



# A CRISIS UPON US

**The Holiday Industry and Brexit**

# Brexit - what is at stake?

The UK outbound travel industry is a significant part of the UK economy which is often overlooked. Why, when, according to the Office for National Statistics, Brits took **71.7 million outbound trips in 2018**? Whilst this is down from the high of 72.8 million in 2017, it would indicate outbound travel is still important to very, very many of us.

Overlooking this is even more surprising when you look at how much this sector contributes to the national economy – it is valued at **£34.3 billion**. And of course the Exchequer benefits significantly too **with a direct contribution of £2.4 billion**<sup>1</sup>.

Importantly, this has been a growth sector; between 1980 and 2015 inbound visits to the UK grew 190%. However, the growth in **outbound tourism over the same period was 240%**<sup>2</sup>.

Where employment is concerned, UK jobs provided by the outbound travel industry exceed those in notable manufacturing industries such as food and electrical equipment<sup>3</sup>. It is estimated that **214,000 jobs** are directly sustained by the travel industry (an increase of 14% since 2009).

In fact, commercial activities powered by the UK public's desire to travel abroad outstrip the entire UK farming and fishing industry<sup>4</sup>.

So, with the majority of these trips being holidays and the EU the main destination (**75% of the 53 million leisure and business trips** are to a European country<sup>5</sup>), this means **leaving the EU will have a significant impact on the UK outbound travel industry**.

In our previous survey **'A Crisis Looming'** (Aug 2018) we outlined the sizeable contributions the UK holiday industry makes to the UK economy, including employment and also how membership of the EU has delivered choice and affordable prices to UK holidaymakers.

We warned of the serious threats ahead in relation to jobs particularly for the young and to the size and continued existence of a diverse industry that provides choice and service to holidaymakers. We also pointed to the upward pressure on holiday prices for consumers.

<sup>1</sup> The Economic Value of Outbound Travel to the UK Economy June 2015. Report for ABTA by CEBR

<sup>2</sup> Tourism: statistics and policy, House of Commons briefing paper 06022.30th June 2016

<sup>3</sup> Ibid.

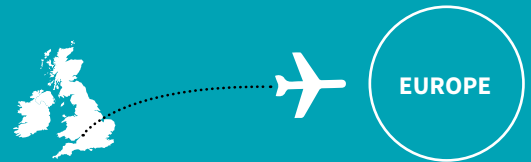
<sup>4</sup> The Economic Value of Outbound Travel to the UK Economy June 2015. Report for ABTA by CEBR

<sup>5</sup> Office for National Statistics (ONS), Travel Trends 2016



This, our follow-up survey conducted in November 2019, unfortunately shows that these forecasts have already proved correct. Those surveyed report job cuts on average amount to **30% of staff since 2016**, reductions in the number of holidays committed to (pre purchased) of **almost a fifth** and price rises of just short of **£100 per customer** – a figure which is lower than might have been expected given 3 rounds of no-deal preparation.

# The Great British Holiday ... is mostly to Europe



As Europe remains the biggest destination for our holidays, it is easy to see that the UK's membership of the EU has been pivotal in the growth of the economic contribution the British travel industry makes to the UK economy. It has not only made travel easy for consumers, but ensured the transfer of staff, goods, flights and information is frictionless – in other words 'cost light'.

Since the deregulation of European skies in the 1990s, there has been a **180% increase** in routes across the continent and a substantial drop in prices - fares have reduced by over **40%** for lower cost flights within Europe<sup>6</sup>. This has been a huge stimulus for growth for holiday companies has benefitted holidaymakers in terms of value for money as these industries are closely intertwined.

As a result, UK holiday companies have been able to operate incredibly efficiently and pass these savings on to holidaymakers, who have until now enjoyed millions of affordable holidays. Keen prices have themselves stimulated growth and this has resulted in an industry that makes a significant contribution to the economy.

In 2016, holidays to Europe alone by UK residents, accounted for an estimated **£16.5 billion** contribution to UK GDP. The Exchequer benefitted to the tune of an estimated **£1 billion**<sup>7</sup>. This is equivalent to over 10% of our current net membership fees for the EU.

The outbound activity holiday sector (walking, camping, skiing, sailing etc.) has also grown over recent years. This sector alone is responsible for an estimated **£9 billion** of direct expenditure in the UK<sup>8</sup>. The UK ski market is worth around **£3 billion** a year alone<sup>8</sup>.



