

The Economic and Fiscal Effects of Reimagining Tourism

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About Us



We are the nation's leader in dynamic local, state and national policy modeling.

From the start, REMI has sought to improve public policy through economic modeling software that informs policies impacting our day-to-day lives.

We were founded in 1980 on a transformative idea: government decision-makers should test the economic effects of their policies before they're implemented.

At REMI, we're inspired by a single goal: *improving public policies.*



About Us



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Our models are built for any state, county, or combination of counties in the United States.

Our Representative Clients

Our model users and consulting clients use REMI software solutions to perform rigorous economic analysis that critically influences policy.



NORTH CAROLINA
Department of Commerce



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How are Tourism-reliant Regional Economies Approaching COVID Economic Recovery?

Finding New Sources of Revenue and Adjusting to the Changing Labor Market

Examples:

- Hawaii
 - Widely implemented COVID preventive measures (reduced social activity, lowest state case counts gross and per-capita)
 - 95%+ drop in international tourism from Asia
 - Remains a destination tourism location primarily accessible via plane
- South Carolina
 - Less restrictive COVID measures (more resembling a return to pre-COVID period)
 - Shift towards automotive tourism from destination tourism

Factors in Determining Regional COVID Responses

Tourism Challenges



Mobility

- Reduced income
- Preference for individual travel and accommodations
- Fear/restrictions of plane travel, especially internationally



Governmental Policies

- Mandates (masks, social distancing, etc)
- Restrictions on public spaces
- Forced closure of businesses, bars, etc
- Federal Funds (ARP)



Labor Market

- Employment shocks
- Unemployment spike in services sector
- Unemployment benefits
- Large shifts in labor supply/demand due to automation/computerization



Local Regional Industry Mix

- Regional variety of available industries (tourism as a % of state's total economy)
- Cascading effects of tourism upon other industries

- **Reduced Income**
 - Many people felt new/worsening financial pressures during the pandemic
 - Didn't have spare cash around for trips, tourism
 - SEI impacts (see Pew Research Center graphic)
- **Preference for individual travel and accommodations**
 - During the height of the pandemic, people made more choices about their preferred modes of transportation based on covid infection risk (see McKinsey graphic)
 - Avoiding covid became more important than convenience and price
 - Preference for auto tourism and lodging away from crowds increased
- **Fear/restrictions of plane travel, especially internationally**
 - Early restrictions and uncertainty caused disruptions in air travel
 - U.S. citizens unable to travel back to the country from international trips
 - Uncertainty around risks of air travel
 - Quarantine and testing requirements post-travel

Financial pain points during coronavirus outbreak differ widely by race, ethnicity and income

% saying they have ____ since the coronavirus outbreak started in February

	Used money from savings/retirement to pay bills	Had trouble paying bills	Gotten food from a food bank/organization	Had problems paying rent/mortgage
All adults	33	25	17	16
White	29	18	11	11
Black	40	43	33	28
Hispanic	43	37	30	26
Asian*	33	23	14	15
Upper income	16	5	1	3
Middle income	33	19	12	11
Lower income	44	46	35	32

*Asian adults were interviewed in English only.

Note: White, Black and Asian adults include those who report being only one race and are not Hispanic. Hispanics are of any race. Family income tiers are based on adjusted 2019 earnings.

Source: Survey of U.S. adults conducted Aug. 3-16, 2020.

"Economic Fallout From COVID-19 Continues To Hit Lower-Income Americans the Hardest"

PEW RESEARCH CENTER

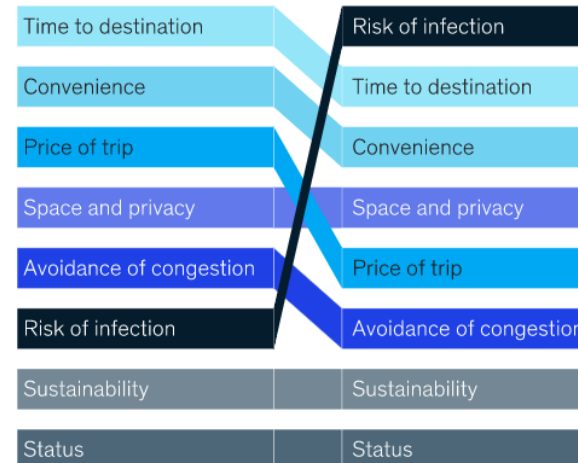
Reducing the risk of infection has become the primary reason for the choice of a mode of transportation.

