

## **The Impact of Coronavirus on Tourism Employment**

### **1. Introduction**

Tourism is an extremely diverse sector which includes over 240,000 interconnected businesses including tour operators and travel agents, transport operators, accommodation providers, leisure and cultural attractions, activity providers, restaurants, pubs and retail businesses. While the UK has some of the world's largest tourism businesses, around 90% of UK tourism businesses employ less than 25 people.

The large number, diversity and small scale of businesses in the tourism industry makes the calculation of job losses in the sector difficult. In addition, the current Job Retention Scheme means that the full extent of job losses in the sector has not yet been realised. We will only realise the full impact of Coronavirus on tourism employment in October when both the tourism season and the Job Retention Scheme end and businesses will have to make a decision as to whether they can continue trading until the start of the 2021 season next April.

Given this, the best way to estimate the impact of Coronavirus on the UK tourism industry is to use forecasts of the decline in tourism revenue to calculate the number of jobs at risk of redundancy.

### **2. Calculating the Decrease in Tourism Revenue**

VisitBritain undertake forecasts of both inbound and domestic tourism based on ONS's International Passenger Survey and two national domestic tourism surveys (the Great Britain Tourism Survey and the Day Visitor Survey)

#### **a. Inbound Tourism Forecast**

Their latest inbound tourism forecast is from 3<sup>rd</sup> June and the central scenario of this forecast is for a decline of 59% in visitor numbers from 16.8m and a 63% decrease in expenditure to £10.6bn. This would represent a loss vs the pre-COVID forecast of 25.3m visits and £19.7bn spend.

#### **b. Domestic Tourism Forecast**

VisitBritain's latest forecast for domestic tourism was made on 29<sup>th</sup> July and the central scenario of this forecast is for 49% decrease in domestic tourism expenditure to £46.8bn – comprised of £12.1bn decrease in overnight tourism, and a £32.8bn decrease in expenditure from day trips.

VisitBritain is therefore, forecasting that total tourism expenditure in the UK will decrease by £64.6bn compared to 2019.

However, this is likely to significantly underestimate the total loss in revenue as:

- It does not include the expenditure on outbound tourism that stays in the UK – ie., payments by UK residents travelling overseas to UK based travel agents, tour operators, airlines, accommodation providers. Research on the ONS estimated this expenditure amounts to £32bn per annum.
- It does not take include revenue generated by British carriers bringing overseas visitors to the UK which is estimated at £3bn per annum.

If revenue from outbound tourism and aviation are reduced by 63% (as per inbound tourism), this would amount to a further £22bn of lost revenue for the sector and a total loss of £86.6bn

### **3. Calculating the Number of Potential Redundancies**

ONS's latest estimates on tourism employment in the UK were published on 21<sup>st</sup> April 2020. These estimates are that 3.4m people are employed in tourism-related businesses and that 1.4m of these jobs are directly attributable to tourism expenditure. This distinction is to take account of fact that while a restaurant is a tourism-related business, not all customers of restaurants are tourists.

#### **a. The marginal cost of a tourism job**

In 2013, VisitBritain commissioned Deloitte and Oxford Economics to undertake a study to determine the value of tourism to the UK economy. This research found that the marginal cost of a job in the UK tourism industry was £55,000 – ie., one additional FTE position was created for every £55,000 in tourism expenditure.

Adjusted for inflation, this equates to £63,500 today.

Therefore, if tourism revenue decreases by £64.6bn as forecast by VisitBritain, we can reasonably expect around 1m people in the industry are at risk of being made redundant. And if the contribution of outbound tourism and the aviation sector to the UK economy are included in this calculation, then this figure increases to 1.35m people.

How many of these people will actually be made redundant will depend on the financial resilience of tourism businesses and how fast international and domestic tourism flows return to normal.

### **4. Estimating Actual Redundancies**

Research by DCMS published on 10<sup>th</sup> June 2020 showed that reliance of businesses related to the department's responsibilities is low - 5% have already ceased trading, while 72% of operators considered that their business will not be viable within 6 months even with the current Government support mechanisms.

That 72% of businesses will be unviable within six months is of considerable concern as IATA expects that international tourism will take until 2024 to fully recover, the domestic tourism season largely ends in October and will not restart until April 2021, and the CJRS ends in October.

Given those circumstances, an optimist scenario would be that only half of those employees at risk of redundancy are actually made redundant. However, this would still equate to half a million people being made redundant.

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