

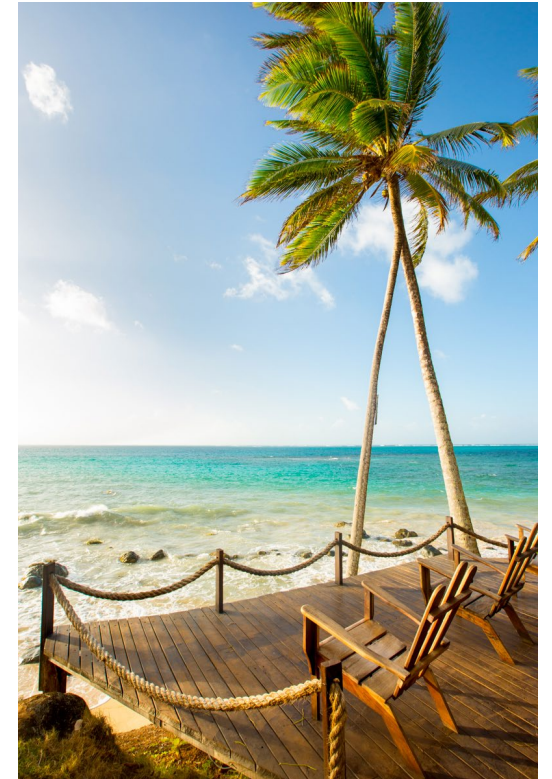
Lecture 11:

Tourism, geography and the economic importance of the tourism industry



Outline of the lecture

- Key terms and definitions
- Tourism as an industry?
- The geography of tourism or tourism geographies?
- Tourism and its overall economic importance
- Economic impacts of tourism

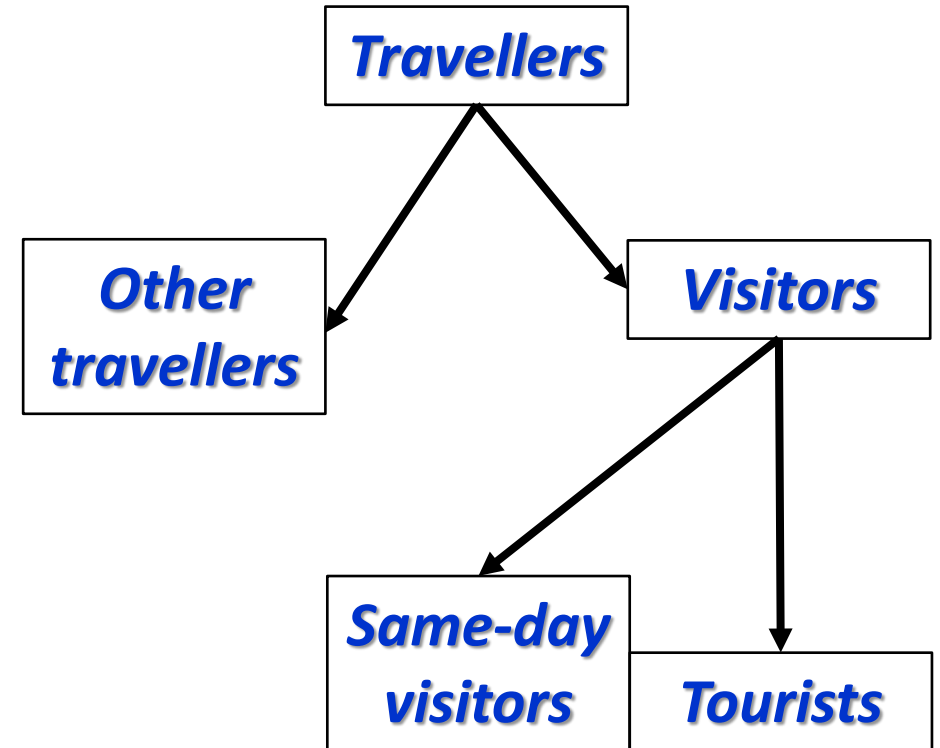
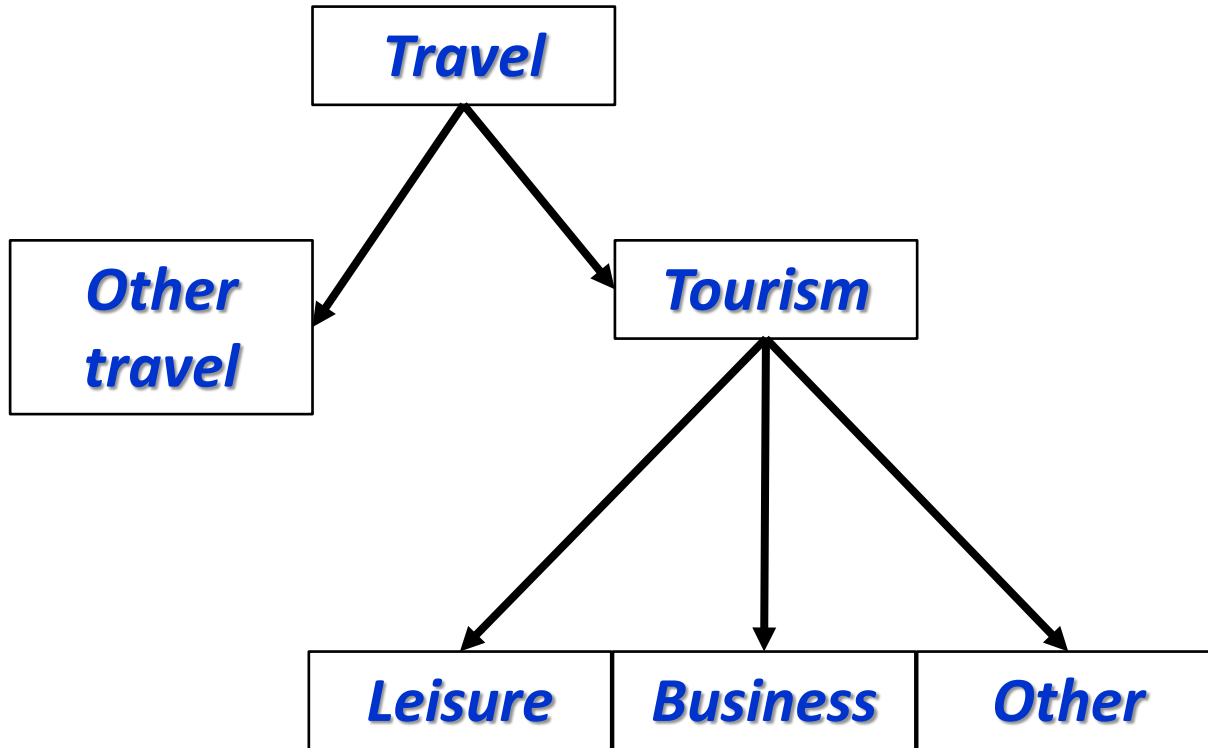