**'Having everything taken care of'** is the main reason people book a package holiday, with **'best value for the price'** and **'convenience'** being the other main reasons according to a recent survey by ABTA.

An important part of the Great British package holiday is that it is delivered by UK staff working overseas to run operations and deliver culturally compatible service levels – holidays for the vast majority of Brits would not be the same without them.

Our membership of the EU means that UK staff working for holiday companies can move easily around the EU to work so as to cope with operational needs and peaks in demand.

Leaving the EU will remove this ability to move goods, resources and importantly staff frictionlessly. New barriers will increase costs and if the full force of existing European immigration law is imposed on UK citizens, will remove the right of free movement for UK workers to our neighbouring countries upon which many holiday companies depend.

<sup>6</sup> Making a success of Brexit for travel and tourism ABTA 2017

<sup>7</sup> Brexit and British Outbound Tourism SBIT Dec 2017

<sup>8</sup> Brexit and British Outbound Tourism SBIT Dec 2017

<sup>9</sup> Travelling Together – The value of UK outbound Tourism. Figures taken from Duplax/Ski Weekends UK ski market 2017.

<sup>10</sup> Holiday habits Report 2017 ABTA



## The holiday industry and the importance of secondment and free movement of labour

For many holiday companies, a key element of their operational efficiency is the ability that membership of the EU has given them to quickly and seamlessly deploy UK staff to the EU (and around the EU) to cover peaks in holiday demand. As the outbound holiday sector has grown, so has the number of people employed directly and indirectly in it.

Previous industry surveys have indicated that at least **25,000 UK citizens**<sup>11</sup> work in the EU supporting the outbound tourism industry, many of whom are seconded (temporarily posted) to work in the EU. These staff continue to pay their social charges and taxes in the UK, continue to receive their social benefits and the UK economy continues to receive the substantial revenue estimated to be generated by these contributions.

