

COVID-19, tourist behaviour, jobs and policy options^{1,2}

Headlines

- The COVID-19 health crisis is affecting consumer willingness to travel and destination preferences
- We predict a decline of tourist arrivals in EU27 between 38% and 68% in 2020
- Subsequently, between 6.6 and 11.7 million jobs could be at risk of reduction in working hours or permanent jobs losses in 2020
- A strong heterogeneous impact between and within EU27 countries is expected.
- The solution is likely to be local and European, calling for efficient multi-level governance
- Reshaping Smart Specialisation Strategies (S3) towards sustainability (S4) may play a key role in the recovery process
- Opportunities exist in new digital and green solutions and business models
- Diversifying tourism value chains and making places less tourism dependent can increase resilience
- Optimal use of support programmes can speed up short, medium and long-term recovery

COVID-19 effect on tourism: Why so important?

The world is experiencing an unprecedented situation. The COVID-19 outbreak is the third recognised disease transmitted from animals to humans in only two decades that has resulted in a major epidemic [1]. Nevertheless, the singularity of the current situation lies in the spread of the

virus, its geographical coverage and the measures implemented by governments to stop its dissemination (mobility and travel restrictions, lockdown, confinement, closure of shops and hotels, etc.).

The tourism sector is one of the most affected ones in terms of revenue and employment, as any restriction on people movements within and between countries has a negative effect on this sector. Unlike most of the other economic sectors, the tourism industries, such as accommodation and long distance air passenger transport, have limited alternatives to maintain their activities during lockdown. This is particularly dramatic as the tourism sector contributes for about 10% to the EU27 GDP and employment.

Even if all countries and regions are affected, the magnitude of the effect depends on the sectorial specialisation. Therefore, there is a clear need to identify which countries and regions are most dependent on the tourism sector, in order to design the most appropriate targeted policy support.

Contribution of tourism activities to EU27 employment

In the last two decades, tourism flows in the EU27 more than doubled. The development of low-cost carriers (LCC) in Europe since the 1990s, thanks to air policy liberalisation, with cheaper fares, more connections and destinations, greatly contributed to the leverage of the tourist flow around the world [2]. The expansion of tourism activities is expected to foster economic growth and stimulate job creation, not just as the result of its direct effect in the economy but also through its multiplier effect in other sectors. In 2018, tourist arrivals at accommodations establishments generated more than 19 million jobs along the value chain (Figure 1) and, on average, each 1,000 tourist arrivals was associated with 20 additional jobs in the EU27 regions.

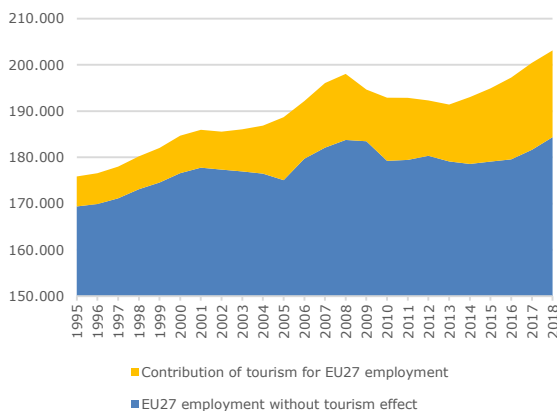
The high dependence on tourism-related activities of some local-based economies makes them particularly vulnerable to sector-specific shocks.

¹ This policy brief has been prepared by Anabela Santos, Carmen Madrid, Karel Haegeman and Alessandro Rainoldi. It is based on : Marques Santos, A., Madrid, C., Haegeman, K. and Rainoldi, A., Behavioural changes in tourism in times of COVID-19, Publications Office of the European Union, Luxembourg, 2020, JRC121262. The analysis and conclusions refer to data and information collected until 10th June 2020.

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² This policy brief displays an estimation for the number of jobs at risk in EU27 in 2020, as a result of the slowdown of tourism activities. Jobs at risk is not the same as lost jobs. Jobs at risk could be jobs at risk of reduction in working hours (and consequent reduction of compensations) or permanent jobs losses. Furthermore, it can also represent a loss of opportunity for temporary/seasonal workers, who are unemployed or who supplement annual income with summer jobs.