Key terms and definitions

- The term **travel** refers to the activity of **travellers**. A **traveller** is a person who moves between different locations for any purpose and for any duration. **Tourism** is therefore a subset of **travel**.
- **Tourism** is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes (**→ a geographical phenomenon!**).
- A **visitor** is a **traveller** taking a trip to a main destination outside their usual environment, for less than a year, for any purpose (e.g. business, leisure or other personal purposes) other than to be employed by a resident entity in the country or place visited.
- A **visitor** (domestic, inbound or outbound) is classified as a **tourist** (or **overnight visitor**) if their trip includes an overnight stay, or as a **same-day visitor** (or **excursionist**) if their trip lasts less than one day.

(UNWTO 2018a)

Key terms and definitions



- Any **travel** for less than a year (unless for employment) is **tourism**
- **Tourism** is not only a **leisure** activity, i.e. **business travel** is also **tourism**!

The tourism industry?

Arguments 'against':

- Tourism is not an industry in the conventional sense:
 - It does not rely on single technology
 - There is no single production process
 - It does not offer any homogenous product

(Tucker & Sundberg 1988)

- Instead, tourism comprises the aggregate of goods and services that are produced by different industries such as accommodation, transportation, recreation, food and beverage, retail and many other
- Tourism is only partially industrialised as many firms that cater to visitors also cater to local people and could therefore exist without tourism *(Leiper 1990)*

The tourism industry?

