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Impacts of the Coronavirus Pandemic on Europe's Tourism Industry: addressing tourism enterprises and workers in the undeclared economy

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Abstract

The coronavirus pandemic has led to revenue loss for tourism enterprises and workers due to restrictions on movement. In response, governments have made available temporary financial support, but not to those tourist enterprises and workers in the undeclared economy. Reporting a 2019 Eurobarometer survey, this paper reveals that one in 165 European citizens engage in undeclared work in tourism and the groups involved. To bring these enterprises and workers onto the radar of the state, a voluntary disclosure initiative is advocated offering access to the temporary financial support for undeclared enterprises and workers disclosing their previous undeclared work.

Keywords: coronavirus; COVID-19; tourism industry; informal economy; tax evasion; public policy.

Introduction

In early January 2020, a new strain of coronavirus (SARS-CoV-2) producing a respiratory disease (COVID-19) began spreading across the globe. On the 30th January 2020, the World Health Organisation declared a global health emergency and on 11th March a pandemic was confirmed. At the time of writing in April 2020, the closure of businesses to restrict movement and the spread of the virus has affected 81% of the global workforce (ILO, 2020a). The impact on the tourist industry has been profound, which has largely ceased to operate. Governments across the globe have responded by offering unprecedented short-term financial support to the enterprises and workers affected (see IMF, 2020). For instance, in the UK, businesses in tourism and beyond are able to claim 80% of their employees' monthly wages up to a maximum of £2,500 per employee to keep them on the payroll, whilst the self-employed can claim a taxable grant worth 80% of their trading profits up to a maximum of £2,500 per month and defer payment of taxes owed (HM Government, 2020). Similar schemes have been introduced across Europe and beyond.

The starting point of this paper is a recognition that this financial support is not available for enterprises and workers operating in the undeclared economy, which is here defined as paid activities not declared to the authorities for the purpose of evading tax

and social security contributions and/or labour laws (European Commission, 2016; OECD, 2017; Williams, 2019a; World Bank, 2019). This group of enterprises and workers is the focus of this paper for three reasons. First, 61% of workers globally have their main employment in the undeclared economy (ILO, 2018) and some two-thirds of enterprises worldwide start-up unregistered in the undeclared economy (Autio & Fu, 2015). Second, the media is currently widely reporting that undeclared workers are excluded from the short-term financial support schemes, without income and that this is leading to social unrest, such as raiding grocery stores to obtain food (Ebata et al., 2020; Follain, 2020; He, 2020; Johnson & Ghiglione, 2020; Lynch, 2020; Speak, 2020). Third and finally, tourism is an industry in which undeclared work is highly prevalent (HOTREC and EFFAT, 2019; Williams and Horodnic, 2020).

It could be argued that these employers and workers in the undeclared economy do not deserve access to the short-term financial support that has been made available and should have to rely on the welfare 'safety net' in their countries. Here, however, it will be argued that offering them access to the short-term financial support available to declared enterprises and workers is not some benevolent act. It is to bring these undeclared enterprises and workers in the tourist industry into the declared economy. By eliminating such undeclared work, this would remove the unfair competition suffered by declared tourism businesses, improve working conditions in the tourism sector, and enable governments to raise more in taxes and social contributions in future, therefore offsetting the costs of providing access to the short-term financial support (OECD, 2017; World Bank, 2019). Therefore, the aim of this paper is to evaluate how many workers were in the undeclared economy in the European tourism industry immediately prior to the pandemic and the population groups involved, and how this undeclared work in the tourist industry could be brought into the declared economy.

To commence, the next section reviews the literature on the prevalence and characteristics of undeclared work in the tourism industry in Europe, which at the present time is an epicentre of the pandemic. To provide an up-to-date evaluation of the extent and characteristics of undeclared work in the European tourism industry, section 3 then introduces the data used and methods, namely a probit regression analysis of a special Eurobarometer survey of undeclared work involving 27,565 interviews conducted in September 2019. Section 4 reveals the prevalence of undeclared work and the socio-demographic, socio-economic and spatial characteristics of undeclared workers. This is then followed in section 5 by some conclusions and a discussion of how European national governments could use the current circumstances to transition these tourist enterprises and workers in the undeclared economy into legitimate tourist enterprises and workers.

