

COVID-19 AND SOCIAL DIALOGUE IN THE TOURISM INDUSTRY: EU PRACTICES AND UKRAINIAN REALITIES



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The Ukrainian National Platform of the Eastern Partnership Civil Society Forum (<http://eap-csf.org.ua/>) is a network of more than 140 non-governmental organizations in Ukraine that advocates Ukrainian interests within the framework of the Eastern Partnership. The platform is part of the Eastern Partnership Civil Society Forum (EaP CSF).

The Eastern Partnership Civil Society Forum is unique multi-layered regional civil society platform aimed at promoting European integration, facilitating reforms and democratic transformations in the six Eastern Partnership countries - Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Serving as the civil society and people-to-people dimension of the Eastern Partnership, the EaP CSF strives to strengthen civil society in the region, boost pluralism in public discourse and policy making by promoting participatory democracy and fundamental freedoms. The EaP CSF is a non-partisan bona fide non-governmental organisation.

Authors:

Svitlana Vnuchko - Chairperson of the Ukrainian Trade Union of Workers in Tourism, Spa areas and Hotel Industry (UTTU).

Tetyana Tymoshenko – Chairperson of Board of Ukrainian Federation of Employers in Tourism sphere.

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SUMMARY

Tourism is one of the most stable developing sectors and forms the basis of the economy of many developed countries and developing countries. Due to the rapid growth, the world tourism is recognized as an economic phenomenon of the twentieth century. For many years, tourism has consistently proven its resilience and ability not only to "come to life" after economic crises, but also to promote wider economic and social recovery.

The COVID-19 pandemic has hit the tourism industry hardest. Due to the coronavirus pandemic, the flow of tourists in the world has decreased by 65%. In the first eight months of 2020, the number of international arrivals decreased by 70%. This resulted in the loss of \$ 730 billion, and more than 120 million jobs were at risk. Ukraine is no exception. According to official data, the tourism business in Ukraine has already lost at least \$ 1.5 billion. Thousands of workers in Ukraine's tourism sector have lost their jobs.

Every country in the world is trying to support the tourism sector by implementing business assistance and job preservation programs. Past experience has shown that constructive and continuous social dialogue between governments and social partners plays a key role in developing effective measures to respond to social and economic challenges. Acting unilaterally, governments are unable to eliminate the causes and consequences of the crisis or ensure social stability and recovery. Social dialogue is an indispensable tool for thoughtful crisis management and accelerating recovery, as well as the most important tool for managing reforms.

Studying the European experience, Ukrainian realities and developing recommendations for overcoming the negative consequences of the pandemic for the tourism industry of Ukraine using the tools of social dialogue is an important task for the relevant ministry, business and workers.

TOURIST SECTOR IN FIGURES

Tourism is one of the most dynamic phenomena in the world economy, a powerful driver of regional and local development. The multiplier effect of tourism is manifested in the stimulation of the activity not only and not so much of enterprises that satisfy exclusively tourist needs, but also of subjects of many related markets. The growing tourist flow brings significant benefits to the territory - the intensification of entrepreneurship in all sectors of the economy, capitalization of assets, job creation and, as a result, economic and social growth. In 2019, the global tourism industry provided (directly and indirectly) about 330 million jobs, equivalent to 10.3% of total employment. Every 10th worker in the world is employed in the tourism sector.

About one and a half additional jobs are created for each job created directly in the field of tourism. Every 30 tourists who visit the country create directly 1 job and indirectly 2 jobs. Hotels and restaurants alone employ 144 million people worldwide. These include about 44 million self-employed and 7 million employers. Tourism is a particularly important sector for providing jobs for women and young people. Most tourism enterprises are micro, small and medium-sized enterprises (SMEs) with less than 50 employees. Approximately 30% of the total

workforce is employed in companies with 2-9 employees¹.

The countries of the European Union play an important role in international tourism. The undeniable advantage of traveling in the European Union is the Schengen area, which allows you to travel to Eurozone countries with one multi-visa.

The EU tourism industry has always been one of the most successful:

- 2.4 million enterprises, more than 90% of which are in the SME sector,
- 12% of employment in the EU labor market,
- 23 million direct and indirect jobs,
- 37% of tourism workers under the age of 35,
- 267 million Europeans (62% of the population) make at least one holiday trip, and 78% of Europeans spend their holidays in their own country or in another EU country²³.

Tourism provides 10% of the European Union's GDP, from 2.6% in Slovakia to 25% in Croatia. EU Member countries most dependent on tourism (% of GDP):

- Croatia (25%)
- Cyprus (22%)
- Greece (21%),
- Portugal (19%)
- Austria, Estonia, Spain (15%)
- Italy (13%)

¹COVID-19 and the tourism sector. MTO industry reference: https://www.ilo.org/wcmsp5/groups/public/--ed_dialogue/--sector/documents/briefingnote/wcms_749186.pdf

² Tourism and transport: Commission's guidance on how to safely resume travel and reboot Europe's tourism in 2020 and beyond: https://ec.europa.eu/commission/presscorner/detail/en/IP_20_854

³The EU helps reboot Europe's tourism | European Commission: https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/travel-during-coronavirus-pandemic/eu-helps-reboot-europes-tourism_en

- Slovenia, Bulgaria (12%)
- Malta (11%),
- France (10%)
- Germany (9%)⁴.

According to the European Commission, tourism has brought Spain about 145 billion euros annually. And the income of German hotels, travel agencies and other companies in this sector amounted to 240 billion euros a year.

Under normal circumstances, the sector can help provide a variety of employment opportunities for migrants, women, students and older workers not only in large cities but also in remote rural and coastal areas, as well as in other economically volatile areas where alternative opportunities may be limited. For example, the share of employment in tourism is 15.7% of total employment in Iceland, 13.5% in Spain, 10.3% in Ireland, 10.0% in Greece and 9.8% in Portugal⁵.