Figure 1. Contribution of tourist flow to regional employment, EU, 1995-2018



Source: JRC own estimations.

Note: Reports the total volume of employment generated by tourist flow, expressed in thousands of jobs.

Indeed, regions with a higher regional vulnerability to tourism index, which takes into account the seasonality and tourism intensity [3], are also those where employment generated by tourism activities is the most important (e.g. Notio Aigaio; Ionia Nisia; Jadranska Hrvatska; Provincia Autonoma di Bolzano/Bozen). This positive correlation allows to anticipate which regions will be the most negatively affected by the COVID-19 outbreak.

How is the COVID-19 pandemic affecting consumer behaviour?

Recent surveys and trend analysis have showed that the COVID-19 health crisis is affecting consumer patterns. Changes are observed in the short-term (e.g. during lockdown and confinement online sales and services increased significantly) and they are expected to persist in the medium and long-term term. For instance, some EU citizens are waiting for a vaccine or treatment before they return to out-of-home activities. Intensity of EU international travel in the post COVID-19 crisis is also expected to be lower, in comparison with the pre-crisis.

For the Summer holidays 2020 and the next coming months, consumer changes will materialise mainly in the *willingness to travel* and *destination preferences*. Recent surveys, conducted between April and May 2020, revealed that there is still willingness to travel after the COVID-19 lockdown, however, when choosing the holiday destination the low tourist density places and the existence of sanitary conditions are the main preferences. Price seems not to be the main criterion affecting the selection of the destination place. There is also a preference for touristic activities that allow enjoyment of nature and the outdoors. Preference will go to national destinations although there is still willingness to travel outside the home country for holidays. Outside the

home country, there is a higher preference for destinations less affected by the COVID-19 disease. Changes in the duration of the trips are also expected, namely making them shorter or with the same duration but divided into several small trips, especially when traveling by car (preferred mode of transport during the outbreak). The household budgets allocated to holidays are also likely to be lower due to uncertainty and economic instability.

Business travels are expected to recover more slowly. Without a second wave of the disease during the Summer 2020, it is expected that business tourism will restart in the last quarter of 2020. However, business travellers are usually more affected by decreases in the GDP than leisure travellers [2]. Expenditures on travels (included in sales promotion/marketing expenses) are usually affected by cost reductions when companies observe a fall in their demand for goods and services. Furthermore, the intensive use of telework during lockdown can also bring about changes in the business model, work organisation and customer relationship [4].

How does the COVID-19 crisis affect the tourism sector?

After the lockdown, and if the conditions for travelling are met, tourist behaviour and choice are affected by psychological and economic factors. Psychological factors, related to the fear of contamination as long as there is no vaccine or treatment, impact on the willingness to travel and on the conditions of and preferences for holiday destination. Economic factors are associated with the reduction of household income, as a consequence of unemployment or working hours reduction.

Based on the results of recent surveys conducted by consulting companies to citizens and actors in the tourism sector, the behavioural aspects have been quantified and used to build three potential scenarios for the next coming months, as illustrated in table 1.

How does the slowdown of tourist arrivals affect employment?

The scenarios, based on changes in consumer behaviour, foresee a decrease of tourist arrivals in EU27 between 38% and 68% in 2020 (Table 1). This fall in demand is likely not to be in line with the current employment level in tourism industries. Currently, most of the companies have survived thanks to European and National measures (e.g. special lay-off schemes and access to special bank loans or subsidies to support liquidity). In June 2020, the EU27 member states are progressively opening their borders, to allow again citizens' mobility. However, as the disease is still active worldwide, willingness to travel could be affected.

