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INSIGHT

# U.S. Travel and Tourism and COVID-19

April 10, 2020

With the spread of the Coronavirus Disease 2019 (COVID-19) pandemic, many flights have been canceled, widespread travel bans have been put in place, and more quarantine and stay-at-home orders are in effect. This has sharply reduced domestic and international travel, prompting businesses across the U.S. travel sectors to ask the U.S. government for financial assistance. For Congress, this raises questions about the likely economic effects of COVID-19 on travel and tourism and the level of support warranted for some industry segments that may quickly recover once the pandemic subsides and businesses reopen.

## U.S. Travel and Tourism

The nation's travel and tourism industries are an amalgam of business activities including transportation, lodging, entertainment, and meals. According to government data, U.S. travel and tourism accounted for 2.9% of U.S. gross domestic product in 2018.

Because the travel and tourism economy is particularly labor-intensive—directly employing 5.9 million workers in 2018—it ranks among the hardest-hit industries from the coronavirus's spread. The last sharp decline in tourism employment was during the three-year period 2007-2009, when the industry shed more than 680,000 jobs (see **Figure 1**).

Nationwide, in 2018, average compensation per tourism employee in food services—the largest category of travel and tourism employment—was $26,000, and in traveler accommodations was $43,000. These two segments jointly account for more than half of all jobs in the sector, many of which are seasonal or part-time and require fewer skills than other industries. Not all segments pay low wages, although those that pay more employ far fewer tourism workers than the larger industry segments. Higher-paying segments, including travel arrangement and reservation services, motion pictures and performing arts, and gambling, have also undertaken layoffs and furloughs because of intensifying profitability pressures and collapsing demand amid the pandemic.

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IN11325

**Figure 1. U.S. Travel and Tourism Industry Employment**


**Source:** U.S. Bureau of Economic Analysis, Travel and Tourism Satellite Accounts.

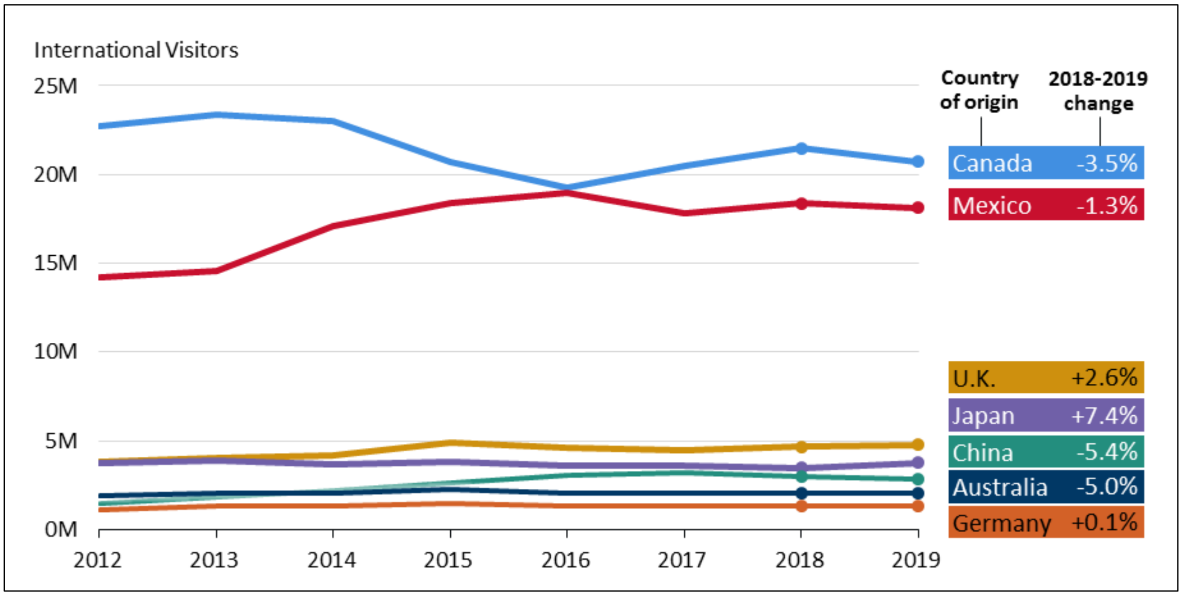
Travel is a discretionary purchase. An absence of visitors because of COVID-19 could substantially harm the economies of U.S. states and metropolitan areas especially dependent on tourism. According to the Pew Charitable Trusts, a public policy organization, the states most dependent on tourism in 2018, measured by travel spending as a share of state-level economic output, were Nevada (16%) and Hawaii (10%). A Brookings Institution report lists Las Vegas, NV, and Orlando, FL, among the nation's heavily reliant tourism metro areas most exposed to coronavirus uncertainties.

## International Visitors

The pandemic's spread could result in substantially fewer international visitors traveling to the United States in 2020 than the 79.3 million who arrived in 2019. U.S. tourism exports—a measure of foreign visitors' spending in the United States and travel on U.S. air carriers—came to $256 billion in 2018, which makes tourism the United States' single-largest services sector export. Foreign visitors accounted for more than a fifth of spending on lodging and on food and beverage demand by travelers in 2018, reports the U.S. Department of Commerce.

About half of all international visitors to the United States come from Canada and Mexico (see **Figure 2**). The three countries mutually agreed on March 20, 2020, to restrict all nonessential travel, including tourism and recreational travel, for at least 30 days. Another 40.4 million visitors (spending on average $4,200 per trip) arrived in the United States from countries other than Canada and Mexico in 2019. Overseas visitor numbers shrank 4% year-on-year in January and February. The decline has almost certainly been far steeper since then, as international travel has nearly ceased, the United States has imposed temporary travel restrictions on major source markets, specifically China and many European countries, including the United Kingdom and Germany, and some arriving travelers have been directed to isolate themselves for extended periods.

**Figure 2. International Visitors to the United States, Selected Countries**




**Source:** U.S. Department of Commerce, National Travel and Tourism Office.

## Congressional Considerations

Congress has provided certain tourism-dependent segments with targeted support through the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136). For instance, the CARES Act provides federal grants, loans, and tax relief to the passenger airline industry, with a requirement that carriers accepting federal support refrain from laying off or furloughing employees through September 30, 2020. The Airline Economic Stabilization program in the CARES Act makes available loans and loan guarantees to ticket agents (the statutory term for travel agencies), most of whom are independent contractors. The CARES Act also makes accommodation and food service businesses with 500 or fewer employees per physical location eligible for small business loans that may be used to cover wages and benefits, rent, utilities, and interest on previously incurred debts. This could allow major hotel and restaurant operators to receive the loans.

Other travel-related businesses not mentioned in the CARES Act are pressing for targeted economic assistance. For example, the car rental industry is asking especially for relief from payments due to airports for rental car concessions. U.S. Travel, a trade association whose membership includes the broader industry, has proposed a $250 billion travel workforce stabilization fund to keep tourism-dependent companies solvent and help them maintain employee payroll, which Congress did not include in the CARES Act. Likewise, Congress also chose not to provide support for cruise ship companies in the CARES Act, as the major firms in the sector are incorporated in other countries and do not register their vessels in the United States. Operators of commercial and tribal casinos, except those within establishments whose primary business is lodging, also are not eligible for small business loan programs, including those funded in the CARES Act, if they generate more than one-third of their gross annual revenue from gambling and gambling activities. According to the U.S. Bureau of Labor Statistics, casinos employed 76,000 workers before COVID-19 concerns caused many of them to shut down in March.

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