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Employment in the Spanish tourism industry and its key role in the economic crisis recovery

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I. Introduction

This paper gathers and summarises the results of an analysis of the effects of the economic crisis on the Spanish tourism industry, and how this sector has contributed to recovery through job creation and the effect of tourism revenue on the balance of payments.

Background:

The autumn of 2007 marked the beginning of an international financial crash that was to have serious consequences, not least a global economic crisis without precedent in recent history, comparable only to the Great Depression of 1929 in its enormous impact.

On 15 September 2008 [Lehman Brothers](#) filed for bankruptcy, devastating the confidence of the world's financial markets. The priority of national central banks around the world was injecting liquidity into the financial system.

Meanwhile, countries introduced financial and bank bailout policies which led to soaring budget deficits and increased public debt. At present, the excessive sovereign debt caused by the crisis, combined with high employment rates, is a heavy burden for countries like Spain.

Spain and the economic crisis

In 2008, Spain was one of the most vulnerable economies in the eurozone, alongside Greece, Italy, and Portugal. This vulnerability was quantified or measured by the risk premium on Spanish bonds compared to German bonds.

In Spain, the economic crisis was aggravated by the collapse of the property bubble and its knock-on effects on the construction industry and on the banks which had financed the building boom.

The crisis prompted the Spanish government to adopt a harsh austerity programme, with cuts to public and private spending. In 2012 the European Union (EU) granted Spain a 100 billion euro credit line to bail out its struggling banks and repair its financial system. In return, Spain had to comply with the EU's requirements and reduce its deficit.

The following table shows how the economic crisis affected Spain's main macroeconomic variables from 2008 to 2014. It also includes the post-crisis year, 2015.

Main features of the Spanish economy from 2008 to 2015.

Macroeconomic figures	2008	2009	2010	2011	2012	2013	2014	2015
Economic growth (annual % GDP)	+1.1%	-3.6%	0.0%	-1.0%	-2.6%	-1.7%	+1.4%	+3.2%
Inflation	+4.1%	-0.3%	+1.8%	+3.2%	+2.5%	+1.4%	-0.2%	-0.6%
Unemployment rate	11.25%	17.86%	19.90%	21.40%	24.8%	26.10%	24.4%	22.1%
Public deficit (annual %)	-4.5%	-11.0%	-9.4%	-9.6%	-10.4%	-6.9%	-5.9%	-5.1%
Public debt (% of GDP)	39.5%	52.7%	60.1%	69.5%	85.4%	93.7%	99.3%	99.2%

Source: by the authors, based on data from the INE and the Ministry of the Economy and Competitiveness.

The 2008 - 2013 global financial crisis affected the Spanish economy directly and intensely, hitting the hardest in 2009, 2012 and 2013.

Although in macroeconomic terms Spain emerged from the crisis in 2014, at the time of writing, in late 2016, it has still not returned to pre-crisis levels of employment, debt and deficit; furthermore, the crisis has changed the rules of the economic game and altered the context: wages are lower, labour and social rights have been lost, high levels of public debt are driving economic policy, etc.