Coronavirus, the tourism industry and undeclared work

Since the World Health Organisation declared a coronavirus pandemic in March 2020, national governments across the globe have been closing non-essential businesses and restricting movement. In just a few weeks, the result was that the European tourism industry came to an abrupt halt and workers lost their incomes. This is a large segment of the European economy. In 2016, one in 10 enterprises (2.4 million) in the European non-financial business economy were in tourism industries, employing 9.5% of the EU workforce, namely 13.6 million workers (Eurostat, 2019a, 2019b). As Eurostat (2019b) reveal, most of these workers were in either the accommodation sector (19.7% of

employment in the tourism industry) or food and beverage serving activities (58.7%).

In response to the closure on such non-essential businesses, the International Labour Organisation (2020b) have called for measures to be implemented to protect workers, support jobs and income, and stimulate the economy and employment. These include introducing social protection for those affected, supporting employment retention (e.g., short-term paid leave), and financial and tax relief for the affected enterprises. In Europe, which at the time of writing is an epicentre of the pandemic, the European Commission (2020) has introduced its €100 billion Support to mitigate Unemployment Risks in an Emergency (SURE) programme. This provides Member States with loans to resource short-term schemes to protect employees and the self-employed against dismissal and loss of income (see ITUC, 2020 for examples of national schemes). This funding enables businesses to temporarily reduce the hours of employees or suspend their employment, with government funding covering the hours not worked, and the self-employed are provided with short-term income replacement by governments to replace lost revenue.

The problem is that some enterprises and workers either do not operate in the declared economy or only partially do so. They are thus unable to access the short-term financial support being made available. This is not a minor proportion of enterprises and workers, especially in the tourism industry. Examining the global workforce, 61.2% have their main employment in the undeclared economy (International Labour Organisation, 2018). Similarly, two-thirds of all businesses start-up unregistered not only in emerging economies but also OECD nations (Autio & Fu, 2015), and over a half of businesses globally are unregistered (Acs et al., 2013). If one adds the unknown share of registered enterprises not declaring some of their transactions, the proportion of businesses in the undeclared economy is even higher (OECD, 2017; Williams, 2017; World Bank, 2019). The consequence is that most of the world's enterprises and workers are unable to access the short-term financial support to offset the impacts on their livelihoods of the pandemic.

In Europe, it may be assumed that this is not a major issue. However, estimates of the undeclared economy are that it is the equivalent of 15.8% of GDP in the EU (Williams & Schneider, 2016) and that 11.6% of all labour input in the private sector is undeclared (Williams et al., 2017). A large proportion of European workers and enterprises are therefore unable to access in full or in part the short-term financial support being provided to businesses and workers by governments. Although there are no available estimates of what proportion of enterprises and workers in the European tourist industry operate in the undeclared economy, there is a strong consensus that the undeclared economy is more prevalent in the tourist sectors than in the economy overall (HOTREC & EFFAT, 2020; Williams & Horodnic, 2020).

On the one hand, there are unregistered enterprises. These are mostly sole traders and small businesses such as beach sellers, unlicensed tour guides, private accommodation providers or small guesthouses, restaurants or 'pop up' shops (Williams, 2017). In many cases, they require little starting capital and are often family businesses (Gladstone, 2005; Guttentag, 2015; Lynch et al., 2009; Sigala, 2017; Tussyadiah & Pesonen, 2018; Wahnschafft, 1982). With technological developments, these unregistered enterprises have perhaps recently grown with the advent of collaborative platforms that make it easier for them to access customers (Choi et al., 2015; HOTREC & EFFAT, 2019; Heo, 2016; Jull, 2015). These unregistered enterprises will be wholly excluded from the short-term financial support made available to declared enterprises.

On the other hand, there are registered businesses who do not declare all their transactions (e.g., not declaring all the nights that accommodation has been rented or all food supplied to their guests, not recording transactions in restaurants and bars). These enterprises will be able only to access support according to the level of their declared turnover and for their declared employees.

Examining undeclared workers, three types can be identified. First, there are unregistered employees, where the employees are wholly undeclared and have no written contract of employment (Gashi & Williams, 2019; Krasniqi & Williams, 2017). A 2013 EU-wide survey finds that one in 20 (5 per cent) employees had no written contract of employment. Extrapolating, some 10.6 million of the 212 million employees in 2013 in the EU-28 were therefore working wholly undeclared with no written contract or terms of employment (Williams & Kayaoglu, 2017). Unregistered employment is particularly prevalent in the tourism industry. Examining the 2015 European Working Conditions Survey, one in seven employees (14%) in accommodation and food services are in unregistered employment compared with 5% of employees in the EU workforce overall. This, however, varies across member States, with 50% of all employees in accommodation and food service activities in unregistered employment in Cyprus, 37% in Malta and Ireland, and 33% in Greece. In stark contrast, just 2% of employees are in unregistered employment in accommodation and food service activities in Luxembourg, 3% in Estonia and 4% in Belgium and Hungary (Williams & Horodnic, 2020). These workers will be excluded from the current short-term financial support for employees and depending on the system of social insurance in countries, also perhaps from welfare benefits.

