

Effects of the tourism sector on employment rates



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Chapter 2: Literature Review

The main purpose of this chapter is to provide an overview of the existing literatures that various researchers have conducted on tourism and employment. This chapter also shed lights on how tourism sector is important for employment.

2. 1 Theoretical Review

The theoretical literature explores all the theories based on tourism and employment.

2. 2 Introduction

Around the world tourism has become the most crucial and fast growing industry as it is bringing a numerous advantages especially in Small Island like Mauritius. Over the last decades, tourism has attained increasing recognition as a crucial sector with enormous potential for generating employment. Tourism has been classified as the prosperous industry and considered as one of the largest and most progressive industries in the world that can bring maximum advantage to a country as compared to other economic activities. There has been a rise in tourist's arrivals during the recent years since the beginning of civilisation as travel has been a great interest for people especially in Mauritius. UNWTO's Tourism 2020 vision foresees that international tourists arrivals are expected to be over 1. 56 billion in the year 2020 thus this will bring a positive impact in job opportunities in the future as it will boost up the employment rate in the

world. As such, the tourism sector will continue to be a promising industry in the following decades.

In a country such as Mauritius, employment is considered as one of the most important matters as unemployment keep on increasing every day.

Unemployment following a period of seasonal job creation may be voluntary or involuntary. It is more efficient in creating employment in tourism than in any other sector as tourism is a labour intensive industry. Consumption expenditures of tourist provide direct or indirect employment opportunities in the tourism industry. Therefore total employment in a country is influenced by tourism via the general employment effect in the economy.

The rapid growth of international tourism has led to numerous job creations. Tourism can create employment directly through hotels, restaurants, souvenir sales, taxis and nightclubs, and indirectly through the supply of commodities needed by tourism-related businesses.

2. 3 The seasonality in tourism employment

Tourism seasonality is an important issue in many destinations. Seasonality creates the variation in tourists and visitor numbers to a destination. Many countries are affected by seasonal employment in their tourism industry especially in coastal destination. Seasonality is considered more as an issue rather than a benefit of tourism (Butler, 2001). Thus seasonality is seen as a problem to be tackled at an operational level. Flognfedt (2001) disagrees that in certain situation seasonality in demands present opportunities to rural destinations mostly where their economy balances tourism alongside

other activities. However it is considered that seasonality can cause problems for employment level in the economy.

Unemployment is not certainly produced by seasonal employment.

Unemployment that occurs due to seasonal employment may be willingly or unwillingly because some employees prefer seasonal job as they are paid more compared to other job. Any unemployment benefit policy designed to alleviate the seasonal nature of employment in sectors such as tourism may reduce the unemployment issue.

Employment in the tourism sector is greatly affected by the phenomenon of seasonality. Marshall (1999) describes seasonal job as: "once the seasonal peak has been over, non-stable job will end at a stated time or in the future". The perception of tourism seasonality can be described as temporal lack of balance in the phenomenon of tourism which can be signified in their expenditure, in the number of visitors and employment (Butler, 1994).

The tourism sector gives the opportunity of complementary earning for local population in many developed and developing countries. However, particularly in many developed country destination seasonal fluctuation brings an irregular use of potential workforce which eventually lead to an increase in seasonal unemployment. The seasonal fluctuation of capacity use in tourism industry brings also a local shift of working area. Several countries reported efforts to prolong the high season by creating new artisanal products in order to attract more tourists in the whole year. This would solve the problem of seasonality employment as well as help to increase the investment yield.

Furthermore in the Mauritian context, seasonality in tourist arrivals is also presented and hence this creates an imbalance of employment in the tourism industry where many people will be unemployed during this period. Usually the hottest months of the year are January and December where many foreigners come in Mauritius to spend Christmas and New Year in the summer season while other peaks are in the months of March and August where most of the European spends their holidays in Mauritius. However in June, the winter month in Mauritius and February, the cyclone prone month the country experienced a decreased in its tourist's arrivals. According to the World Tourism Organization (UNWTO), there has been an increased in international tourist arrivals by 4 percent between the month of January and August 2012 compared with the year in 2011. Furthermore, total expenditure on tourism has also increased and most of the rise in spending was from travellers from developing countries such as China, and Indonesia. This generates more employment opportunities in the tourism industry.

2. 4 The relationship between Tourism and Employment

As tourism is a service industry it has powerful effect on those areas which has surplus of labour because skilled and productive human resources are very important for this sector. Tourism, due to its manpower intensive production by nature, is an industry creating an enormous opportunity of employment facilities. It has a great impact on local population employment. Thus there is a positive relationship between the growth of tourism and the increasing employment benefits. This also helps in reducing the poverty rate.

A large number of professional and unprofessional people are required in the field of construction, advertisement and management of infrastructural facilities of tourist centres. The proper utilization of these available human resources could be a benefit for tourism improvement and side by side further prediction of employment. Any expenditure by a tourist allows this industry directly and allows other sectors which supply input to tourism sector indirectly to boost up employment opportunities. Tourism sector is directly linked with several industries such as accommodation, transport, entertainment, travel agents, management, finance and health. Moreover, tourism construction industry provides sources for other industries such as agriculture industry and manufacture industry indirectly.

