Preliminary Assessment of the COVID-19 Pandemic Impact on the Tourism Industry

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Abstract: The tourism industry has been characterized by an extremely favorable evolution in the last decade. International tourism has seen ten years of uninterrupted growth in arrivals, often supported by all markets and regions. Tourism and related sectors have been severely affected since the beginning of the crisis caused by coronavirus, and as the situation escalates, there are clear signs that the impact will be greater than initially estimated. In this paper we aim to highlight the main elements of the impact of COVID-19 crisis on the tourism sector and what are the policy responses of the authorities, through sets of measures and recommendations, in order to mitigate the negative effects and preparing the industry for recovery. Despite the fact that the world's governments have taken a lot of measures with a wide range of instruments, the real impact is still difficult to be quantified and the speed of recovery depends on many uncertain factors.

Key-Words: - tourism industry, policy measures, economic impact, COVID-19, international tourism
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1 Introduction

Tourism, an essential field for the world economy, an important job creator of great significance for some economies / regions, has continually proven the ability to offer economic recovery. Despite the resilience it has shown in the last decades, tourism has now become, undoubtedly, one of the most affected economic sectors, with high losses in every subsector.

The effects of the epidemic on tourism are due to three specific reasons: official travel restrictions, events cancellations (trade fairs, congresses, conferences, cultural and sporting events etc.), the travelers' fear of risk. Therefore, the big picture of the tourism industry during the pandemic is dramatic: hotels and other accommodation have been closed, airlines have drastically reduced their flights, cruise lines have suspended travels, restaurants have either restricted their activities or they rely exclusively on delivery services, while leisure and entertainment activities are insignificant.

This paper propose an assessment of the first effects of the crisis on the tourism industry, looking on the international tourism flows and emphasize the main implications on the labor market. The second objective was to highlight the policy measures taken by authorities. In order to meet these objectives, we develop a desk research, based on secondary data provided by national and international reports.

2 Preliminary impact assessments

It is extremely difficult to predict what the real impact the pandemic will be on tourism because not only the time and space dimensions cannot be foreseen, but also the effects are difficult to quantify (including the direct ones on HORECA, the carriers, leisure activities, as well as the indirect or induced ones, the multiplier effect). What is more, the question is not whether the economy will enter a recession, knowing all the economic and social effects, but how deep the recession will be.

Considering the size and dynamics of the global tourism market, the cancellation of flights and holidays, the geographical spread of Covid-19 and its potential economic impact, the World Tourism

Organization has slowly reevaluated the consequences of the crisis on international tourism (UNWTO, 2020a): while initially there was an 3-4% estimated growth rate of arrivals for 2020, during the last decade, together with 1-3% decrease for the first revision, at the end of March 2020, the forecast shows dramatic decrease by 20 % - 30% of international tourists. Cumulative, objective (closing borders, travel bans, confinement and quarantine measures) and subjective (behavioral) factors would lead to a decline in the number of arrivals between 290 and 440 million and a revenue volume of 300-450 billion dollars (out of a total of about $ 1500 billion dollars annually).

At the begging of May 2020, the UNWTO shows the impacts of crisis in the international tourism: "international tourism down 22% in Q1 and could decline by 60-80% over the whole year […] 67 million fewer international tourists up to March translates into US$80 billion in lost exports" (UNWTO, 2020b)

Hence, looking at the some of the other most affected countries role in tourism, and having different dimensions of the indicators for quantifying the international tourist flows, we find the following (UNWTO, 2020):

- Spain holds 16% of the volume of tourist exports worldwide, the USA another 10%, and Italy and France 8% each);
- 15% of the revenues from international tourism are destined for the USA, but important shares are also held by Spain, Great Britain or South Korea (4% each), or China and Italy (3% each);
- in terms of expenditures, the source markets with the largest share are China (19%), USA (10%), Germany (7%) and Great Britain (5%)

In fact, the countries that report the most cases of disease - China, Italy, USA, Spain, Germany, Iran, South Korea, France, Switzerland, Great Britain, accumulate impressive shares in international tourism: 34% of total arrivals, 39 % of receipts, 53% of expenses.