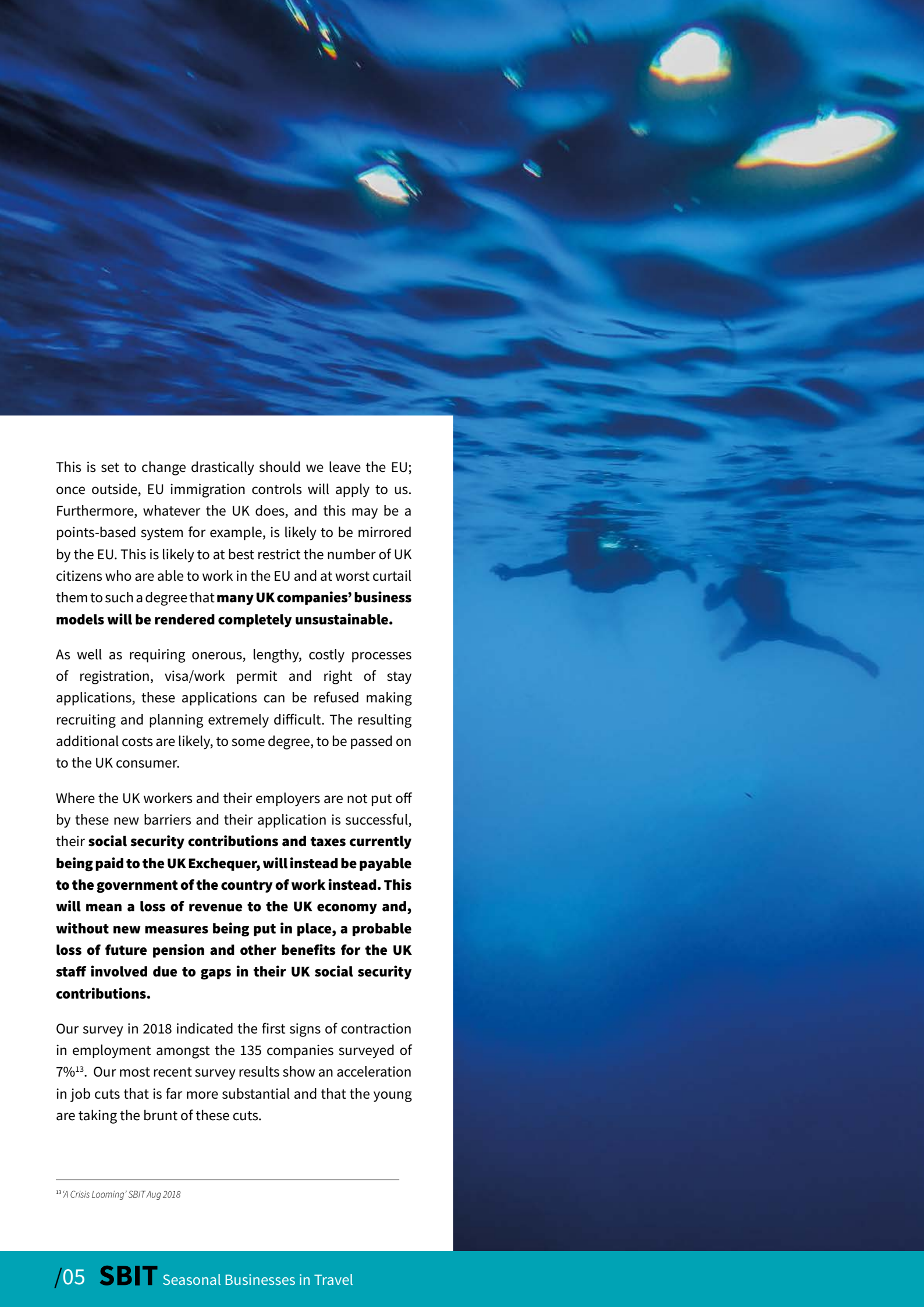


As social charges and taxes are generally lower in the UK than other EU countries and added to the fact that there is currently little or no bureaucracy for employers, these savings have been passed on to UK holidaymakers who have enjoyed affordable holidays as a result.

For many holidaymakers, these UK staff are a key part of their holiday and deliver culturally compatible service; in a recent survey of UK skiers booked through intermediaries (tour operators, travel agents etc) **69%** said that a resort representative was either important or that they would not travel without one<sup>12</sup>.

<sup>11</sup> T Brexit and British Outbound Tourism SBIT Dec 2017

<sup>12</sup> The British ski holiday market - LHM Conseil January 2018

An underwater photograph showing two divers swimming in clear blue water. Several bright, circular lights are visible, creating a shimmering effect on the water's surface. The overall tone is deep blue and serene.

This is set to change drastically should we leave the EU; once outside, EU immigration controls will apply to us. Furthermore, whatever the UK does, and this may be a points-based system for example, is likely to be mirrored by the EU. This is likely to at best restrict the number of UK citizens who are able to work in the EU and at worst curtail them to such a degree that **many UK companies' business models will be rendered completely unsustainable.**

As well as requiring onerous, lengthy, costly processes of registration, visa/work permit and right of stay applications, these applications can be refused making recruiting and planning extremely difficult. The resulting additional costs are likely, to some degree, to be passed on to the UK consumer.

Where the UK workers and their employers are not put off by these new barriers and their application is successful, their **social security contributions and taxes currently being paid to the UK Exchequer, will instead be payable to the government of the country of work instead. This will mean a loss of revenue to the UK economy and, without new measures being put in place, a probable loss of future pension and other benefits for the UK staff involved due to gaps in their UK social security contributions.**

Our survey in 2018 indicated the first signs of contraction in employment amongst the 135 companies surveyed of 7%<sup>13</sup>. Our most recent survey results show an acceleration in job cuts that is far more substantial and that the young are taking the brunt of these cuts.

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<sup>13</sup> 'A Crisis Looming' SBIT Aug 2018

## Loss of choice for holidaymakers

Most of the 200+ members of SBIT are SMEs offering more diverse choice and flexibility than ‘mainstream’ multinationals. Many were founded by or are largely staffed by people who started their careers in the very roles that are under threat. This experience of working and living in the destinations they are selling is key and highly useful for specialist holidays such as skiing or camping.

However, it is these very companies whose business models are at risk should we leave the EU resulting in a loss of choice for the UK consumer.

The majority of these seasonal travel businesses are operating a model of ‘committed’ beds – they secure (and often pay for) the bed capacity in advance of selling the holiday so as to ensure that there is sufficient capacity to meet demand from the UK market. Any reduction in bed capacity not only threatens the economies of scale of these companies but also the choice and availability for the British consumer – especially at peak times when the rest of Europe is on holiday.

Company size	Bed capacity reduction	%
Large	-3,296	-25%
Medium	-397	-7%
Small	-166	-17%
<b>TOTAL</b>	<b>-3,873</b>	<b>-19%</b>

Amongst some companies in the survey, the cuts to the size of their programmes has been between 30% and 50%.