Secondly, there are those in declared employment who receive an official declared wage (often set at the minimum wage) and the rest of their salary as an undeclared 'envelope wage'. In 2013, one in 33 formal employees in the EU28 received envelope wages, and the median proportion of their gross salary paid as an envelope wage was 25% (Williams & Horodnic, 2017b). This survey, however, does not examine sectors to allow under-declared employment in tourism to be analysed. The only existing evidence is from a 2007 Eurobarometer survey, which reveals that 6% of employees in hotels and restaurants receive envelope wages (compared with 5% of all EU employees in 2007). Breaking this down, 19% of the hotel and restaurant employees paid an envelope wage received this for their regular employment, 68% for overtime/extra work conducted and 10% for both their regular and overtime work (Williams & Horodnic, 2020). Depending on the social insurance systems in individual countries, they may therefore receive lower welfare benefits than would be the case if their full wage was declared.

Thirdly, there are bogus self-employed workers. These workers are formally registered as self-employed but have the same working conditions as direct employees and/or depend on one employer for most of their income. In the EU, 4.3% of total employment is bogus self-employment (Williams & Lapeyre, 2017; Williams & Horodnic, 2019). As Williams and Lapeyre (2017) reveal, 2% of all employment in accommodation and food services is bogus self-employment (compared with 4.3 % of total employment in the EU28). Indeed, just 1% of all bogus self-employment in the EU is in the accommodation and food services sector. Moreover, just 10% of those reporting themselves as self-employed in the accommodation and food service sector are bogus self-employed. Overall, therefore, bogus self-employment is less of a problem in the accommodation and food services sector than in the EU economy overall. These bogus

self-employed workers will be unable to access financial support packages for employees but able to access the support for the self-employed.

In what realms of the tourist industry, therefore, is undeclared work prevalent? Until now, little research has been conducted. A 2013 Eurobarometer survey of the EU28 found that of all Europeans who carry out undeclared work, 11% worked as waiting staff in the hospitality industry (Williams & Horodnic, 2020). Beyond this, the only other studies are national level surveys. Taken together, however, they display that there are unregistered and unlicensed enterprises and formal enterprises under-declaring transactions and employing unregistered and under-employed workers, and the bogus self-employed, across all subsectors of the tourist industry, including: accommodation services, food and beverage serving activities; railway, road, water and air passenger transport; transport equipment rental; travel agencies and other reservation services; cultural activities, and sports and recreational activities.

In the accommodation sector, Belešová et al. (2016) find that in Czechia, unregistered employment is used by 62% of small hotels and 80% of other accommodation establishments. In Croatia, Kesar and Čuić (2017) suggest that the undeclared economy in the accommodation sector is concentrated in privately owned rooms, apartments and houses. In Romania, the National Agency of Travel Agencies estimates that over 20% of all accommodation services provided on the Romanian seaside are in the undeclared economy, mostly in unregistered accommodation in private homes, or based on providing undeclared services without invoices (Jaliu & Răvar, 2019). In Greece, the Independent Authority for Public Revenues (AADE) found 20,000 short-term rental properties on a well-known accommodation platform not to be registered with the government with a property registration number. To put this in context, 70 000 short-term rental properties were at the time registered on the AADE register (Williams & Horodnic, 2020). Such findings have resulted in HOTREC and EFFAT (2019) publishing a joint statement on the problem of accommodation rentals via online platforms.

In the food and beverage serving sector, examples of undeclared work in these sectors include: unregistered restaurants and mobile food service activities, such as mobile food vendors (e.g., on roadsides, beaches and at festivals), as well as 'pop up' and home restaurants (HOTREC, 2018a,b); and formal restaurants and mobile food service businesses who under-declare their earnings. In Norway, Skalpe (2007) finds that restaurants used two different cash registers (official and unofficial), do not declare the extra income from hosting special events, and support the trade of illegal alcoholic drinks. In the Danish restaurant sector, meanwhile, Hjalager (2008) highlights the existence of tax fiddles, employment of undeclared labour, and the illegal import of supplies. In Czechia, Belešová et al. (2016) find that unregistered employment is used by 50% of small restaurants and 45% of small bars. Milić (2014) in Montenegro similarly highlights the absence of cash registers in catering facilities, non-invoicing, and unregistered workers. Indeed, evidence that the restaurant sector is problematic in terms of undeclared work is that 26% of the UK businesses 'named and shamed' by HMRC on the blacklist of 'deliberate tax defaulters' are restaurants and takeaways (McAllister, 2019). Meanwhile, under-declared employment in the restaurant and mobile food services takes various forms depending on the occupation. Whilst unskilled kitchen staff may simply work longer hours than is in their formal contract with no additional remuneration, higher skilled staff such as chefs may receive envelope wages in addition to their declared salary as compensation for their long