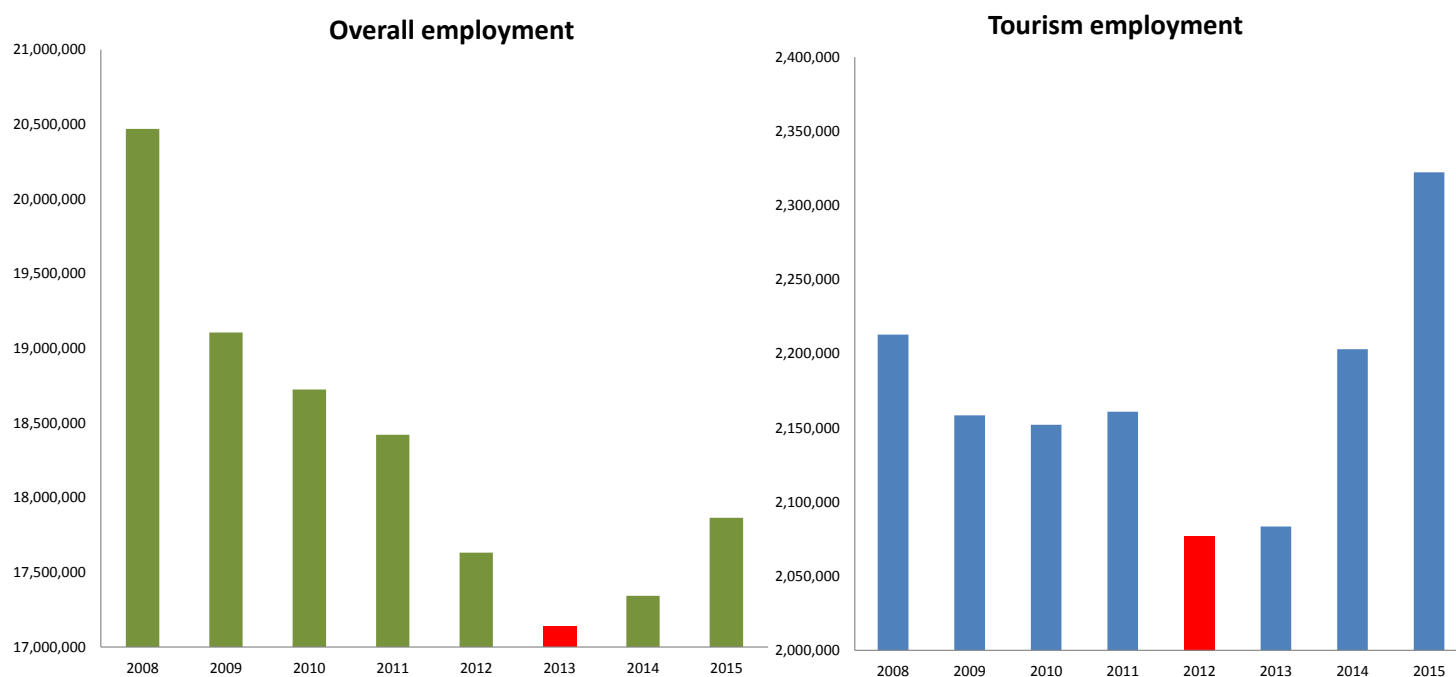
II. The tourism industry's contribution to the economic recovery

Tourism accounts for 10.9% of Spain's GDP, a total of 113.69 billion euros (the latest official data for 2014, according to the Cuenta Satélite del Turismo en España, published in June 2016). In the balance of payments for tourism and travel, in 2015 the tourism surplus, the difference between income (50.947 billion euros) and payments (16.024 billion euros), was 34.923 billion euros, with trade deficit coverage at 156.6%, or in other words, the balance from tourism covers that deficit by a factor of 1.56.

It should be noted that during the crisis years, from 2009 to 2015, tourism and travel revenue in the Balance of Payments was nearly 320 billion euros, more than enough to offset the EU's 100 billion euro bailout of Spanish banks in 2012. The tourism industry represents 13% of employment in Spain (EPA data for 2015), with over 2.3 million jobs.

The most internationalised companies and economic sectors have weathered the crisis better and have been less affected by it, including the Spanish tourism industry, which depends heavily on international tourism flows. For example, although in 2014 the national economy was theoretically no longer in crisis, in 2015 employment was still far from the pre-crisis levels of 2008, while employment in the tourist industry in 2015 was well above pre-

crisis figures. In 2015 the Spanish economy as a whole had 2.6 million fewer people in employment than in 2008, while the tourism sector had 110,000 more. This clearly illustrates how much more strongly the tourism labour market has performed over this period. In 2008 the national unemployment rate was 11.25% and in 2015 it was 22.06%, with a maximum of 26.01% in 2013. Meanwhile, in the tourism industry the percentage of unemployed workers in 2008 was 10.0%, and in 2015 it was 14.5%, with a maximum of 18.2% in 2012.