Such a reduction in holiday offering will also be affecting the business models and economies of scale of these companies. Some are reporting that their businesses are close to being unviable (financially and operationally) and this is certainly the case if the current model of free movement is lost.

Fewer independent holiday companies in the market reduces not just diversity of choice but quality, innovation and price competition too. Supermarkets are not always the cheapest for everything and it is independents that often shine a light on this. Choices for holidaymakers will be concentrated into the hands of a smaller number of large multinationals – such as Thomas Cook.

Our survey results show that overall, since 2016, there has already been a **reduction in holiday availability just amongst the 65 companies in the survey of 19% - almost a fifth** and this has been largely driven by the anticipation of the difficulties to come once the freedom of movement is lost

A reduction of 3800 beds per week over an average ski season for example of 17 weeks equates to nearly **66,000 fewer holidays on sale** to the UK consumer in 2020 compared to 2016.



## Job losses

Behind these substantial cuts in the number of holidays on sale is the very real fear that certainly in the event of a no-deal and very probably even with a negotiated exit, UK companies will lose the right they currently enjoy to frictionlessly move staff and resources to and around Europe to service these holidays.

In addition to the lengthy, costly and uncertain processes that, in future, are likely to be required for British businesses and workers to work in the EU, very many of these companies are not and cannot be set up to run a foreign payroll or to recruit and employ non-UK staff as a foreign multi-national can. The existence of sufficient non-UK workers to fill these positions is also not certain, so the loss of free movement for UK staff threatens their very existence.

In **'A Crisis Looming'**, published in August 2018, 134 companies reported they were already making jobs cuts of 7% of the seconded workforce. They widely anticipated further and more substantial job cuts in the event of leaving the EU.

Our most recent survey shows that despite still being in the EU, job losses have accelerated in the face of uncertainty around the status of UK staff working in the EU in the future. These cuts to the workforce have been in excess of the cuts in the size of holiday programmes.

The 65 companies who took part in the current survey reported **job losses amounting to over 1700 people – a 30% reduction** compared to those numbers employed in 2016. These job losses are not exclusively those positions working in the EU but affects entirely UK-based jobs too.



Company size	Job losses	%
Large	-1,400	-37%
Medium	-290	-19%
Small	-37	-8%
<b>TOTAL</b>	<b>-1,717</b>	<b>-30%</b>

## The young are worst affected

The UK's unique 'gap year' culture accounts for many of these roles (64%) being filled by workers aged 18-24 years.

Our survey in 2018 showed that the 134 travel companies questioned seconded just short of 6000 UK employees to the EU on a seasonal basis.

78%

of overseas roles are customer facing

56%

of permanent or UK staff have worked overseas (ski 62%)

78%

of the companies surveyed are running apprenticeships or training in UK and/or in EU

64%

of workers posted overseas are 18-24 and 23% are 25-34 (87% are under 34 years)

For many in the 18-24 year age group these are first jobs providing excellent work experience, developing transferable skills, raising cultural awareness and language skills. They are the training grounds (both in terms of apprenticeships as well as service experience) not just for the holiday industry but for the hospitality and service sectors in general.

The 30% cut in jobs revealed by our survey also represents a lack of investment in future skills as many of these young people go on to develop their careers in the very sectors they started in – holidays and hospitality.

*"We train our resort teams of often young people from different social backgrounds in high standards of customer service. They are responsible for looking after our guests and their travel arrangements, ensuring they have the best possible experience with us which is good for business.*

*We must not lose these jobs and the training and experience these people in the hospitality sector bring back in to the UK economy, we therefore need the government to urgently address the issue of visa-free movement for our staff in Europe."*

- Paul Carter, CEO of Hotelplan, which operates Inghams, Ski Total and Esprit Ski.

Extrapolating from these figures, if the lowest percentage reduction of 8% (small operators) is applied across the estimated 25,000 jobs in the EU supporting outbound travel, this will mean that job losses are already in the order of 3,200 people. **This has been a gradual, silent haemorrhaging of a workforce which, had it been all at once with the closure of a factory, would have made headlines.**

Moreover, leaving the EU will mean UK holiday companies lose their automatic right to deploy UK staff overseas. As the visa and right to stay application processes are long-winded and can be refused, this will not prove feasible for many companies. This will certainly be the case if quotas for non-EU citizens are introduced in which case many more UK companies and UK jobs are at risk.