working hours (Williams & Horodnic, 2020). There is also the issue of restaurant staff not fully declaring their tips. The word-of-mouth industry-standard has been to declare 10% of salary as tips, since this is the rate at which customer's tip. However, tipping constitutes far more than this as a share of salary.

In the wider tourism economy, examples of undeclared work include: unlicensed taxis and under-declaration of income by taxi drivers; unregistered and under-declared workers on sea and coastal passenger vessels (e.g., cruise ships); unlicensed and unregistered tour operators, street performers, and musicians; unlicensed, unregistered and less than fully declaring tour guides; and unlicensed enterprises and under-declaration of income by businesses renting and leasing recreational and sports goods (e.g., bicycles, canoes, ski equipment).

Why, therefore, does such undeclared work take place and how can it be tackled? The conventional theoretical explanation is that participants in the undeclared economy are rational economic actors who weigh up the benefits of participating in the undeclared economy against the costs of being caught and punished. If the benefits outweigh the costs, they engage in such work (Allingham & Sandmo, 1972). The consequent policy approach is to alter this cost/benefit ratio to make declared work a rational choice. To achieve this, the focus of governments both in Europe and beyond has been on raising the costs of participating in undeclared work. This has been pursued by increasing the risks of detection and penalties (see Williams, 2019b). Little attention has been paid to increasing the benefits of operating in the declared economy. Nevertheless, and as will be discussed later, offering the current short-term financial support to those in the undeclared economy to bring them out of the shadows and onto the radar of state authorities would be a theoretically-informed policy proposal that changes the cost/benefit ratio by increasing the benefits of declared work to pull workers and enterprises into the declared realm. This is potentially efficient in terms of state welfare spending. Rather than merely provide passive welfare benefits, state short-term financial support is being used to attract undeclared endeavour into the declared economy so that future taxes and social contributions can be collected (see Williams, 2014).

If such an initiative was targeted at enterprises and workers in the tourism sector, therefore, how many workers could potentially be brought into the declared economy and what groups are involved? The above evidence on the prevalence and characteristics of undeclared work in the tourism economy displays that no up-to-date EU-wide analysis exists of its prevalence or who is engaging in such endeavour and will have been affected by the coronavirus pandemic. In consequence a Eurobarometer survey on undeclared work is reported conducted in September 2019, just before the onset of the pandemic, which was made public in March 2020.

Methodology

To evaluate the prevalence of undeclared work and who conducts such work in the tourist industry, data from Eurobarometer special survey 92.1 on undeclared work is reported. In September 2019, 27,565 interviews were undertaken in 28 European countries (the 27 EU member states and the UK). These interviews were conducted with adults aged 15 years and older in the national language. To select citizens for interview, a multi-stage random (probability) sampling methodology was employed, which ensured that on the issues of gender, age, region and locality size, a representative sample was selected both on the national level and each level of the sample. Therefore, for the univariate analysis

sample weighting was employed, as recommended in both the wider literature (Solon et al., 2015; Winship & Radbill 1994) and the Eurobarometer methodology, to obtain meaningful descriptive results. For the multivariate analysis however, debate exists over whether a weighting scheme should be used (Pfefferman 1993; Solon et al., 2015; Winship & Radbill 1994). Reflecting the dominant view, the weighting scheme was not used.

To analyse participation in undeclared work in the tourism industry, the dependent variable is a dummy variable with value 1 is for respondents answering 'yes' to the question 'Have you yourself carried out any undeclared paid activities in the last 12 months, either on your own account or for an employer?' and then answered the follow-up question 'In which sector did you carry out these undeclared activities on your own account or for an employer?' by responding 'yes' to 'hospitality (hotel/restaurant/tourism)'.

Reflecting past analyses of the 2007 and 2013 Eurobarometer surveys of undeclared work (Williams & Horodnic, 2017a, 2018), the control variables selected include a range of socio-demographic, socio-economic and spatial variables (see Table 1).