Arguments 'for':

- Although tourism does not offer a homogenous product, there is an important functional linkage between all its sub-sectors and this gives rise to the belief in the tourism industry (*Smith 1998*)
- Tourism is a matrix and composite industry (*Smith 1998*)
- Therefore, rather than talking about **the tourism industry**, it is conceptually safer and more accurate to talk about a variety of tourism or tourism-related industries and about **the (global) tourism production system**



Tourism supply and demand

- Tourists represent **tourism demand**
- Tourism-related industries represent **tourism supply**
- Tourism demand is mobile, i.e. tourists are mobile consumers who follow tourism supply
- Most of tourism-related supply is geographically fixed, i.e. it is unable to respond to tourism demand geographically and to follow tourism demand
- Tourist firms from many sectors find it difficult (or impossible) to relocate to new sources of demand
- Therefore, consumption of tourism takes place at the point of production
- This important feature of tourism is captured by the notion of **spatial fixity of tourism supply**

(Hall & Page 2014, Urry 1990, Williams 2009)

Tourism and geographical research

- For many years, tourism was not considered as a valid object of research in human geography (by contrast to e.g. manufacturing)
- Nowadays, tourism constitutes an important point of intersection within geography, i.e. researchers from various sub-fields contribute to the field of tourism differently (➔ different topics, methods and theories)
- As such, tourism is a sub-field of various sub-disciplines of geography, rather than a uniform field of study
- There is no one tourism geography but rather “a range of tourism geographies marked by differences not only in subject but also in philosophy, methods [and] scale” (*Hall & Page 2009: 5*)

(Gibson 2008, Hall & Page 2009, 2012, Ioannides & Debbage 1998)

➔ Economic geographers are interested in the structure of the tourism industry, the economic importance of tourism and its economic impacts

Tourism and its overall economic importance

- The tourism sector (or, should we say, the global tourism production system?) is a complex ensemble of firms, industries and state agencies (*Britton 1991*)
 - Tourism is the world's largest industrial complex (*Lundberg et al 1995*)
 - As such, tourism supports 10% of all jobs worldwide and accounts for 10% of world's GDP
 - In 2018 it also accounted for 7% of world's exports (➔ the third largest export category) and 29% of world's services export (➔ the largest service export category)
 - Receipts from international tourism constantly grew (from less than US\$ 300 billion in 1990 to US\$ 1.7 trillion in 2018)
- (*UNWTO 2018b, 2019*)



International tourist trips



Source: UNWTO (2010, 2014, 2018b)

Economic impacts of tourism

1. Tourism and the national balance of payments
2. Tourism as a source of income
3. Tourism as a source of employment
4. Tourism as an engine for urban regeneration



1. Tourism and the national balance of payments

- Tourism helps the local economy earn foreign currency and, as such, it influences the country's balance of payments (i.e. the difference between the value of total imports and the value of total exports)
 - **Export of tourist services** – foreign tourists coming to the country to spend their money on tourist services in the host destination
 - **Import of tourist services** – local people going away to spend their money on tourist services abroad
- Tourism is an economic force that redistributes wealth across the world
- Its relative contribution to the country's total exports/imports also depends on the significance of other sectors (e.g. the strength of manufacturing) and its overall tourist attractiveness

(Hall & Page 2014, Niewiadomski 2017, Sharpley & Telfer 2002, Williams 2009)

Balance of tourism trade

Country	International tourism receipts (bln USD)	International tourism expenditures (bln USD)	Balance of payments (bln USD)
United States	247.39	150.22	97.18
Spain	56.53	17.35	39.19
France	52.96	47.45	5.51
Germany	50.65	85.33	-34.68
Italy	39.42	24.42	15.00
United Kingdom	60.81	82.82	-22.02
China	44.97	249.83	-204.86
Turkey	35.45	5.69	29.77
Austria	18.29	9.33	8.96
Greece	17.26	3.54	13.72
Canada	19.27	36.36	-17.09
Japan	27.29	23.25	4.03
Mexico	18.73	12.67	6.06
Switzerland	19.64	18.76	0.88
Netherlands	17.59	19.74	-2.15
Thailand	48.53	9.54	38.99
Belgium	13.08	21.11	-8.03
Portugal	15.82	4.78	11.04

Source: <http://databank.worldbank.org> (October 2018)

Tourism as % of total exports and imports

Country	International tourism expenditures (% of total imports)	International tourism receipts (% of total exports)
United Kingdom	9.86	7.70
United States	5.43	10.93
Spain	4.72	14.30
France	6.17	7.06
Italy	4.93	7.19
Germany	6.50	3.20
China	12.48	1.91
Turkey	2.55	17.81
Austria	4.96	9.06
Greece	6.01	29.52
Canada	6.85	3.92
Japan	2.88	3.48
Mexico	2.96	4.64
Switzerland	5.45	4.72
Netherlands	3.57	2.78
Thailand	4.15	17.59
Portugal	6.07	19.26
Belgium	5.89	3.57

Source: <http://databank.worldbank.org> (October 2018)