Source: based on data from the Labour Force Survey (INE/ Turespaña).

II.1. Nature, traits and characteristics of tourism employment

This section characterises employment in the tourism industry, based on the description and analysis of its main features, the characteristics of the tourism labour market, the weight of the different branches, women workers, educational levels, age groups, the unemployment rate, the rate of salaried workers, the temporary employment rate, etc.

In the latest year we have data for, 2015, an average of 2,322,381 workers over the year were employed in the tourism industry, with year-on-year growth of 5.4%, a total of 120,000 more jobs than the year before. 394,642 tourism workers were unemployed.

The tourist activities with the highest employment numbers were serving food and drinks (50% of all tourism jobs), followed by other tourism activities (23.8%), accommodation services (14.8%) and traveller transportation (11.4%).

Tourism workers are also divided into salaried and self-employed workers. There were 1,822,775 salaried tourism workers, with a salaried worker rate (salaried/working) of 78.5%. There were 498,732 self-employed tourism workers, representing 21.5% of all tourism

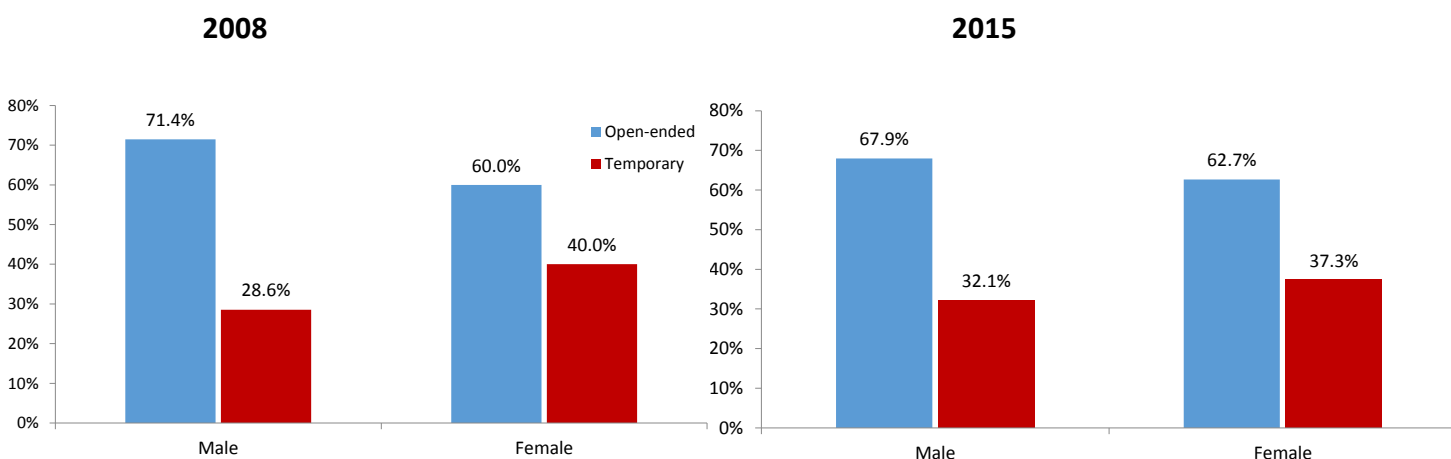
employment. In 2015, 3 out of 4 salaried workers had an open-ended contract, and 1 out of 4 had a temporary contract. It should be noted that in 2015, there was higher yearly growth in open-ended contracts (+6.7%) than temporary contracts (+5.2%).

In socio-demographic terms, by gender, 55.7% of tourism workers are men, and 44.3% are women. However, the percentage varies according to the branch of activity: for example, there are more women (55.5%) working in accommodation than men (44.5%), and in traveller transportation, there are more men (82.8%) than women (17.2%). By age group: 20.7% of tourism workers are 16 to 29 years old, 42.9% are 30 to 44 years old, and 36.4% are over 44. By educational level: 6 out of 10 are educated to secondary school level and 3 out of 10 to higher education level.