Key reasons to choose a mode of transportation,¹ rank

Business and commuting trips

Pre-COVID-19

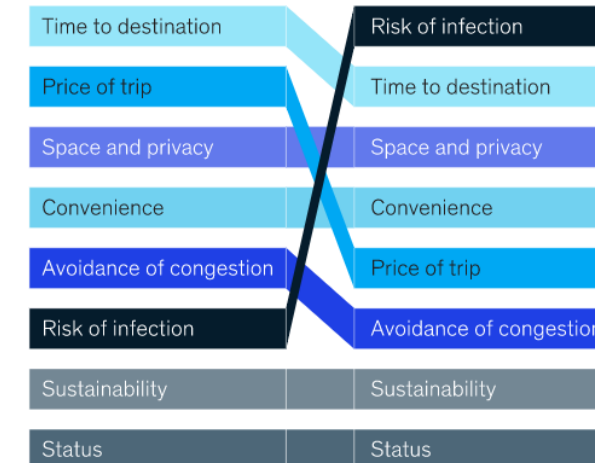
Today



Private trips

Pre-COVID-19

Today



¹Question: What were/are your key reasons to choose a mode of transportation? Aggregated results from China, France, Germany, Italy, Japan, UK, and US. Reasons ranked by number of respondents. Source: McKinsey Center for Future Mobility

- Mandates, restrictions and closures are deterrents to tourism to the degree they are enforced
- Mandates
 - Social distancing and other COVID safety precautions (masks, temperature checks, vaccinations for some workers)
 - Work from home mandates for some
- Restrictions
 - Occupancy caps on businesses, concerts
 - Travel restrictions
- Closures
 - Closures of restaurants, bars, theatres, etc
 - Waterfall effect on supply chain of goods and employment
- Federal Funds
 - American Rescue Plan: How will ARP be spent and what are its effects on tourist regions?

- **Employment Shocks**
 - Downward shift in labor demand (lower demand for working in-person, e.g. tourist service jobs), and a downward shift in labor supply (worker relocation to places with lower cost of living, union struggles)
 - Employment is determined by the interaction of Employment Demand and Labor Supply
 - How has this changed?
- **Unemployment Spike in Services Sector**
 - Directly affects tourism because tourism is primarily a service-based industry
 - Disproportionate SEI significance in services sector
- **Unemployment Benefits**
 - Have unemployment benefits put a downward pressure on employment rates?
 - Do unemployment benefits behave as a wage supplement/substitute?
- **Large shifts in labor supply/demand due to automation/computerization**
 - Contact-less services (computerized check-ins, delivery over dine-in, etc)