## Increases in holiday prices

Our membership of the EU, in allowing British travel companies to move staff, goods, planes and resources seamlessly around Europe, has provided UK travellers with affordable holidays and this has in turn stimulated the growth of outbound travel.

Our previous survey in August 2018 indicated that the vast majority of those questioned predicted substantial increases in their cost bases should we leave the EU and therefore lose these advantages.

Our 2019 survey shows that in **the anticipation of the end of frictionless movement** of UK staff, goods and resources UK travel companies have made substantial cuts to holiday capacity. The consequence of this is a reduction in the economies of scale which has been a factor in delivering competitive prices to consumers.

British travel companies are resourceful and will, as always, try to work through these. And it could be argued that were it not for the resourcefulness and strong negotiating undertaken by UK companies, price increases to consumers would have been higher. However, those surveyed have indicated they have had to increase prices by an average of almost **£100 per head this year**.



Company size	Holiday price increase	%
Large	£61	6%
Medium	£98	14%
Small	£103	14%
<b>AVERAGE</b>	<b>£97</b>	<b>13%</b>

The highest price rises are amongst the smaller and medium-sized operators who are unlikely to have the economies of scale to absorb the price pressures. In the smaller niche luxury sector, prices have been increased substantially – averaging an additional £370 per person.

If the UK does leave the EU, holiday prices in this sector are likely to increase further as the cost of employing UK staff in the EU will increase. In this event, UK travel companies will no longer be able to employ UK staff on a UK payroll and will instead have to set up an EU company, run a payroll in that country, with higher social charges and taxes payable. They will be forced to recruit many of their staff from within the EU and for those UK citizens that they can employ, they will have to go through all the registration, visa, work and residence permit processes needed. Not only is this more expensive, but for many UK travel companies this will just not be feasible or sustainable.

All these costs will need to be passed to the consumer, meaning that leaving the EU will almost certainly bring about further price increases for holidaymakers.

# Conclusion

Leaving the EU will introduce real and major barriers to UK based travel companies operating in Europe. Most significantly, the loss of free movement of UK workers to Europe will mean that these mainly young workers may struggle to obtain even temporary, seasonal positions overseas. Even if they are able to work in the EU (and EU immigration rules are likely to make this difficult and uncertain), changes to rules regarding secondment may reduce the future social benefits for workers and substantially increase the employment cost to British travel companies. Furthermore, the availability of non-UK workers to fill the labour gap is dubious.

In the face of uncertainty around this, many UK travel companies have already reduced the size of their holiday offerings (c. 19% since 2016) in anticipation of these barriers and jobs have been cut by an even larger amount (c.30% since 2016). Leaving the EU can only mean there is more of this to come.

The loss of jobs amongst those seconded to work in the EU is predominantly amongst young people in the UK and these are often first jobs with training and apprenticeships offered.

The companies most likely to cease trading are the small and medium-sized companies which are the mainstay of what has hitherto been a diverse and competitive UK outbound travel industry. This is an industry which had been growing, which contributes significantly to the UK economy and offers competitive prices and choice to UK holidaymakers.

Revenue from social charges and taxes for those seconded to the EU will no longer be enjoyed by UK Exchequer but instead go to the host country. The experience and expertise developed by the opportunity to work abroad will be lost to many of the younger generation and in future to UK PLC altogether.

The door will be left wide open to the European based multi-nationals dominating the package travel market, changing the holiday experiences and choices of millions of Britons.

# Who are SBIT?

**SBIT** (Seasonal Businesses in Travel) is a unique and diverse group of over 200 outbound British travel and service companies operating throughout the summer and winter holiday seasons. SBIT members' combined turnover is in excess of £490 million.

## Our Aim

Our aim is to protect British jobs, to continue to deliver value and choice to British holidaymakers and to preserve the significant contribution the SMEs in the outbound holiday sector contribute to the economies of both the UK and the EU.

## How?

- By raising awareness of how the ability to seamlessly second UK staff to the EU during peak holiday periods is critical to the survival and growth of British travel businesses and underpins the value and choice offered to UK holidaymakers over the last 40 years.
- By lobbying governments in the UK and the EU to ensure that negotiated agreements preserve secondment rights with as little friction as possible thereby protecting the jobs of the estimated 25,000 UK citizens working in the EU supporting the outbound tourism industry.
- By campaigning for a peoples' vote on any Brexit deal.

[www.sbit.org.uk](http://www.sbit.org.uk)

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