Salary conditions have also been analysed to characterise the tourism industry compared to other sectors or the economy as a whole: the average salary cost per worker and month in 2015 in the Spanish economy as a whole grew year on year (+1.1%) to €1,902.40. In the service sector, the cost was €1,837.20 (+1.4%), and in hospitality the salary cost was €1,128.20, with year-on-year growth of 1.4%. In the different tourism activities, the highest salary cost was in air transport (€3,124.80) and the lowest was still in serving food and drink (€965.20).

Finally, regarding the rate of temporary employment in the tourism industry according to the gender of the salaried employee, the following graphs show that temporary jobs are more frequent among women than among men, although we see a change over the years of the crisis, from 2008 to 2015, with temporary employment in tourism increasing for men, from 28.6% to 32.1%, while for women it fell from 40% to 37.3%.

Salaried workers in tourism by gender and type of contract.

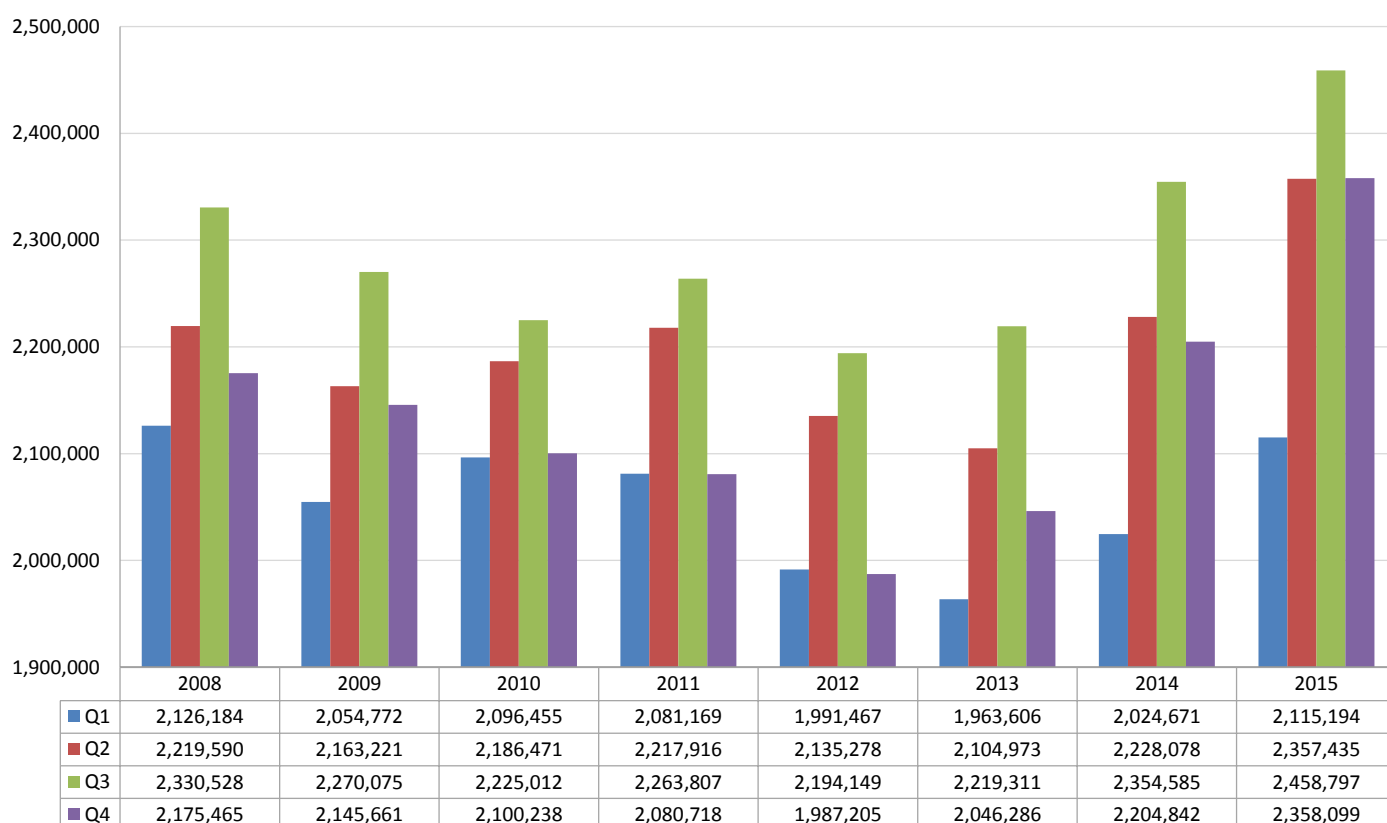


Source: based on data from the Labour Force Survey (INE/ Turespaña).

II.2. The tourism sector as a motor of recovery: the behaviour of tourism employment and tourist flows during the economic crisis

Analysis of the data from the Labour Force Survey (EPA) confirms the positive trend of employment in the tourism industry. Tourism activities continue to create jobs, as they have been doing consistently since mid-2013, and even more strongly in 2015, as can be seen in the following graph:

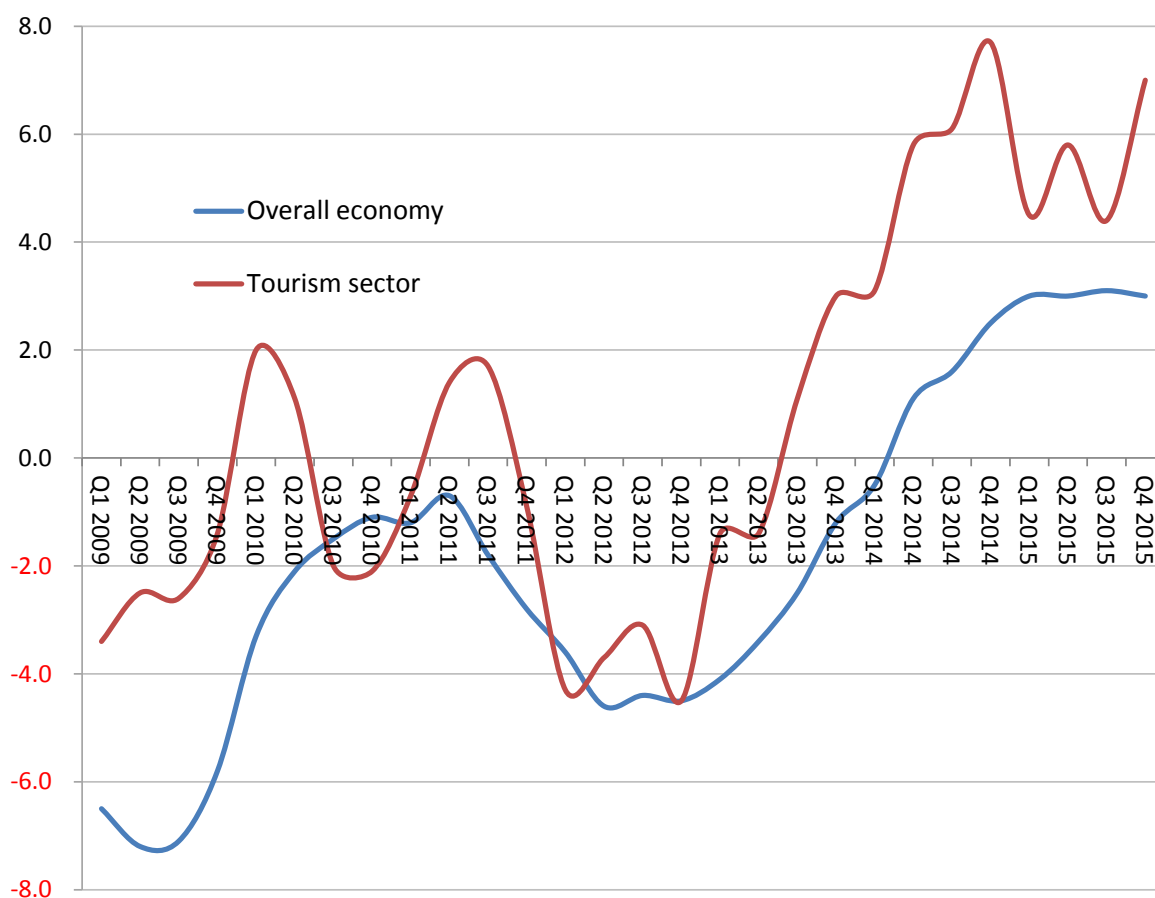
Quarterly variations in people working in tourism. 2008 to 2015.