INSERT TABLE 1 ABOUT HERE

To analyse the data, a probit regression analysis is used because the dependent variable is a binary variable. This model is used to predict the probability that the dependent variable is equal to 1 and the standard normal cumulative probability distribution function ensures that the predicted values of the dependent variable lie between 0 and 1. Displaying this, the probit regression model used in the empirical analysis is the following:

$$Pr(Y_i = 1|X_{i1}, X_{i2}, ..., X_{i29}) = \Phi(\beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + ... + \beta_{29} X_{i29})$$

, where Y_i is a dummy variable which is equal to 1 if the individual i is participating in the undeclared work in the tourism industry in 2019. X_{i1} to X_{i29} are the covariates excluding the reference category dummy variables of the socio-demographic, socio-economic and spatial factors that are considered to be relevant for the participation in the undeclared work. These covariates are explained in Table 1 in detail. Moreover, $\Phi(.)$ is the cumulative standard normal distribution function and the value inside the parenthesis is therefore the z-value. Therefore, instead of interpreting the β coefficients, which correspond to changes in the z-value for a unit change the regressor following it when holding other covariates constant, we interpret the marginal effects. Marginal effects that are calculated and presented in Table 3 are the effect of a unit change in a regressor on the predicted probability of the dependent variable which are therefore more intuitive.

Findings

Table 2 reveals that 3.55% (1 in 28) of the representative sample of European citizens surveyed had undertaken undeclared work in the previous 12 months. Of those conducting undeclared work, 17% conducted undeclared work in 'hospitality (hotel/restaurant/tourism)', meaning that 0.6% (1 in 165) of all European citizens had undertaken undeclared work in the European tourism industry. Nearly all these

undeclared workers have been heavily affected by the current pandemic with the closure of businesses.

Examining these 1 in 165 European citizens (2.3 million) providing undeclared work in the tourism industry, 33% undertake this work on an own-account self-employed basis, 27% as waged work for an employer, 26% as a mixture of both waged employment and own-account work, 10% for a partner or family businesses, whilst 4% do not know or refused to answer. Moreover, examining their overall portfolio of work, 26% of those providing undeclared work in the tourism industry (0.16%, or 1 in 640 of all European citizens) rely solely on undeclared work in the tourism industry for all their income. This group of 600,000 workers, therefore, are currently entirely excluded from the temporary financial support available for declared employees and the self-employed that has been put in place in response to the coronavirus pandemic.

Who, therefore, engages in undeclared work in the European tourism industry? In Table 2, the descriptive results reveal that women are over-represented, as are younger age groups, single people and single person households. Although the years spent in education appears to make little difference to participation, students are over-represented, as are manual workers and the unemployed. Those having difficulty paying the household bills most of the time are also over-represented, and although there are few differences between urban and rural areas, those living in Western Europe are more likely than those in other European regions to engage in undeclared work in tourism.

INSERT TABLE 2 ABOUT HERE

To evaluate whether these descriptive findings are valid when other variables are introduced and held constant, Table 3 reports the marginal effects of the probit regression analysis. Model 1 introduces the socio-demographic variables, model 2 adds the socio-economic variables and model 3 (the full specification model) adds the spatial variables. Analysing the full specification model, women have a 10 percentage points higher probability of participating in undeclared work in tourism than men. Younger age groups are also significantly more likely to do so than older groups. Those aged 15-24 years old have an 11 percentage points higher probability of conducting undeclared work in tourism than those aged 40-54 years old and a 16 percentage points higher likelihood than those aged 55 years old or more. Marital status, however, does not significantly influence the likelihood of participation and neither does household type nor the years spent in full-time education. Interestingly, those who have only one child aged under 10 years old have a 10 percentage points higher propensity than those without children. Given that manual workers are also significantly more likely, it might be that the non-standard working hours of manual workers in the tourism industry leads young people with a child to engage in undeclared work in this industry (e.g., as wait staff during evenings and weekends) when others are available to look after their child. There is no significant association between participation in undeclared work in the tourism industry and either difficulties paying bills, whether people live in rural or urban areas or the European region in which they reside.

INSERT TABLE 3 ABOUT HERE

Discussion and Conclusions

The temporary closure of the tourism industry in response to the coronavirus pandemic has resulted in governments providing short-term financial support to the workers and businesses affected. However, this is only available to offset the loss of declared revenue by enterprises, employees and the self-employed. Enterprises, employees and the self-employed operating in the undeclared economy will not receive such support. In Europe, this affects 3.55% (one in 28) of all European citizens who participate in undeclared work, 17% of whom work in the tourism industry, meaning that 0.6% (1 in 165) of all European citizens undertake undeclared work in the tourism industry. Indeed, 0.16% of all European citizens, or 1 in 640, depend solely on undeclared work in the tourism industry for all their income. These are more likely to be women, younger people, in single person households, manual workers and with a child under 10 years old.