Ukraine. The share of tourism in the general economy of Ukraine is a topic of active discussion. According to various estimates, it is about 1.4-9% of GDP. International structures (UN World Tourism Organization, UNWTO) set this share at about 9% of Ukraine's GDP⁶.

Ukraine's tourism-related economy depends largely on

domestic tourism, as well as the domestic component of outbound tourism. The inflow from abroad accounts for a small share of total national tourism.

The vast majority of Ukrainians (67%) spend their holidays in Ukraine, and only a third (33%) - abroad.

Odessa, Lviv, Kyiv, Kherson, Zaporizhia, Ivano-Frankivsk and Mykolayiv regions are in the list of leaders in terms of the number of tourists in Ukraine. It is impossible to count exactly how many Ukrainians travel to Ukraine. The reason is that Ukrainians often organize their trips on their own, without contacting travel agencies. In addition, Ukrainians often ignore official hotels during their vacation, preferring to rest either in tents or in private estates.

Ukrainians who spend their holidays abroad usually choose Egypt, Poland, Turkey, Montenegro and Greece. In 2019, a record 1.5 million Ukrainian tourists went to Turkey, and about 1 million people went to Egypt. In general, before the crisis, every year 10 million more tourists went abroad from Ukraine per year compared to the number of foreign tourists who visited our country.

Last year, 13.6 million tourists visited Ukraine. The share of foreign tourists last year was only 13%. For comparison: on average, the share of inbound tourism in the total amount of tourism costs in the EU is 90%⁷.

Last year, the expenses of foreign travelers in Ukraine reached

⁴The EU helps reboot Europe's tourism | European Commission: https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/travel-during-coronavirus-pandemic/eu-helps-reboot-europes-tourism_en

⁵ OECD Policy Responses to Coronavirus (COVID-19): <http://www.oecd.org/coronavirus/policy-responses/developing-countries-and-development-co-operation-what-is-at-stake-50e97915/>

⁶ The COVID-19 pandemic and its consequences in the field of tourism in Ukraine: <http://www.ntoukraine.org/assets/files/EBRD-COVID19-Report-UKR.pdf>

⁷ Travel subsidiary accounts in Europe, 2019 issue - Eurostat.

\$ 1.4 billion. Tourist from Turkey spend the most of the foreign tourists, leaving in our country only for the day of their stay an average of € 115. The Americans took the second place (€ 95), and in third place - the Germans (€ 94). Poles who visited Ukraine last year spent approximately 86 euros a day, while travelers from France spent 64 euros. Belarusians spent the least - 58 euros. For comparison, Ukrainian tourists in their homeland spend only € 30 a day on travel⁸.

The tourism industry of Ukraine consists of almost 100 thousand commercial facilities - hotels, restaurants, travel companies.

All these facilities were stopped almost completely during the quarantine period.

There are 4,664 business entities registered in Ukraine in the tourism sector. 60% of them are natural persons-entrepreneurs. 80% of the tourism industry is small and micro-business. 80% of small businesses are run by women.

In addition to tour operators and travel agents, the tourism sector of Ukraine is served by about 20 thousand hotels and almost 30 thousand restaurants.

Employment in the field of tourism amounts to 1.029 million jobs, which is 6.2% of the employed population of Ukraine. Revenues of Ukrainian travel companies in 2019 amounted to UAH 31.9 billion. Revenues of natural persons-entrepreneurs in the field of tourism in 2019 amounted to UAH 751.5 million.

⁸ In 2019, foreign tourists left \$ 1.4 billion in Ukraine (INFOGRAPHICS):
<https://delo.ua/economyandpoliticsinukraine/v-2019-godu-inostranye-turisty-ostavili-v-ukrai-369001/>

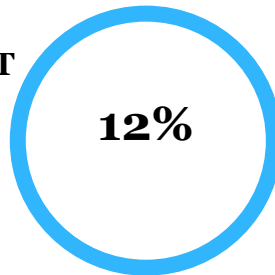
MAIN INDICATORS OF THE EU TOURIST SECTOR, 2019

2.4 millions of COMPANIES



more than **90%** of which are in the **SME sector**

PART IN THE EMPLOYMENT IN THE LABOR MARKET



23 million direct and indirect jobs

37% of tourism workers are **under 35 years old**

Iceland



15.7%

Spain



13.5%

Ireland



10.3%

Greece



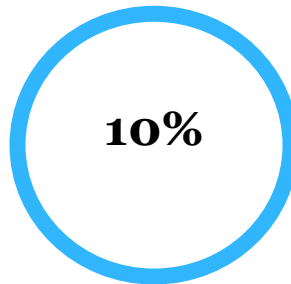
10%

Portugal



9.8%

SHARE IN GDP



- Croatia (25%)
- Cyprus (22%)
- Greece (21%),
- Portugal (19%)
- Austria, Estonia, Spain (15%)
- Italy (13%)
- Slovenia, Bulgaria (12%)
- Malta (11%),
- France (10%)
- Germany (9%)



78% of Europeans spend their holidays in their own country or in another EU country



The share of inbound tourism is 90%

MAIN INDICATORS OF THE UKRAINIAN TOURIST SECTOR, 2019

100 thousand commercial facilities - hotels, restaurants, travel companies

4,664 businesses in the tourism sector

80% of which is SME

SHARE IN THE EMPLOYMENT IN THE LABOR MARKET

6.2%

1.029 millions of jobs

SHARE IN GDP



1.4-9%

13.6 millions of foreign tourists

\$ 1.4 billions of expenses by foreign tourists

13% Share of foreign tourists

Kyiv, Odessa, Lviv –
Main tourist directions in Ukraine

67%

33%

● Spend vacation in Ukraine

● Spend vacation abroad

IMPACT OF QUARANTINE ON THE TOURIST INDUSTRY OF THE EUROPEAN INDUSTRY AND UKRAINE

The coronavirus pandemic has caused an unprecedented crisis in the tourism economy. Due to the sharp decline in economic activity, workers in the tourism sector have faced catastrophic reductions in working hours and job losses.