Source: based on data from the Labour Force Survey (INE/ Turespaña).

Tourism is one of the main drivers of the Spanish economy, and has contributed a great deal to the economic recovery; in fact, the crisis affected tourism less than other sectors, with employment in the tourism industry generally continuing to grow, except from late 2008 to early 2010, and from late 2011 to mid-2013. The following graph compares the year-on-year variation in the number of employed workers in the Spanish economy in general and in the Spanish tourism industry from 2009 to 2015, by quarterly periods.

Employment trends in the economy and in tourism: year-on-year variation in the number of employed workers. 2009 to 2015.



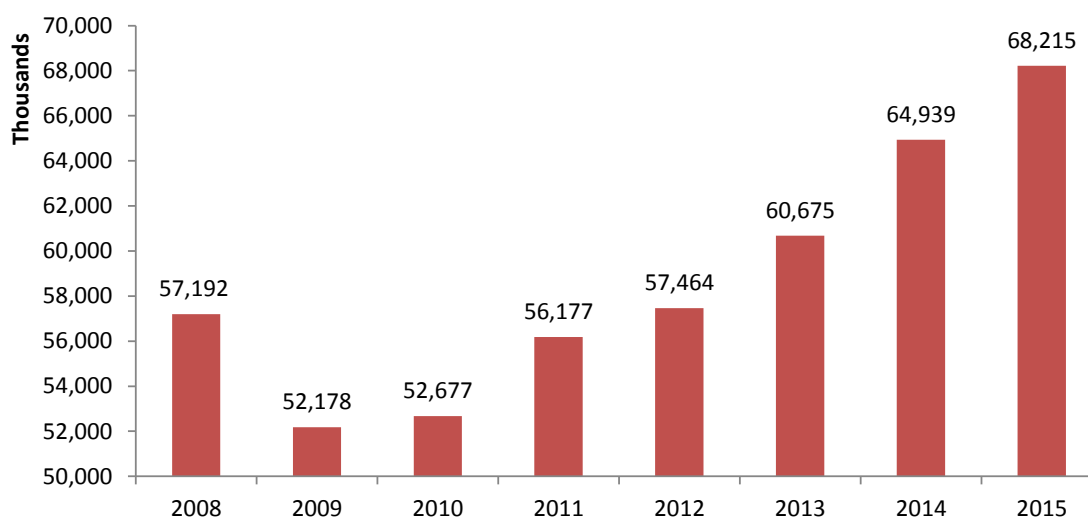
Source: based on data from the Labour Force Survey (INE/ Turesspaña).

International tourist flows into Spain were also affected by the worldwide economic crisis, falling in 2008 and 2009. Until that time, there had never been any decrease in the numbers of international tourists entering Spain, as measured since 1995 by the Tourist Movement on Borders (Frontur) Survey. And inbound tourism began showing signs of recovery in 2010, while Spain and the rest of the world's economies were suffering the worst period of the crisis.

Starting in 2010 arrivals continued to increase, with each year reporting higher figures, positioning Spanish inbound tourism at its highest ever levels, and maintaining Spain's third place in the worldwide ranking of arrivals. In 2013, with Spain still in economic crisis, inbound tourism was back to pre-crisis levels, with record numbers of tourists arriving.

