The impact of tourism flows on the creation of employment

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1. Goals

Measuring the impact of variations in tourism flows on variations in employment.

The analysis is performed on Macroeconomic point of view: aggregate data per Regions (1999-2007).

- All Spanish regions and tourist communities (Andalusia, Balearic Islands, Canary Islands, Castilla y León, Catalonia, Valencia Community and Madrid)

2. Methodology used

- Multivariate analysis \( \Rightarrow \) net of the effect of other variables
  - Employment is explained by tourist variables
  - Employment is explained by all variables (tourist and no tourist)
  - Estimations of Employment referred just for tourist Regions
3. Database used

- Inbound Tourism Spanish Survey (FRONTUR)
- Spanish Expenditure Survey (EGATUR)
- Domestic and outbound Spanish Survey (FAMILITUR)
- Labour Force Survey
- Labour Market Situation Survey

4. Measuring flows and tourism

- How are tourism flows and employment measured?

**Employment:**

- Employment rate = \( \frac{\text{People working in the Regions}}{\text{Population aged 16+ in the Regions}} \)
- Tourism employment rate = \( \frac{\text{People working in tourism in the Regions}}{\text{Population aged 16+ in the Regions}} \)
- Workforce ratio = \( \frac{\text{Workforce in private, non-agricultural businesses}}{\text{Population aged 16+ in the Regions}} \)
- Hiring staff rate = \( \frac{\text{Number of entrances in private, non-agricultural businesses}}{\text{Workforce in private, non-agricultural businesses}} \)
- Firing staff rate = \( \frac{\text{Number of exits in private, non-agricultural businesses}}{\text{Workforce in private, non-agricultural businesses}} \)
- Normal hours worked in tourism per worker
- Annual working day per worker in private, non-agricultural businesses
4. Measuring flows and tourism

How are tourism flows and employment measured?

**Tourism flows:**

| Trips to the Regions by non-residents of Spain | Population of the Regions of destination |
| Trips to the Regions by residents of Spain | Population of Regions of destination |

**Other tourism variables:**
- Average stay
- Expenditure (average daily or total)
- Average stock of trips (approximately)
- Overnight stays in the Regions by residents of Spain

The size of the effect of changes in each of the tourism variables on changes in each of the employment variables is calculated.

5. Results and assessments

Effects of tourism variables on employment. Aggregate regional analysis (net of the effect of other variables, using all variables)

1) **Insignificant** effects on the tourism employment rate and positive yet minor effects on the total employment rate and the workforce ratio in the private, non-agricultural economy:

- ↑1% (Trips [of residents or non-residents of Spain] to the Regions/Regions pop.) ➔ ↑0.03-0.04 percent in the total employment rate (from 620 to 830 workers).
- ↑1% (Trips by non-residents to the Regions/Regions pop.) ➔ ↑0.1 percent in the "Workforce/Regions pop." ratio (2,150 workers).
- ↑1% (Trips by residents of Spain to the Regions/Regions pop.) ➔ ↑0.05 percent in the "Workforce/Regions pop." ratio (1,070 workers).
5. Results and assessments

Effects of tourism variables on employment. Aggregate regional analysis (net of the effect of other variables, using all variables)

- ↑1% (Trips by non-residents to the Regions/Regions pop.) ➔ from ↑0.09 to 0.1 percent in the entrance rate (from 2.150 to 2.640 workers).

2) Positive effect of average daily expenditure on the total employment rate: ↑€1/day ➔ ↑0.1 percent in the total employment rate (1,240 workers).

ASSESSMENT:

- Only the effect of trips made by non-residents seems "genuine" (the descriptive analysis with trips by Spaniards points in another direction and there are groups of Regions that are the same as each other and different from others)

- The induced effects of trips by non-residents of Spain on employment and average daily expenditure seem more significant than the direct effects, although to all extents they are "minor".
5. Results and assessments

Effects of tourism variables on employment
(net of the effect of other variables. Analysis of the most tourist regions)

1) In tourist Regions:
   • ↑1% (Trips by non residents to the Regions/Regions pop.) ➔
     • ↑0.05 percent in the total employment rate (1.740 workers).
     • ↑0.1 percent in the worker entrance rate (4.510 workers).
     • ↑0.1 percent in the worker exit rate (4.560 workers).

4.8 minutes in the hours normally worked in tourist activities.

• ↑1 day in the average stay ➔ ↑0.06-0.10 in the tourism employment rate (2.100-3.480 workers).
• Average daily expenditure has no effects.
5. Results and assessments

Effects of tourism variables on employment (net of the effect of other variables. Analysis of the most tourist regions)

2. ASSESSMENT:

- Once again, the induced effects on employment seem to be more significant than the direct effects, although they remain "minor".

- The direct effect arises in the hours normally worked, although the small size of tourism businesses means that this is not easily reflected in increases in tourism employment.

- Trips significantly increased gross mobility (entrance and exit) of workers, although they did not overly affect the total volume of employment.

5. Results and assessments

Assessment of the macroeconomic analysis as a whole

- Do the previous results mean that tourism is not important for employment?
- **NO**, because we know that tourism and tourism flows are crucial for many local and regional economies.
- Hence, the variations in trips may encourage or severely curb employment in certain local "tourist" economies.
- **BUT**, taking an Autonomous Community as a whole, this effect would be weakened over the regional economy as a whole (except in the Balearic Islands and the Canary Islands).
6. Final Summary

- The measured effects of tourism flows (and average daily expenditure) are more induced (on total employment, particularly private, non-agricultural employment) than direct (on employment in tourist activities), but remain minor. There are only certain (yet few) major effects on the entrance and exit of workers.
- The exceptions are the Balearic Islands and the Canary Islands, where there is a strong association between travel (particularly by non-residents) and employment (total and tourism).
- Implication of the macroeconomic analysis: the tourism policy as a means to promote employment makes sense at local level, but has little impact on the Regions as a whole (except in the case of the Balearic Islands and the Canary Islands).
- Implication for the promotion of travel: The (minor) effects on employment can be used by encouraging an increase in travel by non-residents and promoting a longer average stay by residents.

Thank you for your attention!

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