Anti-epidemic measures taken to combat the spread of the coronavirus have severely restricted the movement of people, even within the countries where they live, not to mention travel abroad. With the start of quarantine measures, travel restrictions related to COVID-19 have been in place in most countries around the world. On June 1, 2020, 156 governments completely closed their borders to international tourism⁹. This caused a drop in revenues in the field of tourism, both inbound and domestic.

Travel companies were among the first to close. Most hotels, restaurants and tourist facilities were closed at the height of the crisis, and festivals and events were canceled or postponed. Travel companies are also among the last to resume operations, and even after resuming operations, they still have to apply strict medical protocols and containment measures, which means that they can only work with limited opportunities.

According to experts, for 8 months of 2020 tourism flow in the EU has decreased by 68%, the

⁹ OECD. Coronavirus (COVID-19): SME Policy Responses: Updated 15July2020

tourism sector is losing about 1 billion euros in revenue per month as a result of COVID-19. The situation is particularly difficult in such popular tourist destinations as France, Spain, Italy, Greece, Portugal, Malta and Cyprus¹⁰.

Indicators for April - May 2020 reflect the level of losses of the EU tourism sector caused by the pandemic: Italy (-96%), Croatia (-86%), Cyprus (-78%) and France (-70%) had the largest decline. Spain (-51%), Romania and Slovenia (-56% each) were also significantly affected by the pandemic¹¹.

In general, in April-May 2020, expenses on tourism in Europe fell by 68.4% compared to the same period last year.

In June 2020, the services sector in the EU decreased by 16.4%, while the tourism services sector fell by 75.0%. The largest decline in activity was observed in travel agencies and tour operators (-83.6%), air travel (-73.8%), temporary accommodation (-66.4%) and restaurants (-38.4%)¹².

Despite the fact that in some EU countries (such as Belgium and France) hotels were allowed to operate during the crisis, many closed due to extremely low occupancy. As of the beginning of April 2020, the occupancy rate of hotels in Europe decreased by 84.6% compared to April 2019. In

¹⁰ COVID-19 is a ticking time bomb for Europe's tourism industry : <https://www.eesc.europa.eu/en/news-media/news/covid-19-ticking-time-bomb-europes-tourism-industry-says-eesc>

¹¹European Tourism. Trends & Prospects Q2/2020: https://etc-corporate.org/uploads/2020/07/ETC-Quarterly-Report-Q2-2020_Final-Public.pdf

¹²Tourism services down by 75% in June compared with February: <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20200904-2?inheritRedirect=true&redirect=%2Feurostat%2Fhome%3F>

July-August, the indicator improved slightly, but nevertheless, there was a decrease by 66.4% and 44.6%, respectively, compared to the same period in the last year¹³.

An important problem is the high level of informal (non-registered) employment in the tourism sector. The reason for this is the seasonal nature of work, which is exacerbated by the weak regime of regulation and law enforcement and the low level of organization of workers. Deficiency of decent work, manifested in excessive working hours, low wages, lack of social protection and gender discrimination, all the above is most pronounced in the informal economy.

About 6 million EU tourism workers have already lost their jobs due to the COVID-19 pandemic. Women, who make up 54% of the tourism workforce, young people and workers in the informal economy are at greatest risk¹⁴. Job losses in the tourism sector in Europe in 2020 could be monumental, ranging from 14.2 to 29.5¹⁵.

Uncertainty still dominates, and the duration of pandemic constraints will be the key to determining losses in the sector.

The opening of restaurants and other catering establishments in the second half of May did little to restore consumer activity (compared to March and April).

¹³ STR: Europe hotel performance for April 2020: <https://www.hotelnewsnow.com/Articles/302843/STR-Europe-hotel-performance-for-April-2020>

¹⁴Tourism: Europe is one of the hardest hit regions by COVID-19: <https://unric.org/en/tourism-europe-is-one-of-the-hardest-hit-regions-by-covid-19/>

¹⁵ World Travel and Tourism Council (WTTC) https://etc-corporate.org/uploads/2020/07/ETC-Quarterly-Report-Q2-2020_Final-Public.pdf

The turnover of travel agencies and our operators in June remained at the same level as in April.

Tourism industry of Ukraine. In Ukraine, it is difficult to calculate the losses of the tourism industry, because we do not have tourism statistics. According to various scenarios, in 2020 Ukraine's revenues from tourism are expected to fall by 58-78% compared to last year. The decline in total flows in the spring and summer showed a significant negative trend: 100% in spring and 80% in summer. In the 2nd quarter of 2020 the decline in the tourism sector in Ukraine is 82%. According to experts, in the current environment, more than 80% of tourism companies will be forced to declare a loss at the end of the year. 9% of these 80% may go bankrupt¹⁶.

Due to quarantine restrictions, outbound tourism in Ukraine decreased by 90%. Inbound tourism decreased to 1%. Immediately after the introduction of quarantine, 35-40% of hotels in Ukraine closed, others operated in a very limited mode. Those who worked (7-8 thousand objects) lost from 60 to 90% of income. During quarantine, only 10-15% of the total amount was working. For September-November, the planned occupancy rate could be up to 40-50%, but due to the threat of the second wave of coronavirus, most bookings are canceled.

Business travel also suffered losses. First, because with the business environment so far

¹⁶ Zoom or a tourist boom: what will happen to domestic tourism after the quarantine: <https://hromadske.ua/ru/posts/zoom-ili-turisticheskij-bum-cto-budet-s-vnutrennim-turizmom-posle-karantina>

everything remains unclear in light of the 2020 economic crisis. Secondly, because all international activities have been paused by many international companies until 2021. Third, society has quickly adapted to new realities and today a significant number of conferences, business meetings are held online.

