

Measuring Employment in the Tourism Industries

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Abstract :

Tourism is a people's sector in all its aspects and dimensions. However, data on tourism-related employment is still fragmented, lacks quality and international comparability. This is the case not only at the international level, but also at the national level where different methods and sources often result in different figures and results. Enhancing the quality and comparability of tourism employment statistics would significantly improve the monitoring of tourism labour markets and the promotion of productive activities, as well as the effective use of qualified labour, the principal factor in ensuring sustainable tourism development and its contribution to economic growth and employment.

Keywords : Tourism, Employment, Industry, Economy, Income, TSA, IATA, BoP.

Tourism accounts throw light at the growing impact of tourism and the positive side effects it can have for a country, it indeed seems unreasonable that some countries, while compiling most of the TSA tables¹, do not recognize the need for comprehensive statistics on employment in the tourism industries. It should also be recognized that in their majority, countries producing TSA table 7 Employment in the Tourism Industries do not consider it necessary to go beyond the TSA. The truth is that even though TSA table 7 is a very useful tool, governments, policy makers and specialists in tourism development need reliable statistical indicators on employment, occupations, income, compensation, hours of work of person employed and their conditions of work in the tourism sector in order to measure various dimensions of tourism labour market. Most importantly, tourism is promoted in policy agendas on the grounds that it will enhance the lives of local people and visitors, impacting on countries' economical welfare.

As we know that, a limited number of countries have already fully developed an advanced set of statistical procedures and derivative applications for measuring and analyzing a multitude of employment aspects in the tourism industries much needed to implement and monitor efficient tourism labour market policies.

This paper briefly explains the anatomy of tourism economy, discuss difficulties encountered in measuring employment and present different conceptual measures of employment in tourism.

A clockwork of tourism economy?

This section describes in a nutshell the "functioning mechanisms" of tourism economy, as well as the way it impacts the tourism industries' income and employment.

In general terms, tourism can be classified into the following categories:

1. International tourism :

- (a) Inbound; and
- (b) Outbound.

2. Domestic tourism :

- (a) Inbound; and
- (b) Outbound.

Economic impact of tourism

The economic impact of tourism can be summaries as: (i) a powerful economic force providing employment, foreign exchange and tax revenue; (ii) visitors are generators of economic impact for a country, a region, a city or a destination area: directly from their spending and indirectly from the tourism multiplier effect. It should be noted that inbound tourist spending is an export, while outbound tourist spending is an import.

Economic impact of tourism is measured in terms of its effect on:

- ◆ Income;
- ◆ Employment;
- ◆ Investment and development; and
- ◆ Balance of payment.

Effect on income

Income is generated from:

- ◆ Wages and salaries;
- ◆ Interests;
- ◆ Rents; and
- ◆ Profits.

In a labour intensive industry such as tourism, the greater proportion of income is likely to be derived from wages and salaries paid to those working in jobs either directly serving the needs of tourists or benefitting indirectly from tourists' spending.

Income will be greater in the areas :

- ❖ Which generate large numbers of tourists;
- ❖ Where visitors tend to stay for longer periods;
- ❖ Where the destinations attracts an up-market or more free-spending clientele; and
- ❖ Where there are many opportunities to spend.

Income is also generated from interest, rent, and profits on tourism businesses. This could include, for example, interest paid on loans to an airline in order to buy or lease an aircraft, or rent paid to a landowner for car parking or a campsite near the sea.

Taxation on tourism activities, such as value added tax, hotel bills, petrol used by tourists and other direct forms of taxation which countries may choose to levy on tourists to raise additional public income, is another source of tourism impact on income.

Employment

Tourism employment can be categorized at two separate levels depending on their involvement in or contribution to tourism supply-side. Front offices in hotels, restaurants, travel agencies, tourism information offices, aircrafts, cruise lines, resorts or shopping outlets provide direct employment because their employees are in contact with tourists and cater for tourist demand.

Tourism also supports indirect employment in activities like restaurant suppliers, construction companies that build and maintain tourist facilities, as well as necessary infrastructure, aircraft manufacturers, various handicrafts producers, marketing agencies, accounting services, which are more or less dependent on the companies providing direct employment for their revenues.

Tourism income multiplier effect ⁴

Tourism's contribution to an area is enhanced by a phenomenon known as the tourism income multiplier (TIM). This arises because money spent by tourists in the area will be re-spent by recipients augmenting the total. The multiplier is the factor by which tourist spending is increased in the process. However, local hotels may also be foreign owned. So the profits earned are repatriated back to the hotel chain's headquarters and as a result are lost to the region or country.

This might be also true of other tourist facilities in the area; even local ground-handling agents or coach operators may be owned by companies based elsewhere outside the country leading to further losses in multiplier effect. Leakage is minimal when the firms are in the hands of the locals.

As a result, TIM is higher.

Impact on employment

The impact of tourism industries on employment is brought in the following ways:

- ◆ Direct employment in the tourism industries;
- ◆ Indirect employment in the sectors supplying inputs to the tourism industries;
- ◆ Induced effect on employment as a result of subsequent rounds of spending;⁵ and
- ◆ Total effect on employment which is reflected in the employment multiplier, with the remark that a high employment multiplier of the tourism industries would indicate that countries facing high levels of unemployment could opt for tourism promotion as a possible effective means of absorbing the excess manpower.⁶

The empirical example below demonstrates the "mechanism" of tourism employment multiplier effect. In terms of employment, tourism multiplier effect means that it stimulates job creation in all sectors of the area concerned. For example, to provide quality service, a hotel (tertiary sector) would most probably employ more people to look after a growing number of arriving tourists. Consequently, other sectors (primary, secondary) would then also try to cater for the growing needs of the hotel.