It might be argued that these workers can and should rely on the welfare 'safety net' in their countries and that no intervention is required to address these enterprises and workers operating in the undeclared economy. Here, however, the argument is that offering enterprises and workers in the undeclared economy with access to the short-term financial support available to declared enterprises and workers is not some benevolent act. It is to bring these undeclared enterprises and workers in the tourist industry into the legitimate realm.

The goal of European governments is to transform undeclared work into declared work (European Commission, 2016). To achieve this, the policy approach of governments views enterprises and workers as participating in the undeclared economy when the expected costs (i.e., the likelihood of being caught and punished) are lower than the benefits of doing so (Allingham & Sandmo, 1972; Hasseldine & Li, 1999; OECD, 2017; World Bank, 2019). To change this cost/benefit ratio to make declared work a rational choice, European governments have conventionally sought to raise the costs of participating in undeclared work. This has been achieved by increasing the risks of detection and penalties and doing so has been widely deemed by European governments as the most effective means of transforming undeclared work into undeclared work (see Williams, 2019b). Nevertheless, with the pandemic, increasing the probability of detection and penalties has become obsolete since most undeclared work in the tourism industry has stopped. However, changing the cost/benefit ratio by increasing the benefits of declared work to pull workers and enterprises into the declared realm is an option. The current short-term financial support available to those in declared work could be used to attract undeclared enterprises and workers out of the shadows and onto the radar of the state authorities to facilitate compliant behaviour in future from these workers and enterprises.

To achieve this, a voluntary disclosure initiative could be used. Conventionally, these allow those voluntarily disclosing their previous undeclared activities to the authorities to have the penalties waived that would have otherwise applied, so long as they are compliant in the future, and those who fail to disclose their past activity before the end of the disclosure period are told that the penalties will be even higher if they are caught after failing to take up the opportunity to disclose (see Williams, 2014, 2017). Voluntary disclosure initiatives, therefore, traditionally use the threat of high fines after the disclosure period to attract enterprises and workers out of the shadows. In the current period, these schemes could instead offer an incentive. Giving access to the short-term financial support currently being offered to declared enterprises and workers, if they voluntarily disclose their previous undeclared work, would be a powerful incentive to make use of any voluntary disclosure scheme.

Indeed, voluntary disclosure initiatives are far from a new tool for tackling undeclared work. A survey of the official representatives of the 28 national governments on the European Platform Tackling Undeclared Work reveals Belgium, Cyprus, France, Italy, Lithuania, Slovenia and the UK have all used such schemes (Williams, 2019). In Italy, a voluntary disclosure scheme in 2001 to bring undeclared enterprises and workers into the declared economy either by fully legitimising immediately or gradually doing so over three years resulted in 1,794 enterprises and 3,854 workers voluntarily disclosing their previous undeclared work and becoming declared, but more importantly, a further 385,000 extra declared workers 'silently' registered that year outside the scheme during a time of economic stagnation (Meldolesi, 2003). In the UK, meanwhile, a more targeted short-term voluntary disclosure scheme in 2003 offered businesses the opportunity to regularise their VAT situation without penalty. The cost to the tax authorities was £500,000 in marketing costs and £2.7 million in foregone penalties. The outcome was 3,000 registrations raising £11.4 million in tax as well as an additional £2.5 million in revenue from fines applied to those who registered and did not continue to comply, resulting in a return-to-cost ratio of 23:1 (National Audit Office, 2008).

Hence, a voluntary disclosure scheme to allow undeclared enterprises and workers in the tourism industry and beyond to declare their previous undeclared work (which could be either with or without penalty) and in return, offering access to the short-term financial support being given to declared enterprises and workers, might prove an effective means of transforming undeclared workers and enterprises into compliant workers and businesses in the tourism industry. Such a scheme would attract them out of the shadows and into the declared economy using this incentive, bringing them onto the books of the state enforcement bodies (e.g., tax administrations, labour inspectorates, social insurance agencies).