Many companies had to release almost all employees on leave at their own expense until the end of quarantine, stop advertising campaigns and other expenses.

According to the forecasts of the Association of the Tourism Industry, as a result of quarantine, every fifth tour operator may go bankrupt. More than 250,000 people work in the industry, and thousands have lost their jobs during quarantine. Back in early May, the Ministry of Culture and Information Policy predicted that the losses of Ukraine's tourism industry from the coronavirus would exceed \$ 1.5 billion. There are currently no indicators on the results of the closing of the summer holiday season.

In the field of hospitality, spring-summer traditionally has the most active search for the personnel, which precedes and directly accounts for the holiday season and increasing demand for services in the tourism sector. However, already in March this year the number of vacancies in the industry decreased by more than 50% compared to February and by almost 40% in April compared to March.

With the easing of quarantine in early May, the tourism sector began to recover gradually, which

was immediately reflected in the labor market of the industry. According to the International Personnel Portal grc.ua in the period from June to mid-July 2020 tourism was in the TOP5 professional fields (the number of vacancies in the field of tourism, restaurants increased by 94%) and TOP5 industries (hotels, restaurants, catering, catering + 58%) by the number of vacancies placed¹⁷.

Despite the positive dynamics in the labor market of the tourism industry in the first half of summer, the number of people who had the status of unemployed as of October 1, 2020 only in the sector of temporary accommodation and catering was 13,454 people, which is 2.5 times more (5,087 persons) for the same period last year¹⁸. The number of vacancies is only 1,942. Thus, the number of applicants for 1 vacancy is 7 people.

As of the beginning of August 2020 66% of Ukrainians were not on vacation and did not plan it for this year. Among those who were already on vacation or planned to do so, 43% had / will spend it in their locality, about the same number - in another region of Ukraine. Only 9% of respondents vacationed abroad or planned such a trip¹⁹. Such sentiments of Ukrainians explain the significant reduction in international travel bookings. The number of booked

¹⁷State employment center:
<https://www.dcz.gov.ua/publikaciya/v-ukrayini-ozhyvaye-rynok-praci>

¹⁸State employment center:
<https://www.dcz.gov.ua/analitics/68>

¹⁹Domestic tourism in Ukraine should grow: how the industry has changed and where the "budget" traveler has disappeared:
<https://www.jakda.com.ua/rus/publications/2020/09/23/665405/>

tours, as well as tourists themselves, in July-August 2020 decreased almost twice compared to the same period last year. So the number of travel reservations in July 2020 reached 24,915, which is slightly more than 50% of July 2019 (48,662 bookings), in August only 16,965 bookings - 41% of August last year (41,458 bookings). If within July-August 2019 207,726 people traveled with Join UP! tours, then for the same period in 2020 – only 133,201 people²⁰.

It was assumed that the consequences of the COVID-19 pandemic for the tourism industry of Ukraine should not be as painful as in other European countries, as the volume of the international tourism component of Ukraine in the overall tourism economy is much smaller. The reorientation of tourists to the domestic market was to help restore the country's tourism sector.

This year, as in previous years, Kyiv, Lviv and Odessa regions remained the leaders of domestic tourism. However, despite the forecasts, domestic tourism has not become widespread.

Last year, the capital of Ukraine was visited by more than 2.5 million tourists. **Kyiv** received UAH 63.6 million in tourist tax in 2019. In just two months of quarantine (April-May), tour operators, as well as the hotel and restaurant business in Kyiv, lost about \$ 1 billion. Proceeds from the tourist tax in Kyiv for 9 months of 2020 amounted to only UAH 27.5

million compared to UAH 43 million for 9 months of 2019. Since the beginning of quarantine, 70% of tourism workers have lost their jobs.

In 2019 **Lviv region** was visited by 2.5 million tourists, and the tourist fee in the city amounted to UAH 10 million, and in the region - UAH 21.6 million. At the same time in 2019 tourism has provided the local budgets of Lviv region with over UAH 880 million in taxes and fees.

In 2020 it was expected that the Lviv region will also be visited by about 2.5 million tourists. However, quarantine has changed the plans of potential travelers. This led to losses: in April, the city budget of Lviv received 70 million UAH less, and in May - about 100 million UAH less than the previous year.

At the peak of quarantine, 96 hotels in the city closed, all 79 hostels closed. In general, 20% of Lviv residents were involved in the hotel business before in quarantine, most of whom were forced to go on unpaid leave. In total, 80% of them are 28,000 people. According to preliminary estimates of the Lviv Tourist Center, this year there were 10 times fewer tourists than in the same period last year²¹.

Odessa is the main center of summer recreation in Ukraine. Last year, Odessa region was visited by 3.3 million tourists²². Revenues

²⁰Vacation during quarantine: Join UP!: <https://joinup.ua/news/kanikuli-pid-chas-karantynu-join-up-analizuye-yak-podorozhuvali-ukrayintsi-vlitku-2020/>

²¹Tourism on a break: Lviv: <https://suspilne.media/60658-turizm-na-pauzi-lviv-pidrahovue-zbitki-sezonu-cerez-karantin/>

²² Odessa in quarantine: how COVID-19 affected the tourism business of the Black Sea resort: <https://www.kyiv-dialogue.org/uk/novini/newsreader/odessa-na-karantini-jak-covid-19-vpliv-na-turistichnij-biznes-chornomorskogo-kurortu.html>

from the tourist tax in the Odessa region in 2019 amount to UAH 21.4 million. The leaders in terms of tourist tax among the cities of regional importance are Odessa - UAH 11.6 million. In second place - Belgorod-Dniester with a result of 4.7 million UAH. In recent years, Izmail's routes have also become attractive to visitors. In 2019 tourist tax in the city amounted to 241.1 thousand UAH. This is five times more than in 2018.