Financial leakages

- Earnings from tourism are always reduced by **financial leakages** (i.e. receipts from tourism that are repatriated abroad by firms that own tourist facilities and/or control tourist operations in a given host territory)
- In some countries financial leakages reach 90-95% (!!!) of total earnings
- Many developing countries' earnings are therefore lower than they should
- By contrast, developed countries, where large international tourist firms are based, regain in this way a proportion of the expenditure made by their nationals abroad (→ **invisible earnings**)
- The contribution of tourism to the national balance of payments depends on the host country's level of economic development, its legal system, the competitiveness of local firms and the structure of ownership in tourism

(Hall & Page 2014, Niewiadomski 2017, Sharpley & Telfer 2002, Williams 2009)

2. Tourism as a source of income

- As an important source of income for the local population, tourism contributes to the GDP of the local, regional and national economy
- As with the balance of payments, its contribution to GDP depends on the tourist attractiveness, the level of visitation and the relative importance of tourism in comparison with other industries
- In the case of developed countries where other industries are strongly developed this contribution is rarely higher than 5%
- By contrast, in the case of developing countries which often heavily rely on inbound tourism it may be as high as 40% or more
- Small islands in the Indian and Pacific Ocean are the best example

(Hall & Page 2014, Niewiadomski 2017, Sharpley & Telfer 2002, Williams 2009)

The multiplier effect

- The ratio between the total amount of income generated by tourist spending (i.e. primary and secondary) and the initial tourist expenditure (i.e. primary)
- **Primary** impacts are **direct** and denote the original spending of tourists who purchase tourist services and tourist-related products in the host economy
- **Secondary** impacts refer to the ways in which the initial tourist expenditure is reused in the host economy – they can be:
 - **Indirect**, i.e. spending by the recipients of initial tourist expenditures on goods and services required by tourists, taxes, wages for staff and maintaining their businesses
 - **Induced**, i.e. further spending by the recipients of initial expenditures on their own needs
- Reduced by financial leakages, wages for foreign labour, the cost of imports...
- Developed countries $\rightarrow >1$, developing countries $\rightarrow <1$

(Hall & Page 2014, Niewiadomski 2017, Sharpley & Telfer 2002, Williams 2009)

3. Tourism as a source of employment

- Tourism is a labour-intensive industry and, as such, it is an important source of employment
- It is an attractive alternative to primary and secondary industries where employment levels constantly decrease
- Employment generated by tourist firms is referred to as **direct employment**
- Employment in non-tourist firms that benefit from the existence of tourism in the area (e.g. retail, security) is called **indirect employment**
- Tourism generates demand for non-tourist products and services
- Accommodation, transportation and F&B are the most labour-intensive sectors
- The overall number of jobs in tourism is very high, **BUT**...

(Hall & Page 2014, Niewiadomski 2017, Sharpley & Telfer 2002, Williams 2009)

Quality of jobs in tourism...

- Jobs in tourism are usually low-paid, unskilled, servile in nature and associated with long or unsociable working hours
- Only a small proportion of tourism jobs are highly-paid jobs that require special skills (mainly some managerial jobs)
- Jobs in tourism are unstable and highly dependent on the level of demand
- Labour in tourism is weakly unionised
- Tourism relies on vulnerable groups – unqualified workers, female labour, immigrant workers and students, which determines the employer-labour relations in tourism industries
- Jobs in tourism are often seasonal, part-time, casual or temporary

(Hall & Page 2014, Niewiadomski 2017, Sharpley & Telfer 2002, Williams 2009)

Jobs in tourism... not as attractive as they look...

THIS...



VS.

THIS...



4. Tourism as an engine for urban regeneration

- Tourism growth is often associated with huge injections of capital
- As such, it is an important agent of urban regeneration in developed countries and an engine for urban development in developing countries
- Revitalisation projects carried out in post-industrial cities have a strong tourist dimension (→ Glasgow Clydeside, Newcastle Quayside, Titanic Belfast)
- Tourism helps to preserve the cultural and historic heritage of cities
- Tourism fosters the development of accompanying infrastructure such as roads, railways, conference facilities, sport and concert venues, etc.
- Event tourism → London Olympics 2012 and the regeneration of the East End
- Tourism-led regeneration promotes places as tourist destinations, enhances their visibility in the market and helps them to build a good reputation

(Hall & Page 2014, Niewiadomski 2017, Sharpley & Telfer 2002, Williams 2009)

Tourism and urban regeneration



Some other negative impacts of tourism...