Table 1. Estimated change in tourist arrivals and the subsequent number of jobs at risk in the EU27 2020, by scenario

| | Confidence to travel scenario | Fear to travel scenario | Second wave scenario |
|--|--|--|---|
| Key features | <p>"Extended long hot summer"</p> <ul style="list-style-type: none"> - Open borders in & outside EU - Rising trust to travel - Moderate change in destination preferences - Isolated new COVID-19 cases - Most companies survived | <p>"Escape to wherever"</p> <ul style="list-style-type: none"> - Semi-controlled outbreaks - Most borders still open - Travel confidence drops - Domestic travel is preferred - More companies out of business, lowering supply | <p>"Islands of tourism"</p> <ul style="list-style-type: none"> - Few outbreaks spread further - Most borders closed - Travel confidence very low - Limited domestic travel - Many business out, lowering supply and employment |
| Change in tourist arrivals (2019/2020) | -38% | -52% | -68% |
| Jobs at risk (2020) | 6,6 Million | 8,9 Million | 11,7 Million |
| % Active pop | 3,2% | 4,3% | 5,6% |

Source: JRC' own estimation.

The effect of COVID-19 outbreak on employment is not expected to have the same dimension as the effect on companies' turnover or GDP, based on lessons from previous economic crises. Firing people with a permanent contract also has its costs (e.g. with indemnity, which is usually proportional to the number of years in the companies). Furthermore, as personnel/staff in the tourism sector is very relevant, companies will try as much as they can to protect and conserve their human capital. Employees are the first contact of the tourists when they travel and arrive in their destination; such interaction and personal attention is much appreciated and influences the satisfaction of travelers about their trips.

Even with the current national and European measures), the immediate effect of the health crisis on employment will be on the non-renewal of temporary contracts or not hiring seasonal employees. This could affect particularly the tourism sector, as employees with a fixed term contract represent more than 20% of its labour force, according to EUROSTAT data.

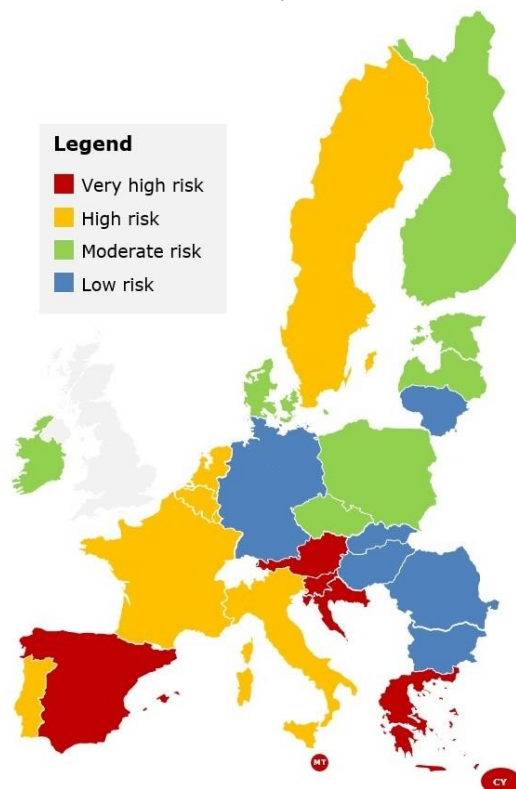
Between 6.6 and 11.7 million jobs depending on the scenarios (Table 1), could be at risk of reduction of working hours (and consequent reduction of compensations) or permanent jobs losses in EU27 in 2020. These jobs at risk represent between 3.2% and 5.6% of the total active population of EU27. Certain countries are and will be more affected than others, and within each country there are also regional differences. Regions with an eco-system strongly dependent on the tourism sector and international tourism market, will be the most affected ones.

Croatia, Cyprus, Malta, Greece, Slovenia, Spain and Austria (Figure 3) are the countries most likely to have jobs at risk as a result of the slowdown in tourism, taking into account the contribution of the tourism sector to national employment, the dependence on international tourists and the share of temporary employees.