Due to the pandemic, the Odessa regional state administration has reduced its expectations from the tourist season. According to the forecasts of the regional state administration, in 2020 the region should be visited by 4-5 million tourists. However, according to the latest estimates, this year, during the COVID-19 pandemic, there were only 1.5 million tourists in Odessa.

Factors limiting the development of domestic Ukrainian tourism:

- Late start of the holiday and recreation season due to the introduction of restrictive measures.

- High rate of Ukrainians traveling by car with their own tents instead of hotel rooms.

- Poorer quality of services in terms of their cost compared to holidays abroad.

- Reduction of savings in the population through quarantine.

- A small number of hotels capable of receiving tourists and providing service at a high quality level.

- Low quality of roads, significant pollution of beaches and natural water reservoirs.

- Uncertainty factor due to coronavirus: transition to different quarantine zones, restriction of transport connections, threat of the second wave of quarantine.

Thus, today we see that domestic tourism in Ukraine has not undergone a significant increase and development. The number of people traveling within Ukraine has not increased. If we take the general figures for Ukraine, about 11 million people traveled previously, about 5 million of them - in the first half of the year, and 6 million - in the second. This year, the tourism sector was stopped almost for the entire first half of the year, and the number of travelers reached about 1 million people, mainly due to winter holidays. The second half of the year is not over yet. But it is already clear that the expected maximum can reach no more than 3-4 million people. Therefore, instead of 11 million we have about 4-5 million tourists in Ukraine.

According to the latest survey, leisure travel is likely to recover faster than business travel. Many travelers want to take advantage of travel vouchers offered for trips canceled due to coronavirus, rather than risk losing money.

On the other hand, many businesses are limiting their corporate budget to travel due to financial difficulties or because the pandemic has helped move to a wider appeal to online conferencing.

The high share of SMEs in tourism is also an important factor in the recovery of the tourism industry. According to the International Labor Organization, the cost of a pandemic "may be proportionately much higher for small businesses due to their often limited resources and difficulties in accessing capital"²³.

The costs of implementing rigorous health and containment measures, as well as the introduction of digital tools, can also be relatively higher for smaller businesses.

²³EU tourism sector during the coronavirus crisis: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/652008/EPRS_BRI\(2020\)652008_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/652008/EPRS_BRI(2020)652008_EN.pdf)

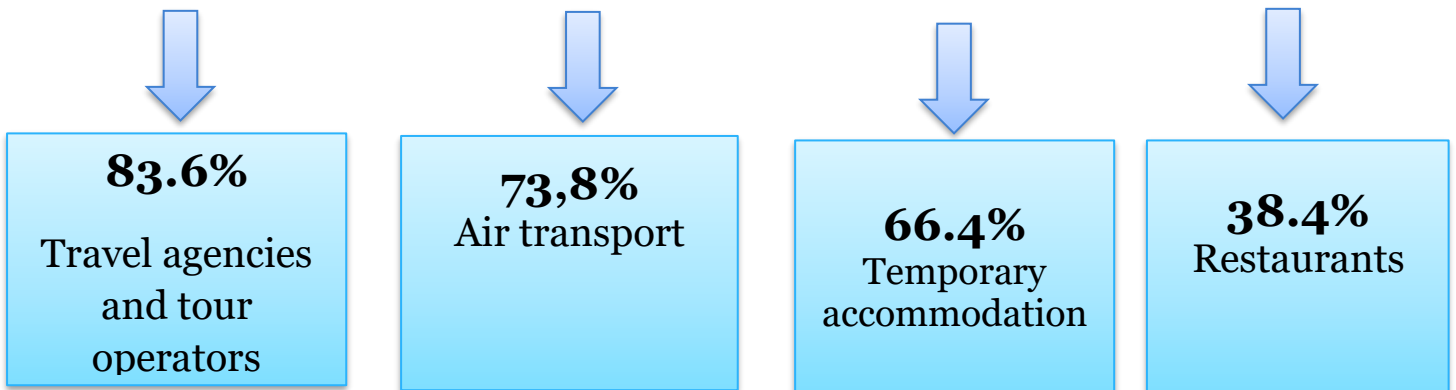
COVID-19 AND TOURISM SECTOR IN EU

Tourism in EU is losing about **1 billion EUR per month**



Tourist flow decreased by **68%**

Income drop, June 2020



Losses of tourist sector, April - May 2020

96%	86%	78%	70%	51%	56%	56%
Italy	Croatia	Cyprus	France	Spain	Romania	Slovenia

Labor market

About **6 million** EU tourism workers **have already lost their jobs** due to the COVID-19 pandemic.



Job losses in the tourism sector in 2020: **from 14.2 to 29.5 million people**

COVID-19 AND TOURISM SECTOR IN UKRAINE

Inbound tourism



10% of indicators of 2019

Outbound tourism

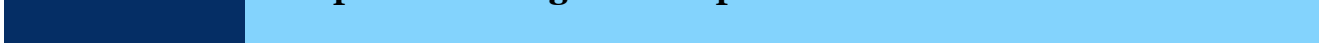
1% of indicators of 2019

Losses in tourism sector in the second quarter 2020

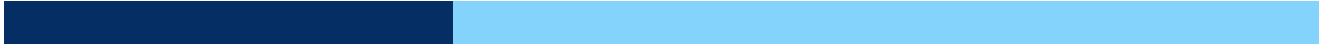
Drop of service in tourism – minus 82%



About 20% of tour operators can go bankrupt



7-8 thousand hotels (35-40%) are closed due to



Factors limiting the development of domestic Ukrainian tourism:

- Late start of the holiday and recreation season due to the introduction of restrictive measures.
- High rate of Ukrainians traveling by car with their own tents instead of hotel rooms.
- Poorer quality of services in terms of their cost compared to holidays abroad.
- Reduction of savings in the population through quarantine.