Weekly initial unemployment claims in 2020

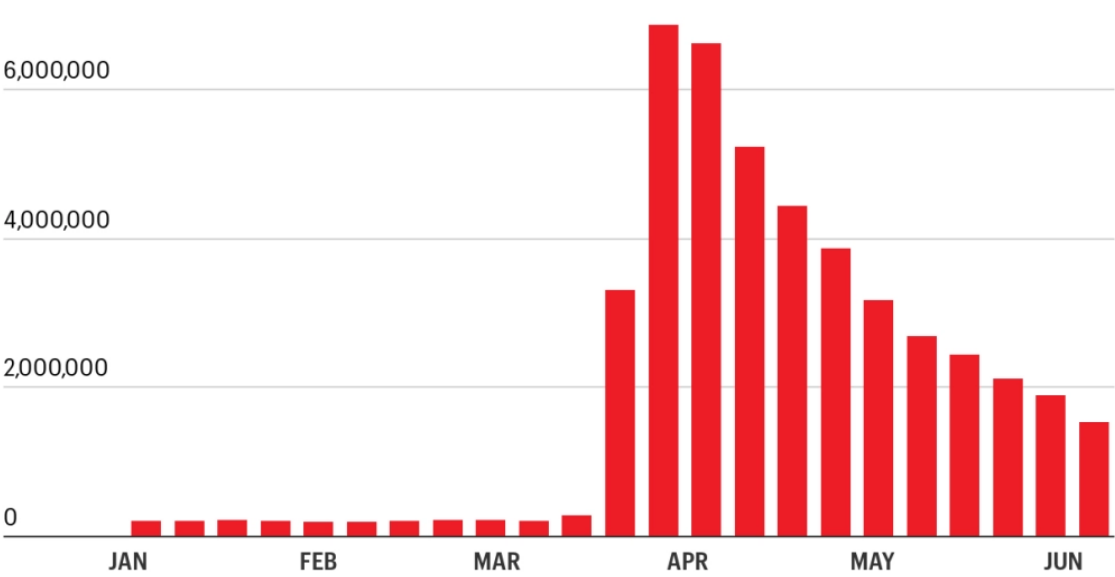
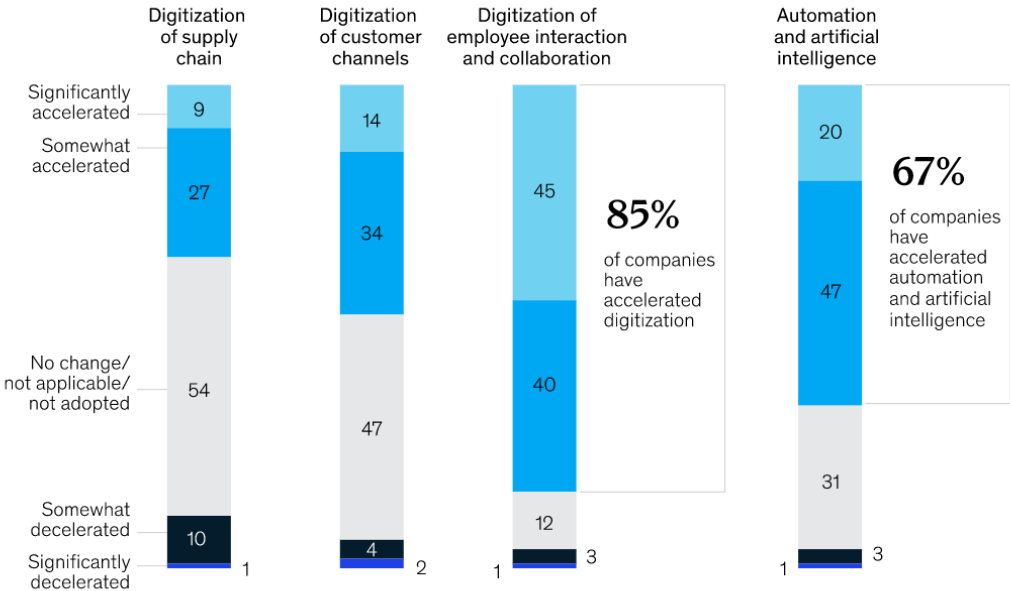


CHART: LANCE LAMBERT • SOURCE: U.S. DEPARTMENT OF LABOR

FORTUNE

Since the start of the COVID-19 outbreak, how has your company's or business area's adoption of the following technology trends changed? % of respondents (n = 800)



Note: Figures may not sum to 100%, because of rounding.
Source: McKinsey Global Business Executives Survey, July 2020

- Regional variety of available industries (tourism as a % of state's total economy)
 - Core industries based on movement of people, like tourism and hospitality, faced higher unemployment because of covid than core industries based on movement of information (source: Brookings)
 - Overall regional industry concentrations more resilient during covid experienced lower unemployment than concentrations in regions dependent on mobility
- Cascading effects of tourism upon other industries
 - Spillover effects resulting from economic shocks to region's core industry
 - Portion of employment in covid hard-hit industries affected other industries in the region
 - I.e., with tourism sector hit in localities where that sector is the core industry, information-related and other professional industries in those localities also suffered relatively more than localities where covid-resilient sector was the core industry

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Hawaii

- Tourism sector comprises 21% of HI economy
- Tourism down by 11.6% in July 2021 from 2019
- Tourists' spending down by 6.8% in July 2021 from 2019
- First seven months of 2021, tourism down 41.1%
- First seven months of 2021, tourists' spending as down 37.5% from 2019
- Domestic market recovering; international market still facing restrictions and tourists from Japan are down 97.9% from 2019

