that there is no safe place to rest on the planet. The growth in the scale of military activities even led to a decrease in the flow of tourists to Europe [12].

Thus, Table 1 shows the main negative consequences of hostilities on the tourism sector.

Table 1: The main economic consequences of the impact of war on tourism in terms of ensuring economic security

<i>№</i>	<i>The main negative consequences</i>
1	Decrease in the level of safety and protection of tourists
2	Damage to and destruction of tourism infrastructure or tourism facilities
3	Migration of the population, including those that can work in the tourism sector, as a result - a shortage of qualified personnel
4	Curtailed tourism programs through the redistribution of finances to the defense and social spheres
5	Deterioration of the country's tourist attractiveness

The Management of the tourism sector during (after) the war, it is possible to formulate specific universal anti-crisis measures for the Tourism Development Strategy. Anti-crisis measures can be divided into main areas.

1. Marketing research [13]:

- timely market research is the basis for adapting tools and checking their success; – the need to involve all major players, such as: hotels, investors, restaurants, transport companies, etc.;
- the use of international hotel chains as effective and representative sources of data on the characteristics and needs of international tourism markets. By going and initiating conversations with the general managers and regional directors of major hotel brands, one can explore whether their sales and marketing updates can be used as a source to help quickly assess the situation, determine the potential and extent of the problem;
- additional marketing surveys (telephone interviews) should be carried out if hotels close to the conflict zone report problems with bookings from the critical domestic market. Marketing research would aim to collect information in order to understand the trend/probability and factors that may influence or change tourism behaviour;
- intensify negotiations with accommodation establishments (3-star hotels and below, which are the main volume of settlement opportunities in the country), as well as recognize their concerns and identify problems, as they are an important first interface for international tourists arriving in the country.

2. Advertising and PR [14]:

- the formation of an understanding that the recognition of the country during the war is objectively growing, but it is negative. However, such recognition would never be achieved under normal circumstances, and this must be used correctly, that is, it is necessary to turn a minus into a plus. In the long term, such awareness will be very beneficial for the country if the current negative messages are effectively reduced;
- with the implementation of anti-crisis measures, it is expected that the level of recognition will remain high, as other events, such as investor conferences, will receive international attention and resonance. It is recommended to identify expected key events and prepare adequate response statements to the tourism situation, avoiding misrepresentation of messages;
- a general increase in the visibility of the country means that all actions and statements are disseminated much faster, as well as checked for correctness and consistency. It is especially important to ensure accurate and consistent statements made by

tourism enthusiasts, especially those relating to safety and security; – when restoring, it is important, especially when it comes to the status of the product, to be objective and provide verified information. Effective use of maps and photographs to build trust through transparency;

- preparation by the central state body for tourism (department of tourism) of a short document with typical expected questions and answers related to investments, the actual situation and future plans for the development of tourism in the country. The issues of unexploded mines and munitions should be given particular attention in the reports, as this is a major problem in existing travel advice in important outbound tourism markets. Embassies should be consulted to see what criteria are required for a tourist advisory to declare an area safe;

- avoiding purely emotional advertising campaigns, since the level of recognition is already high. Companies offer specific offers, including their prices and contact information for safety during the trip. Companies should be designed to include co-advertising with the private sector. Airlines with direct flights are ideal partners for the government tourism authority in such campaigns;

- cooperation with Google and Microsoft Virtual Earth on the timing of the reactivation of country maps on the Internet. These two sites are the world's most important information sources and are used by a large number of tourists around the world;

- planning of TV programs for the next year aimed at the domestic market to activate and stimulate the domestic market of the main tourist seasons. During the main stage of booking domestic tourism products (approximately 6-8 weeks), a weekly show should be released in order to broadcast the actual situation in several directions at the same time. The main goal is to stimulate the domestic market, reassure, emphasize accessibility, and not broadcast only one destination;
- advertising via e-mail, that is, e-mail messages or through popular social media (Facebook, Instagram) sent to a targeted target audience. Messages should be prepared, offer specific tourism products at attractive prices;

- rotation of popular videos that can be used in much the same way as emails, but instead of a product offer, they should highlight the main tourist resources, such as the sea, food, wine or culture.