- A small number of hotels capable of receiving tourists and providing service at a high quality level.
- Low quality of roads, significant pollution of beaches and natural water reservoirs.
- Uncertainty factor due to coronavirus: transition to different quarantine zones, restriction of transport connections, threat of the second wave of quarantine.

TOURISM SUPPORT DURING THE CORONA VIRUS CRISIS: EU VS UKRAINE

The recovery of the tourism industry is important both for the economy of the European Union as a whole and for each separate EU country. Measures implemented within the EU to support the tourism industry can be divided into three main categories:

1. ensuring a fair balance between the protection of tourists and the interests of workers in the tourism industry;
2. providing conditions for business survival with special attention to SMEs;
3. focusing on coordination mechanisms to support and restore the tourism sector.

From the outset of quarantine, the EU has launched a number of measures to support key sectors of the economy aimed at mitigating the socio-economic consequences of the pandemic. Already in April 2020 the European Union will allocate 375 billion euros to restore the region's tourism industry after the coronavirus pandemic. In particular, 255 billion is allocated to governments to help the tourism sector of their countries and almost 120 billion - to entrepreneurs and companies that have suffered losses, to be able to continue working.

EU governments are taking unprecedented steps to respond to the crisis with common stimulus packages for the economy. Economic assistance packages in the field of tourism with creative solutions to support business and employees, restore confidence and

security of travelers are also approved. In addition to wage subsidies, loans and guarantees for employees, they include a moratorium on taxes and extensions of social security contributions.

On the basis of tripartite social dialogue in the countries the creative policy directed on mitigation of consequences of crisis is formed. In the context of large-scale negative impact on the economy, representatives of all affected industries, including tourism, take part in the social dialogue.

In Spain, the social partners have developed two primary packages of economic measures to protect families, employees and self-employed workers and businesses, and have set up special websites with information, recommendations and methodologies related to COVID-19. Meetings are organized weekly between government and social partners to discuss necessary measures.

In Belgium, regional working groups bring together public authorities and the private sector. They are working on recovery plans for the period after COVID-19 and regular surveys.

In Greece, a government coordination committee has been set up, consisting of representatives of all ministries. The Regional Tourism Council provides a valuable communication tool to coordinate the development and promotion of tourism, including crisis management.

Many countries have policies to support tourism enterprises, jobs and income by suspending or subsidizing taxes, fees and social security contributions.

Bulgaria. The country has a program aimed at preserving jobs in the industries most affected by the coronavirus outbreak (retail, tourism, passenger transport, culture, sports, entertainment, etc.).

There is also a temporary wage subsidy program, which provides funding from the state budget of up to 60% of wages (including social security contributions) in companies that will be forced to fire people without such assistance. The program is designed for 12 months and has a budget of 1.5 billion Bulgarian leva (about 770 million euros). Thanks to this program, more than 97,000 workers were able to keep their jobs²⁴.

Estonia has launched a € 75.5 million business support program that provides direct grants to tourism companies to reduce coronavirus losses (€ 25 million).

Lithuania has launched a rental compensation program for companies in the retail, hotels and restaurants, culture and sports industries. The budget of the program is 101.5 million euros. The funds are allocated in the form of direct grants and are available to companies with an annual turnover not exceeding 50 million euros.

As part of measures to revitalize the tourism sector, the transformation of the tourism sector will be carried out by

promoting innovation and digital technologies through the development of tourism services and products. To this end, the e-business model tool will be used to finance new business models created through the implementation of e-business solutions, as well as the tool "Retraining of employees" and the tool "Innovative inspections", which will finance the purchase of publishing, translation, photography, filming, design, communication, etc.

Croatia has taken a number of measures to support the tourism business, including: deferral of fees, tourist taxes and increased liquidity. In addition to specific tourism-related measures, general economic programs support the sector, including tourism in the scope of the Export Guarantee Fund, in order to provide bank guarantees for loans for additional liquidity.

In France, the government has changed the conditions for canceling travel reservations to allow the replacement of a refund by credit or voucher for an equivalent amount for a future service. The goal is to avoid an immediate outflow of funds and help companies go through a very difficult stage, as customers have the right to demand a refund after 18 months if the voucher is not used.

In Greece, an open hotline has been set up to allow tour operators, businesses and market participants to contact the Ministry of Tourism to resolve issues, and key information is also

²⁴European Economic and Social Committee
<https://www.eesc.europa.eu/en/news-media/presentations/more-97-000-jobs-were-saved-managing-temporary-wage-subsidy-scheme>

disseminated on the ministry's website.

Italy. The government has allowed tourism and hospitality businesses to defer March payments on social security and compulsory insurance, as well as VAT. Seasonal workers in the tourism sector, who were forced to resign, received compensation in the amount of 600 euros in March.

Some countries, such as **Hungary** or **Croatia**, have rapidly launched programs to introduce "tourist cards" or certificates, which will allow employees to receive partial compensation from the company for recreation in the domestic tourism market, which allowed to keep tourism contributions to the economy as high as possible.

The Polish government has allocated 5.65 billion euros to support micro-enterprises in the tourism industry in the form of interest-free loans and provided the same amount for grants to large enterprises in the form of loans or bonds, the purchase of shares or securities. Owners of travel agencies have the opportunity to discuss the terms of the loan, regardless of the size of the business. Payment of most taxes has been postponed, tax reporting forms and procedures have been simplified, and the tax deduction procedure has been expedited.

Similar measures were taken in **Slovakia**. The state has provided guarantees of up to 500 million euros a month to help businesses get a loan, as well as financial assistance to save jobs in the industry. Travel companies have

received permission to write off losses this year. The government subsidizes 80% of the salaries of employees of companies involved in emergency response. Compensation is provided for employees of tourism companies that have suffered the most from the pandemic. The minimum payment is 1,100 euros per month.