South Carolina

- Tourism sector comprises 10-15% of SC economy
- Golf courses grew revenues more dramatically than pre-covid
- State parks generated 13.5% more revenues than in 2019
- SC hotels filled more rooms than national average during covid, although also hit hard early in the pandemic in 2020
- Tourism down by 15% from 2019 in spring 2021
- SCPRT estimates domestic tourists' spending down 31% and international spending down 80% in 2020

Case Study: Hawaii's Tourism Challenges



Unemployment & Labor Shortages

- Hotels have ~30% fewer available jobs than pre-pandemic
- Unemployment, under employment, and workers leaving the labor force all hurt labor supply
- Suggestion that increased unemployment payments discouraged people from finding new work (although after increased benefit ended there was not an immediate jump in employment)
- Retirements and workers leaving island due to high cost of living also contribute

International Tourism

- Outsize impacts of limited international travel, especially from Asia
- Businesses that specifically cater to international tourists unable to recover while pandemic restrictions on international travel persist

Automation & Labor

- Automation of check-in and check-out processes, food service, etc threatens to eradicate jobs that existed pre-pandemic
- Hotel housekeeping jobs dropped in pandemic due to limits on times maids could enter hotel rooms for cleaning
- Labor disputes: union for housekeepers fighting hotels that restrict need for housekeeping staff, require that guests request cleaning

Case Study: South Carolina's Tourism Challenges



Unemployment & Labor Shortages

- Leisure and hospitality industry in the state still ~36,000 jobs behind pre-pandemic levels
- Difficulty finding hotel housekeeping staff to fill open jobs
- Child care hindrances to workers while schools and daycare centers were closed
- Conservative state politically—governor cut off additional covid unemployment payments to see if it would encourage workers to rejoin labor force (did not see meaningful gains in employment as a result & NC kept unemployment benefit and saw better outcomes)

Automotive Tourism

- SC saw increases in tourism from residents within the state and in neighboring states
- State parks saw record visitation numbers as trips to parks were conducive to social distancing and individual accommodations
 - Hotels suffered as individual accommodations gained popularity
- Shift from destination tourism to auto tourism, reduced air travel

Automation & Labor

- Automation most likely to affect workers with lower levels of educational attainment—68% of SC workers have a high school diploma or less
- Covid estimated to have accelerated automation expectations by 5 years
- Not a state with strong, active unions

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Similarities and differences in HI and SC tourism challenges. How can tourism-reliant regions like these two examples respond and recover from pandemic shocks to the sector?

- Potential for eco-tourism and sustainable travel practices, tourism focused on social issues
- Lasting shift to automotive tourism over airplane trips (implications for state like Hawaii)
- Streamlining digital access to data relating to tourism and safety while traveling, increasing transparency
- Building tourism hubs that connect public and private sectors in a region
- Creative government policy approaches to ensure growth and broad-based prosperity

The pandemic may reshape approaches to tourism in long-lasting ways.