Furthermore, tourism may create job opportunities not only in tourist receiving countries but also in tourist sending countries in different aspect because different service units are needed in sender countries to complete some facilities done before travel. Depending upon development in tourism sector and intensity in demand for tourism there is an increasing effect in employment. The employment in a country increases as much as tourism demands for that country. Tourism creates employment as much as the income (Holloway, 1994).

In addition, if we make comparison of employment rates created by tourism based on tourist sender country and tourist receiver country, it is possible to conclude in general that the employment rate in tourist receiver country is higher. Tourism appeared to be more labour intensive and empirical studies have confirmed that the level of employment in tourism activities is quite high.

2. 5 Tourism creates an abundance of employment opportunities in both the informal and formal sectors. Tourism creates three types of employment in regional and national economies. (Mathieson and Wall)

1. Direct Employment

Tourism creates enormous number of direct employment in establishment like hotels, restaurants, tourist shops, travel agencies and also in transport, handloom and handicraft industries in the country and it meets touristic needs directly. It also generates certain category of workers like interpreters, guides, tour operators and so on.

2. Indirect Employment

Those directly employed in the tourism industry creates indirect employment in certain other sectors through their demand for the commodities. It covers the employment in other industries which do not cater for touristic consumers directly but get revenue from expenditure done in touristic relations that is the other sectors which bring input for tourism sector. For example, the workers to be employed in construction work of an additional unit to increase capacity of an accommodation facility, or the employees working in a manufacturing facility, which produces the goods to be put up for sale in this facility, can be considered in indirect employment.

3. Induced Employment

It refers to further employment in economy arising from re-spending of the income which has been acquired by direct and indirect employment approaches (Mathieson and Wall, 1982). The individuals, whose earnings and standard of living have raised due to their tourism activities, create new

job opportunities spending this acquired earning in other sectors of the economy. Multiplier effect of tourism plays an essential role in the development of induced employment.

Mauritius has not been able to maintain its number one position in the regional rankings as it was overtaken by the entry of the Seychelles in the year 2013 and is ranked 58th overall. The priority of the sector remains high, along with a strong national attraction for Travel & Tourism (ranked 6th). The country's tourism sector and the good infrastructural development ground were ranked 48th and 37th respectively by regional standards.

Travel & Tourism is one of the dominant employment creators in the earth as this industry directly engages more than 98 million people, representing over 3 percent of employment rate in the world. The sector contributes to around one in every eleven jobs in the whole world. The share of world employment in Travel & Tourism is greater than that for the auto manufacturing industries and chemicals manufacturing industries combined, across each and every region of the world. In addition, the outlook for the sector is almost positive as job growth in Travel & Tourism is estimated to average 1.9 percent yearly over the following next ten years, compared with 1.2 percent growth yearly forecast for total jobs in the world.

In all the regions of the world except for Africa, employment in Travel & Tourism is foreseen to be more promising than total employment growth while travel and tourism employment in Africa is still expected to grow by 2.3 percent yearly for the next decades and reach 2.9 percent of total employment by 2022.

Empirical literature review

This section provides a brief description of the relevant empirical studies on tourism and employment. The main findings have been recorded, merged and compared where appropriate to build a model for analysing the impact of tourism on employment. Finally, the relationship between tourism and employment is examined.

As tourism is a mixture of sectors and it consists of a great number of small service sectors, it becomes difficult to calculate exactly the tourism's contribution in the country's economy. However in Albania country it has been able to determine the relationship between tourism and employment in Albania during the year 1999 to 2012 and the empirical studies show that tourism has a positive impact on employment. Time series have quarterly data and their study has been done using Engle Granger test, Johansen Co integration and the correction of error. Thus empiric results show that tourism has had a positive effect on employment and the co-integration test has given result that there is a strong relationship between the two variables in the long run period.

Furthermore, in Bermuda (dix 1989) concluded that 70 % of all employment in the island is supported by tourism. However when solely the direct employment is viewed the impact of tourism on employment is undervalued. That is real impact is far greater when taking into consideration the effect on the economy of both indirect and induced employment. A lack of accurate figure for total number of people employed in either indirect or induced tourism activities makes it difficult to calculate how many people are

affected even though it is possible to estimate the impact of expected tourist expenditure on direct and indirect employment (Mappisammeng 1991; Booth 1988). Varley 1978 considered that the volume of indirect employment generated by tourism was dependant on the degree of linkage between the tourism sector and the other sector in the economy. In his studies in Fiji he concluded that the higher degree of integration in the economy was the higher the amount of indirect employment created.

Further empirical studies have been done to illustrate the impact of tourism on national economy. Thus input-output analysis approach has been done to illustrate the economic impact of tourism. However Dwyer, Forsyth and Spurr argue that this type of models has some limitation and is considered as a disadvantage to use such type of model. They revealed that these models had taken into consideration only the positive economic aspect and has overlooked the negative impacts. Therefore they suggested that Computable general Equilibrium models (CGE) is a better technique to resolve the problem of the limitation.