In 2015, the last full year for which we have information, a new record was reached of 68.2 million international tourists, an increase of 3.3 million. This favourable result was accompanied by 2.3 million jobs in the tourism industry, 120,000 more than in 2014, and surpassing the figure reached in 2008. We can see a clear positive correlation between international tourist flows and the number of jobs in the sector.

International tourist arrivals in Spain. 2008 to 2015.



Source: by the authors, based on Frontur data (Turespaña/INE).

The early recovery of international arrivals had a positive influence on restarting the economy and on job creation, both in the most characteristic activity branches of tourism and in the rest of the economy, thanks to the spillover effects of the production system. Tourism was confirmed as a clear driver of recovery and growth, helping to alleviate the effects of the crisis and favouring a return to growth.

In contrast, travel by Spanish residents within Spain (as measured by the Residents Travel Survey- ETR) decreased from 2008 to 2014, except for a slight boost in 2011. This indicates the greater vulnerability of the Spanish economy to the effects of the crisis, and how it affected the country's residents. In 2015, coinciding with its emergence from the crisis, there was an increase of around 4% in the volume of internal travel. Hotel stays by Spaniards (Hotel occupancy Survey- EOH) began to recover in 2014, shedding some light on residents' contribution to the success of the tourism industry.

An analysis of the temporary employment rate (the proportion of temporary employment to total employment) in the tourism industry for the 2008-2015 period shows that 2010 was characterised by lower rates of temporary employment, and 2014 saw the highest rates. In 2015 temporary jobs were again higher than the previous years, except for 2014.

In the first three quarters the lowest rates of temporary employment were seen in 2010, and in the fourth quarter, in 2009 and 2010. The highest rates of temporary employment in the first three quarters were seen in 2008 and 2014, and in the fourth quarter, in 2015.

Temporary employment rates in tourism. 2008 to 2015.

	2008	2009	2010	2011	2012	2013	2014	2015
Q1	33.1	29.6	28.5	29.9	29.2	29.2	31.9	30.7
Q2	34.0	31.4	31.3	33.1	32.4	32.4	34.9	34.4
Q3	37.6	33.7	32.3	36.1	35.1	37.6	38.2	38.1
Q4	32.8	29.2	29.2	31.0	30.3	32.9	33.7	34.1

Source: based on data from the Labour Force Survey (INE/ Turespaña).

This increase in temporary jobs was parallel to the growth in international tourist flows into Spain. It demonstrates the flexibility of the labour market in adapting to tourist demand, accentuated by the labour-intensive nature of the tourism industry.

International tourist flows are strongly seasonal: for example, nearly 65% of international arrivals in Spain are in the 2nd and 3rd quarters (from April to September), with over 37% in the third quarter (July, August and September). In line with this, we see higher rates of temporary jobs in the quarters with the largest numbers of tourist arrivals.

In 2015, the last full year for which we have data, nearly 3 out of 10 new international tourists coming to Spain arrived in the third quarter, accompanied by an increase of approximately 104,000 jobs in the characteristic branches of activity of tourism.