This paper has focused upon the implications of the coronavirus pandemic for enterprises and workers operating undeclared in the tourism sector. Nevertheless, there are wider impacts of the pandemic on the tourism industry that require research. Future research needs to evaluate: the broader economic and business impacts on specific sectors of the tourism industry (e.g., accommodation services; food and beverage serving activities; transport services; travel agencies and other reservation services; cultural activities, and sports and recreational activities); the effectiveness of rescue packages and how this varies across different sub-sectors of the tourist industry; the future recovery and the implications for new business models, and the impacts on workers in the tourist industry including the changes needed in workplace behaviours. All are potentially fruitful avenues for future research, which are beyond the scope of this paper.

In sum, if this paper encourages governments in Europe and beyond to understand the prevalence of undeclared work in the tourist industry (with the caveat that direct surveys such as this Eurobarometer under-estimate the level of engagement in undeclared work) and the groups involved, it will have achieved one of its intentions. If it also leads governments to evaluate the feasibility of a voluntary disclosure initiative using the short-term financial support being provided to declared tourist enterprises and workers as an incentive to transform undeclared enterprises and workers into declared enterprises and workers, then its fuller intention will have been achieved.

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Table 1. Control variables: definitions

Variables	Definition
Gender	A dummy variable with value 0 for females and 1 for males
Age	A categorical variable indicating the age interval of a respondent with value one for those aged 15-24, value 2 for aged 25 to 39, value 3 for aged 40 to 54, and value 5 for those who are aged 55 or above.
Marital status	A categorical variable for the marital status of respondents with value 1 for (re)married, value 2 for single living with a partner, value 3 for single, value 4 for divorced or separated, value 5 for widow, and value 6 for others.
Household type	A categorical variable for the household situation with value 1 for single household without children, value 2 for single household with children, value 3 for multiple household without children, and value 4 for household with children.
Number of children under 10 years old	This is a truncated variable for the number of children in households who are younger than 10 years old. If there is no children aged below 10 in a household than it is equal to 0 which is the first category whereas it is always equal to value 5 if there are more than and equal to 4 children below age 10 in a household.
Stopped full-time education	A categorical variable for the education level of respondents. It is equal to 1 if s/he stopped full-time education below age 15, value 2 if stopped between 16-19, value 3 if stopped at an age older than 19, value 4 if s/he still studies, and value 5 if s/he does not have any full-time education.
Labour market status	A categorical variable grouping respondent by their socio-professional category with value 1 for self-employed, value 2 for managers, value 3 for other white collars, value 4 for manual workers, value 5 for house person, value 6 for unemployed, value 7 for retired, and value 8 for students.
Difficulties paying bills	A categorical variable for the respondents' difficulties in paying bills with value 1 for almost never/never, value 2 for occasionally, and value 3 for having difficulties most of the time.
Urban/rural	A categorical variable for the area where the respondent lives with value 1 for rural area or village, value 2 for small or middle-sized town, and value 3 for large town.
Southern Europe	A dummy variable equals to 1 if the respondent is from Greece, Spain, Portugal, Cyprus, Italy or Malta
Western Europe	A dummy variable equals to 1 if the respondent is from Belgium, Luxembourg, the Netherlands, Austria, Ireland, the United Kingdom, France or Germany
East-Central Europe	A dummy variable equals to 1 if the respondent is from Latvia, Croatia, Romania, Slovakia, Bulgaria, Hungary, Lithuania, Czech Republic, Estonia, Poland or Slovenia.
Nordic nations	A dummy variable equals to 1 if the respondent is from Denmark, Finland or Sweden.

Table 2. Descriptive statistics of participation in undeclared work in the tourism industry in Europe

	All surveyed	All undeclared work	Undeclared work in tourism
Number	27,100	961	163
All (%)	100.0	3.55	0.60
Socio-demographic variables			
Gender			
Men	45.3	59.3	42.3
Women	54.7	40.7	57.7
Age			
15-24	8.7	17.6	34.6
25-39	20.1	30.0	40.8
40-54	23.8	27.4	16.9
55+	47.3	25.0	7.7
Marital status			
(Re)Married	52.4	36.6	20.8
Single living with partner	12.1	20.8	20.0
Single	16.9	27.9	44.6
Divorced or separated	8.0	10.0	11.5
Widow	10.1	3.6	0.8
Other	0.5	1.0	2.3
Household Type			
Single household without children	29.9	34.6	48.8
Single household with children	5.3	7.4	9.5
Multiple household without children	35.6	29.2	24.4
Multiple household with children	29.5	28.8	17.3
Number of Children below age 10			
0	83.0	80.3	80.0
1	10.2	12.4	17.7
2	5.6	5.6	2.3
3	0.9	0.8	0
4+	0.3	0.8	0
Socio-Economic Variables			
Stopped Full-time Education			
15-	13.5	8.5	7.2
16-19	43.9	42.7	44.0
20+	35.5	35.0	25.6
Still studying	6.2	12.6	22.4
No full-time education	0.9	1.2	0.8
Labour Market Status			
Self-employed	6.9	11.9	6.2
Managers	10.6	8.0	4.6
Other white collars	12.8	11.4	13.1
Manual workers	20.1	26.5	35.4
House person	5.3	3.8	1.5
Unemployed	4.9	13.3	14.6
Retired	33.1	12.8	3.1
Students	6.1	12.3	21.5
Difficulties paying bills			
Almost never/never	68.4	53.4	46.1
From time to time	24.0	28.5	32.0
Most of time	7.6	18.1	21.9
Spatial characteristics			
Urban/rural			
Rural area or village	34.3	34.0	33.9