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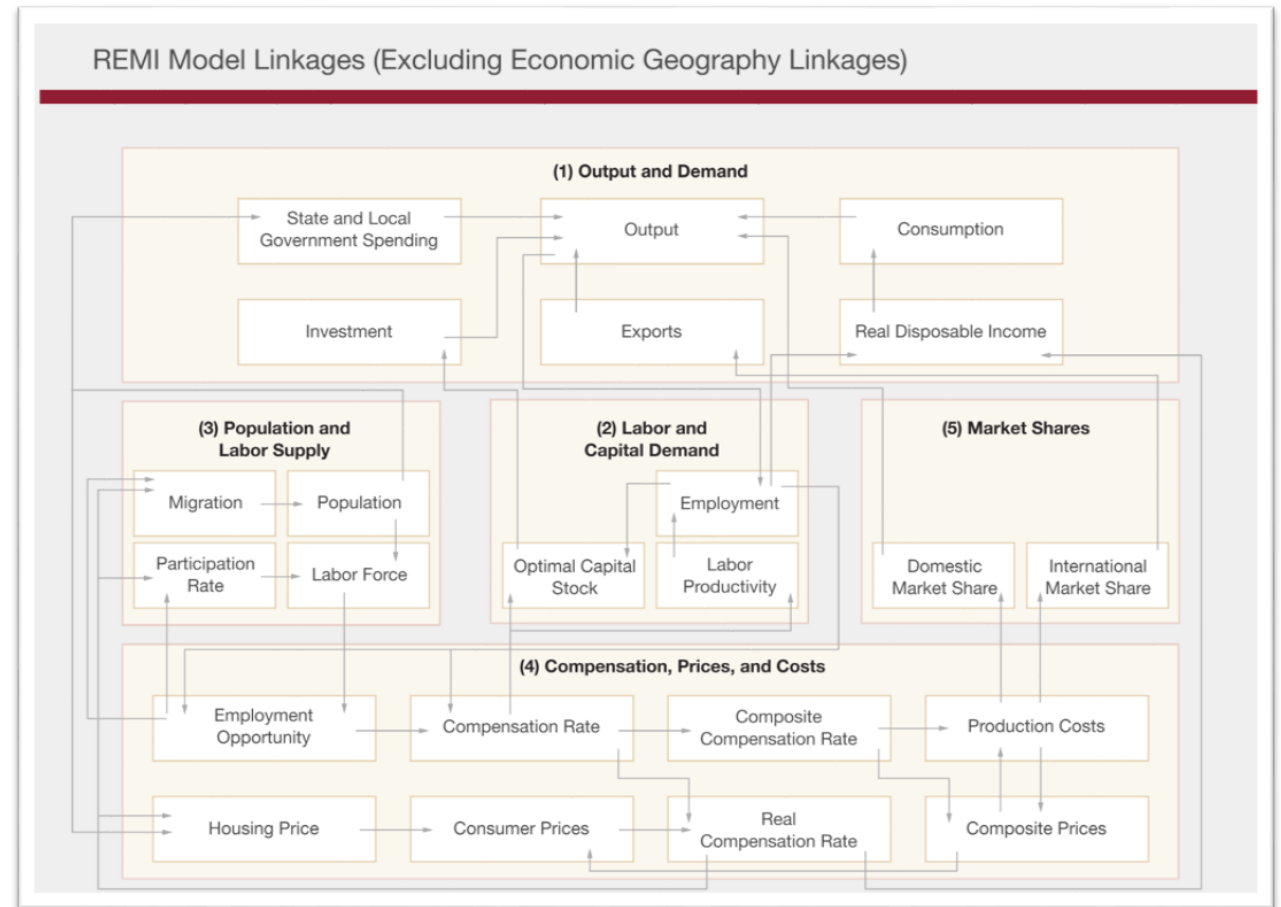
Q&A

Model Simulation: REMI PI⁺



PI⁺ is the premier software solution for conducting dynamic macroeconomic impact analysis of public policy.

As our flagship model, PI⁺ specializes in generating realistic year-by-year estimates of the total local, state, and national effects of any specific policy initiative.



Model Simulation: Variables and Levers



Hawaii Model

- Hawaii 4-region, 70 sector PI+ model with SEI
 - Tourism spending variable
 - Baseline assumption of ~\$18 billion in tourism spending in normal years (based on 2019 numbers)

South Carolina Model

- South Carolina 46-region, 70 sector PI+ model with SEI

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Conclusions: Reimagining Tourism Post-Covid



Mobility

- The post-pandemic era of tourism may focus more on individual/smaller group travel, automotive travel
- Business conference travel may remain reduced as events shift permanently to online platforms
- Emphasis on health & safety risks when choosing modes of transportation may remain a priority factor

Government Policies

- Government funds will need to assist tourism-reliant regions for months ahead as they continue recovery and experience new challenges from covid variants
- Updated restrictions responding to evolving variant challenges may introduce new difficulties
- SEI implications necessitate careful planning & specific policy responses

Labor Market

- Unemployment and labor shortages persist after the height of covid, particularly in tourism-driven regional economies
- Automation accelerated during the pandemic, so structural shifts in labor supply and demand may be here to stay
- SEI implications exacerbated by pandemic need to be addressed in regional workforce development goals

Regional Industry Mix

- Core industries affect industry clusters in important ways, i.e. tourism-based regional economies see less resilience in other industries like info, tech, and professional services when core tourism industries are hit hardest
- Global crises require local approaches, regional perspective on economic challenges and industry responses to economic shocks

Thank you for attending!

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