Holidays for all: Staycation vouchers during COVID-19

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1. Tourism staycation vouchers

Governments around the globe have taken steps to mitigate the impact of the COVID-19 pandemic, and with almost no exception introduced liquidity and loan guarantee schemes and wage compensation to keep businesses afloat, at least in the short term. Individual countries, such as Italy and Slovenia, introduced tourism vouchers as a demand-driven government intervention (UNWTO, 2020).

The introduction of these types of instruments was justified by the decline in demand, job losses, the closure of non-essential industries and the potentially increased likelihood of bankruptcy in the tourism sector (OECD, 2020a). One of the first papers discussing the impact of lockdown on aggregate spending was by Andersen, Hansen, Johannesen, and Sheridan (2020). They found that aggregate bank card spending in Denmark fell by about 25% in March 2020. Spending fell dramatically (by almost 70%) in areas where restrictions were imposed. Nevertheless, the lockdown is believed to have had a different impact on sub-sectors of the tourism industry (Sharma & Nicolau, 2020), Guerrieri, Lorenzoni, Straub, and Werning (2020) further report that the lockdown had a negative spill-over not only on closed sectors, but also on certain open sectors. As Andersen et al. (2020, p. 89) noted, “the epidemic could mark the beginning of a demand-driven economic meltdown”. This meltdown would vary from industry to industry and be most visible in industries that require face-to-face contact, such as tourism. Therefore, restoring consumer confidence is one of the biggest concerns for tourism businesses during and after the pandemic.

One of the ways to increase consumer confidence is to stimulate demand with consumption vouchers (Hsieh, Shimizutani, & Hori, 2010). For example, in 2009 tourism vouchers were distributed in the midst of the financial and economic crisis in China (Yan and Zhang, 2012). With the COVID-19 crisis, several countries began to discuss tourism voucher programs as part of spending incentives during and/or after the pandemic. Table 1 shows a summary of tourism voucher programs, but this is not a definitive list because some examples may be missing as the issue is still ongoing. The idea behind this instrument is to provide some sort of financial incentive in the form of vouchers to spend holidays domestically. As tourism will focus on domestic and regional markets, this instrument has been considered as an intervention tool in several countries and even regions or cities.

2. Staycation vouchers in Slovenia

The tourism voucher scheme in Slovenia was introduced on 29 May 2020 (Official Gazette of the Republic of Slovenia, 2020). A person with permanent residence who was older than 18 years on 13 March 2020 received a voucher worth €200, and persons younger than 18 years received a voucher worth €50. Originally, each person could use the voucher from 19 June to 31 December 2020 for accommodation or bed and breakfast, but due to the second wave of the epidemic, the use of the vouchers was extended until the end of 2021 (FARS, 2020). In total, the voucher scheme accounts for €350 million, which is equivalent to 0.72% of Slovenia’s GDP in 2019.

The main question before the introduction of this instrument was the direct and indirect impact of the epidemic on the tourism industry and the economy. To estimate it, we used national input-output tables. As there was no evidence of additional consumption, the estimate was based on consultations with tourism industry stakeholders. Vouchers were assumed to generate additional consumption of 50% of the voucher value on average (additional consumption of €100 for each voucher worth €200 and additional consumption of €25 for a voucher

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worth €50). To estimate the multiplicative effect of the voucher scheme, production and employment multipliers were calculated. However, the calculated multipliers are based on data from before COVID-19, when the guest structure was quite different and mainly driven by foreign demand, business travel and short city breaks. In contrast, tourism demand in 2020 was mainly driven by domestic and regional travel, as well as longer sea and mountain vacations. This is an important limitation of the estimates.

We first calculated the total potential of staycation vouchers at a redemption rate of 100%. The calculation in the first column of Table 2 therefore represents the theoretical upper bound of the vouchers’ effect on the economy. Second, we calculated the impact of vouchers redeemed by the end of 2020, which is 32.5% of the total amount, or €113.7 million (FARS, 2020). The impact is shown in the last column of Table 2.

Tourism was expected to decline by 70% in 2020 (Slovenian Tourism Board, 2020). In nominal terms, this would mean a direct loss of €1.37 billion in 2020 in the tourism industry and an additional loss of €2.1 billion due to the multiplier effects. Together, this would represent 4% of Slovenia’s GDP in 2019 (SORS, 2019). In terms of employment, 5774 people would be affected by unemployment.

With the €350 million staycation voucher scheme, demand would increase by approximately €512 million (additional €162 million would be generated by additional private consumption). The multiplicative effects on the economy would be €0.7 billion and 1614 jobs would be saved. Estimates of total tax revenues from such an intervention show that the government could “earn back” 0.47 cents from every euro spent. Calculations also predicted a decline in demand in 2020 ranging from 40% to 50%.