According to European experts, it will take 2 to 4 years to restore the EU tourism industry. The tourism industry is heavily dependent on the measures needed to contain the pandemic, and it is unlikely that it will return to normal in the near future. Therefore, accompanying the EU tourism industry to a sustainable reset and a more innovative and data-driven future remains a long-term goal of the EU.

Ukrainian tourism has not received a rapid systemic response from the government in the form of possible measures to support the tourism industry, compared to the average response and the types of measures implemented by the governments of neighboring countries and EU member states. This further complicates the situation of small and medium-sized businesses operating in the hospitality, tourism and leisure sectors²⁵.

This year, 240 million hryvnias have been set aside in the country's budget for tourism development. These funds were provided, in particular, for the implementation

²⁵The COVID-19 pandemic and its consequences in the field of tourism in Ukraine: <http://www.ntoukraine.org/assets/files/EBRD-COVID19-Report-UKR.pdf>

of measures to promote the tourism potential of Ukraine abroad and within the country and pilot projects for the development of tourism infrastructure and capacity of individual regions. Due to quarantine, the budget was revised and funding was taken away completely.

Tourism has historically been considered a relatively small sector in the Ukrainian economy, and therefore has not received any concrete and tangible measures to minimize the effects of the COVID-19 pandemic.

It was only on June 16 that the Verkhovna Rada passed **a law on state support for culture, creative industries and tourism in connection with the restrictive measures related to the spread of Covid-19.**

The main novelties of the law that regulate the tourism industry in the new conditions:

- exemption from value added tax; income tax and SSC (single social contribution); land tax and non-residential real estate tax;

- tourist tax will not be charged until December 31, 2020;

- introduced tax benefits for the payment of rent and land of communal and state property;

- 10 percent VAT rate for travel services.

In July, **the Cabinet of Ministers allocated UAH 1 billion from the ANTI COVID-19 Supporting Culture and Tourism Fund.**

Unfortunately, tourism is actually outside the scope of this program, because:

- UAH 590 million will be allocated for grants for institutional support, scholarships for self-employed artists, support for projects in the fields of culture and arts, creative industries and domestic tourism.

- UAH 150 million for grants through the Ukrainian Book Institute.

- 100 million hryvnias - for the selection of projects for the production of patriotic series,

- 50 million hryvnias - to support the cinema.

Country	Tourism Support During The Corona Virus Crisis
Spain	The social partners have developed two primary packages of economic measures to protect families, employees and self-employed workers and businesses, and have set up special websites with information, recommendations and methodologies related to COVID-19. Meetings are organized weekly between government and social partners to discuss necessary measures.
Belgium	Regional working groups bring together public authorities and the private sector. They are working on recovery plans for the period after COVID-19 and regular surveys.
Greece	Government coordination committee has been set up, consisting of representatives of all ministries. The Regional Tourism Council provides a valuable communication tool to coordinate the development and promotion of tourism, including crisis management. An open hotline has been set up to allow tour operators, businesses and market participants to contact the Ministry of Tourism to resolve issues, and key information is also disseminated on the ministry's website.
Bulgaria	The country has a program aimed at preserving jobs in the industries most affected by the coronavirus outbreak. There is also a temporary wage subsidy program, which provides funding from the state budget of up to 60% of wages (including social security contributions) in companies that will be forced to fire people without such assistance. The program is designed for 12 months and has a budget of 1.5 billion Bulgarian leva (about 770 million euros). Thanks to this program, more than 97,000 workers were able to keep their jobs.
Estonia	The country has launched a € 75.5 million business support program that provides direct grants to tourism companies to reduce coronavirus losses (€ 25 million).
Lithuania	The country has launched a rental compensation program for companies in the retail, hotels and restaurants, culture and sports industries. The budget of the program is 101.5 million euros. The funds are allocated in the form of direct grants and are available to companies with an annual turnover not exceeding 50 million euros. As part of measures to revitalize the tourism sector, the transformation of the tourism sector will be carried out by promoting innovation and digital technologies through the development of tourism services and products. To this end, the e-business model tool will be used to finance new business models created through the implementation of e-business solutions, as well as the tool "Retraining of employees" and the tool "Innovative inspections", which will finance the purchase of publishing, translation, photography, filming, design, communication, etc.

Croatia	The country has taken a number of measures to support the tourism business, including deferral of fees, tourist taxes and increased liquidity. In addition to specific tourism-related measures, general economic programs support the sector, including tourism in the scope of the Export Guarantee Fund, in order to provide bank guarantees for loans for additional liquidity.
France	The government has changed the conditions for canceling travel reservations to allow the replacement of a refund by credit or voucher for an equivalent amount for a future service. The goal is to avoid an immediate outflow of funds and help companies go through a very difficult stage, as customers have the right to demand a refund after 18 months if the voucher is not used.
Poland	The Polish government has allocated 5.65 billion euros to support micro-enterprises in the tourism industry in the form of interest-free loans and provided the same amount for grants to large enterprises in the form of loans or bonds, the purchase of shares or securities. Owners of travel agencies have the opportunity to discuss the terms of the loan, regardless of the size of the business. Payment of most taxes has been postponed, tax reporting forms and procedures have been simplified, and the tax deduction procedure has been expedited.
Slovakia	The state has provided guarantees of up to 500 million euros a month to help businesses get a loan, as well as financial assistance to save jobs in the industry. Travel companies have received permission to write off losses this year. The government subsidizes 80% of the salaries of employees of companies involved in emergency response. Compensation is provided for employees of tourism companies that have suffered the most from the pandemic. The minimum payment is 1,100 euros per month.
Ukraine	<p>This year, 240 million hryvnias have been set aside in the country's budget for tourism development. Due to quarantine, the budget was revised and funding was taken away completely.</p> <p>The law on state support for culture, creative industries and tourism in connection with the restrictive measures related to the spread of Covid-19.</p> <p>The main novelties of the law that regulate the tourism industry in the new conditions:</p> <ul style="list-style-type: none"> • exemption from value added tax; income tax and SSC (single social contribution); land tax and non-residential real estate tax; • tourist tax will not be charged until December 31, 2020; • introduced tax benefits for the payment of rent and land of communal and state property; • 10 percent VAT rate for travel services. <p>The Cabinet of Ministers allocated UAH 1 billion from the ANTI COVID-19 Supporting Culture and Tourism Fund.</p>