Thus, wholesalers (secondary sector) would sell more food to our hotel which will lead to engaging more staff to work as wholesalers. In turn, this would trigger demand at the food factory down the road (primary sector) who would try to produce more food for wholesaler stocks and, as a result, the factory itself would need to employ additional staff as well.

Impact on investment and development

Trade, travel and investment follow each other. The benefits that business travel brings to international trade also foster investment by domestic firms and by foreign direct investors. Foreign direct investments that result from business travel introduces capital, technology, skills, people, know-how, demand for local supplies to the domestic economy, and brings improvements in trade balances.⁷

It can also create new products and provide opportunities for local businesses further down the supply chain. The competition for foreign direct investment is intense, not

only between countries but also between regions within countries. Without the connectivity provided by the travel and tourism sector in general, and the aviation sub-sector in particular, regions would find it more difficult to attract foreign direct investment.

A survey of over 600 companies in five countries by the International Air Transport Association (IATA) found that 63% of firms stated that travel networks are 'vital' or 'very important' to investment decisions and that 30% of firms would be highly likely to invest less in a region if travel networks were constrained.⁸

A survey of senior executives in the travel industry conducted by Oxford Economics on behalf of the World Travel and Tourism Council provides additional insight. Nearly 86% of the respondents found that development of their local tourism industry had led to an increase in local job creation through increased foreign direct investments.

Airport hubs are critical for increasing foreign direct investment by providing connections to a parent company, specialist supplies, and facilitating exports. Demand for travel and tourism - both international and domestic - stimulates investment. For example, in 2011, USD 650 billion in capital investment, or 4.5% of total, was driven by travel and tourism. While a portion of this is related to individual investments in facilities that directly benefit tourists, such as the construction of hotels and resorts, travel and tourism industries also drive infrastructure improvements that collectively benefit tourists, local residents, and the wider economy.

Growth in the travel and tourism sector typically leads to development of restaurants, bars, cafes, retail establishments, and other tourism related businesses. Not only are these businesses part of the direct impacts generated by the sector, but also they help improve the quality of life for local residents by expanding the choices available to them in their local community. For example, the increase in international business and leisure travel in Abu Dhabi has led to private investments in Saadiyat Island, a mix of residential and leisure projects off the coast of Abu Dhabi.⁹

Tourism industry has strong linkages with many other industries within national economies. The industry is also highly geographically dispersed. These aspects of travel and tourism sector can make expansion of the industry an effective tool for broader economic development, particularly for rural and low-income regional economies.

Tourism-based businesses create jobs, bring new money into the region and also help diversify the local economic base. Economic diversity is critical to the success of most rural areas in both the developed and developing world.

Tourism also benefits local economies by enhancing labour mobility and makes it easier for migrants to stay in touch with family and friends and to also return home to visit. Both the host country and the country of origin benefit from the increased labour mobility. The remittances a migrant sends home to family members have become an increasingly important source of revenue for developing countries.

Also, the host economy benefits from the addition and availability of skills and labour - such as foreign language, technology, and cultural knowledge. Increased labour mobility allows companies' access to a larger pool of skilled workers.

Balance of payments (BoP)

International tourists are buying tourist services in another country, and these payments are noted in a country's accounts as "invisible". For instance, the money spent by a Swiss visitor to Austria is credited to Austria's BoP, becoming an invisible receipt for Austria, while it is debited as a payment against the Swiss balance of payment. The total value of receipts minus the total payment made during the year represents a country's BoP on the tourism account.

It is therefore considered beneficial to have a large number of inbound tourists rather having bigger number of outbound tourists. Countries like Japan and Ukraine are struggling to increase inbound tourism, as these are the countries producing a large number of tourists travelling to other countries. France and Singapore are the examples of having a high number of inbound tourists. Hence, they enjoy a largely positive balance of payment.

Conclusion

Tourism has a great potential in generating employment (direct and indirect). Notably, the lower the leakages from the economy, the greater the tourism multiplier effect of the spending made in the local economy. A greater number of inbound travellers is beneficial both for the economy and employment creation in the tourism sector.

References

- 1 The Tourism Satellite Account (TSA) is a standard statistical framework and the main tool for the economic measurement of tourism. The Tourism Satellite Account: Recommended Methodological Framework 2016 (also known as the TSA: RMF 2016) provides the updated common conceptual framework for constructing a TSA.
- 2 Gaur, Shweta : Types of Tourism and Impacts of Tourism.
- 3 IRTS 2016, p. 15.

- 4 Multipliers capture the secondary economic effects (indirect and induced) of tourism activity. Multipliers represent the economic interdependencies between sectors within a particular region's economy. They vary considerably from region to region and sector to sector. There are many different kinds of multipliers reflecting which secondary effects are included and which measure of economic activity is used (sales, income, or employment).
- 5 It is possible to say that this is similar to TIM but in terms of employment.
- 6 Economic and Social Commission for Asia and the Pacific (1990), Guidelines on Input-Output Analysis of Tourism, ST/ESCAP/836, UN, New York.
- 7 'Aviation: The Real World Wide Web' (2019), Oxford Economics, Oxford.
- 8 International Air Transport Association (2016), IATA Economics Briefing Number 3, IATA.
- 9 World Travel and Tourism Council (2018), 'The Economic Advantages of Travel and Tourism', The Comparative Economic Impact of Travel & Tourism, Oxford.