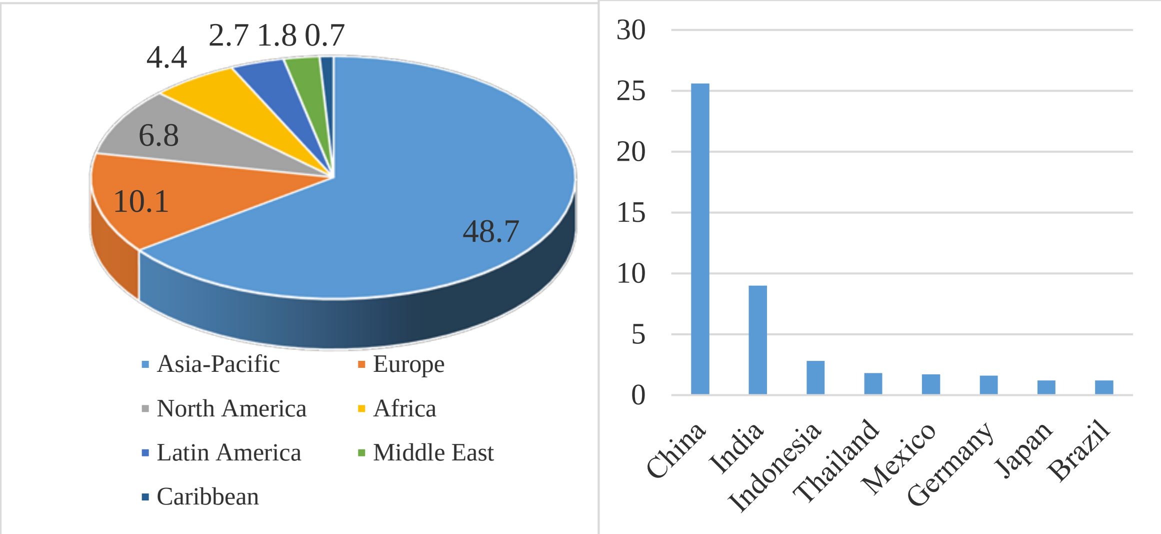
3 Implications of the crisis on the labor market

Workers in the HORECA industry have been laid off or technically laid off as a natural consequence of the unprecedented situation. The UN World Tourism Organization, the World Tourism and Travel Council, as well as national associations have all been warning people about the risks or dangers in tourism since the outbreak of the crisis. The vulnerable categories (young people, women, low skilled employees) as well as the fact that there are certain regions that do rely on tourism are the matters of our concern. These, along with seasonality, intensive work and the multiplier effects of tourism, deepen the socio-economic impact of the crisis in this sector.

WTTC prognosis have shown that immediate and direct risks on labor market amount to 75 million jobs in global tourism, an impact associated with losses in global GDP of up to 2.1 billion dollars (WTTC, 2020a). Preliminary data show that one million jobs might be lost every day during this period in tourism and adjacent sectors alone. Preliminary estimates show us which the most affected world regions in terms of the risk of losing their jobs are.

The Asia-Pacific region is the hardest affected by the pandemic related crisis, having almost 48 million people at risk of losing their jobs, which would mean a total loss of about $ 490 billion reflected in the region's gross domestic product. More than half of the job loss estimates on the region level target China (25.6 million), while India (9 million), Indonesia and Thailand are among the Asian countries with the most strongly affected labor market. The impact on Europe is becoming extremely high as well, the current estimate showing 10 million jobs at risk (6.4 million in the European Union), while the effects on GDP could be of over $ 550 billion (WTTC, 2020b).

Fig. no. 1: Estimates of the number of people at risk of losing their job, on regions and most affected countries, million people



Source: author, based on WTTC, 2020a, 2020b, Lock, 2020a, 2020b and Luty, 2020

Germany appears to be the most affected country on the Europe, with almost 1.6 million jobs at risk, followed by Russia with about 1.1 million, Italy and the United Kingdom (1 million), Spain and France (800 thousand). In North America, the third largest tourist region in the world, estimates amount to nearly 7 million people who might lose their jobs, of which 4.7 million only in the United States.