At regional level, the most affected territories might be those places with a usually high tourism concentration in Summer, or urban tourism destinations. Recent surveys show new preferences for this Summer: low tourist density destinations, outdoor activities and away from big cities. For some rural areas, the COVID-19 crisis could even be an opportunity to

boost their local economy, not only because of the above features but also based on a more sustainable and eco-inclusive consumer behaviour. Surveys also reveal that regions less affected by COVID-19 are also more attractive for tourists, because they transmit an image of a safer place for tourists. Regions with a strong tourism seasonality, which is associated with a higher share of temporary employees, could also have a higher likelihood to jobs at risk.

Figure 3. Intensity of jobs at risk in tourism related-activities, EU.



Source: JRC' own estimation.

Note: The index includes the contribution of the tourism sector for national employment, the dependence on international tourists and the share of temporary employees in accommodations, food and beverage services.

Policy recommendations

As each region is differently affected by COVID-19, part of the solution is likely to be local. In addition, changing consumer preferences hold opportunities for more diversified and sustainable forms of tourism, building on Europe's diversity. Smart Specialisation Strategies (S3), as a governance model for place-based innovation is well suited as a tool for multi-level governance towards more sustainable tourism. Reshaped towards Sustainable Smart Specialisation Strategies (S4), it could play a key role in the post COVID-19 recovery process.

Policy measures in response to this crisis are required in the short, medium and long-term (Table 2). Short-term actions lie on the immediate reaction to the health and economic crisis, and how regional actors have reacted to mitigate its negative effects. Medium and long-term interventions are associated with the reactivation of demand and supply, with developing novel forms of sustainable tourism, diversification making use of Europe's territorial and cultural diversity, and with making regions more resilient to exogenous shocks.

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Table 2. Policy actions by phases

| Dimension | Short-term | Medium-term | Long-term |
|--|--|---|---|
| Maximise the use of existing policy initiatives | <ul style="list-style-type: none"> - EC Communication on Tourism and Transport in 2020 and beyond - Guidance for resumption of tourism service - Solvency Support Instrument (Pillar 2 of the EC Recovery Plan) - REACT-EU - RE-OPEN platform | <ul style="list-style-type: none"> - Recovery and Resilience Facility (Pillar 1 of the EC Recovery Plan) - Strategic Investment Facility - Upgraded InvestEU, Just Transition Fund, EAFRD, and upgraded Cohesion policy programmes - National, regional, local support programmes | <ul style="list-style-type: none"> - Recovery and Resilience Facility (Pillar 1 of the EC Recovery Plan) - Strategic Investment Facility - Upgraded InvestEU, Just Transition Fund, EAFRD, and upgraded Cohesion policy programmes - National, regional, local support programmes |
| Implications of changing consumer preferences for the tourism R&I agenda | <ul style="list-style-type: none"> - Innovative approaches to safety and healthy tourism - Increasing role for consumer preferences and of behavioural science in sustainable tourism | <ul style="list-style-type: none"> - Novel forms of alternative and sustainable tourism, near-by tourism, and remote tourism - Match tourism better with the UN SGDs | <ul style="list-style-type: none"> - Increase resilience of tourism in facing possible future pandemics |
| Increasing resilience through diversification | <ul style="list-style-type: none"> - Build even more on unique European territorial and cultural diversity | <ul style="list-style-type: none"> - Connect better seemingly disconnected value chains (digital content, industrial tourism,...) | <ul style="list-style-type: none"> - Diversifying places highly dependent on tourism - Strategic role for Sustainable Smart Specialisation Strategies (S4) |
| Implications for R&I governance | <ul style="list-style-type: none"> - Explore how S4 can be implemented using funding synergies - Coordinated communication and training funding options - Connect better communities of actors at EU, national, regional, local level | <ul style="list-style-type: none"> - Build local capacity to understand and optimise the potential funding and financing sources - Optimise synergies between ERDF and EAFRD - Increase citizens' participation in localised solutions for tourism | <ul style="list-style-type: none"> - Efficient multi-level governance for sustainable tourism |

Contacts:

Anabela.MARQUES-SANTOS@ec.europa.eu

Carmen.Madrid-Gonzalez@ec.europa.eu

Karel-Herman.HAEGEMAN@ec.europa.eu

Alessandro.Rainoldi@ec.europa.eu

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