The last column in Table 2 shows the total amount of vouchers redeemed in 2020. The value of vouchers redeemed by the end of 2020 was €113.7 million with estimated additional consumption of €56.8 million. Official data show that demand, i.e. the number of tourist arrivals, decreased by 51% in 2020 (SORS, 2020), representing €900 million in nominal terms and an additional decrease of €1.3 billion due to multiplier effects. The results indicate that the introduction of this government intervention scheme reduced losses in the tourism industry by 16.6% and preserved about 532 jobs. The voucher significantly stimulated the domestic population to spend holidays in Slovenia and the number of domestic overnight stays in 2020 increased by 42% compared to 2019 (SORS, 2020).

3. Discussion

The contribution of this research note is to provide evidence on the impact of staycation vouchers in Slovenia, which can serve as an example for tourism policy. Although the redemption of the vouchers is still in progress, the initial results of such a government intervention suggest that tourism vouchers were able to reduce the slump in demand in Slovenia. After all, holidays were accessible to all, even if some did not need the incentive.

The shortcoming of the voucher scheme is potential overburdening of the most attractive tourist destinations. In summer 2020, most coastal destinations were reported in July (SORS, 2020). However, city hotels have not yet benefited significantly from the scheme, nor have attractions and food and beverage providers, which could only benefit from the additional consumption. Specific market failures also occurred: some operators increased their prices or charged more to the guests using their tourism vouchers.

We cannot expect governments to pay for our holidays in the future. Nevertheless, this instrument is efficient in the current crisis. It has also been shown that stimulating demand is crucial for mitigating the COVID-19 crisis (Yang, Zhang, & Chen, 2020). Many businesses and jobs will be lost as a result of the COVID-19 crisis, and saving each one has value for the local economy.

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Table 1

| Country/city      | Measure                                                                 | Source                                      |
|-------------------|-------------------------------------------------------------------------|---------------------------------------------|
| Shaoxing (China)  | Distribution of coupons to over 1 million Alipay users.                 | Xing, Zhou, Yin, and Wang (2020)            |
| Taiwan            | Tourism vouchers for domestic tourists worth €100 at a cost of €33.3, the rest is subsidised. | Official Government Portal of the Republic of China (Taiwan) (2020) |
| Ireland           | “Stay and Spend” initiative: a government subsidy of €125 for €625 spent on accommodation, food and (non-alcoholic) beverages. | Irish Government (2020)                     |
| Iceland           | €34 for Icelandic residents aged over 18 years in order to spend it on domestic accommodations, travel-related entertainment and food. | OECD (2020a)                               |
| Italy             | “Holiday Bonus” worth up to €500 for lower-income households.           | OECD (2020a)                               |
| Poland            | Tourism voucher worth €112 for children under the age of 18.           | PolandIn (2020)                            |
| Slovenia          | A €200 staycation voucher for residents aged over 18 years and a €50 voucher for residents younger than 18 years. | Official Gazette of the Republic of Slovenia (2020) |
| Lithuania         | Vouchers of up to €200 for domestic health workers.                     | OECD (2020a).                               |
| Vienna (Austria)  | A €50 voucher for every family in Vienna to spend in local Viennese restaurants. | Bloomberg (2020)                           |
| South Korea       | Employees of small companies receive vacation bonuses from the government worth 25% of the total cost of stay. | OECD (2020a)                               |
| Thailand          | A 50% subsidy for accommodation services for domestic travellers.       | Smart Local (2020)                         |

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Table 2

| Measure                                      | Source                                      | Vouchers redeemed in 2020 | Upper theoretical limit |
|----------------------------------------------|---------------------------------------------|---------------------------|-------------------------|
| Economic losses                             |                                             |                           |                         |
| Relative decrease in demand                 | 70%                                         | 51%                       |                         |
| Value of demand decrease                    | €1,369,120.00                               | €899,691.00               |                         |
| Multiplicative effect on production         | €2,122,159.30                               | €1,390,963.06             |                         |
| Multiplicative effect on employment         | –5774                                      | –1717                     |                         |
| Staycation vouchers                         |                                             |                           |                         |
| Amount of staycation vouchers               | €350,000.00                                | €113,739.40               |                         |
| Additional consumption                      | €162,500.00                                | €56,869.70                |                         |
| Input-output analysis results               |                                             |                           |                         |
| Increase in demand due to vouchers          | €512,500.00                                | €150,486.11               |                         |
| Multiplicative effect on production         | €701,076.51                                | €232,658.35               |                         |
| Multiplicative effect on employment         | 1614                                        | 532                       |                         |
| Value added tax                            | €96,967.57                                 | €31,970.35                |                         |
| Wage tax**                                  | €66,449.95                                 | €21,215.61                |                         |
| Ratio (Tax/Voucher)                         | 47%                                         | 47%                       |                         |

Source: FARS, 2020; own calculations.

** In Slovenia, an average single worker faced a net average tax rate of 34.5% in 2019; the tax rate for an average married worker with two children was reduced to 16.9% (OECD, 2020b).
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Appendix A. Supplementary data

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