

Current Cyprus Economic Pressure

When I started my research four and a half years ago, specifically in early 2009, Cyprus was already facing financial difficulties, causing budgets to be limited. HR development over the past few years has been limited in Cyprus and has caused decreases in SQ and general financial returns over this period, according to the CTO report (2010).

The aim of my research from the beginning was to explore the role of specific HRM functions, such as R&S, T&D and communication process within five-star hotels. Furthermore, I would explore the importance and credibility of long-term employee investment and development, to achieve enhanced SQ leading to customer satisfaction. The whole investigation was correlated with the role of HRM as a driving force towards SQ in the hotel industry.

Since Cyprus was in financial difficulties from 2009 things were made very inconvenient for tourism as well. Having in mind that tourism is one of the major economic sources in Cyprus; financial restrictions should limit tourist arrivals as well. The greatest financial bottleneck Cyprus faced was in 2013 when Cyprus was financially undertaken by “MIF”, Monetary International Fund. The greatest economic crisis Cypriots ever faced was on 16 of March 2013, when Cypriots’ bank savings were cut. Ex Cyprus Popular bank cut all saving accounts except from the first one hundred thousand pounds. The Bank of Cyprus then followed with a 48% cut on all saving accounts. The outcome was that Cyprus Popular bank was finally closed down and absorbed by the Bank of Cyprus in an attempt to save the overall Cyprus banking system.

The first period after all these was very difficult not only for individuals but also for companies in Cyprus, as well as the hotel industry. Having said that, after all the above financial cuts, all individual and company accounts were frozen. A domino of problems followed. It was not only the psychological uncertainty that people and companies had to face but also liquidity and financial restrictions. In other words, not only were accounts cut but also the rest of the savings were blocked, therefore companies' faced financial transaction restrictions. Many hotels faced payment restrictions as well as payroll restrictions.

Surprisingly, even though Cyprus in 2013 faced the above financial defaults, tourism in Cyprus was increased compared to 2012.

In the same period in 2014, and specifically now in March 2014, Cyprus and especially tourism, face the same financial restriction and future tourist uncertainty. This time crisis comes from Russia and specifically from the Russian currency devaluation that reaches 25%. In other words, Russians who would like to travel to Cyprus from now have to pay 25% more due to that. This is also relevant and correlated with the Russian, Ukraine crisis that is happening lately. This Russian, Ukraine crisis leads not only to Cyprus' financial uncertainty but also all over the world. Bearing in mind that Russian tourist arrivals increased rapidly over the last five years in Cyprus all the above financial uncertainties definitely negatively affect Cyprus tourism predictions. Already Russian tour operators requested price reductions and discounts from March 2014 onwards. Having said that, I am in an airplane right now flying to Moscow to the biggest Russian tourist exhibition to discuss

with all major Russian tour operators who collaborate with Adams Beach Hotel (the hotel I am working with) in order to hear their concerns and issues and try to take as careful and prompt action as possible since the Cyprus tourist season starts from April onwards. Another red alert for us at Adams beach hotel is that we count a lot on Russian tourism since the Russian market contributes 70% to the total occupancy level of the hotel.

Certainly all the above financial crisis that engulfed Cyprus need to be carefully investigated. Therefore, not only governmental but also hotel industry considerations and decisions must soon be undertaken in order to come up with the best possible solutions for now, thus better occupancies are achieved overall. That will enable us to invest more on HR factors, which will play the role of a driving force for SQ in the hospitality industry of Cyprus.