Small or medium sized town	37.2	39.5	36.9
Large town	28.5	26.5	29.2
EU region			
Southern	18.4	14.9	20.8
Western	30.1	33.2	40.8
East-Central	40.3	38.7	30.0
Nordic	11.2	13.2	8.6

Source: authors' calculations based on the 2019 Eurobarometer 92.1 survey

Table 3. Marginal effects of the probit models for participating in the undeclared work in the tourism industry in Europe, 2019

	Model 1			Model 2			Model 3		
	dy/dx	Std.Err.	P>z	dy/dx	Std.Err.	P>z	dy/dx	Std.Err.	P>z
Socio-demographic variables									
Gender (Reference Category(RC): Women)									
Men	-0.090	0.022	***	-0.096	0.022	***	-0.093	0.022	***
Age (Ref. category: 15-24)									
25-39	-0.026	0.028		-0.025	0.033		-0.022	0.034	
40-54	-0.124	0.040	***	-0.119	0.042	***	-0.116	0.042	***
55+	-0.205	0.047	***	-0.165	0.049	***	-0.166	0.049	***
Marital status (RC: (Re)Married)									
Single living with partner	0.000	0.035		-0.004	0.035		-0.000	0.036	
Single	0.112	0.115		0.104	0.117		0.095	0.118	
Divorced or separated	0.171	0.114		0.146	0.115		0.144	0.114	
Household Type									
(RC: Single Household without children)									
Single Household with children	-0.029	0.043		-0.030	0.043		-0.030	0.044	
Multiple Household without children	0.088	0.116		0.083	0.117		0.077	0.117	
Household with children	0.012	0.119		0.003	0.122		-0.003	0.121	
Number of Children below age 10									
(RC: 0)									
1	0.091	0.035	***	0.101	0.035	***	0.103	0.035	***
2	-0.047	0.066		-0.030	0.065		-0.036	0.062	
Socio-Economic Variables									
Stopped Full-time Education									
(RC: 15-)									
16-19				0.006	0.041		0.009	0.039	
20+				-0.013	0.045		-0.008	0.044	
Still studying				0.027	0.066		0.035	0.066	
No full-time education				-0.016	0.143		-0.013	0.145	
Labour Market Status									
(RC: Self-employed)									
Managers				-0.045	0.071		-0.040	0.071	
Other white collars				0.047	0.050		0.051	0.050	
Manual workers				0.080	0.046	*	0.084	0.046	*
House person				-0.083	0.078		-0.079	0.079	
Unemployed				0.029	0.052		0.033	0.052	
Retired				-0.027	0.074		-0.016	0.075	
Difficulties paying bills									
(RC: Almost never/never)									
From time to time				0.027	0.026		0.024	0.026	
Most of time				0.027	0.031		0.018	0.033	
Spatial characteristics									
Urban/rural									
(RC: Rural area or village)									
Small or medium sized town							-0.025	0.025	
Large town							-0.014	0.027	
EU region									
(RC: East-central)									
Southern							0.030	0.032	
Western							0.016	0.026	
Nordic nations							-0.012	0.040	
N	902			902			902		
Pseudo R^2	0.1282			0.1523			0.1557		
χ^2	70.72			83.42			84.23		
p>	0.0000			0.0000			0.0000		

Notes:

Statistically significant at *** p<0.01, ** p<0.05, * p<0.1 (robust standard errors in parentheses). All coefficients are compared to the reference category, shown in brackets. We kept in the analysis the individuals for which data on each and every independent variable is available. When the models are regressed with clustering the individuals by country, the direction of the associations and the significances do not change for the independent variables discussed in the paper (with p<0.05 or p <0.01).

Source: authors' calculations based on the 2019 Eurobarometer 92.1 survey