4 Recommendations for mitigating the sectoral crisis

Sets of recommendations for support measures for tourism industry have been developed by international institutions. For example, the WTTC recommendations target (WTTC, 2020c):

- Relaxation of fiscal policies - reduction or even elimination of taxes for tourist services, taxes for air transport or alternatives;
- Stimulation and support for the companies which have been severely affected by the crisis, especially the SMEs;
- The removal of barriers and the relaxation of employment legislation;
- Support for tourism destinations affected by the pandemic: budget allocations for promotion, consultancy for the development of tourism products and services;
- Facilitation of international travel - eliminating or simplifying, as appropriate, visa procedures, reducing costs, processing time and digitization.

In a call to action to all decision-makers at national and regional level, the UNWTO also launched a series of proposals for recommendations, addressing three major themes-directions for action (UNWTO, 2020c):

- Crisis management and impact mitigation - supporting independent employees and protecting vulnerable groups, ensuring the liquidity of companies, tax reviewing;
- Stimulation and support for accelerated recovery: financial incentives for investments and operations, revision of taxation and sectoral regulations;
- Preparing for the future: diversifying markets, products and services, investing in informational systems and digitalization, strengthening tourism governance at all levels, investments in human capital, placing sustainable tourism on national development agendas.

At Community level, EU structures have been working all this time to mobilize the available resources in the Community budget to support Member States, by: advancing payments, redirecting funds and ensuring maximum flexibility (European Parliament, 2020). The Commission has proposed allocating € 37 billion to address the crisis as part of their initiative of investments due to the pandemic, considering, among others, offering liquidity to companies and support for the people who have lost their jobs.

World governments have taken a number of measures at national level to support the tourism industry and its related sectors, and most EU Member States have announced that they are introducing economic assistance packages, some of them dedicated to the tourism sector.

These measures generally include two main directions:

- Financing measures, through specific instruments: credit lines, government guarantees, deferral / rescheduling installments, grants granted mainly to SMEs, subsidies or co-financing / compensation of salaries granted to persons directly affected;
- Measures of a fiscal nature, mainly aimed at moratoriums, extended deadlines or exemptions: changes in the tax regime, deferrals / rescheduling / reductions - of social security contributions and pensions, direct and consumption taxes (VAT), elimination of sector-specific taxes (accommodation, promotion).

Among the most affected European countries, as France, Italy, Portugal, Spain or Turkey, but also others, where tourism is an important sector of the economy, the following emergency measures have been implemented (OECD, 2020; European Commission, 2020):

A. Financial support measures:

- Austria - allocation of EUR 9 billion for loans and borrowings, including: a credit scheme for export (EUR 2 billion) to cover up to 15% of the operating costs of exporting companies; EUR 100 million available for loans to hotel companies with losses of more than 15% of revenue; ensuring liquidity for the tourism sector, through The Austrian Hotel and Tourism Bank, through a fund of one billion euros);
- Belgium - support for state-subsidized sectors (eg culture, youth, media, sports, school trips) and other severely affected sectors (tourism, transport, etc.); the subsidized companies will be able to recover their loss by accessing an emergency fund (200 billion euros);
- Cyprus - support provided to the tourism sector by allocating 11 million euros; The budget is intended to implement actions to support tourism in June-September and for initiatives to attract post-crisis tourists (October 2020 - March 2021);
- Finland - business support measures amount to EUR 1.15 billion and include: EUR 0.7 billion through Business Finland (for SMEs in the tourism services, creative industries and all sectors affected by the supply chain), EUR 0,3 billion for SMEs through the ELY centers for economic development, transport and the environment, also dedicated to self-employed workers and small businesses, which employ 1-5 people in all sectors except for agriculture, fishing and forestry;
- France - companies that meet certain criteria can apply for loans from the Solidarity Fund (2 billion euros), among which are eligible the over 100,000 tourism companies that have closed / discontinued their activities;
- Iceland - On March 21, the government announced a $ 1.6 billion support package, which includes, among other things, state loans to companies and financial support for the tourism sector;
- Italy - decided to settle 80% of the amount of salaries, and people with seasonal jobs can apply for an income of 600 euros; a support fund has been set up for the aviation industry as well as for the full takeover of Alitalia (EUR 500 million);
- Great Britain - freezing rates for companies in the trade and hospitality industry, for a period of 12 months; grants for small businesses, eligible for the small business rate exemption in the amount of £ 3,000 to £ 10,000. In addition, grants of £ 25,000 are awarded to businesses in trade, hospitality and leisure;
- Portugal - a € 3 billion fund for state-guaranteed loans and a € 200 million financing line has been set up to support treasury needs of the companies; EUR 60 million is allocated to micro-enterprises in the tourism sector;
- Spain - launched a financing line of 400 million euros, with loans guaranteed by 50% by the state, interest of 1.5% and a credit period of up to 4 years, for companies and self-employed workers in the tourism sector.

