

Economic impacts of tourism

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Economic advantages of tourism in Poland.

- One of the main economic advantages for the country from the sector of tourism is foreign exchange.
- Money tourists spend while in Poland creates income the country can then use to invest or fuel the development and financial advancement of other economic sectors.

Before Poland joined the EU and the Euro became the official currency of all member countries. Poland accelerated its economic growth by using other currencies such as the German mark or the English pounds which tourists brought with them and were stronger against the local currency (zł). Now as it has the same currency as any other country in the Euro zone it no longer requires to accumulate foreign exchange to help transactions made with member countries.

Of course foreign exchange still remains an important indicator of international tourism even though there is no foreign exchange in Europe other countries such as America, Russia and China and it's people are still 'required' to bring an amount of money from their own currency based on their length of stay.

As one of the top five export categories for 83% of the world's countries and the main source of foreign exchange earnings for 38% them. Before joining the EU Poland belonged under both these categories.

- Contribution to government revenues from tourism is separated into two categories.

- The direct contributions which are generated from income taxes, tourism employment, businesses related with tourism such as travel agencies, public boats, marinas etc. and of course from direct taxes on the traveling tourists such as departure taxes.

The second category is the indirect contributions, generated from taxes and duties taxed and products and services supplied to the tourist for example accommodation and food.

Leaving Poland aside for a moment and viewing this on a worldwide scale the WTO had estimated in 1998 that direct and indirect tax contribution to economies around the globe surpassed 800 billion US \$. This year (2010) the WTO estimates this figure to be double.

- Employment generation
- The rapid expansion of tourism in Poland the recent years lead to a significant increase in and creation of employment. For examples Hotels alone provide around #### jobs

Furthermore tourism generates jobs also directly through restaurants, means of transport, nightclubs, and travel agencies, souvenir sales and tourists attractions while it also generates jobs indirectly through the supply of goods and services sectors associated with tourism related businesses. In total tourism supports about 437, 600 workers in Poland.

- Stimulation of infrastructure investment
- Since a nice country is an attractive country, tourism motivates the government to work on improving the infrastructure of destination sites which slowly spread throughout other parts of the country as well.

Such improvements among others are better water systems, sewage and waste handling systems, roads, electricity, communication means and quality, transport networks and so on. These improvements of course do not only help attract tourism but benefit the life of the local population.

- Contribution to local economies
- The environment is a basic part of the assets used by the tourism industry and for that reason profit coming for the field of tourism is measured to measure the economic value of protected areas.

But local revenues are not always easy to qualify as tourism related ones that happens because not all of tourist expenses are formally registered. In Poland as in any country money is also earned through informal employment, for example from street vendors, informal guides or rickshaw drivers. The positive side of informal employment however is the fact that the money these people earn returns to the local community as they engage their own transactions as they too have to live. This money gets a great multiplier effect as it is spent over and over again.

The multiplier however is not only attributed to the informal revenues any transaction between any tourist related business and the visitors or two or more business entities which purchase items or services one from another within the local economy. What has as a result the inflow of money to Poland's economy from an exterior source and this money is subsequently spent again by its new owner in a different transaction and so on. In this way the market and the different sectors is fueled extra cash. For example, the tourist will take a taxi to go to his hotel, the taxi driver will then use that

money to pay for a service to his car, the mechanic will use the money he gained to go to the super market, the super market will then order new stock and so on.

The multiplier is itself is split into 3 categories.

- Direct expenditure, is when the tourist personally exchanges money for a good or service, in the hotel or at a restaurant or at a cinema etc. It is also related with tourism produced exports and with investments related to a tourism project in an area.
- Indirect expenditure, is the transaction made subsequently to the one described above by the new owner of the money. For example when a hotelier pays for goods or services provided by the local area like ordering food supplies or taking extra staff.
- Induced expenditure is the increased purchasing activity of locals due to the additional personal income resulting from the Direct expenditure of visitors. For example, the hotel employees use their wage bonuses or tips to buy something at the super market. Induced and Indirect expenditures are also called secondary expenditure.

Based on this the WTO assumes that tourism generates an indirect contribution the economy which equals to 100% of the direct tourism expenses.

Economic Disadvantages of tourism in Poland.

- Leakage
- The direct income from tourism oriented transactions is the amount of money that remains after subtracting taxes, profits and wages paid to

sources outside of the area and imports are bought. These amounts removed from the overall amount are leakages.

For example in the all inclusive holiday packages more or less 80% of the tourist money goes to international companies which own airlines, tour operators, hotels etc. while the locals receive very little of that money. Additionally the remaining retained income can still leave Poland through subsequent leakage or transactions the locals do with informal or wandering vendors.

There are two main ways of how leakage can occur.

- Import Leakage, happens when the visitors expect to find or demand standards of equipment, food or beverages Poland does not produce or can't supply by itself. Champagne, feta cheese, bananas and natural gas are only some examples of industries or products Poland can't produce for various reasons or it simply does not yet have a supplying industry. Furthermore a significant amount of the income made from tourism leaves Poland again to pay for these imports. The average import related leakage is assumed to be between 40 to 50% of gross tourism earnings for small economies and between 10 to 20% for more advanced countries. Poland's leakage on imports is estimated to be 36%
- Export leakage, international companies play a big role in this kind of leakage. Particularly in poor developing destinations they are the ones that have the required capital to invest on building of tourism infrastructure facilities and improvements. As a result the foreign investors who sponsored the construction of hotels

and other facilities take their share from the tourism related revenue back to their own countries.

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- Enclave tourism
- Takes place when the more developed countries try to control the tourism development in developing destinations or use that as an opportunity to increase their own incomes.

As the international companies intervene with tourism activities of less advanced countries, local businesses see their chances to earn money from tourists greatly reduced. This potential revenue decreases further with the creation of more and more All-inclusive hotels and vacation packages. Since if the visitor remains for his whole stay only in the hotel which offers him all he wants (food, drink and entertainment) local market has little ways to benefit from tourism. While all inclusive packages generate big revenue little of that reaches the local economy compared to other forms of accommodation. These types of establishments also import more trying to gain cheaper prices and employ less people than normal establishments.

- Infrastructure costs
- The development of tourism costs the government and Polish taxpayers great sums of money. In order to be able to attract and host more visitors the government proceeds to improve airports, make better roads and improve other infrastructures as well. Foreign and even local developers in most cases request tax breakers or other financial advantages which are costly procedures for the government. The public resources which will be used to cover these financed

infrastructure or tax breakers accordingly reduces Poland's investment in other important areas like education or health.

- Increase in prices
- Growing demand for basic services and goods from tourists results in price increases which have a negative effect on local societies as their wages remain without an according raise. Developing tourism also creates a raise in real estate demand and this has as a result the increase of constructing costs and value of land. These growing prices and a static salary make life for locals hard.
- Economic dependence of the local community on tourism
- Diversification inside an economy is evidence of health, but when a country becomes dependant for its economic survival on a single industry, this puts great stress on the industry and the people involved with it as it has to perform well. There are many developing countries which due to little ability to explore or use other resources have focused entirely on tourism for the development of their economy. There are countries like the Maldives where 83% of local work depends on tourism; such over-reliance on tourism brings a lot of risks to an economy as the economic recession, changing tourism trends and natural disasters can have devastating results on the country.
- Seasonal character of jobs
- The problems included in the seasonal nature of tourism oriented work are mainly income insecurity as when the season is over the workers are fired and have no work until the next season. But even there is no guarantee he will get reemployed next year. It is also hard for the

seasonal employees to get training, employment related medical benefits or recognition for their experience and in some cases the housing and working conditions they are offered are unsatisfactory.