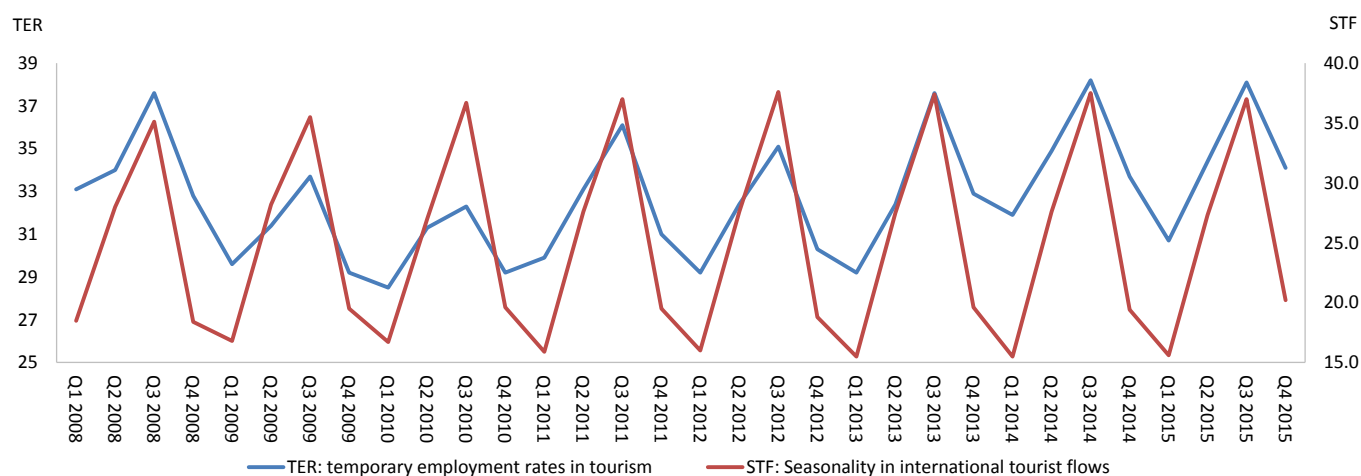
Seasonality in international tourism. 2008 to 2015.

	2008	2009	2010	2011	2012	2013	2014	2015
Q1	18.5	16.8	16.7	15.9	16.0	15.5	15.5	15.6
Q2	28.0	28.2	27.0	27.6	27.6	27.5	27.6	27.3
Q3	35.1	35.5	36.7	37.0	37.6	37.4	37.5	37.0
Q4	18.4	19.5	19.6	19.5	18.8	19.6	19.4	20.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: by the authors, based on Frontur data (Turespaña/INE).

A comparative analysis of the variations in temporary employment and the seasonality of inbound tourist flows shows that in 2008-2011 the latter was higher than the former, while in 2012-2015 the temporary employment rate grew faster than seasonality, which remained stable.

Seasonality in tourist flows compared to temporary employment rates in tourism in Spain. 2008 to 2015, by quarters.



Source: by the authors, based on Frontur data (Turespaña/INE). Using data from the Labour Force Survey (INE/ Turespaña).

III. Future prospects

In an international economic context of weak growth, the Spanish tourism industry continues to have a key role in maintaining the vigour of the Spanish recovery.

Our forecasts show very favourable future prospects for the tourism industry. Our predictions were drafted using the [TRAMO/SEATS method](#) (“Time Series Regression with ARIMA Noise, Missing Observations, and Outliers” and “Signal Extraction in ARIMA Time Series”).

The forecasts indicate that international tourist flows will maintain the existing growth rate. International tourist arrivals are expected to reach around 74.5 million in 2016, six million more than the year before, which would be a new record high. Meanwhile, tourist spending, which is also expected to continue trending upwards, should exceed 72 billion euros. However, these forecasts should be treated with caution, as tourism is very strongly influenced by the fast-moving Spanish and international economic and social context.

Domestic travel by residents in Spain will continue the upward trend which began in 2015, running parallel to non-resident tourism in its contribution to increasing tourist demand.

In line with the above, the predicted trend in tourism industry employment is very positive: the tourism sector will continue creating jobs and acting as a main driver of growth for Spain, and the number of workers in the tourism industry is also expected to grow more than the year before, to around 2.5 million. The economy as a whole will surpass 18 million jobs, with national employment growing more slowly than tourism activities.

The tourism industry will go from an annual average of 2 million workers in 2012 to 2.5 million workers in 2016.

These positive expectations confirm the importance and permanence of the tourism sector as a driver of the economy, and its role in boosting the national system of production. The labour market will continue to benefit from this favourable situation, once again showing its great flexibility in adapting to tourist demand.

Predicted trends in the main variables in Spanish tourism for 2016.

	Total international tourists	Total spend by non-residents	Total nights in hotels	Tourism employment
Forecasts for year end 2016	74,500,000	€72 billion	329 million	2,500,000 jobs

Source: by the authors, based on predictions made using INE data from Frontur, Egatur and EOH, and data from the tourism EPA by Turespaña.

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