3. Press releases: - reconsider the number of international press tours (planned for events) for the

whole country in favor of press trips related to specific proposals for the first period (next 6 months) after the armed conflict;

- to develop a specific example of a template for creating a website that allows for individual requests from journalists for press tours. This approach will be most useful for the first phase after an armed conflict, as requests from interested journalists can be quickly systematized and processed;

- cooperation with international organizations and PR-agencies. Press contacts can be accessed through the UNWTO and the first demonstration of the media selection process has taken place.

4. Incentives [15-17]:

- use of motivational incentives for the joint presentation of all inbound tour operators. Establishment and coordination of mutual goals, agreed by the beginning of the implementation of anti-crisis measures. For example, increasing or retaining a similar number of orders compared to the previous period and establishing a general idea of the size of a discount designed as a sales promotion tool;

- implementation of a more advanced incentive model to reward travel agents in priority outbound markets to promote the product and compensate those who face additional information requests;

- development of a recommended trade marketing campaign, in particular, support for an advertising campaign should be used as an additional incentive for tour operators.

4. Conclusions

So, the concept of a labor crisis can be interpreted from two points of view. In a narrow sense, a labor crisis can be defined as a large-scale arrival of a large number of migrants, primarily forced or environmental migrants, to the territory of a country or region in a relatively short period of time, which is fraught with an increase in the burden on social infrastructure, the labor market and the environmental situation. In a broad interpretation, the crisis of labor resources should be understood not only as a sharp increase in the number of immigrants, but also a sharp emigration outflow of the population, which has negative consequences in the form of a loss of demographic potential, including the able-bodied, economically active young population of reproductive age.

The main reasons provoking migration crises are such extraordinary events of a geopolitical and environmental nature as war, external invasion, armed conflicts, ethnic cleansing, environmental disasters, and accidents.

The consequences of the labor crisis are mixed. Of course, in the short term in the host countries they are more negative. A large-scale influx of migrants aggravates environmental problems, the sanitary situation, the social sphere, the state of the labor market, housing issues, and interethnic conflicts. However, in the medium term, with an adequate integration policy, the host countries benefit to a greater extent from the influx of able-bodied and young population, replenishing the demographic potential of the country. A large-scale emigration outflow from sending countries leads to the loss of young, reproductive, economically active, educated people, and, accordingly, incurs losses for the country, aggravating the economic backwardness.

Having studied the management of the tourism sector during the war, economic policy measures have been developed to ensure the sustainable development of tourism during the war, while maintaining economic security:

1. Creation or determination by the state of the central executive body responsible for organizing the system of protection and safety of tourists.
2. Taking appropriate measures to ensure the protection and safety of tourists, especially at tourist sites, in particular in cases of serious epidemics and natural disasters.
3. Cooperation between the receiving country and the country providing tourist flows in the event of an attack on the person and property of tourists, especially in cases of terrorist attacks, natural disasters and major accidents.
4. The obligation of the host state to fully inform the diplomatic and consular missions of the states providing tourist flows of all cases of violence against tourists.
5. Facilitating the rapid repatriation to their State of tourists of relevant origin who are victims of attacks on them and their property.