B. Fiscal measures

- Croatia - postponement of property tax and tourism-specific tax payments;
- Italy - postponement of taxes and social insurance for the tourism sector by May 31;
- United Kingdom - elimination of income tax for 12 months for all businesses in trade, tourism and the hospitality industry;

- Portugal - reduction of social contributions for the second quarter of 2020 to one third; postponing the remaining two thirds by the third quarter of the year, in installments; eligibility conditions: a) self-employed workers and companies with up to 50 employees, or (b) companies with up to 250 employees in case of a decrease in fiscal value by more than 20%, or (c) larger companies that have decreased in revenues by more than 20% and operates in tourism, aviation or other sectors with restricted or closed activity;
- Spain - 50% exemption of the employer's social security contributions, from February to June 2020, for workers with permanent discontinuous contracts in the tourism and related activities;
- Turkey - VAT, accommodation taxes and income tax related to accommodation / rent for the period April-June are postponed for six months; postponement of social security contributions by six months for some sectors of activity (hospitality, entertainment, event organization);
- Hungary - sectors that have been severely affected by the pandemic (eg tourism, restaurants, entertainment, sports, cultural services, transport) will be exempted from paying social security contributions, payroll tax and small business tax; the specific tax on the contribution to the development of tourism will be temporarily cancelled.

C. Other measures:

- Bulgaria - preparation of measures packages to reduce the risks of bankruptcy in the tourism sector, including the issuance of travel vouchers, with longer validity (2 years);
- France - changes in the conditions for cancellation of travel reservations: granting the authorization to reimburse travel in the form of credit or postponing the tourist service for a later date, established by mutual agreement between the operator and the consumer;
- Turkey - The state bank has announced that it will allow loans to be rescheduled by up to 12 months for additional time for sectors such as tourism, as well as a six-month deferral of payments;
- Hungary - direct expenditure measures to cover damage caused to the sector (Hungarian Tourism Agency has allocated 1 billion forints).

Worldwide, the measures taken in countries where the epidemic has reached high levels and where tourism plays an important role, do not differ from those taken in European countries: financing lines and guarantees for the tourism sector and the adjacent ones (Brazil, Colombia, Indonesia, Japan, USA), subsiding programs aimed at companies suffering from difficulties in the tourism sector (Chile, USA), tax deferrals or reductions (Colombia, Indonesia, USA), even procedures for simplifying credit renegotiation (Brazil) or co-financing salaries (Singapore).

5 Conclusion

The economic vulnerability of the international tourism market has been encountered on several levels and has led to several directions, particularly by affecting tourism demand, with an impact especially on SMEs, which could cause negative effects on the labor market. Furthermore, there might also be the second round, which would have effects on the tourist offer, on the incomes of the employees in the field and, finally, the exposure of the vulnerable communities, which rely on tourism.

In the tourism industry, the crisis is specific to the sector which amplifies the impact of the epidemic: vulnerable categories (women, young people, and unskilled employees) who are an important part of the workforce, the large share of SMEs, the importance of work for local communities and its multiplying effects, seasonality and intensive work activity.

Decision makers around the world have been trying to find ways to mitigate the economic impact of the pandemic, but recovery cannot begin until the health emergency is under control and travel restrictions are lifted safely.

The main measures recommended by international organizations and specialists in the field concern two major directions:

- Identifying solutions and survival mechanisms for companies during this period;
- Support provided to employees and households directly affected by the situation.

Thus, it is necessary to adopt and maintain fiscal measures that favor the protection of employees, provide liquidity for the operations and services of the company and prepare them for the next period and, later, to accelerate recovery.

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