CONCLUSIONS

The COVID-19 pandemic has caused an unprecedented crisis in the tourism sector. The EU tourism industry is losing around € 1 billion in revenue per month as a result of quarantine measures. About 6 million workers in the industry have already lost their jobs due to the coronavirus. Job losses in the sector in 2020 can be monumental, ranging from 14.2 to 29.5 million people.

The available national tourist resources make it possible to consider Ukraine as an important tourist destination in Europe. The tourism industry of Ukraine consists of almost 100 thousand commercial facilities - hotels, restaurants, travel companies. Ukraine's tourism sector provides more than 1 million jobs.

It is still very difficult to predict the results of quarantine restrictions for the tourism sector of Ukraine in 2020. However, most experts predict that this year tourism will be in complete decline and will reach only one third of the 2019 level. The decline in overall tourist flows in the spring and summer has shown a significant negative trend. In the current conditions, according to preliminary estimates, more than 80% of tourism enterprises will be forced to declare a loss at the end of the year. 9% of these 80% may go bankrupt.

Due to the sharp decline in economic activity, workers in the tourism sector have faced catastrophic reductions in working hours and job losses.

Ukraine does not have quality tourism statistics, and tourism is not considered an important sector of the economy, unlike many other countries. The private sector in tourism is not officially included in the management of the industry at the state level. Tourism is usually not perceived as an economically important sector and is ignored by the authorities.

Systemic and regulatory changes are a necessary step for the further development of the sector, as the system of tourism statistics does not ensure proper planning and decision-making; the tourism tax needs to be systematically aligned with international best practices.

Short-term, medium-term and long-term measures should be developed on the basis of tripartite consultations (government, trade unions and employers' organizations) using the COVID-19 pandemic response mechanism, which addresses three interrelated challenges:

- stimulating the economy and employment;
- support for businesses, jobs and income;
- reliance on social dialogue as a source of solutions.

RECOMMENDATIONS

COVID-19 has demonstrated the critical importance of the sector's need to adapt quickly to change. Key developments for tourism development after COVID-19 are digitization, support for tourism actors and SMEs at all stages of the crisis, job retention, concern for the protection of travelers, and necessary data and research to identify trends that may help restore tourism.

In order to start the industry after the season, which, according to available data, has been lost, it is necessary, first of all, to start implementing programs to support business, save jobs in the tourism sector and restore people's confidence in travel safety.

Ukraine should review the priorities set out in the Corona Crisis Response Plan and include measures aimed at supporting and preserving the tourism industry, as well as re-planning and accelerating all domestic activities (reorganization, legal framework, statistics). **Clear and accessible tourism statistics should be the basis for strategic decisions** by both entrepreneurs and authorities.

The development and implementation of support programs should be based on the principles of solidarity, competitiveness, sustainability, employment protection, income protection and the participation of the social partners.

The future of tourism depends on building partnerships at all levels. Reaction and active

coordination between different players in this battle are critical. The social partners should be involved in developing and strengthening support measures to compensate for the lack of economic activity in the sector, to protect workers and businesses.

The following should be considered as important measures of the anti-crisis plan:

- consult with participants in the market of tourist services in order to prepare anti-crisis measures and strategies for the development of the tourism industry (taking into account the consequences of the corona crisis);

- in the regions attractive for domestic tourism, to prepare regional strategies to stimulate the development of tourism and recreation in post-quarantine conditions;

- to ensure the rapid spreading of information on possible travel restrictions and their cancellation in terms of both regions of Ukraine and major countries of outbound tourism, depending on the degree of epidemic threat;

- provide a mechanism for reimbursement of tourists for unused vouchers;

- establish a mechanism for monitoring the implementation of support measures for SMEs and employees, including liquidity, loans providing and transparency of support measures;

- to introduce a transparent mechanism for the use of funds received from local budgets from the tourist tax exclusively for the

development of domestic tourism, related infrastructure and improvement of the environment;

- to develop and implement programs aimed at the development of innovations and digitalization of tourism;

- promote competitiveness and flexibility by investing in education and skills development of the sector;

- ensure the strengthening of coordination and partnerships with sector participants in order to transform tourism.

When developing an anti-crisis plan to overcome the effects of COVID-19 on the tourism sector in Ukraine, it is necessary **to take into account the recommendations of the Global Crisis Committee on Tourism**, which are divided into three main areas:

1. *Crisis management and mitigation*: job retention; support for self-employed workers; providing liquidity; promoting skills development and the revision of taxes, fees and regulations relating to travel and tourism.

2. *Provide incentives and accelerate recovery*, in particular the provision of financial incentives, including favorable tax policies; lifting travel restrictions as soon as the situation allows; assistance in simplifying visas; increase consumer confidence.

3. *Preparation for the future*: pay more attention to the role of the tourism sector in the country's economy and the achievement of sustainable development goals; develop plans for preparedness for the challenges of the future and use this opportunity to move to a circular economy.

LIST OF ABBREVIATIONS

GDP	Gross Domestic Product
State Labour Service	State Labour Service of Ukraine
EU	European Union
SSC	single social contribution
SMEs	Small and medium-sized enterprises
UNWTO	United Nations World Tourism Organization