- Tourism causes an increase in prices of land, properties and goods and services in destination areas
- Tourism tends to be spatially concentrated – as a result some regions and communities have no access to the benefits which it brings
- Tourism fosters new lines of socio-economic division (e.g. local people versus tourists, local people who live from tourism versus those who do not...)
- Tourism often damages the natural environment – the most important asset on which tourism relies, thus undermining the tourism-based developmental potential of the place (**➔ more on this next time!**)

(Williams 2009)



Other factors shaping the economic impacts of tourism

- The nature of tourism (e.g. mass versus luxury tourism)
- Weather and seasonality (i.e. some facilities may be closed and staff may be made redundant in low seasons)
- Economic (in)stability in demand-generating countries
- Price wars in the international travel industry
- Fluctuating oil prices and costs of transportation
- Political and economic (in)stability in destination areas (e.g. civil unrest, wars)
- Negative perception of destination areas because of high levels of crime, epidemics, controversial politics, etc.
- Fashion (!)

(Williams 2009)

Summary and conclusions

- Tourism is a complex social, cultural and economic phenomenon
- The tourism industry is not homogenous – it comprises many various sub-sectors
- Tourism has a distinct geographical dimension and is thus of interest to geographers, however, there is no one tourism geography but rather a range of various tourism geographies
- The economic importance of tourism to countries and regions is very high
- Tourism contributes to the national balance of payments, serves as a valuable source of investment, income and employment and acts as an agent of urban regeneration, however, it can impact on regions in a negative way too!
- Economic impacts of tourism are highly place-specific and place-dependent but may also depend on various external factors

Reading and references

- Britton, S. (1991) Tourism, capital and place: towards a critical geography of tourism, *Environment and Planning D: Society and Space*, 9, pp. 451-478
- Gibson, C. (2008) Locating geographies of tourism, *Progress in Human Geography*, 32, 3, pp. 407-422
- Hall, C., Page S. (2009) Progress in Tourism Management: from the geography of tourism to geographies of tourism – a review, *Tourism Management*, 30, pp. 3-16
- Hall, C., Page, S. (2012) From the geography of tourism to geographies of tourism, in: Wilson, J. (ed.) *The Routledge Handbook of Tourism Geographies*, London: Routledge, pp. 9-25
- Hall, C., Page, S. (2014) *The Geography of Tourism & Recreation: Environment, Place and Space* (4th edition), Abingdon, UK: Routledge
- Ioannides, D., Debbage, K. (1998) Introduction: exploring the economic geography and tourism nexus, in: Ioannides, D., Debbage, K. (eds.) *The Economic Geography of the Tourist Industry: A Supply-side Analysis*, London & New York: Routledge, pp. 1-14
- Leiper, N. (1990) Partial industrialization of tourism systems, *Annals of Tourism Research*, 17, pp. 600-605
- Lundberg, D., Krishnamoorthy, M., Starvey, M. (1995) *Tourism Economics*, New York: John Wiley & Sons
- Niewiadomski, P. (2017) Economics of Tourism, in: Lowry, L. (ed.) *The SAGE International Encyclopedia of Travel and Tourism*, Thousand Oaks: SAGE Publications, pp. 392-396
- Sharpley, R., Telfer, D. (eds) (2002) *Tourism and Development: Concepts and Issues*, Clevedon, UK: Channel View Publications
- Smith, S. (1998) Tourism as an industry: debates and concepts, in: Ioannides, D., Debbage, K. (eds) *The Economic Geography of the Tourist Industry: A Supply-side Analysis*, London & New York: Routledge, pp. 31-52
- Tucker, K., Sundberg, M. (1988) *International Trade in Services*, London: Routledge
- UNWTO (2010) *Tourism Highlights 2010 Edition*, United Nations World Tourist Organization, retrieved from www.unwto.org in April 2011
- UNWTO (2014) *Tourism Highlights 2014 Edition*, United Nations World Tourist Organization, retrieved from www.unwto.org in October 2014
- UNWTO (2018a) *Methodological Notes*, United Nations World Tourist Organization, retrieved from www.unwto.org in October 2018
- UNWTO (2018b) *Tourism Highlights 2018 Edition*, United Nations World Tourist Organization, retrieved from www.unwto.org in October 2018
- UNWTO (2019) *International Tourism Highlights 2019 Edition*, United Nations World Tourism Organization, retrieved from www.unwto.org in May 2020
- Urry, J. (1990) *The Tourist Gaze: Leisure and Travel in Contemporary Societies*, London: Sage
- Williams, S. (2009) *Tourism Geography: A New Synthesis*, 2nd edition, Abingdon: Routledge