References

- [1] Pylypenko, K. A., Babiy, I. V., Volkova, N. V., Feofanov, L. K., & Kashchena, N. B. Structuring economic security of the organization. *Journal of Security and Sustainability*, 9(1), 7-38. 2019. [https://doi.org/10.9770/jssi.2019.9.1\(3\)](https://doi.org/10.9770/jssi.2019.9.1(3))
- [2] Kruk, K. *The Crimean Factor: How the European Union Reacted to Russia's Annexation of Crimea*. Warsaw Institute. Accessed 14th of April 2020. Available: <https://warsawinstitute.org/crimean-factor-european-union-reacted-russias-annexation-crimea/>
- [3] Merry, E. Wayne. "Chapter 1. The Origins of Russia's War in Ukraine: The Clash of Russian and European "Civilizational Choices" for Ukraine". *Roots of Russia's War in Ukraine*, New York Chichester, West Sussex: Columbia University Press, 2015, pp. 27-50. <https://doi.org/10.7312/wood70453-004>
- [4] Kochnev, A. Requiem for Donbas: Three essays on the costs of war in Ukraine. *Doctoral dissertation*, Johannes Kepler University, 2022, Linz. <https://epub.jku.at/obvulihs/content/titleinfo/5295005/full.pdf>
- [5] Pecquet, G. M., and Thies, C. F. Texas Treasury Notes and the Mexican-American War: Market Responses to Diplomatic and Battlefield Events." *Eastern Economic Journal* 36 (1): 88–106. 2017
- [6] Abadie, A. and Gardeazabal, J., The economic costs of conflict: A case study of the Basque Country. *American economic review*, 2013 93(1), pp.113-132.
- [7] Bircan Ç, Brück T, Vothknecht M. Violent conflict and inequality. *Oxford Development Studies*. 2017;45(2):125-44.
- [8] Manzoor F, Wei L, Asif M, Haq MZ, Rehman H. The Contribution of Sustainable Tourism to Economic Growth and Employment in Pakistan. *Int J Environ Res Public Health*. 2019;16(19):3785. <https://doi.org/10.3390/ijerph16193785>
- [9] Ekanayake, Ekanayake M., and Aubrey E. Long. "Tourism development and economic growth in developing countries." *The International Journal of Business and Finance Research* 6.1. 2012. 61-63.
- [10] Shahzad S.J.H., Shahbaz M., Ferrer R., Kumar R.R. Tourism-led growth hypothesis in the top ten tourist destinations: New evidence using the quantile-on-quantile approach. *Tour. Manag.* 2017;60:223–232. <https://doi.org/10.1016/j.tourman.2016.12.006>
- [11] Groot, Olaf J de, Carlos Bozzoli, Anousheh Alamir, and Tilman Brück. "The Global Economic Burden of Violent Conflict." *Journal of Peace Research* 59, 2022, 2 259–76. <https://doi.org/10.1177/00223433211046823>.
- [12] Meidutė-Kavaliauskienė, I., Dudzevičiūtė, G., & Maknickienė, N. Military and demographic interlinkages in the context of the Lithuanian sustainability. *Journal of Business Economics and Management*, 2020, 21(6), 1508-1524. <https://doi.org/10.3846/jbem.2020.13444>
- [13] Roeder, P. A. *National Secession: Persuasion and Violence in Independence Campaigns*. Ithaca, N.Y.: Cornell University Press, 2018.
- [14] Warren C., Technology, war and the state: past, present and future, *International Affairs*, Volume 95, 4, 2019, 765–783, <https://doi.org/10.1093/ia/iiz106>
- [15] Bar-Nahum, Z., Finkelshtain, I., Ihle, R. et al. Effects of violent political conflict on the supply, demand and fragmentation of fresh food markets. *Food Sec.* 12, 503–515, 2020. <https://doi.org/10.1007/s12571-020-01025-y>
- [16] Levchenko A., Hilorme T., Chernysh O., Semenenko O., Mykhailichenko H. Strategic Solutions for the Implementation of Innovation Projects. *Academy of Strategic Management Journal*. 2019. Volume 18, Special Issue 1. URL: <https://www.abacademies.org/articles/Strategic-solutions-for-implementation-of-innovation-projects-1939-6104-18-SI-1-444.pdf>
- [17] Levchenko, O. Levchenko, A., Horpynchenko, O., Tsarenko, I. The Impact of Higher Education on National Economic and Social Development: Comparative Analysis. *Journal of Applied Economic Sciences*. 2017. Volume XII, Issue 3(49). P. 850-862.